

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Board of Trustees' Regulations

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**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
REGULATIONS**

ADMINISTRATION

REGULATION 101 - 1957 (as amended in 1987 and amended in May 1998) DISCLOSURE OF INFORMATION

Disclosure of information from PERS records and meetings shall be open to the public as provided by A.C.A. 25-19-101, A.C.A. 21-12-203, and other applicable law. The Executive Director shall seek the advice of the Attorney General when necessary regarding release of information as provided herein. No information on a member's record will be given to any individual or agency except under the following conditions:

- 1) The individual member may request information on his or her own account by coming to our office in person or by requesting such information in writing.
- 2) Any person other than the member may receive information on the individual member's account by furnishing the Retirement System with a signed, notarized statement from such individual member asking that such information be given to the named third party.

REGULATION 102 - 1995 - EXPENSE REIMBURSEMENT FOR MEMBERS OF THE BOARD OF TRUSTEES

In accordance with Act 1211 of 1995 the Board of Trustees does hereby authorize expense reimbursement for board members to attend all regular and special Meetings of the Board and its Committees. Such reimbursement shall not exceed the rate established for state employees by state travel regulations. APERS' Board members shall not be paid a stipend.

The APERS Board of Trustees does hereby delegate to the APERS' Executive Director the approval of all Board of Trustee travel other than travel to attend regular and special meetings of the Board and its Committees.

REGULATION 103 - 1997 - EMPLOYER CONTRIBUTION RATES (as amended in May 2001)

In accordance with the provisions of A.C.A. 24-2-701 the Board of Trustees will establish State employer and School employer contribution rates to take effect on July 1st of each year. The employer contribution rate for Municipal, County, and other non-state employers, will take effect on January 1st of each year.

REGULATION 104 - 1997 - EMPLOYER REPORTING - TIME AND FREQUENCY OF EMPLOYER AND EMPLOYEE CONTRIBUTIONS AND THE MONTHLY REPORT OF SERVICE AND EARNINGS:

In accordance with Act 299 of 1997 (A.C.A. 24-4-202), the Board hereby adopts the following requirements for employer remittances and reporting. Employer and employee contributions shall be remitted with appropriate forms furnished by APERS and received by APERS within 10 calendar days after the payroll period ending date.

Remittances post marked within 9 calendar days after the payroll period ending date shall not be considered delinquent. The monthly retirement report of service and earnings, either in paper form or by electronic media, shall be submitted for receipt by APERS on or before the tenth calendar day of the month next following the report month. If the reports are submitted by mail, either in paper form, tape, or disk, such reports will not be considered delinquent if postmarked by the ninth calendar day.

BENEFITS

REGULATION 201 - 1957 (as amended in 1969 & 1994) AGE OF MEMBERS - HOW ESTABLISHED

Effective with application packages distributed after April 1, 1994, proof of age must be provided by the member directly to APERS before a benefit can be paid. Employer certification of a member's age will not be accepted. One of any of the following documents shall be accepted as proof of age:

1. Birth Certificate issued at date of birth.
2. Birth Certificate issued at any date before age 5 when certified by the appropriate administering agency.
3. Baptismal or other church records issued before age 5.
4. U.S. Census Report issued 1920 or before.
5. Social Security document other than application for Social Security Number that states age or date of birth recognized by SSA.

For the following, any combination of two that agree:

1. Marriage license.

2. Insurance policy issued at least 10 years prior to current date.
3. Family Bible.
4. Military Discharge.
5. Child's birth certificate.
6. Application for Social Security Number.
7. Birth certificate issued at date when person was older than age 5 when certified by the appropriate administering agency.

REGULATION 202 - 1957 BENEFICIARY - HOW CHANGED (amended May 1998)

A member of the Arkansas Public Employees Retirement System can only change beneficiary by use of the form designated by the Board of Trustees to be used for such purposes.

REGULATION 203 - 1957 (as amended August 1999) DISABILITY RETIREMENT

Disability retirement for a member of PERS can be approved in one of two ways:

Before a member can be approved for disability retirement from PERS, he/she must first apply and be approved by Social Security for disability benefits.

If a member is approved for disability payments, then the member shall furnish proof to PERS of such approval and the member, who is otherwise eligible under State retirement law, will automatically be approved for PERS benefits retroactive to the date that benefits would have become payable under law.

Should the member not be approved for Social Security disability payments, the member, after having been denied Social Security through the Administrative Law Judge appeal level, may appeal directly to the Board of Trustees. The member shall furnish physician (s) statements and other medical documentation, obtained at the member's expense, to the APERS Medical Review Board (MRB) for evaluation. The MRB shall be composed of physicians approved by the Board. The results of the MRB evaluation shall be presented to the Board for final consideration.

Members applying under Act 868 of 1999 shall submit copies of physician (s) statements and other medical documentation, obtained at the member's expense, to the MRB for evaluation. The results of the MRB evaluation will be presented to the Board of Trustees for final consideration.

After retirement on disability, the member will be reviewed by Social Security if receiving benefits from that agency, and the member will have to furnish APERS with a copy of the Social Security

findings.

In those instances where a disability retiree is working, determination as to whether remuneration is substantially gainful, as referenced in A.C.A. 24-3-208, shall be based on guidelines used by the Social Security Administration for the SSDI program.

REGULATION 204 - 1985 - COMPUTATION OF BENEFITS FOR MEMBERS WITH CONCURRENT SERVICE IN APERS (as amended May 2001)

In accordance with the authority provided in A.C.A. 24-4-105(b)(1) and 24-4-521 the APERS Board of Trustees has determined that benefits for members with concurrent service within APERS, where a portion of the service is credited at more than one for one (i.e., elected or public safety), shall be computed as follows. A benefit will be calculated separately for service that results in public safety and/or elected credit based on the credited service and final average salary for that service. A benefit will then be computed for all regular service. The benefit computed for each type of service will be added together to obtain the total benefit.

