ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Annual Financial Report

June 30, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
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Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the Arkansas Public Employees Retirement System, an office of Arkansas state government, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Arkansas Public Employees Retirement System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arkansas Public Employees Retirement System as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

500 WOODLANE STREET, SUITE 172 • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE (501) 683-8600 • FAX: (501) 683-8605
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Emphasis of Matter

As indicated above, the financial statements of the Arkansas Public Employees Retirement System are intended to present the financial position and the changes in financial position of only that portion of the State that is attributable to the transactions of the Arkansas Public Employees Retirement System. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2020, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Arkansas Public Employees Retirement System's basic financial statements. The Schedule of Selected Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Selected Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the Arkansas Public Employees Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Arkansas Public Employees Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arkansas Public Employees Retirement System's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger Norman

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

Little Rock, Arkansas
December 17, 2020
SA1037020

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Arkansas Public Employees Retirement System (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Arkansas Public Employees Retirement System's basic financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2020-1 and 2020-2 that we consider to be significant deficiencies.

Compliance and Other Matters

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

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SCHEDULE OF FINDINGS AND RESPONSES

2020-1 In accordance with Ark. Code Ann. § 25-1-124, the Agency reported to Arkansas Legislative Audit payments to ineligible retirees and beneficiaries made throughout the fiscal year. These payments involved 48 individuals and totaled $147,856 for the public employees plan and involved two individuals and totaled $12,903 for the State Police plan.

We recommend Agency management strengthen internal controls to prevent ineligible payments to retirees and beneficiaries.

Management personnel responded: We will continue working to strengthen our processes in order to identify and report overpayments with the ultimate goal of reducing the number of overpayments to retirees and beneficiaries. One of the risk factors for any pension system is the possibility of a payee receiving a payment that they are no longer entitled to. The system is often reliant on independent third parties—members and beneficiaries who receive payments—to self-report changes that might impact their eligibility to receive a benefit. The unreported death of a retiree or beneficiary is an example of a common occurrence that results in an overpayment. Currently, the system subscribes to death audit services that allow us to compare our member data to reported deaths from across the country. In addition, we utilize our staff resources to identify and recoup overpayments.

Going forward, the following are being evaluated as potential steps to reduce the number of overpayments:

- A records verification letter to ensure that the information on file for retirees is accurate.
- A questionnaire for payees to ensure they are alive and eligible to continue receiving benefits.
- Legislation to add APERS to the list of claimant agencies eligible to make setoffs again state income tax refunds.

We must weigh the cost of any proposed steps with the potential benefit in order to ensure that we are taking the right steps and making the best use of public funds. We are committed to continuing to strengthen our processes and procedures in order to reduce the number of overpayments from the system.

2020-2 The Agency's member system, COMPASS, applied a 6% cost of living adjustment (COLA) to a limited number of retirees' monthly benefits when the authorized COLA was 3%, resulting in overpayments of $10,203 to these members from July 2019 through November 2020. During our testing of members exiting the deferred retirement option program (DROP), we identified a member who received two COLA increases in July 2019. Based on our testing and discussions with management, it appears the COLA error was limited to retirees exiting the DROP on July 1, 2019. We requested that the Agency review the monthly benefit payments for all DROP exits on this date, and management identified an additional 11 errors of this type.

We recommend Agency management strengthen internal controls surrounding the annual COLA adjustment to benefit payments.

Management personnel responded: Since 2017, APERS has utilized a pension administration system to streamline processes, manage workflows, and conduct automated benefit calculations. After this issue was identified, we conducted an internal review and asked our technology vendor to examine the issue. In this instance, it appears a COLA was added when an individual DROP exit application was processed and again when the Agency ran the annual COLA update batch for all retirees. This resulted in a double-COLA for several members who exited the DROP July 1, 2019.

As part of our analysis, we examined the following July 1, 2020, and found that there were no similar errors. We also looked at the previous July 1, 2018, and found no similar errors. After further research, we determined that a major system update in May 2019 to correct benefit calculation logic and multiple workflow processes introduced a new error. This error was subsequently corrected in a release that included a series of fixes in November 2019.

Each year, our staff conducts a manual reasonability analysis of the system-generated COLA calculations before they are applied to each member's benefit. Going forward, we will strengthen our manual process by giving additional manual checks to the accuracy of the annual COLA calculation for those members in special circumstances, such as those exiting the DROP.

Agency's Response to Findings

The Agency's response to the finding identified in our audit is described above. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Tom Bullington

