ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Annual Financial Report

June 30, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
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Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair

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

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

LEGISLATIVE JOINT AUDITING COMMITTEE
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Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion{s}

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

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

Basis for Opinion

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

Emphasis of Matter

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the office's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

ARKANSAS LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
January 4, 2023
SA1037022

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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SCHEDULE OF FINDINGS AND RESPONSES

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

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

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

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

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

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

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

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

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

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

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

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

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

Agency's Response to Findings

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

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 4, 2023

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

Exhibit A

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

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

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

Exhibit B

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

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

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

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

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

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

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

B. Plan Descriptions

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

Public Employees Retirement Plan Description

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

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

State Police Retirement Plan Description

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

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

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

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

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

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

Judicial Retirement Plan Description

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Descriptions (Continued)

Judicial Retirement Plan Description (Continued)

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

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

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

C. Basis of Presentation – Fund Accounting

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

Fiduciary Funds

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

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

D. Basis of Accounting

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

F. Deposits and Investments

Deposits

Deposits consist of cash in short-term investment fund, cash held by investment brokers, cash in State Treasury, and cash in bank totaling $247,497,870, $6,586,690, $6,324,606, and $321,420, respectively. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. A formal policy for custodial credit risk has not been adopted by any Board of Trustees. As of June 30, 2022, none of the cash held in the short-term investment fund of $247,497,870 was exposed to custodial credit risk as it was collateralized by securities held by the custodial agent in the Agency's name. As of June 30, 2022, none of the Agency's bank balance of $321,420 was exposed to custodial credit risk. as it was fully insured by the Federal Deposit Insurance Corporation. However, as of June 30, 2022, $6,586,690 held by investment brokers was exposed to custodial credit risk as it was uninsured and uncollateralized.

Investments

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

Securities Lending Collateral Measured at Fair Value*	Total	Level 1	Level 2	Level 3
Repurchase agreements	$ 80,386,030		$ 80,386,030	
Commercial paper	32,298,611		32,298,611	
Floating rate notes	444,700,288		444,700,288	
Asset-backed securities	16,358,458		16,358,458	
Total Securities Lending Collateral	$ 573,743,387		$ 573,743,387	

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

	Fair Value	Strategy Type	Fund Life of Non-redeemable Mandates	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Redemption Restrictions	Restriction Time Remaining
Pooled investment funds:								
Prudential Core Plus Bond Fund	$ 643,244,615	Active global fixed income	N/A	none	daily	T + 3	N/A	N/A
Mellon S&P 500 Equity Index Fund	595,915,195	S&P 500 Index	N/A	none	daily	T + 3	N/A	N/A
Mellon ACWI ex-US Index Fund	537,127,391	International equities	N/A	none	daily	T + 1	N/A	N/A
Acadian ACWI ex-US Small Cap Index Fund	168,949,350	International equities	N/A	none	daily	T + 10	N/A	N/A
Mellon Global Real Estate Investment Trust Fund	115,027,044	Global real estate securities	N/A	none	daily	T + 1	N/A	N/A
MacKay Defensive Bond Arbitrage Fund	56,461,183	Income oriented	N/A	none	daily	T + 1	N/A	N/A
Mellon Russell 1000 Growth Fund	41,885,679	U.S. large cap growth stocks	N/A	none	daily	T + 1	N/A	N/A
Baillie Gifford International Choice Fund	32,142,503	International equities	N/A	none	daily	T + 3	N/A	N/A
MacKay High Yield Income Fund	1,167,513	Active high-yield fixed income	N/A	none	monthly	T + 3	N/A	N/A
Real estate:								
Invesco Core Real Estate	672,284,004	Core real estate	N/A	none	quarterly	T + 45	N/A	N/A
Heitman America Real Estate Trust	407,276,900	Core real estate	N/A	none	quarterly	T + 90	N/A	N/A
TA Realty Fund XII	114,133,481	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
TA Realty Fund XI	55,819,275	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
TA Realty Fund X	28,682	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
TA Realty Fund XIII		Value add real estate	N/A	$ 75,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Timberfund I	84,276,481	Real assets	N/A	none	none	N/A	N/A	Partnership terminates December 2027
Heitman Value Fund IV	69,351,963	Value add real estate	N/A	6,761,426	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
LaSalle Fund VII	40,555,299	Value add real estate	N/A	3,949,785	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
LaSalle Fund VI	8,145,379	Value add real estate	N/A	none	7-year lock up	N/A	N/A	Capital redistribution phase
Harrison Street Fund VIII	30,586,588	Value add real estate	N/A	20,758,913	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Starwood Distressed Opportunity Fund XII	16,483,367	Value add real estate	N/A	60,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Clarion Lion Industrial Trust Fund		Value add real estate	N/A	85,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Principal Enhanced Property Fund		Value add real estate	N/A	85,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
Carlyle Property Investors Fund		Value add real estate	N/A	85,000,000	7-year lock up	N/A	N/A	Lock up period starts on the day of the last capital call
PGIM U.S. Agriculture Fund	2,089,693	Agriculture	N/A	47,910,307	open end with 2-year lockup	N/A	N/A	Lock up period starts on the day of the last capital call
International Farmland Corporation Core Farmland Fund		Agriculture	N/A	50,000,000	open end with 2-year lockup	N/A	N/A	Lock up period starts on the day of the last capital call
Diversified strategies:								
Blackstone Hedge Fund of Funds	208,557,123	Fund of funds	N/A	none	last day of each quarter	1yr; 2yrs; 3yrs; >3yrs	55% liquidity; then 20%; then 15%; then 10%	N/A
AQR Global Risk Premium Tactical Fund (GRPT)	145,704,816	Risk premia	N/A	none	weekly and monthly	T + 2	N/A	N/A
Newton Global Real Return (US$)	138,652,368	Global real return	N/A	none	daily	T + 3	N/A	N/A
Totals	$ 4,185,865,892			$ 519,380,431				

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

G. Capital Assets

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Leases

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

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

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

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

I. Compensated Absences – Employee Leave

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

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

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

J. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

K. Contributions and Reserves

Contributions

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Contributions and Reserves (Continued)

Contributions (Continued)

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

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

Reserves

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

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

L. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

M. Federal Income Tax Status

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

NOTE 2: Deferred Retirement Option Program (DROP)

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

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

NOTE 3: Net Pension Liability of Participating Employers

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

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

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

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

*Net of investment and administrative expenses.

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

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

Long-Term Rate of Return All Retirement Plans – The long-term expected rate of return on all pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 – 2029 for the public employees and State Police retirement plans and 2022 – 2032 for the judicial retirement plan were based upon capital market assumptions provided by each plan's investment consultant. For each major asset class included in the respective pension plan's current asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

NOTE 3: Net Pension Liability of Participating Employers

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

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

Discount Rate Judicial Retirement Plan – A single discount rate of 5.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on these assumptions, the judicial retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

NOTE 4: New Accounting Pronouncement

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

NOTE 5: Required Supplementary Schedules

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule 1

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

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule 2

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

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule 3

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

FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule 4

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

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule 5

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

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

Schedule 6

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

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

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

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

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Schedule 8
NINE-YEAR SCHEDULE OF INVESTMENT RETURNS - STATE POLICE RETIREMENT PLAN
FOR THE NINE-YEAR PERIOD ENDED JUNE 30, 2022

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

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

Schedule 9

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

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

A. Changes in Benefit Terms

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

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

Judicial Retirement Plan – No changes in benefit terms.

B. Changes in Assumptions

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

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

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

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

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

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

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

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

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

NOTE 2: Differences between Exhibits and Required Supplementary Information

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

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

Schedule 10

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