

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
AUGUST 15, 2007**

The regular quarterly meeting of the Board of Trustees of the Arkansas Public Employees Retirement System was held on Wednesday, August 15, 2007 at 9:00 a.m., in the Kie D. Hall Conference Chamber, 124 West Capitol, Little Rock, Arkansas. Mr. Don Zimmerman presided.

QUORUM PRESENT:

Mr. Zimmerman recognized the presence of a quorum.

BOARD MEMBERS PRESENT:

Mr. Don Zimmerman (Municipal Employee Member), *Chair*, North Little Rock, AR
Mr. Artee Williams (State Employee Member), *Vice Chair*, Director, Dept. of Workforce Services
Mr. Larry Fratesi (County Employee Member), Pine Bluff, AR
Ms. Ouida Wright (State Employee Member), Retired, Conway, AR
Mr. Mike Creekmore, State Treasurer's Office (*proxy*)
Mr. Richard Weiss (Ex-Officio Member), Dept. of Finance and Administration
Mr. Steve Kelly, Deputy State Auditor (*proxy*)
Mr. Bill Gaddy (State Employee Member), Retired, Little Rock, AR
Ms. Gail H. Stone (Executive Director), APERS

BOARD MEMBERS ABSENT:

Hon. Martha Shoffner (Ex-Officio Member), State Treasurer
Hon. Jim Wood (Ex-Officio Member), State Auditor
Mr. Maurice Henry (School Employee Member), Fulton, AR

VISITORS PRESENT:

Mr. Paul Troup, Callan Associates, Inc.
Mr. Gregory Bauer, Callan Associates, Inc.
Mr. Norm Jones, Gabriel, Roeder, Smith & Company
Mr. Mita Drazilov, Gabriel, Roeder, Smith & Company
Dr. John Shelnett, *designee for Mr. Richard Weiss, Director Dept. of Finance & Administration*
Mr. David Farmer, INVESCO Real Estate
Mr. Blaine Smith, INVESCO Real Estate
Mr. Rob Zink, Bridgewater
Mr. Joel Whidden, Bridgewater
Mr. Robert J. Greer, PIMCO
Mr. Mark A. Romano, PIMCO
Mr. Charlie Service, UBS
Mr. Steven E. Wilde, UBS
Ms. Kay Durnett, Arkansas State Employees Association
Ms. Erika Gee, Attorney General's Office
Mr. James Miller, Office of the Governor
Mr. Michael Wickline, Arkansas Democrat-Gazette

STAFF PRESENT:

Ms. Michele Williams, Deputy Director, APERS
Ms. Susan Bowers, Associate Director of Investments, APERS
Mr. Jim Chandler, Chief Fiscal Officer, APERS
Ms. Becky Walker, Manager Administrative Service, APERS
Mr. Craig Blackard, Internal Auditor, APERS
Mr. Phillip Norton, Information Systems Manager, APERS
Ms. Linda McGrath, Executive/Administrative Secretary, APERS

NEWS MEDIA NOTIFIED:

A letter of notification of the APERS Board Meeting was sent to the Arkansas Democrat-Gazette, the Associated Press, Radio Station KARN, and Radio Station KAAY. This letter of notification is pursuant to A.C.A. 25-19-101 (Act 93 of 1967) as amended-The Freedom of Information Act.

MINUTES:

Prior to the Board meeting, a copy of the Minutes from the meeting of July 12, 2007 were mailed to each APERS Board member for review. On a motion made by Ms. Wright and seconded by Mr. Fratesi, the Minutes were approved as submitted.

DISCUSSION OF THE SALE OF ONE UNION PLAZA – Presented by Mr. David Farmer & Mr. Blaine Smith of INVESCO Real Estate

Ms. Stone explained to the Trustees that the sale of One Union Plaza had closed shortly after the last (July 12th) Board meeting. She stated that she intended to notify the Trustees, but the story broke in the paper before she had the opportunity and she apologized to the Board for any embarrassment it may have caused them.