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 17, 2020

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM — Exhibit A
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Cash and cash equivalents	$ 178,656,137	$ 15,441,520	$ 2,307,123	$ 196,404,780
Receivables:				
Employer contributions	2,110,246	1,303	123,003	2,234,552
Plan member contributions	432,205		46,501	478,706
Local district judges retirement funds	5,617,215			5,617,215
Investment principal receivable	20,181,631	760,225	308,541	21,250,397
Accrued investment income	18,205,653	685,794	918,115	19,809,562
Other, net of allowance for uncollectable accounts	67,329	8,836		76,165
Total Receivables	46,614,279	1,456,158	1,396,160	49,466,597
Investments, at fair value:				
U.S. Government securities	151,105,081	5,692,017	8,052,099	164,849,197
Government agency securities	147,510,163	5,556,600	16,965,613	170,032,376
Municipal bonds	2,274,707	85,687	371,499	2,731,893
Domestic equities	2,804,799,059	105,654,719	45,921,546	2,956,375,324
Domestic corporate obligations	682,630,602	25,714,193	52,183,142	760,527,937
International equities	1,311,445,150	49,401,175	6,213,705	1,367,060,030
International obligations	148,571,825	5,596,591	11,908,190	166,076,606
Mutual and exchange traded funds	133,571,315	5,031,533		138,602,848
Pooled investment funds	1,789,471,990	67,408,095	109,619,495	1,966,499,580
Real estate	956,387,800	36,026,425	24,220,615	1,016,634,840
Commercial loans	9,895,764	372,766	2,518,753	12,787,283
Diversified strategies	429,122,315	16,164,722		445,287,037
Investment derivatives	(321,404)	(12,107)	(47,782)	(381,293)
Total Investments	8,566,464,367	322,692,416	277,926,875	9,167,083,658
Securities lending collateral, at fair value:				
Repurchase agreements	71,507,759	2,693,645		74,201,404
Commercial paper	162,930,329	6,137,465		169,067,794
Floating rate notes	318,776,085	12,008,061		330,784,146
Asset-backed securities	197,298,490	7,432,089		204,730,579
Total Securities Lending Collateral	750,512,663	28,271,260		778,783,923
Other assets:				
Prepaid expenses	264,338			264,338
Capital assets, at cost, less accumulated depreciation	14,405,957			14,405,957
Total Other Assets	14,670,295			14,670,295
Total Assets	9,556,917,741	367,861,354	281,630,158	10,206,409,253
Deferred outflows of resources - related to other post employment benefits	24,606			24,606
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	9,556,942,347	367,861,354	281,630,158	10,206,433,859
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accrued expenses and other liabilities	8,385,696	522,066	274,689	9,182,451
Due to other agencies	8,937			8,937
Compensated absences	461,603			461,603
Post-employment benefit liability	4,543,969			4,543,969
Investment principal payable	21,559,197	812,119	518,330	22,889,646
Securities lending liability	752,430,215	28,343,491		780,773,706
Total Liabilities	787,389,617	29,677,676	793,019	817,860,312
Deferred inflows of resources - related to other post employment benefits	542,040			542,040
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	787,931,657	29,677,676	793,019	818,402,352
NET POSITION RESTRICTED FOR PENSIONS	$ 8,769,010,690	$ 338,183,678	$ 280,837,139	$ 9,388,031,507

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan	Total
ADDITIONS				
Contributions:				
Employer	$ 298,918,947	$ 7,205,047	$ 3,034,573	$ 309,158,567
Plan members	71,470,967	93,792	1,138,323	72,703,082
Supplemental contributions	578,618	7,705,096	5,143,150	13,426,864
Motor vehicle title fees		4,754,635		4,754,635
Designated court fees		655,925	394,974	1,050,899
Driver's license reinstatement fees		1,458,873		1,458,873
Total Contributions	370,968,532	21,873,368	9,711,020	402,552,920
Investment income:				
From investing activities:				
Net increase (decrease) in the fair value of investments	72,555,566	2,805,114	11,608,860	86,969,540
Interest and dividends	129,772,520	4,938,087	6,886,903	141,597,510
Other investment income	1,366,416	52,797		1,419,213
Total Investment Income (Loss)	203,694,502	7,795,998	18,495,763	229,986,263
Less investment expense	33,718,314	1,267,471	1,060,480	36,046,265
Net Investment Income (Loss)	169,976,188	6,528,527	17,435,283	193,939,998
From securities lending activities:				
Securities lending income	18,208,238	685,541		18,893,779
Less securities lending expense	13,622,652	513,165		14,135,817
Net Securities Lending Income	4,585,586	172,376		4,757,962
Other additions:				
Transfers from other public employees retirement systems	4,289,160			4,289,160
Miscellaneous additions	835,378			835,378
Total Other Additions	5,124,538			5,124,538
TOTAL ADDITIONS	550,654,844	28,574,271	27,146,303	606,375,418
DEDUCTIONS				
Benefits	587,453,797	27,934,142	13,440,774	628,828,713
Refunds of contributions	15,835,290		5,986	15,841,276
Transfers to other public employees retirement systems	58,203	164,008	111,852	334,063
Administrative expenses	11,624,523	31,455	30,039	11,686,017
TOTAL DEDUCTIONS	614,971,813	28,129,605	13,588,651	656,690,069
NET INCREASE (DECREASE) IN NET POSITION	(64,316,969)	444,666	13,557,652	(50,314,651)
NET POSITION - BEGINNING OF YEAR	8,833,327,659	337,739,012	267,279,487	9,438,346,158
NET POSITION - END OF YEAR	$ 8,769,010,690	$ 338,183,678	$ 280,837,139	$ 9,388,031,507

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

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 177 of 1957, as amended, established the Arkansas Public Employees Retirement System (APERS) as an office of Arkansas state government for the purpose of providing retirement benefits for employees and various elected officials of state and local government in Arkansas. The Act also provided for the administration and control of the system to be vested in a nine-member Board of Trustees. Six members are appointed by the Governor, with three members being state employees and three members being non-state employees. Each appointee shall have at least five continuous years of service with a public employer(s) that is a member of the system, and no more than one state employee or non-state employee appointed may be a retired member. The Auditor of State, the Treasurer of State, and the Director of the Department of Finance and Administration are ex-officio members.