REGULATION 205 - 1986 PHYSICAL OR MENTAL INCOMPETENCY

For the purpose of approving a death-in-service benefit, a dependent child above the age of 18 will be considered mentally or physically incompetent by one of the following methods:

1. Proof that the dependent has been deemed physically or mentally incompetent by an Arkansas Court of Jurisdiction.
2. Verification by the Social Security Administration that the dependent is receiving disability benefits on the deceased member's social security account and that the benefits became effective at the time of the member's death.

If neither of the above can be obtained, the dependent may appeal to the Board of Trustees by the following method:

1. The dependent will furnish to the Arkansas Public Employees Retirement System a description of the physical or mental impairment and a list of all physicians seen for diagnosis or treatment.
2. The Board of Trustees will designate another physician by whom the dependent will be examined at the System's expense.
3. A written statement from the examining physician will be the basis for the decision of the Board of Trustees on incompetency of the dependent.

The Board may require verification of continuing incompetency, or re-examination.

REGULATION 206 - 1991 TERMINATION OF EMPLOYMENT FOR RETIREMENT PURPOSES (Repealed November, 1999)

REGULATION 207 – CANCELLATION OF RETIREMENT

A member may cancel his retirement if he notifies the System in writing prior to the effective date of retirement; or, if after the effective date, he may cancel by notifying the System in writing and returning the benefit payment on or before the fifteenth (15th) calendar day of the month for which he received his first benefit payment.

REGULATION 208 - QUALIFIED DOMESTIC RELATIONS ORDERS

In accordance with Act 1143 of 1993, the Arkansas Public Employees Retirement System will comply with Qualified Domestic Relations Orders (QDRO's) issued by Chancery Courts in the state of Arkansas that meet the following conditions:

1. The QDRO is issued in accordance with all provisions of the model QDRO adopted by the APERS Board of Trustees and approved by the Arkansas Legislative Council.
2. The QDRO, as specified in Section 1. (3) (c) of Act 1143, does not require APERS to provide any type or form of benefit, or pay options not otherwise available under the Plan, does not require the Plan to provide increased benefits, and does not require the payment of benefits to an alternate payee which are required to be paid to another alternate payee under another order previously determined to be a Qualified Domestic Relations Order.
3. The QDRO is issued on or after the effective date of Act 1143 of 1993.
4. The System will review QDRO's for compliance with this regulation and notify appropriate parties of its findings.

In those instances where the alternate payee selects alternative **B.** under Section **III. (DURATION OF PAYMENTS TO ALTERNATE PAYEE)** of the model QDRO, the actuary will use the following guidelines in computing an equivalent benefit to be paid for the alternate payee's lifetime:

1. The interest rate will be the valuation rate.
2. The mortality table will be the "50/50 table".

3. The age used in the computation shall be the attained age at the last birth date prior to the effective date of the QDRO.

REGULATION 209 - 1993 - CREDITING RECIPROCAL SERVICE DURING THE SAME FISCAL YEAR

If a member has reciprocal service during the same fiscal year with both the Teacher Retirement System and the Public Employees Retirement System, and if, under the two systems' standard methods of crediting service, the combined service amounts to more than one full year of actual service, then credit shall be reduced in a manner that is most advantageous to the member (determined jointly by APERS and ATRS) so that in any given fiscal year, actual service shall not exceed one year.

REGULATION 210 - 1994 - PUBLIC SAFETY CREDIT (as amended May 2001)

Public Safety Credit will be granted only to those positions delineated in A.C.A. 24-4-101(34), and in the instance of police officers, only to those officers whose primary duty is law enforcement and who are certified law enforcement officers. The police chief, in the case of a municipality, or the sheriff, in the case of a county, must certify in writing to APERS that the officer's primary duty is law enforcement. In addition, the officer must be certified by the Law Enforcement Training Academy as a "Certified Law Enforcement Officer," or be grandfathered in as of January 1, 1978.

Public Safety credit will not be granted to civilian or temporary employees of a police department. Public Safety credit will not be granted to a municipal police officer or county deputy sheriff whose primary duty is jailer, radio dispatcher, bailiff, or probation officer. However, an officer assigned to administrative duties may still be considered public safety if he/she meets the specific requirements of Act 1616 of 2001.

In accordance with Act 485 of 1997, the term "public safety member" shall not include a member whose employment as a police officer or fire fighter occurred on or after July 1, 1997. If a person who is employed in a "public safety member" position prior to July 1, 1997 changes covered employers, he/she shall be entitled to public safety credit for any subsequent employment in a qualifying police officer or fire fighter position covered by APERS that occurs on or after July 1, 1997. However, if there is a break in service for a period exceeding 6 consecutive months, he/she shall not be entitled to further public safety credit.

REGULATION 211 - 1995 - CHANGES IN FINAL AVERAGE SALARY AFFECTING BENEFIT COMPUTATION

If earnings reported after the date of retirement are not equal to those certified by the employer, the benefit amount will not be adjusted if the resulting increase or decrease would be \$3.00 or less over a 12 month period.

REGULATION 212 - 1995 - COMPLIANCE WITH BENEFIT LIMIT IMPOSED BY SECTION 415 OF THE INTERNAL REVENUE CODE (as amended May 1998)

The following guidelines for complying with qualified plan benefit limitations imposed by IRC Section 415 shall be followed in accordance with Act 739 of 1995.