Mr. Weiss asked for clarification on the agency's policy regarding the sale of such large assets. Ms. Stone confirmed that there had been discussion shortly after INVESCO was hired and the Board had voted to recognize them as a fully discretionary manager. INVESCO has full authority over any dispositions and purchases, and was instructed to act as any other prudent fiduciary, regarding acquisitions and disposals of property. They have been doing this all along. She assured the Board that the building had been acting as an anchor pulling down the returns in the system's RE portfolio and now that impediment had been cut. Mr. Weiss requested a copy of the Minutes from that meeting that showed the Board's decision to make INVESCO a fully discretionary manager.

Mr. Farmer distributed a history INVESCO had compiled on the APERS' Real Estate program, beginning in 1994 when APERS acquired One Union, through 1998 when INVESCO was hired to manage the Arkansas-Related Real Estate Program and in 1999 they undertook a major capital program to cure the life-safety deferred maintenance issues associated with the building. INVESCO's mandate was expanded to include REITs in 2001. In 2006, their program was broadened to include Global REITs and finally, in 2007 INVESCO sold One Union, the last asset in the original Arkansas-Related program.

Mr. Farmer detailed the Real Estate Portfolio's performance. He stated that the total Real Estate program had returned an average of 9.51% since its inception and 17.4% for the last twelve months. Mr. Farmer contrasted that to the return from the Little Rock office buildings (One and Two Union) which amounted to a 7.28% loss in the last twelve months, with an average of 11.86% annual loss since inception.

Mr. Smith outlined their decision to eliminate the single asset exposure in the portfolio in favor of more diversified commingled REITs, citing better investment options available and the current strong national real estate market. He stated that the age and condition of the building indicated continued capital needs in excess of value creation, while the local market occupancy and rental rates has remained relatively flat. Demand for office space has changed over the last 15 years and the smaller floor plats in One Union are not as desirable as they once were. Mr. Smith also cited the ongoing issue of employee parking space in the downtown area. While Little Rock's downtown had been undergoing resurgence in the past decade, there had been no corresponding improvement in the performance of this asset for the aforementioned reasons. Mr. Farmer admitted that with the recent turmoil in the sub-prime market, the sale had concluded at a most fortuitous time for APERS.

Mr. Gaddy questioned what information INVESCO had shared with Staff since February, when the building was first put on the market. Mr. Smith stated INVESCO had issued their regular quarterly updates and in that had been a brief update describing the status of the sale. Beyond that, since this was a private market transaction, INVESCO discouraged conversations during the negotiations that could affect the final sale price of the building. Ms. Stone stated that she had discussed this issue with the then-Chair of the APERS' Board, Mr. Sweeney. He had advised that since this was a discretionary issue, it needed to remain quiet so as not to disadvantage the sale. His concern was that the news could become public and negatively impact the pending sale.

Mr. Smith explained that APERS had always been a rent-paying tenant in One Union and had just renewed their lease for five more years, with an extension option. One Union had always been treated as an investment for APERS and INVESCO never considered it a merely "owner occupied" building.

Mr. Weiss expressed his dismay over the Board being excluded on the decision to sell the building, especially in light of its notorious past history in state and local politics. He commented he was

shocked the Trustees had no prior notification and if a change in policy was required to keep this from happening again, he would like the Board to explore that option.

Ms. Stone admitted that she appreciated the sensitive nature of this building, but stated that she would be in substantial violation of FOI rules if she had brought this information to the Trustees privately. She stated that she had discussed this issue with Mr. Sweeney, since he was the Chairman of the Board at that time, and they had agreed not to put the rest of the Board in the position of having knowledge that would disadvantage the system if made public, and then asking the Trustees not to mention it to the press. Ms. Stone allowed she took full responsibility for her actions.