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

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

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

B. Plan Descriptions

The Arkansas Public Employees Retirement System manages three defined benefit pension plans: two single-employer plans (i.e., State Police retirement plan and judicial retirement plan) and one multi-employer cost sharing plan (i.e., public employees retirement plan). On June 30, 2020, membership in each plan consisted of the following:

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Retirees and beneficiaries currently receiving benefits, including DROP participants	39,977	746	148
Terminated members entitled to but not yet receiving benefits	14,804	108	8
Active members	44,395	482	142
Total	99,176	1,336	298

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

Public Employees Retirement Plan Description

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

On June 30, 2020, the number of employers participating in the plan was as follows:

State	253
Municipal	178
County	87
School	48
Court Clerks	36
Other Non-State	35
District Judges	14
Total	651

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

State Police Retirement Plan Description

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

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

Tier One noncontributory members are eligible for full retirement benefits (1) at any age with 30 years of actual service; (2) at age 52 with five years of actual service; or (3) at age 65 with five years but less than 30 years of actual service. The age requirement is reduced by one month for every two months of Public Safety service credit but not below age 52. Public Safety service credit is granted at the rate of 1.5 months of credit for each actual month of Public Safety employment. Reduced benefits are payable after five years of actual service once the covered employee is within 10 years of becoming eligible for full benefits. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (an average of the highest 60 calendar months' salary) and (2) the number of years and months of credited service.

Tier Two members are eligible for full retirement benefits (1) at any age with 30 years of credited service or (2) at age 65 with five years but less than 30 years of credited service. The age requirement for Tier Two is reduced by 75% of a month for each credited month of service but not below age 55. Reduced benefits are payable after five years of actual service once the covered employee is within 10 years of becoming eligible for full benefits. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (the highest 48 calendar months' salary) and (2) the number of years and months of credited service

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

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

Judicial Retirement Plan Description

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

Judicial Retirement Plan Description (Continued)

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

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

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

C. Basis of Presentation – Fund Accounting

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

Fiduciary Funds

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

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

D. Basis of Accounting

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

F. Deposits and Investments

Deposits

Deposits consist of cash in short-term investment fund, cash in State Treasury, cash held by investment brokers, and cash in bank totaling $188,602,712, $6,890,392, $721,359, and $190,117, respectively. Most deposits are carried at cost except for the STIF account which is stated at fair value. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. A formal policy for custodial credit risk has not been adopted by any Board of Trustees. As of June 30, 2020, none of the cash held in the short-term investment fund of $188,602,711 was exposed to custodial credit risk as it was collateralized by securities held by the custodial agent in the Agency's name. As of June 30, 2020, none of the Agency's bank balance of $190,117 was exposed to custodial credit risk as it was fully insured by the Federal Deposit Insurance Corporation. However, as of June 30, 2020, the Agency's cash held by investment brokers of $721,359 was exposed to custodial credit risk as it was uninsured and uncollateralized.

Investments

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

Level 1: Unadjusted quoted prices for identical instruments in active markets.
Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

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

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument(s) and should not be perceived as the particular investment's risk. The fair value measurement of plan investments and securities lending collateral as of June 30, 2020, is as follows:

Plan Investments Measured At Fair Value	Total	Level 1	Level 2	Level 3
U.S. Government securities	$ 164,849,197	$ 164,849,197		
Government agency securities:				
Government agency pooled securities	117,894,536		$ 117,894,536	
Government agency collateralized mortgage obligations	52,137,840		52,137,840	
Municipal bonds	2,731,893		2,731,893	
Domestic equities:				
Common stock	2,908,887,441	2,908,877,905		$ 9,536
Convertible preferred stock	42,923,227	38,610,300	4,312,927	
Preferred stock	4,564,656		4,564,656	
Domestic corporate obligations:				
Corporate bonds	326,544,650		326,544,650	
Convertible bonds	273,145,332		273,145,332	
Asset- and mortgage-backed securities	160,837,955		160,837,955	
International equities:				
Equity securities	1,342,598,067	1,342,598,067		
Preferred stock	24,461,963	24,461,963		
International obligations:				
Corporate securities	92,858,360		92,858,360	
Emerging markets	28,409,434		28,409,434	
Convertible bonds	23,915,162		23,915,162	
Asset-backed securities	18,436,538		18,436,538	
Non-U.S. Government securities	2,457,112		2,457,112	
Mutual and exchange traded funds:				
Emerging markets equity portfolio	87,123,135	87,123,135		
Global bond fund	35,526,910	35,526,910		
Floating rate bond fund	15,952,803	15,952,803		
Commercial loans	12,787,283			12,787,283
Investment derivatives:				
Futures	(267,985)	(267,985)		
Forwards	(113,308)		(113,308)	
Total Plan Investments Measured at Fair Value	5,738,662,201	$ 4,617,732,295	$ 1,108,133,087	$ 12,796,819

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Plan Investments Measured At Fair Value	Total	Level 1	Level 2	Level 3
Plan Investments Measured At Net Asset Value Or Equivalent (NAV)				
Pooled investment funds:				
ACWI ex-US index fund	758,289,625			
Core plus bond fund	544,934,658			
S&P 500 equity index fund	292,325,210			
Global real estate investment trust fund	100,568,746			
Global energy fund	101,038,651			
Defensive bond arbitrage fund	59,816,100			
Mellon Russell 1000 growth fund	51,691,144			
International choice fund	45,804,473			
High-yield income fund	12,030,973			
Real estate:				
Invesco core real estate	493,127,334			
Heitman America real estate trust	299,929,972			
Timberfund I	84,695,862			
TA Realty funds X, XI, and XII	59,582,827			
LaSalle funds VI and VII	45,617,852			
Heitman value fund IV	33,680,993			
Diversified strategies:				
Blackstone hedge fund of funds	183,287,627			
AQR global risk premium tactical fund (GRPT)	136,877,838			
Newton global real return (US$)	125,121,572			
Total Plan Investments Measured at NAV	3,428,421,457			
Total Plan Investments	$ 9,167,083,658			
Securities Lending Collateral Measured at Fair Value*				
Repurchase agreements	$ 74,201,404		$ 74,201,404	
Commercial paper	169,067,794		169,067,794	
Floating rate notes	330,784,146		330,784,146	
Asset-backed securities	204,730,579		204,730,579	
Total Securities Lending Collateral	$ 778,783,923		$ 778,783,923	

*Cash collateral received totaled $780,773,706. The amount reported above is the market value of the collateral at June 30, 2020.