1. Total employer financed straight life annuity payments to any retired member in any calendar year shall not exceed the dollar limit specified in IRC 415.
2. In any calendar year in which the total straight-life annuity payments otherwise payable would exceed the amount permitted under IRC Section 415, the actual amount paid shall be reduced by such dollar difference.
3. A retiree whose benefits are reduced in accordance with IRC Section 415 limitations in any calendar year will be retested in subsequent years in accordance with the following objectives:
 - Assurance that APERS will remain in compliance with IRC Section 415; and,
 - The smallest acceptable cumulative adjustments are made to the benefits paid to any retired member.

REGULATION 213 - 1996 - FIVE YEAR VESTING

In accordance with Act 1356 of 1995, Five Year Vesting becomes effective July 1, 1997. This provision is not retroactive. In order to vest under this provision, a person must be a member of the System on July 1, 1997 and have been a member for not less than 90 consecutive calendar days prior to July 1, 1997 with five or more years of service. If a person is a former member on July 1, 1997 with five years but less than ten years of service, that person must return to covered employment for period of not less than 90 consecutive calendar days after July 1, 1997. If a person is a former member on July 1, 1997 with less than five years of service, that previous service will be counted toward five year vesting provided the person returns to covered employment for a period of not less than 90 consecutive calendar days, and the previous service has not been refunded.

REGULATION 214 - 1997 - DROP PROVISIONS (Amended May 1999, May 2001 & May 2003)

CONTRIBUTIONS TO DROP ACCOUNT:

- For a member who has 30 or more years of actual service, the contribution shall be 75% of the member's computed benefit after election of a straight life or option benefit, as required by Subchapter 8 of Chapter 3 of Title 24 of the Arkansas Code, and including the temporary annuity, if applicable. For a member who has 28 years but less than 30 years of actual service, the contribution shall 75% reduced by 0.5% for each month that the DROP election precedes the date the member would complete 30 years of actual service.
- Contributions to the account shall be increased for COLA's and Ad Hoc increases granted to retirees.

INTEREST ON THE DROP ACCOUNT:

- Interest at the rate of 6% shall be credited on a monthly basis compounded annually to the date of actual retirement.

DROP PAYMENT METHODS:

- Member may elect a lump sum or lifetime monthly annuity. If the member elects a lump sum, the member may request that the lump sum be transferred to another qualified plan in a trustee-to-trustee transfer. If the member elects a monthly annuity for life, the monthly amount shall remain constant for the life of the member. That is, COLA's and Ad Hoc increases will not be added to this monthly annuity and the balance in the account will not earn interest after the effective date of retirement.

DEATH OF A DROP PARTICIPANT:

- In the event a DROP participant dies during the period of participation, the benefit payable from APERS shall be determined as though the participant had separated from service and been found eligible for monthly benefits by the Board on the day prior to the death, with death following immediately thereafter (per Act 1052). The balance in the DROP account shall be paid to the designated beneficiary.

DEATH OF A RETIREE RECEIVING A MONTHLY ANNUITY FROM DROP:

- Upon the death of a retiree who was receiving a monthly annuity from the DROP, the DROP annuity will be treated as if it had been a straight life benefit, and the undistributed remaining balance in the DROP account, if any, will be paid to the designated beneficiary. The regular monthly retirement benefit will be treated according to the election made by the retiree at his/her entry into the DROP.

FAILURE TO TERMINATE COVERED EMPLOYMENT WITHIN SEVEN YEARS OF DROP ENTRY:

- If a DROP participant fails to terminate employment within seven years of entry into the DROP, the participant shall forfeit the balance in the DROP account. The participant's employer shall be required to pay all contributions, with interest, that would have been paid on behalf of the member had he/she not participated in the DROP. The employer will acknowledge this requirement on the member's application for participation in the DROP. Retirement credit will be added to the member's record for the time of participation in the DROP in the same manner as if the member had not participated in the DROP.

REVIEW OF PROVISIONS:

- The provisions of the DROP program will be reviewed at three year intervals, or more frequently if necessary. Based on the actuary's review, the contribution and interest rate provisions may be adjusted prospectively as the Board of Trustees considers such action to be actuarially appropriate.

MEMBERS CALLED TO ACTIVE DUTY (May 2003):

Generally

- a. A DROP participant who is called to active duty will provide APERS with a copy of his/her Orders that will be maintained in the member's file. A copy of the Orders will be utilized to verify the date that the member is called to active duty.
- b. The employer will continue to report the DROP participant on the monthly DROP report. The Agency representative will indicate that the member is on "Military Leave".
- c. When the member is released from active duty, he/she will submit a copy of the DD214 Form or other appropriate documents to APERS to verify that the member has returned to covered employment and/or been released from active duty.

Maximum Participation Period

- a. A DROP participant who is on active duty shall continue to receive his/her monthly DROP payment (which includes any benefit enhancements awarded to eligible retirees) until the maximum allowable time in the DROP has occurred or the member requests retirement and distribution of his/her DROP account, whichever occurs first.
- b. If the member has participated in the DROP for at least five (5) years, he/she must complete a retirement application packet and DROP Distribution Form(s) prior to his/her departure for active duty and deliver the completed forms to the APERS Office along with a copy of his/her

Orders. The retirement application and DROP Distribution Forms will be held and processed on the effective date indicated unless he/she returns to covered employment within the seven year DROP term.