Ms. Wright defended Ms. Stone's decision stating that the director could not discuss this openly with the Board without being subject to FOI, and consequentially risk negatively impacting the potential sale of the building. Mr. Weiss responded that all this was just speculation and no one could predict what might have occurred had the system held onto the building for another ten years. Ms. Wright pointed out that INVESCO managers were experts in Real Estate and if they felt like APERS was cutting its losses by selling the building at this time, she had to agree with them. Mr. Farmer also pointed out that under the Freedom of Information Act, the issues about the building that INVESCO disclosed to the Board, such as expected capital costs, occupancy rates going forward and current high bidder, were not information that they wanted publicized.

Considering the modifications done to the building since APERS bought it, Mr. Weiss asked what the net loss of the building had been over that time period. Mr. Smith stated that One Union had returned -11.86% (roughly a \$10 million loss) when you considered the purchase price, all the repairs, improvements, maintenance, rental income and final sale price. He also identified other physical issues that still needed to be addressed such as removal of the remaining asbestos and finish out of those spaces and structural repairs to the parking deck. Mr. Smith commented that INVESCO felt that investing another million dollars in the building in hopes of getting it back at the sale was not prudent. He stated that INVESCO felt there were much better alternative investments they could invest in and that APERS would benefit from the decision to sell an investment that was expected to generate only low (or even negative) income over the next 5 to 10 years.

Mr. Zimmerman stated that he understood that to INVESCO this was just an investment, but the Trustees considered it their "home" and should have been handled differently. He hoped that in the future the Trustees would be kept abreast of anything as close to the Board as this. Ms. Durnett suggested it might be helpful to ask the Attorney General for Staff guidance on what information of this kind is subject to FOI. Ms. Gee responded that one of the concerns was discussing issues that would ultimately come to a vote. She didn't believe that would have been the case in this instance since the manager had discretionary powers. She stated that she would investigate the matter and get back to the Board with her suggestions.

Mr. Weiss motioned to draft the question to the Attorney General and was seconded by Mr. Williams. Motion carried.

QUARTERLY REPORT FOR THE PERIOD ENDING June 30, 2007 – Presented by Mr. Paul Troup of Callan Associates, Inc.

Because of what had happened during the first month of this fiscal year, Mr. Troup suggested that the Trustees might want to make some changes at the end of his presentation. During the last fiscal year, the S&P ranked median relative to active portfolios returning 6.28%. Mid cap stocks delivered the best returns. The EAFE index had 27% growth for the past twelve months, showing good returns in all sectors, except Japan. The Lehman Aggregate gained 6.12% over the past year, but things have reversed themselves in July.

The target allocation shows the increased alternative investment category increased to 15%, to reflect the Board's decision at the last meeting. The actual asset allocation of Alternative Investments is currently at 12%. Mr. Troup explained that during the last quarter, a lot of funds had been moved around and he wanted to make sure the Trustees were aware of the reasons. Normally, Staff "harvests" around \$8 million per quarter to pay out benefits and related expenses from managers who have outperformed. Subsequent to the end of March, \$15 million has been harvested from Domestic Equity and \$1.8 from the International Equity portfolio.

Mr. Troup announced that Frolely Revy had recently purchased their firm back from the bank that owned them. He felt that this was a positive action for this money manager as it allowed them more

freedom with their investments. Ms. Stone noted that Staff had recently surveyed all the managers in regards to their investments in the sub-prime lending environment and all had confirmed that they had no vulnerable securities, however yesterday some concluded they were vulnerable to the contagion, but none were involved in any of the toxic real estate deals. Mr. Troup agreed that was the case for most institutional investors

Return for the overall APERS portfolio for the year ending June 30 was a very healthy 18.01%. Ms. Stone pointed out that during the recent NASRA Conference, she learned APERS finished in the top of their class when ranked against the other 50 states, with only three others having slightly better returns for the year.

Regarding the International Equity portfolio, Mr. Troup commented that while APERS might be happy with a 25% return under normal circumstances; this was very disappointing when 93% of the other international managers had better results. This was precisely why he and Ms. Stone had recently done an on-site with these managers. Mr. Troup stated he would elaborate on their findings later in the meeting.