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

	Fair Value	Strategy Type	Fund Life of Non-redeemable Mandates	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Redemption Restrictions	Restriction Time Remaining
Pooled investment funds:								
ACWI ex-US index fund	$ 758,289,625	International equities	N/A	none	daily	T + 1	N/A	N/A
Core plus bond fund	544,934,658	Active global fixed income	N/A	none	daily	T + 3	N/A	N/A
S&P 500 equity index fund	292,325,210	S&P 500 Index	N/A	none	daily	T + 3	N/A	N/A
Global real estate investment trust fund	100,568,746	Global real estate securities	N/A	none	daily	T + 1	N/A	N/A
Global energy fund	101,038,651	Global energy stocks	N/A	none	daily	T + 3	N/A	N/A
Defensive bond arbitrage fund	59,816,100	Income oriented	N/A	none	daily	T + 1	N/A	N/A
Mellon Russell 1000 growth fund	51,691,144	U.S. large cap growth stocks	N/A	none	daily	T + 1	N/A	N/A
International choice fund	45,804,473	International equities	N/A	none	daily	T + 3	N/A	N/A
High-yield income fund	12,030,973	Active high-yield fixed income	N/A	none	daily	T + 1	N/A	N/A
Real estate:								
Invesco core real estate	493,127,334	Core real estate	N/A	none	quarterly	T + 45	N/A	N/A
Heitman America real estate trust	299,929,972	Core real estate	N/A	none	quarterly	T + 90	N/A	N/A
Heitman value partners IV	33,680,993	Value add real estate	N/A	$ 41,287,336	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Timberfund I	84,695,862	Real assets	N/A	none	none	N/A	N/A	Partnership terminates December 2027
TA Realty fund X	3,395,491	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
TA Realty fund XI	50,116,492	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
TA Realty fund XII	6,070,844	Value add real estate	N/A	$ 67,500,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
LaSalle fund VI	10,112,583	Value add real estate	N/A	$ 1,428,572	7-year lock up	N/A	N/A	Capital redistribution phase
LaSalle fund VII	35,505,269	Value add real estate	N/A	$ 3,311,145	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Diversified strategies:								
Blackstone hedge fund of funds	183,287,627	Fund of funds	N/A	none	last day of each quarter	1yr; 2yrs; 3yrs; >3yrs	55% liquidity; then 20%; then 15%; then 10%	N/A
AQR global risk premium tactical fund (GRPT)	136,877,838	Risk premia	N/A	none	weekly and monthly	T + 2	N/A	N/A
Newton global real return (US$)	125,121,572	Global real return	N/A	none	daily	T + 3	N/A	N/A
Totals	$ 3,428,421,457			$ 113,527,053				

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

Global Energy Fund – This fund seeks to invest globally in opportunities found in the energy industry. Strategies are both long and short in equity securities and related instruments of energy and energy-related businesses.

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2020, the annual money-weighted rate of return for each plan was as follows:

Public Employees Retirement Plan	2.00%
State Police Retirement Plan	2.03%
Judicial Retirement Plan	6.51%

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics. A formal investment policy has not been adopted by any Board of Trustees that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The summary below of investments subject to interest rate risk indicates that, as of June 30, 2020, 99.25% of plan investments and 3.25% of the investments purchased with securities lending cash collateral have maturities of one year or longer.

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 - 5	More than 5 - 10	More than 10
U.S. Government securities	$ 164,849,197	$ 2,021,598	$ 46,155,264	$ 60,358,757	$ 56,313,578
Government agency securities	170,032,376	1,920		18,164,936	151,865,520
Municipal bonds	2,731,893		152,983		2,578,910
Domestic corporate obligations	760,527,937	6,752,357	289,395,279	217,107,438	247,272,863
International obligations	166,076,606	5,894,341	53,470,169	65,167,627	41,544,469
Global bond fund	35,526,910			35,526,910	
Floating rate bond fund	15,952,803		15,952,803		
Commercial loans	12,787,283		10,762,847	2,024,436	
Core plus bond fund	544,934,658			544,934,658	
Defensive bond arbitrage fund	59,816,100		59,816,100		
High-yield income fund	12,030,973			12,030,973	
Totals	$ 1,945,266,736	$ 14,670,216	$ 475,705,445	$ 955,315,735	$ 499,575,340
Securities Lending Collateral					
Repurchase agreements	$ 74,201,404	$ 74,201,404			
Commercial paper	169,067,794	169,067,794			
Floating rate notes	330,784,146	323,551,886	$ 7,232,260		
Asset-backed securities	204,730,579	186,645,034	16,491,520		$ 1,594,025
Totals	$ 778,783,923	$ 753,466,118	$ 23,723,780	$ 0	$ 1,594,025

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Mortgage-Backed Securities – As of June 30, 2020, investments that were affiliated with mortgages had a fair value of $265,121,681. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the full amount of principal will be received if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new, lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors, such as loan types and geographic location of the related properties.

Asset-Backed Securities – As of June 30, 2020, asset-backed securities had a fair value of $288,915,766. Included in this amount was $204,730,579 in securities lending collateral. Asset-backed securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Domestic and International Corporate Debt – As of June 30, 2020, domestic and international corporate debt had a fair value of $778,596,590. Included in this amount are $326,544,650 in domestic corporate bonds, $92,858,360 in international corporate securities, $28,409,434 in emerging market debt, and $330,784,146 in floating rate notes purchased with securities lending cash collateral. Corporate debt are instruments issued by private corporations. They have a term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates.