- c. Should the DROP member not deliver a retirement application packet and DROP Distribution Form(s) to APERS and the maximum period of DROP participation (7 years) expires prior to the member returning to covered employment and/or requesting retirement:
 1. the monthly DROP accrual will cease on the seventh anniversary of the member's beginning DROP date and no additional interest will be paid;
 2. the monthly retirement benefit will not become effective until the member files a completed retirement application and complies with applicable deadlines; and the DROP account balance shall be distributed upon the member's filing of the required DROP Distribution Form(s).

Death While on Active Duty

- a. In the event a DROP participant on active duty dies during the period of DROP participation, the benefit payable from APERS shall be determined as though the participant had separated from service and been found eligible for monthly benefits on the day prior to his/her death, with death following immediately thereafter.
- b. If survivor benefits are payable in accordance with A.C.A. 24-4-606, the surviving spouse (who has been married to the participant for at least one year), dependent children or dependent parents will receive monthly benefits. The spousal benefit will be computed as if the member had elected Option B75.
- c. The balance in the participant's DROP account will be adjusted to reflect a balance as if the member had chosen Option B75 upon entering the DROP. The DROP balance will then be paid to the designated beneficiaries.

Becoming Eligible For DROP Participation While On Active Duty

If a member becomes eligible to participate in the DROP while on active duty, he/she will be placed in the plan retroactive to the date of initial eligibility providing the application is received within one (1) month of the member returning to covered employment. Such participation will also be contingent upon the necessary employee (if applicable) and employer contributions being made to the System for the period of active duty prior to the employee entering the DROP.

Reemployment

After release from active duty, should a DROP member fail to apply for reemployment or fail to accept reemployment pursuant to the provisions of 38 U.S.C. § 4312 as amended, the employer shall promptly notify APERS. After notice to the member and opportunity for hearing, should APERS determine that the member failed to apply for or accept reemployment as provided above,

APERS shall:

- a. determine that the member's retirement application and DROP distribution form required under Maximum Participation Period, subparagraph b are void as of the date of the member's release from active duty;*
- b. terminate payments of the deferred benefit into the member's DROP account
- c. deduct any payments of the deferred benefit into the member's DROP account after date of the member's release from active duty and interest thereon and pay said amount of the deferred benefit without interest thereon to the member as accumulated monthly annuity payments upon the member's filing a completed retirement application and DROP Distribution Form in compliance with applicable deadlines;
- d. not pay interest on the member's DROP account after the date of the member's release from active duty and hold said account balance pending the member's filing of the DROP Distribution Forms.
- e. pay the member's monthly retirement annuity to the member upon his/her filing a completed retirement application and in compliance with applicable deadlines.

Procedures Applicable to DROP/Active Duty Issues

- a. The Executive Director shall determine all issues of interpretation or implementation of this regulation in regard to DROP members and active military duty and shall conduct any hearings provided for herein or required by other law.
- b. If the member is not satisfied with the Executive Director's decision on matters that were not decided in conjunction with a hearing, the member may request that the issue be presented to the Board. The Board shall review the member's request for review, the record considered by the Executive Director and the Executive Director's decision, shall afford the member the opportunity to present additional information or documentation and to appear before the Board, and determine whether to affirm or modify the Executive Director's decision or to return the case to the Executive Director for further consideration.
- c. A member who was a party to a hearing by the Executive Director concerning DROP/active duty issues and who is not satisfied with the Executive Director's decision, may file an appeal to the Board. The member shall file notice of appeal in writing, stating the grounds therefore, with the Executive Director on or before thirty (30) days following the date of record of the Executive Director's decision. The Executive Director's written decision shall be mailed to the member by certified mail, return receipt requested, restricted delivery to the member's last known address of record.
- d. Upon appeal, the review by the board shall be confined to the record considered by the

Executive Director; provided, however:

1. The member may apply to present additional evidence and should the Board find that the evidence is material and that there were good reasons for failure to present it in the proceeding before the Executive Director, the Board may order that the additional evidence be taken before the Executive Director upon any conditions that may be just. The Executive Director may modify the findings and decision by reason of the additional evidence and shall file that evidence and any modification, new findings or decisions with the Board;
 2. Should the member assert any alleged irregularity in procedure before the Executive Director not shown in the record, the Board may hear testimony on that issue or in its discretion may remand the matter to the Executive Director to conduct further proceedings on the record on the member's allegation of procedural irregularity; after any further proceeding by the Executive Director regarding any procedural irregularity, the Executive Director may modify the findings and decision by reason of the additional evidence and shall file that evidence and any modifications, new findings, or decisions with the Board. The member may request the opportunity to make an oral presentation to the Board.
- e. The Board may affirm or reverse the Executive Director's decision or remand the case for further proceedings.

REGULATION 215 - 1997 - SPOUSE'S ACKNOWLEDGEMENT OF BENEFIT SELECTION -

If a member applying for retirement selects a Straight Life Benefit, then the member shall be required to furnish the spouse's acknowledgement of that selection on a form provided by the System. An application shall not be denied because a spouse refuses to sign the form.

REGULATION 216 - 1999 - DIRECT DEPOSIT

Persons first receiving monthly benefits from APERS on or after October 1, 1999 shall be required to participate in the electronic direct deposit program. Persons receiving monthly benefits before October 1, 1999 shall enroll in the electronic direct deposit program on or before April 1, 2000. Waivers may be granted to those persons who certify in writing that they do not have a savings or checking account.

REGULATION 217-Final Average Salary (Repealed May 2001)

REGULATION 218-2001- Partial Annuity Withdrawal (PAW) Eligibility

In accordance with Act 357 of 2001, only years and months of service will be utilized to determine the amount of eligible service in the calculation of the PAW. The actuarial reduction to be used in computing a PAW benefit, as provided by Act 357 of 2001, shall be a 50/50 gender blend of the 1983 Group Annuity Mortality Table with interest at 8% and 3% annual compounded post-retirement

benefit increases.