The Fixed Income managers returned a staggering 7.11%, placing them in the top quartile relative to their peers and APERS' Real Estate portfolio returned 15.62%; about median to other public funds.

Two managers had disappointing performances and Mr. Troup detailed actions that have been taken:

- *Goldman Sachs* returned 12.11% for the last year ranked them in the 90th percentile for the last 12 months; their most recent quarter showed little improvement. Mr. Troup explained that how in 1998, Goldman Sachs discovered a problem with their risk control program and revamped it. Recent performances by this quantitative manager shows that the new formula might not be as good as believed. Mr. Troup acknowledged that most quantitative managers have had difficult time during this strange investment environment and Callan is in active discussions with Goldman Sachs trying to determine if their model is broken or is the unusual investment environment accountable. Mr. Troup cautioned the Board not to confuse the recent spate of bad press regarding Goldman Sachs Hedge Fund that is currently having considerable difficulty, with the Goldman Sachs Asset Management employed by APERS. The APERS Board formally put Goldman Sachs on their "watch list."
- *INTECH* returned 12.72% for the last year and ranked in the 92nd percentile of their peers for the past 12 months. This firm requires volatility in the market to have good performance and until July 2007, there has been little volatility. Their performance has been totally expected given the market conditions, according to Mr. Troup, but he had high expectations for them for the current quarter, due to the renewed volatility of the market.
- *Froley Revy* has been outperformed by their benchmark for the last five years. For the last six months they have been using a reconfigured formula, which is just now payoff, as evident by their last quarter's performance in the top quartile. Also, distractions from their previous owner was probably more than what was suspected and now that they have purchased themselves back, Mr. Troup expected good things from this manager.

International Equity Due Diligence Review

Mr. Troup commented that during his onsite with Ms. Stone, they had learned a number of things about the international program's evolution over the past few years. Primarily, the transition from the original American Express manager to Threadneedle was not as smooth as it looked on paper. They learned that this manager is mired in commitment to a Japanese strategy that has been responsible for their lack of offense. Despite showing almost 24% returns for last year, RiverSource left a lot of opportunity on the table. Staff just learned today that RiverSource has no way for APERS to invest in emerging markets. Mr. Troup stated that Staff is working on a recommendation for restructuring the international portfolio to reflect the opportunities that are needed. He promised to present the restructuring ideas to the board before the end of the year. He felt since more than 1/3 of the APERS' assets were tied up in quantitative managers (Goldman Sachs, INTECH, INVESCO and to some extent, Wellington) it was paramount to resolve those difficulties first and that would be a focus of the 2007 Investment Retreat.

The second manager that was reviewed in London was UBS. They have been slightly below the index for the last twelve months and their longer record has been even less spectacular. The UBS organization is much stronger today than they were just five years ago and there is no reason they cannot produce the results expected by the APERS' board members. Mr. Troup directed the Trustees attention to a pair of letters from himself and Ms. Stone outlining their assessment of the managers they visited in June. Ms. Stone emphasized that she had originally indicated to withhold a final verdict on Threadneedle, in light of their plans to restructure the portfolio to capture emerging markets. However, their admission just this morning that it would be impossible left her little choice but to recommend pulling the plug on this manager.

Mr. Gaddy questioned why APERS had allowed UBS to continue for five years with below-index returns. Mr. Troup explained that UBS uses an investing approach called "price to intrinsic value" that limited their ability to generate higher returns over the past twelve months. Prior to that, Mr. Troup stated the market was heavily in favor of growth stocks; UBS is a value-style manager, so their lack of higher performance was somewhat expected.

Separately, Ms. Stone commented that Stephens was funded late in July, yet the Callan book reflected a full year based on their composite returns. Their actual returns were far superior to those listed by Callan. She stated that for their first eleven months Stephens had in excess of 22% gains. Mr. Troup reminded the Trustees that although Stephens was currently listed as an alternative investment, they were actually domestic equity. If they continued to do well they would "graduate" to the main portfolio and be given more funding. Horrell Capital is being handled in the same fashion. The planned Fayetteville Shale portfolio will soon be organized into the Alternative portfolio giving APERS much more diversification.