Convertible Corporate Bonds – As of June 30, 2020, convertible bonds had a fair value of $297,060,494. Included in this amount are $273,145,332 in domestic convertible bonds and $23,915,162 in international convertible bonds. These bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds offer lower coupon rates and promised yields to maturity than do nonconvertible bonds. A variable coupon varies directly with movements in interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the credit quality of investments in debt securities as described by nationally-recognized statistical rating organizations. A formal investment policy that limits investment in debt based on their statistical rating as a means of managing exposure to credit risk has not been adopted by any Board of Trustees. As of June 30, 2020, exposure to credit risk as rated by Standard and Poor's and Moody's Investors Service is as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Standard and Poor's		Moody's Investors Service	
Rating	Fair Value	Rating	Fair Value
AAA	$ 54,506,306	Aaa	$ 355,085,953
AA	175,036,252	Aa	59,585,251
A	645,482,118	A	639,650,187
BBB	289,169,576	Baa	232,400,151
BB	142,868,909	Ba	138,353,210
B	90,915,147	B	84,403,373
CCC or below	21,430,491	Caa or below	14,730,126
Not Rated	525,857,937	Not Rated	421,058,485
Total	$ 1,945,266,736	Total	$ 1,945,266,736
Securities lending collateral			
AAA	$ 143,376,292	Aaa	$ 128,276,552
AA	168,880,710	Aa	227,154,928
A	330,971,231	A	62,126,468
CCC or below	1,594,025	Caa or below	1,594,025
		P-1	192,770,612
Not Rated	133,961,665	Not Rated	166,861,338
Total	$ 778,783,923	Total	$ 778,783,923

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the respective plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the plan's name. A formal investment policy for custodial credit risk has not been adopted by any Board of Trustees. As of June 30, 2020, no investments were exposed to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer (not including investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, or other pooled investments). A formal investment policy for concentration of credit risk has not been adopted by any Board of Trustees. As of June 30, 2020, no investments in any one issuer represented more than 5% of total investments of an individual plan.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. A formal investment policy for foreign currency risk has not been adopted by any Board of Trustees. As of June 30, 2020, exposure to foreign currency risk in U.S. dollars for investments and deposits is as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Currency		Total Exposure	Equities	Fixed Income	Foreign Currency Contracts	Investment Principal Receivable	Investment Principal Payable	Accrued Income	Cash Deposits
Australian Dollar	AUD	$ 23,335,647	$ 23,292,178					$ 43,469	
Brazilian Real	BRL	6,539,941	6,525,428					14,513	
British Pound Sterling	GBP	157,821,282	157,369,804		$ (2,139,941)	$ 2,319,253	$ (179,312)	451,478	
Canadian Dollar	CAD	39,224,787	39,059,561					165,226	
Chinese Yuan Renminbi	CNY	(21,932,385)			(21,932,385)				
Danish Krone	DKK	23,616,184	22,642,814					973,370	
Euro	EUR	328,379,158	326,934,636	$ 1,382,485	(1,254,989)		(146,394)	1,463,420	
Hong Kong Dollar	HKD	57,480,030	57,384,530					95,500	
Israeli Shekel	ILS	4,684,961	4,684,961						
Japanese Yen	JPY	159,878,605	165,888,803		(6,438,854)	111,445		317,211	
Mexican Nuevo Peso	MXN	2,493,409	2,493,409						
Norwegian Krone	NOK	3,682,183	3,640,524					41,659	
Singapore Dollar	SGD	12,947,128	12,947,128						
South African Rand	ZAR	9,947,002	9,947,002						
South Korean Won	KRW	54,541,214	54,386,073					155,141	
Swedish Krona	SEK	31,869,184	31,819,169					50,015	
Swiss Franc	CHF	124,352,299	122,463,514		(34,120)	86,674		1,836,231	
Totals		$ 1,018,860,629	$ 1,041,479,534	$ 1,382,485	$ (31,800,289)	$ 2,517,372	$ (325,706)	$ 5,607,233	$ 0

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

Concentrations of Investments – Generally accepted accounting principles require each pension plan to disclose investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5% or more of fiduciary net position. As of June 30, 2020, no investments in any one organization made by an individual plan represented 5% or more of the fiduciary net position of that plan.

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

The fair value balances of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended, are as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

	Changes in Fair Value		Fair Value at June 30, 2020	
Type	Classification	Amount	Classification	Amount
Foreign currency forwards	Net increase (decrease) in fair value of investments	$ (149,324)	Investment derivatives	$ (113,308)
Futures	Net increase (decrease) in fair value of investments	(657,149)	Investment derivatives	(267,985)
Totals		$ (806,473)		$ (381,293)

Foreign Currency Forwards – A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized as net increase (decrease) in fair value of investments in the Statement of Changes in Fiduciary Net Position. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net increase (decrease) in fair value of investments in the Statement of Changes in Fiduciary Net Position. As of June 30, 2020, derivative contracts to purchase foreign currencies totaled $1,650,518. Market values of these outstanding contracts were $1,670,894, resulting in a net gain of $20,376. Contract amounts to sell foreign currencies totaled $31,187,305. Market values of these contracts were $31,320,989, resulting in a net loss of $133,684.

