



Arkansas State Police Retirement System

124 West Capitol Avenue • Suite 400 • Little Rock, AR 72201

Dear Trustees,

As stated in the State of Arkansas Code 24-4-752, State Police Trust Fund:

- (a) All assets of the State Police Retirement System are transferred to the Arkansas Public Employees Retirement System to hold in trust for the State Police Retirement System;
- (c)(1) The State Police Trust Fund shall not be treated as segregated funds, but shall be commingled with the assets of the Arkansas Public Employees' Retirement System strictly for investment purposes.

On July 01, 2009, the investment assets of the Arkansas State Police Retirement System (ASPRS) were merged with the investment assets of the Arkansas Public Employees Retirement System (APERS), along with an additional \$9 million contribution which was earmarked for ASPRS. Once combined with APERS investment assets, the ASPRS assets represented 3.82% of the total combined investment assets, and the remaining percentage represented APERS.

As a result, I present to you a summary of the State Police Retirement System for the fiscal year ending June 30, 2010.

During the fiscal year ending June 30, 2010, returns were positive across the domestic and international markets. The Russell 3000 Index, which is a broad-based U.S. equity index, had a 15.72% return, while the MSCI EAFE, an international index, had a 5.92% return.

The APERS/ASPRS portfolio structure is based on the APERS Fund's Investment Policy. The target asset mix is established on an analysis of the financial needs of the Fund and the APERS Trustee's tolerance for investment risk. The target asset mix and the actual allocation as of June 30, 2009 are as follows:

	<u>Target</u>	<u>Actual</u>
Domestic Equity	46%	47%
International Equity	16%	16%
Domestic Fixed Income	21%	23%
Alternative Inv/Real Estate	15%	12%
Global Energy	2%	2%

For the fiscal year ending June 30, 2010, the total rate of return, which includes gains, losses and income, was 11.95%. The performance calculations were prepared by Callan Associates using a time-weighted rate of return based upon the market value of assets and are GIPS compliant. At

Summary of Actuarial Methods and Assumptions

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry age
Amortization Method	Level percent-of-payroll
Remaining Amortization Period	30 year open
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases	4.00%
Wage Inflation Rate	4.00%
Post-Retirement Cost of Living Increases:	3.00%
Mortality Table	RP-2000 Combined mortality table for males; RP-2000 Combined mortality table for females set back 2 years.

**SINGLE LIFE RETIREMENT VALUES
BASED ON RP-2000 COMBINED MORTALITY VALUES AND 8.00% INTEREST**

Single Life Retirement Values				
Sample Ages	Present Value of \$1.00 Monthly for Life Increasing 3% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women
	50	\$184.07	\$196.02	30.80
55	169.19	183.50	26.18	30.77
60	151.93	168.55	21.74	26.17
65	132.86	151.49	17.61	21.78
70	112.78	133.05	13.88	17.75
75	92.14	113.53	10.57	14.08
80	72.10	93.69	7.75	10.85

Sample Ages	\$100 Benefit Increasing 3% Yearly
55	\$100.00
60	115.93
65	134.39
70	155.79
75	180.60
80	209.36

Notes To The Financial Statement

(Continued)

Increases After Retirement – Retirees will receive a 3% cost of living adjustment increase in their benefit each July 1st. Eligibility for the COLA requires being retired from July 1st for a full 12 months.

Funded Status and Funding Progress - Pension Plans – The funded status of the plan as of June 30, 2011, the most recent actuarial date, is as follows (dollar amounts in millions):

Plan	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded (Excess) Accrued Liability (UAAL) (2 - 1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll (Millions)	(6) UAAL (Excess) As Percentage of Covered Payroll (3/5)
State Police	\$208.05	\$343.21	\$135.16	60.6%	\$28.06	481.6%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial Assumptions – The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Ultimate entry age normal
Amortization Method	Level percent-of-payroll
Remaining Amortization Period	30 year open
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases	4.00%
Wage Inflation Rate	4.00%
Post-Retirement Cost of Living Increases:	
Mortality Table	RP-2000 Combined healthy mortality table for males; RP-2000 Combined mortality table for females set back 2 years.