Any service purchased after a member becomes eligible for an unreduced benefit will not be included in the number of months of PAW eligibility.

The date a member purchases service and becomes eligible for an unreduced benefit, determines the date the member is eligible for the PAW. Any service rendered in APERS after this date, is eligible for PAW.

Reciprocal and credited service will be utilized to determine the date a member was eligible for an unreduced benefit. However, only actual APERS service after the date eligible for an unreduced benefit will be used in the calculation of the number of eligible PAW months. The exception is Rehab members as defined in A.C.A. 24-2-302. Rehab members service in ATRS will be used in the monthly benefit amount and in determining the number of months eligible for the PAW.

MEMBERSHIP

REGULATION 301 - 1957 - PRIOR SERVICE (as amended 1994)

Verification of Service (including wages paid and number of hours worked) for the purpose of determining eligibility for free prior service; purchase of service; or delinquent service, may be established in the following ways:

- 1) Certification by the payroll or personnel officer or person otherwise responsible for payroll and personnel matters of the department or Agency wherein the work was performed. Acceptable for both hours worked and wages.
- 2) Certification by the Department or immediate supervisor under whom the employee actually worked. Acceptable for hours worked only.
- 3) Any documentary proof in the possession of the individual. May be acceptable for hours and/or wages depending on nature of proof. Acceptability will be determined by System.
- 4) Notarized statements by two co-workers. Acceptable for hours worked only.

REGULATION 302 - 1959 COUNTY EMPLOYEES REPRESENTATIVE

The County Clerks shall be and are hereby designated as the county employees' representative for the transaction of all business with the State Board of Trustees. All business with county officials and employees shall be channeled through the county clerk's office.

REGULATION 303 - 1965 (as amended in May 2001) Requirements for Membership in the System

In accordance with A.C.A. 24-4-101(17), the Board has "final power" to determine who is eligible for participation in the System. Accordingly, all persons appearing on any covered employer's payroll (regular, temporary, or extra help) shall become members of the Retirement System as a condition of employment except as follows:

1. Persons employed for a period of less than 90 consecutive calendar days shall be excluded from membership.
2. Persons who are employed for a period of more than 90 consecutive calendar days, but who do not qualify as full time employees, shall be excluded from membership. A person shall be considered a full time employee if the person works at least 80 hours per month during a period of 90 consecutive calendar days. The 80-hour requirement shall not apply to school division employees. A school division employee shall be considered qualified if that person works at least one half of the time required by a full time person employed in the position during a period of 90 consecutive calendar days.
3. Persons whose rate of pay does not constitute employment that is substantially gainful shall be excluded from membership. For purposes of this regulation, "rate of pay" is equal to monthly earnings reported to the System divided by the hours worked during the report month. A rate of pay of less than the federal minimum wage for the year in question shall not be considered substantially gainful.

REGULATION 304 - 1990 - MEMBERSHIP ELIGIBILITY FOR POLICEMEN AND FIREMEN (as amended in May 2001)

A Municipality which begins participation in this System after July 1, 1981 cannot enroll policemen or firemen in this System. Those positions are covered by the provisions of Act 364 of 1981, which established the Local Police and Fire Retirement System (LOPFI). Municipalities that were participating in APERS as of July 1, 1981 and who were reporting police and firemen to APERS must continue to report police and firemen to APERS. However, any municipal police department whose employees are covered by APERS on July 1, 1997 is authorized by Act 1541 of 2001 to transfer those employees hired after July 1, 1997 to the LOPFI. Such action must be taken by the governing body of the municipality in accordance with provisions of Act 1541.

REGULATION 305 - 1991 WAGES FOR DEPUTY TAX COLLECTORS (As amended November 15, 1995)

Fees paid to county deputy tax collectors for the collection of delinquent taxes and fees paid to deputy

sheriffs in lieu of a salary shall be considered wages for retirement purposes. Service credit will be granted for any month in which the deputy tax collector or deputy sheriff works at least 80 hours, provided the deputy tax collector or deputy sheriff is hired with the intent of working at least 90 days.

REGULATION 306 - 1995 - PARTICIPATION IN APERS UNDER THE PROVISIONS OF ACT 398 AND ACT 1292 of 1995 (as amended in 1997 and in May 1998)

In accordance with Acts 398 and 1292 of 1995, when the majority of employees of an entity covered by this Act elect to participate in APERS, the governing body of such entity shall certify such vote to the Executive Director of APERS within 10 days after the vote by the employees. The effective date of coverage shall be either the first day of the calendar month next following receipt by the Executive Director of the election or the July 1st next following the receipt, as determined by the vote.

REGULATION 307 - 1997 - PARTICIPATION IN APERS UNDER PROVISIONS OF ACT 76 OF 1997 (as amended in May 2001)

In accordance with Act 76 of 1997, if the Intergovernmental Juvenile Detention Council of the 10th Judicial District elects, by a majority vote of the Council, to participate in APERS, the Council shall certify such vote to the Executive Director of APERS within 10 days after the vote. The effective date of coverage shall be the later of July 1, 1997 or the first day of the calendar month next following receipt of the election results by the Executive Director.

Interest on prior service purchases shall be "regular interest" as defined by the Board in Regulation 408.