As of June 30, 2020, the net fair value of foreign currency forwards and the net notional amounts outstanding are as follows:

Foreign Currency Forward	Amount	Net Notional	
Chinese Yuan Renminbi	$ (103,379)	CNY	(155,883,585)
Euro	(46,809)	EUR	(1,237,000)
Japanese Yen	36,880	JPY	(681,449,907)
Total	$ (113,308)		

Futures – A financial future is a contractual obligation to purchase or sell assets at a predetermined date and price. These contracts are traded on an organized exchange and are used to improve yield, adjust duration of the portfolio, circumvent changes in interest rates, or replicate an index. Risks associated with such contracts include movement in interest rates and the ability of the counterparty to perform. As of June 30, 2020, the fair value and notional amounts of futures are as follows:

Futures Contract	Expiration	Amount	Notional	
U.S. 2-year treasury note	September 2020	$ 17,750	USD	$ 55,600,000
U.S. 5-year treasury note	September 2020	(75,924)	USD	(18,700,000)
U.S. 10-year treasury note	September 2020	(17,966)	USD	(5,400,000)
U.S. ultra 10-year treasury note	September 2020	(227,390)	USD	(26,500,000)
U.S. treasury long bond	September 2020	(6,250)	USD	(400,000)
U.S. ultra bond	September 2020	41,795	USD	8,400,000
Total		$ (267,985)		

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Securities Lending Transactions – The APERS Board of Trustees' policies permit APERS to enter into securities lending transactions, whereby securities are lent to broker-dealers or other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. APERS's securities lending program is administrated by the Bank of New York-Mellon (the "Custodian"). The legal and contractual authorization for the securities lending program is contained in the Securities Lending Discretionary Agency Agreement between APERS and the Custodian. There were no restrictions on the amount of security loans that can be made, and for the year ended June 30, 2020, there were no violations of the Agency Agreement. Collateral must be provided in the amount of 102% for domestic loans and 105% for international loans. Securities on loan (Underlying Securities) to participating brokers at year-end include U.S. government securities, corporate securities, and international securities. Brokers who borrow the securities provide collateral in the form of government securities, letters of credit, and cash collateral. At year-end, there was no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed. The Custodian provides for full indemnification for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or to pay the trust funds for income of the securities while on loan. Collateral securities received cannot be pledged or sold unless the borrower defaults. Cash collateral received is invested and appears as an asset on the Statement of Fiduciary Net Position. A corresponding liability is recorded, as the cash collateral must be returned to the borrower upon expiration of the loan. The loan maturity dates generally do not match the maturity dates of the investments made with cash collateral received. The cash collateral investments had a weighted average maturity of 168 days on June 30, 2020, whereas the loan maturity was 29 days.

G. Capital Assets

Capital assets with costs exceeding $5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Gifts or contributions are generally recorded in the accounts at acquisition value at the time received. Acquisition value is the market value if the item was purchased.

Depreciation is reported for capital assets based on a straight-line method, with no salvage value. Estimated useful lives generally assigned are as follows:

Assets:	Years
Equipment	5-20
Intangibles	4-95

Capital assets activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fiduciary activities:				
Equipment	$ 192,050	$ 26,037	$ 25,293	$ 192,794
Intangible assets	21,239,594			21,239,594
Less accumulated depreciation	4,873,210	2,178,514	25,293	7,026,431
Fiduciary activities, net	$ 16,558,434	$ (2,152,477)	$ 0	$ 14,405,957

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Compensated Absences – Employee Leave

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

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

Compensated absences attributable to employee annual and sick leave as of June 30, 2020 and 2019, amounted to $461,603 and $417,191, respectively. The net change to compensated absences payable during the year ended June 30, 2020, amounted to $44,412.

I. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for EBD related to medical and prescription drug plans are established by the State and Public School Life and Health Insurance Board (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. EBD is included in the State of Arkansas's Comprehensive Annual Financial Report (CAFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Finance and Administration, 1509 West Seventh Street, Suite 403, Little Rock, Arkansas 72201 or by calling 501-682-1675.

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

Funding Policy – Employer contributions to the Plan are established by Ark. Code Ann. § 21-5-414 and may not exceed $450 per budgeted position. Employees, retirees, and beneficiaries contribute varying amounts based on the type of coverage and inclusion of family members. Benefits for Medicare-eligible retirees are coordinated with Medicare Parts A and B, and the Plan is the secondary payer. The portion of the State's annual OPEB liability attributable to APERS as of June 30, 2020, is $4,543,969.

J. Contributions and Reserves

Contributions

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Contributions and Reserves (Continued)

Contributions (Continued)

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

Employer contribution rates during the fiscal year ended June 30, 2020, as a percentage of active member payroll, are as follows:

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

State Police Retirement Plan – Employer contribution provisions for the State Police retirement plan are established by Ark. Code Ann. § 24-6-209 at 22% of active member payroll. For any remaining members still employed and covered by the Tier One contributory plan, the employee contribution rate established by Ark. Code Ann. § 24-6-208 is 9.25% of the member's salary.

Additionally, in accordance with Ark. Code Ann. § 24-6-209(b), the State makes an annual transfer to the plan by computing the dollar amount required based on the actuarially-determined employer rate in the most recent annual actuarial valuation and subtracting from that amount the employer statutory contribution and the driver's license reinstatement fees. The State's supplemental contribution during FY2020 under this provision of law amounted to $7,705,096.

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

Additionally, in accordance with Ark. Code Ann. § 24-8-210(b), the State makes an annual transfer to the plan by computing the dollar amount required based on the actuarially-determined employer rate in the most recent annual actuarial valuation and subtracting from that amount the employer statutory contribution amount and the court cost revenue received. The State's supplemental contribution during FY2020 under this provision of law amounted to $5,143,150.

Reserves

The reserve accounts are an allocation of the net position restricted for pensions and do not limit the availability of assets to be used for existing pensions or pension administration. They are made to comply with the provisions of Arkansas Code or the decisions of plan management. The reserve balances at June 30, 2020, are as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Contributions and Reserves (Continued)

Reserves (Continued)

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan	Total
Members' deposit account reserve	$ 464,165,972	$ 654,592	$ 15,744,793	$ 480,565,357
Employer's accumulation account reserve	1,683,714,597	32,163,871	105,504,540	1,821,383,008
Retirement reserve	5,883,564,444	291,574,208	156,555,891	6,331,694,543
December 31, 2004, accrued liability reserve	20,171,055			20,171,055
Undistributed reserves	717,394,622	13,791,007	3,031,915	734,217,544
Totals	$ 8,769,010,690	$ 338,183,678	$ 280,837,139	$ 9,388,031,507

K. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

L. Federal Income Tax Status

During the year ended June 30, 2020, all plans qualified under 26 USC § 401(a) and were exempt from federal income taxes under 26 USC § 501(a).

NOTE 2: Deferred Retirement Option Program (DROP)

	Deferred Retirement Option Program by Retirement Plan		
		State Police	
	Public Employees	Tier One	Tier Two
Authority for Program:	Ark. Code Ann. §§ 24-4-801 – 24-4-806	Ark. Code Ann. §§ 24-6-301 – 24-6-307	Ark. Code Ann. §§ 24-6-501 – 24-6-508
Participation Eligibility:	Members with 28 years of actual service subject to an early participation reduction of one-half of 1% for each month away from 30 years or 30 years of actual service with no reduction in benefits. Member election to enter the DROP is irrevocable, and additional service credit in any state-supported retirement system cannot be accumulated.	Members with 30 years of credited service who are eligible to receive a service retirement pension and have been approved by the ASPRS Board of Trustees. Member election to enter the DROP is irrevocable, and additional service credit in any state-supported retirement system cannot be accumulated.	Members with 30 years of actual service as a member of the Tier Two plan who are eligible to receive a service retirement pension and have been approved by the ASPRS Board of Trustees. Member election to enter the DROP is irrevocable, and additional service credit in any state-supported retirement system cannot be accumulated.
Period of Participation:	The maximum period of participation is seven years, at which time employment must terminate.	The maximum period of participation is seven years, at which time employment with the Department of Arkansas State Police must terminate.	The maximum period of participation is seven years, at which time employment with the Department of Arkansas State Police must terminate.
Amount of Benefit Credited to the Member's Account:	Members receive 75% of their monthly retirement benefit subject to the participation reduction shown in "Participation Eligibility."	Members receive 100% of their monthly retirement benefit.	Members receive 72% of their monthly retirement benefit.
Interest Rate Credited to the Member's Account:	The interest rate is set by the APERS Board of Trustees and credited to the individual's account balance annually at the end of the fiscal year. For FY2020, the rate was 2.50%.	The interest rate is adjusted by the ASPRS Board of Trustees as needed and credited to the individual's account balance annually at the end of the fiscal year. The rate cannot be greater than 5% or less than 1%. For FY2020, the rate was 3.25%	The interest rate is adjusted by the ASPRS Board of Trustees as needed and credited to the individual's account balance annually at the end of the fiscal year. The rate cannot be greater than 5% or less than 1%. For FY2020, the rate was 3.25%.
Balance held by the Plan at June 30, 2020	$85,272,616	$9,929,218	The DROP for Tier Two did not begin until 2009. As of June 30, 2020, there were no participants.

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

NOTE 3: Net Pension Liability of Participating Employers

For each retirement plan, the components of the net pension liability of the participating employers at June 30, 2020, were as follows:

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Total pension liability	$ 11,632,595,177	$ 476,569,897	$ 296,653,578
Less: plan net position	8,769,010,690	338,183,678	280,837,139
Employers' net pension liability	$ 2,863,584,487	$ 138,386,219	$ 15,816,439
Plan net position as a percentage of the total pension liability	75.38%	70.96%	94.67%

Actuarial Assumptions – The total pension liability for each retirement plan was determined by an actuarial valuation as of June 30, 2020. The actuarial assumptions used in the valuation and adopted by the respective Boards of Trustees were applied to all prior periods included in the measurement. The actuarial experience study period and the significant assumptions and other inputs used to measure the total pension liability are as follows:

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Actuarial study period	7/01/2012 – 6/30/2017	7/01/2012 – 6/30/2017	7/01/2011 – 6/30/2016
Wage inflation rate	3.25%	3.25%	3.25%
Salary increases	3.25% - 9.85%	3.25% - 7.75%	3.25%
Investment rate of return*	7.15%	7.15%	5.75%

*Net of investment and administrative expenses.

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

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

Mortality Tables Judicial Retirement Plan – Mortality rates used for members of the judicial retirement plan was based on the RP-2014 tables adjusted for mortality improvement back to the observation period base year of 2006 for healthy annuitant, disability, or employee death in services, as applicable. It was assumed that 100% of pre-retirement deaths would be non-duty related. Mortality rates for a particular calendar year were determined by applying the MP-2016 improvement scale to the tables described above.