REGULATION 308 - 1997 - ENROLLMENT IN APERS BY COLLEGES AND UNIVERSITIES (as amended in May 2001)

Arkansas Code of 1987 Annotated 24-7-1002 requires certain employees of state universities, colleges, and community colleges to be enrolled in the Arkansas Public Employees Retirement System (APERS), rather than the Arkansas Teacher Retirement System (ATRS) or the College Alternate Plan. Beginning November 20, 1997, those individuals first employed by the various colleges, universities, or community colleges in pay grade 17 and below shall become members of APERS. All members of APERS who are promoted to a position grade 18 and above will automatically become a member of ATRS or the College Alternate Plan unless they choose to remain in APERS. Notwithstanding the regulation in effect November 20, 1997, any employee first hired by a state college or university (other than an institution in the U of A System) after the effective date of Act 765 of 2001 may choose to participate in APERS, ATRS, or an alternate plan as offered by the college or university.

REGULATION 309 - 1999 - LOCAL GOVERNMENT UNIT PARTICIPATION

In accordance with Act 865 of 1999, Rehabilitation Service Corporations that have acquired the status

of a corporation authorized by Act 880 of 1999, and other Local Units of Government as specifically defined in various sections of the Arkansas Code, may elect to participate in APERS. Provided, however, an entity shall not be allowed to participate if such participation would jeopardize the tax-qualified status of the Plan under the Internal Revenue Code. Said election must be made by a majority vote of the governing body of each entity, or if there is no governing body, the election shall be made by the executive head of the entity. The entity shall certify the results of the election to the Executive Director of APERS within 10 days after the vote. Requests for participation shall be presented to the APERS Board for final approval. In the event the Board determines there are qualification issues that must be resolved before final approval, the Board shall request a review by the System's actuary, the Attorney General's Office, or other sources as are needed. Pending review for IRS compliance, the effective date of coverage shall be the first day of the calendar month next following receipt of the certification or the July 1st next following the receipt, as determined by the election.

Employers electing to participate under this Regulation shall be placed in the Local Government Division and the employer contribution rate shall be the rate for that Division.

Subject to the limitations contained in Section 415 of the Internal Revenue Code, prior service may be purchased by persons employed by these participating entities in accordance with the standard purchase provisions as follows:

1. The person is a participating employee covered under the System at the time of the purchase; and
2. The purchase does not jeopardize the tax-qualified status of the Plan; and
3. The person furnishes proof, in a form required by the System, of the service and compensation received, and
4. The person pays, or causes to be paid, all employee contributions at the rate and on the compensation that would have been paid had he/she been a member during that time, all employer contributions based on the employer normal cost from the most recently completed regular annual actuarial valuation and the compensation that would have been paid had he/she been a member during that time, and regular interest (as defined by Regulation 408) on the employee and employer contributions. The interest shall be computed from the date the service was rendered to the date the payment is received by the System. The person may purchase all of the service or any portion thereof in multiples of one (1) year; and
5. The payment of funds shall be made in one (1) lump sum.

REGULATION 310 - 1999 - TERMINATION OF OTHER EMPLOYER PARTICIPATING RETIREMENT PLANS (as amended May 2001)

In accordance with Act 884 of 1999, effective July 1, 1999, employers participating in APERS may not establish another state authorized retirement plan which requires employer contributions. Before a participating employer may establish another state authorized retirement plan for its employees, the employer shall submit a copy of the proposed plan and the State law(s) authorizing its creation to the APERS Board of Trustees for a determination of compliance with Act 884. The Board will provide a Determination Letter to the employer. If it is determined by the Board, after consultation with any needed sources, that the proposed plan is not permitted under Act 884, APERS shall notify the employer that the plan may not be established.

In accordance with Act 1299 of 2001, any participating employer that has established another state authorized retirement plan before July 1, 1999 may continue to enroll new employees in that plan or successor plans.

PURCHASE, REFUND REPAYMENT, OTHER SERVICE

REGULATION 401 - 1957 (as amended in 1987) PROOF OF MILITARY SERVICE

Any member of PERS claiming military service shall submit:

1. Proof of PERS covered employment immediately prior to going into military service.
2. Proof of military service in the form of a DD-214 or equivalent document.
3. Proof of rehire by an agency subject to this Act's statutory provisions within six years subsequent to discharge from military service.

Any member of PERS desiring to purchase military service must provide proof of military service in the form of a DD-214 or equivalent document.

REGULATION 402 - 1986 PARTIAL PAYMENT AGREEMENT

Repayment of refunded contributions by a member to re-establish forfeited service must be made in one lump-sum if the total due, including interest, is less than \$500. If \$500 or more, the member may choose to enter into an agreement with the Retirement System to make partial payments in an amount and by a method determined by the Executive Director, subject to the following conditions:

1. The service credit will not be restored to the member's retirement account until full payment is received by the System.
2. Full payment must be made before a member, or his survivor, makes application for monthly benefits.

3. From each payment received, the System will first credit interest due and the remainder will be applied to reduce the principal due.
4. The System may cancel the agreement and refund to a former member the amount paid under the partial payment agreement if the former member does not pay, in one lump sum, the total amount due within six months after termination of covered employment.
5. The System may cancel the agreement and refund, to the person eligible for the refund, all amounts paid under the agreement if a member dies before completing payments, with the following exception:
 - A. If completing the payment will qualify a survivor or dependent for a monthly death-in-service benefit or will increase the amount of such benefit, then the System will accept payment of the balance due in one lump-sum if paid within six months after the death of the member. If not paid within six months, the System will refund the amounts previously paid.
6. A person not a member of the System, but who is a member of another retirement system and eligible for Reciprocal Agreement coverage (Act 488 of 1965, as amended), for the purpose of the partial payment agreement will be considered a member.