Long-Term Rate of Return All Retirement Plans – The long-term expected rate of return on all pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 – 2029 were based upon capital market assumptions provided by each plan’s investment consultant. For each major asset class included in the respective pension plan’s current asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

NOTE 3: Net Pension Liability of Participating Employers (Continued)

	Public Employees and State Police Retirement Plans		Judicial Retirement Plan	
Asset Allocation	Target	Long-Term Expected Real Rate of Return	Target	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.22%	37.00%	6.22%
International equity	24.00%	6.69%	15.00%	6.69%
Real assets	16.00%	4.81%		
Real estate			8.00%	4.81%
Absolute return	5.00%	3.05%		
Domestic fixed	18.00%	0.57%	40.00%	0.57%
Cash equivalents				0.02%
	100.00%		100.00%	

Discount Rate Public Employees and State Police Retirement Plans – A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the public employees and State Police retirement plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Judicial Retirement Plan – A single discount rate of 5.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially-determined contribution rate and the member rate. Based on these assumptions, the judicial retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the participating employers' net pension liability by plan, calculated using the current discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
Net Pension Liability	1% Lower than Current Rate	Current Rate	1% Higher than Current Rate
Public Employees Retirement Plan - current rate 7.15%	$ 4,361,451,033	$ 2,863,584,487	$ 1,627,505,456
State Police Retirement Plan - current rate 7.15%	190,393,696	138,386,219	86,056,662
Judicial Retirement Plan - current rate 5.75%	51,275,815	15,816,439	(14,242,497)

NOTE 4: Effects of Coronavirus Disease 2020

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring a public health emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2020 (COVID-19). The COVID-19 outbreak is disrupting sales, travel, and everyday life across several industries and governments. The extent of the impact of COVID-19 on the financial statements for future reporting periods will depend on certain developments, including the duration of the outbreak and revenue collections – all of which are uncertain and cannot be predicted. The COVID-19 outbreak's anticipated effects could include a decline in the value of investments. The financial impact of COVID-19 on the Arkansas Public Employees Retirement System is uncertain.

NOTE 5: Required Supplementary Schedules

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

Schedule 1

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - PUBLIC EMPLOYEES RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

Schedule 2

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - STATE POLICE RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

Schedule 3

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - JUDICIAL RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

Schedule 4

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF CONTRIBUTIONS – PUBLIC EMPLOYEES RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	$ 295,575,405	$ 296,601,675	$ 272,757,386	$ 259,270,813	$ 260,300,297	$ 259,341,856	$ 260,154,500
Actual contributions	299,443,847	293,501,408	276,784,232	261,830,210	263,181,645	262,353,291	263,080,479
Contribution deficiency (excess)	$ (3,868,442)	$ 3,100,267	$ (4,026,846)	$ (2,559,397)	$ (2,881,348)	$ (3,011,435)	$ (2,925,979)
Covered employee payroll	$ 1,929,343,374	$ 1,936,042,263	$ 1,849,202,619	$ 1,788,074,570	$ 1,795,174,463	$ 1,757,056,813	$ 1,748,350,136
Actual contributions as a percentage of covered employee payroll	15.52%	15.16%	14.97%	14.64%	14.66%	14.93%	15.05%

Schedule 5

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF CONTRIBUTIONS – STATE POLICE RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

*The employer contribution rate is established by Arkansas Code at 22% of active member payroll.

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF CONTRIBUTIONS – JUDICIAL RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

*The employer contribution rate is established by Arkansas Code at 12% of active member payroll.

Schedule 7

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF INVESTMENT RETURNS – PUBLIC EMPLOYEES RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF INVESTMENT RETURNS – STATE POLICE RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

Schedule 9

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEVEN-YEAR SCHEDULE OF INVESTMENT RETURNS – JUDICIAL RETIREMENT PLAN
FOR THE SEVEN-YEAR PERIOD ENDED JUNE 30, 2020

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

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

A. Changes in Benefit Terms

Public Employees Plan – No changes in benefit terms.

State Police Plan – Tier 2 DROP eligibility was changed from actual service to credited service with the passage of Act 950 of 2019

Judicial Retirement Plan – No changes in benefit terms.

B. Changes in Assumptions

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

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

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

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

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

Valuation date: The actuarially-determined contribution rates for the public employees retirement plan and the judicial retirement plan are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The actuarially-determined contribution rate for the State Police retirement plan is calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

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

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

	Public Employees Retirement Plan	State Police Retirement Plan	Judicial Retirement Plan
Actuarially-determined contribution rate:	15.32%	50.69%*	35.90%*
Valuation date:	June 30, 2018	June 30, 2019	June 30, 2018
Actuarial cost method:	Entry age normal	Entry age normal	Entry age normal
Amortization method:	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization period:	26-year closed	20-year closed	14-year UAAL, 19-year assumption changes, 20-year actuarial gains
Asset valuation method:	4-year smoothed market with 25% corridor	4-year smoothed market	4-year smoothed market with 25% corridor
Actuarial assumptions:			
Investment rate of return:	7.15%	7.15%	5.75%
Projected salary increases:	3.25 – 9.85%	3.55 – 7.75%	3.25%
Price inflation rate:	2.50%	2.50%	2.50%
Mortality table:	RP-2006 Mortality Tables	RP-2006 Mortality Tables	RP-2014 Mortality Tables

*The employer contribution rates for the State Police retirement plan and the judicial retirement plan are established by Arkansas Code at 22% and 12%, respectively.

NOTE 2: Differences between Exhibits and Required Supplementary Information

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

Schedule 10

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF SELECTED INFORMATION
JUNE 30, 2020
(UNAUDITED)

	For the Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	$ 10,206,409,253	$ 10,545,376,332	$ 10,281,402,294	$ 9,397,796,092	$ 8,907,488,229
Total Deferred Outflows of Resources	24,606				
Total Liabilities	817,860,312	1,106,828,985	1,097,203,781	828,654,048	1,048,024,498
Total Deferred Inflows of Resources	542,040	201,189			
Net Position Restricted for Pensions	9,388,031,507	9,438,346,158	9,184,198,513	8,569,142,044	7,859,463,731
Total Additions	606,375,418	879,595,983	1,208,474,662	1,278,535,081	346,131,772
Total Deductions	656,690,069	625,448,338	593,418,193	568,856,768	539,691,703