REGULATION 403 - 1991 PURCHASE OF MILITARY SERVICE CREDIT

Military service credit eligible for purchase under A.C.A. 24-2-502 shall include active duty and active duty for training; provided, however, active duty for training shall not include summer camp, weekend drills, or other duty with a duration of less than 30 consecutive days.

REGULATION 404 - CONTRIBUTIONS FOR MILITARY SERVICE CREDIT

In those instances where federal law requires that a member receive credit in the Retirement System for service and earnings that the member would have received had the member not been called to active military duty, the employer shall be required to pay the employer contributions that would have been due for the earnings to be credited.

REGULATION 405 - 1995 - PURCHASE OF SERVICE CREDIT FOR TIME LOST DUE TO WORKER'S COMPENSATION INJURY (as amended May 1998)

In accordance with the provisions listed below, an active member of APERS may purchase time lost due to a worker's compensation injury.

- The Member makes a written request to the System to purchase the service.
- The Member provides documentation from the employer and the Worker's Compensation

Commission that time was lost due to a worker's compensation injury. Documentation must include a statement by the employer of the exact amount of time lost by month.

- The Executive Director determines that there is sufficient documentation and that all other requirements of A.C.A. 24-4-516 have been met.
- The Member pays or causes to be paid in a lump sum the cost of the purchase as determined by the System in accordance with A.C.A. 24-4-516.

REGULATION 406 - 1995 - PURCHASE OF SERVICE CREDIT FOR STATE SERVICE UNDER A FEDERAL GRANT (as amended May 1998)

In accordance with the provisions listed below, a person who is or was a member of APERS may purchase credit for state service under a federal grant.

- The Member makes a written request to the System to purchase the service.
- The Member provides documentation from the state agency receiving the service and the appropriate federal agency of the time of the service and the amount the person was paid by month.
- The Executive Director determines that there is sufficient documentation and that all other requirements of A.C.A. 24-4-517 have been met.
- The Member pays or causes to be paid in a lump sum the cost of the purchase as determined by the System in accordance with A.C.A. 24-4-517 The Member may purchase all of the service, subject to the maximum stated in the Act, or any portion thereof in multiples of one year.

REGULATION 407 - 1996 - DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTION

As permitted by IRS Regulations issued October 19, 1995. APERS will accept eligible rollover distributions from tax qualified retirement plans under the following conditions:

- The proceeds from the rollover distribution must be used to purchase eligible service credit in APERS or to repay a refund and thereby reestablish forfeited service.
- If the former plan is a defined contribution plan, that plan must permit such rollover.
- The exact source of all funds involved in the rollover must be identified by the former plan. That is, after tax employee contributions, pre-taxed contributions and source (employee or employer), or earnings on contributions.

REGULATION 408 – 1997 (as amended May 2001) - REGULAR INTEREST - In accordance with A.C.A 24-4-101 (38), the rate of interest to be charged for all provisions of Chapter 4 of Title 24 where reference is made to "regular interest", for payments received on or before December 31, 1999, shall be 7.75% per annum, compounded annually. Effective January 1, 2000, regular interest shall be 8% per annum, compounded annually.

REGULATION 501 - 1985 (as amended May 2003) INVESTMENT POLICY

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

INVESTMENT POLICY

I. STATEMENT OF PURPOSE

The assets of the Arkansas Public Employees Retirement System (APERS) shall be invested as determined from time to time by the APERS Board. This statement sets forth the investment objectives of APERS and the investment policies to be followed in carrying out those objectives.

Investment of the APERS' funds shall be made for the exclusive benefit of the participants and beneficiaries of the System. The purposes of investing APERS' funds are to provide benefits to participants and their beneficiaries and to defray the necessary expenses associated with investing APERS' funds and administering the System.

II. BACKGROUND (HISTORY)

The Arkansas Public Employees Retirement System was established by the General Assembly in 1957 and is governed by a nine member Board of Trustees. From its inception until 1985, the investment of the trust fund was governed by Arkansas Statutes that provided for a permissible list of investments. However, Act 412 of 1985 repealed the permissible investment list and enacted the prudent investor rule. Act 412 of 1985 also allows the establishment of a custodial bank relationship. Act 412 of 1985 states that the System shall seek to invest at least five percent, but not more than ten percent of the System's portfolio in Arkansas related investments, but only when consistent with the fiduciary requirements of the trustees. Act 302 of 1989 allows the System to employ Multiple Discretionary Money Managers as appropriate. Act 1194 of 1997 revises and updates the investment policies and rules, including the prudent investor rule.

III. STATUTORY AUTHORITY

The primary statutory authority for the investment activities of APERS is found in Sections 24-2-601 through 24-2-619 of the Arkansas Code, as amended. Trustees shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. Trustees who have special skills or expertise, have a duty to use those special skills or expertise (24-2-611). The prudent investor rule shall be applied by each party serving in a fiduciary capacity for APERS.

IV. INVESTMENT OBJECTIVES

The investment objectives shall be: (1) the protection of the APERS' Fund so that such assets are preserved for providing benefits to participants and their beneficiaries; and (2) to maximize total return - either in the form of income or capital appreciation or both - consistent with prudent risk taking on the amounts available to provide such benefits. For this purpose, short-term fluctuations in value shall be considered secondary to long-term investment results. The long-term return objective for the APERS' Fund shall be to achieve a real rate of return of 3.5%. This is the return over the rate of inflation (as measured by the Consumer Price Index). This objective is not to be a goal from year to year, but is intended as a long-term guideline to those involved in investing the Trust's assets. The investments of the APERS' Fund shall be so diversified as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. Investments will be further diversified by hiring an appropriate number of managers whose investment styles are varied enough to provide a balance to the overall risk of the Fund.

V. ASSET ALLOCATION (BY MAJOR CATEGORIES)

To avoid extreme exposure to investment risk, the following percentages represent the minimum and maximum portion at market of the portfolio that may be invested by types:

<u>Asset Class</u>	<u>Market Value Exposure</u>	
	<u>Target</u>	<u>Range</u>
Equity	55%	40% - 60%
Fixed Income	35%	30% - 40%
Alternatives	10%	5% - 10%

The Board of Trustees shall review its asset allocation at least annually to determine if the asset allocation is consistent with the level of risk and volatility acceptable to the Fund.

Should actual asset class percentages fall outside the target ranges, the Fund will rebalance to the target percentages, subject to the explicit approval of the Board of Trustees. The rebalancing will necessitate the movement of funds from style to style. This rebalancing will occur at least annually unless circumstances dictate that it be done more frequently. Within these broader asset classes, the Trustees shall establish commitment levels to various investment styles, as the dynamics of the Plan's financial needs dictate.

VI. PORTFOLIO GUIDELINES

Through selecting, timing and weighting investments, the Fund's objective is to maximize the total return of the account assets, through price appreciation and/or yield, consistent with the level of risk taken. In determining the appropriate risk posture for the Fund,

consideration should be given to the overall risk characteristics of the Fund, and the extent to which components of the Fund are diversified. Additionally, the Board of Trustees establishes the following specific guidelines:

- A. Securities may not be purchased on margin.
- B. Securities may not be sold short.
- C. The System may establish a Securities Lending Program subject to restrictions established by the Board.
- D. Each investment manager will be required to invest within the specific guidelines and parameters set by the Board of Trustees.
- E. APERS recognizes a legal responsibility to seek to invest in the Arkansas economy, while realizing its primary, legal, and fiduciary commitment is to beneficiaries of the retirement system, under the prudent investor rule.

VII. CUSTODIANSHIP OF SECURITIES

Securities may be held by the State Treasurer or, under the authority granted by Arkansas Code 24-2-606, APERS may establish an arrangement with a financial institution, as specified by this Code, for the custodianship of its securities subject to the approval of the Board of a Request for Proposal as well as a proposed contract.

VIII. ROLES AND RESPONSIBILITIES

A. Custodian Bank

The custodian bank shall, by nominee agreement, hold any and all securities for the beneficial interest of the APERS fund. Custodial activities will include, but are not limited to, the purchase, registration, and sale of stocks, bonds, notes, and other securities, as well as the collection of any income. In order to maximize the Fund's return, no money should be allowed to remain idle. Dividends, interest, proceeds from sales, new contributions and all other moneys are to be invested or reinvested promptly.

B. Administrative Staff

The Administrative Staff, at the direction of the Board of Trustees, executes all investment transactions for any assets managed in-house. In addition, they are responsible for communicating with the investment professionals the information necessary to fulfill contractual obligations. The Administrative Staff also communicates decisions of the Board of Trustees to investment managers, custodian bank, actuary, and

consultant.

C. Board of Trustees

The Board of Trustees shall review the total investment program. The Board shall approve the investment policy and provide overall direction to the administrative staff in the execution of the investment policy. The Board of Trustees shall review and approve or disapprove investment recommendations not governed by Investment Policy prior to their execution. The Board shall also review and approve investment policy changes, deletions, or additions. The Board shall review and approve or disapprove any contracts of a financial nature, when performed by other than APERS' staff persons, such as, although not limited to, those for investment counselors, custodial arrangements, option programs, and security lending.

IX. TOTAL FUND PERFORMANCE MEASUREMENT STANDARDS

- A. The Fund's overall annualized total return (price change plus income) should exceed the return available from a policy of "rolling over" 90-day Treasury Bills (as a proxy for the inflation rate) by at least 3.5% percentage points per year measured over a period of 10 years.
- B. The Total Fund should rank in the upper 50th percentile compared to the results of other similarly managed public fund portfolios measured over a five-year period.
- C. The Fund's annualized total return over rolling five year periods should, after manager's fees, exceed the return of the following Target Indices as established by the Board.

X. PROXY VOTING

The Board has directed that the individual investment managers will be responsible for voting proxies in the best interest of APERS. Each investment counselor is responsible for maintaining records of how each proxy is voted. A written report of proxy voting will be provided to the Board within 30 days from the end of each quarter. In general, each investment counselor is expected to vote for improvements in corporate governance, for the alignment interests of corporate management with shareholder interests, and for equal access to the management proxy card. A detailed explanation will be given for each instance where the proxy is voted against these concepts or against management.

XI. REVIEW OF INVESTMENT PROCESS

- A. On a timely basis, but not less than twice a year, the Board will review actual investment results achieved by each manager (with a perspective toward a three to five-year time horizon or a peak-to-peak or trough-to-trough market cycle) to determine whether;

1. The investment managers performed in adherence to the investment philosophy and policy guidelines set forth herein,
 2. The investment managers performed satisfactorily when compared with:
 - a. The objectives set.
 - b. Other similarly managed funds.
- B. In addition to reviewing each investment manager's results, the Board will re-evaluate, from time to time, its progress in achieving the total fund, equity, fixed-income, and international equity segments objectives previously outlined.
- C. The periodic re-evaluation also will involve an evaluation of the continued appropriateness of:
1. The manager structure;
 2. The allocation of assets among the managers; and
 3. The investment objectives for the Fund's assets.
- D. The Board may appoint investment consultants to assist in the ongoing evaluation process. The consultants selected by the Board are expected to be familiar with the investment practices of other similar retirement plans and will be responsible for suggesting appropriate changes in the Fund's investment program over time.