Dr. Shelnutt asked about news of domestic REITs being over-valued and how that will affect the INVESCO Real Estate portfolio. Mr. Troup replied that since the INVESCO REIT program is now global, instead domestic, it should be to APERS' advantage. However, the first two quarters have been disappointing and he hoped that the diversification will start to pay off.

Viking Timber Fund Update

The portfolio was sold the end of June. Ms. Stone commented that APERS enjoyed almost \$6.2 million in global distributions, as well as an ultimate gain of \$4.4 on the sale itself, for a total of increase of over \$10 million over the life of that fund.

SCR 20 – Sudan Divestment Resolution

Ms. Stone told the Trustees that Congress had recently passed two bills to provide a list of businesses operating in Sudan and Iran. It is anticipated that the Senate will pick up on this after they return from their recess in September. She suggested that the Board might want to wait until after that time before taking any further action on this issue. Mr. Zimmerman stated he was satisfied with where the Board was currently on that issue.

Revised Investment Guidelines for Horrell Capital Management

Mr. Troup stated that this was a housekeeping issue for the Board and addressed the concerns that Mr. Sloan expressed at the last meeting. Ms. Stone stated that Mr. Sloan had seen the changes and was satisfied with them. Ms. Wright motioned to adopt the revised investment guidelines for Horrell. She was seconded by Mr. Fratesi. Motion passed.

(Mr. Weiss left the meeting at this point and Dr. Shelnutt took his place at the Board table.)

GTAA MANAGER INTERVIEWS

Bridgewater – Presented by Mr. Rob Zink - Director, Portfolio Strategy &
Mr. Joel Whidden - Director, Public Fund Marketing

PIMCO – Presented by Mr. Robert J. Greer, Executive Vice President and Real Return
Product Manager & Mr. Mark A. Romano, CFA, Senior Vice President and
Account Manager

UBS – Presented by Mr. Charlie Service - CFA Senior Asset Allocation Strategist and
Managing Director & Mr. Steven E. Wilde – CFA, Client Advisor and
Managing Director

After listening to presentations on Bridgewater's "All Weather Strategy", PIMCO'S "All Asset Fund" and UBS' "Dynamic Alpha Strategy" Mr. Fratesi motioned to hire UBS and fund them with \$50 million to start. He was seconded by Mr. Williams and the motion carried unanimously. In light of the current market disarray, Ms. Stone inquired if the Board would like to fund the 130/30 strategy in increments of half now and the remainder at a later date, or proceed as originally planned? After a brief discussion the Trustees decided to fully fund the 130/30 strategy immediately. Ms. Stone clarified that this UBS portfolio will be listed as an "Alternative Investment" but as it matures, the fund could be moved to the International Equity Program.

ANNUAL ACTUARIAL VALUATION PRELIMINARY REVIEW – Presented by Mr. Norm Jones & Mr. Mita Drazilov of Gabriel, Roeder, Smith & Co.

After introducing Mr. Drazilov, Mr. Jones gave an overview of the most recent valuation results. He stated that the fund was fairly stable, showing a slight annual rise. The school employees are the only closed group and are declining in numbers. Currently, there are 43,630 active APERS members with an average salary of \$29,855 and 20,709 retirees and DROP participants. This works out to be 1.9 active members for every retired member or beneficiary and is projected to eventually drop to 1:1. (This does not include members of the District Judges Retirement System that was absorbed into the APERS system on July 1, 2007. Mr. Jones explained that this group would be reported separately for actuarial purposes.) Mr. Drazilov was quick to point out that as of June 30, 2007 over 25% of the APERS active members were Contributory; a very rapid transition.

The Arkansas District Judges Retirement System (ADJRS) portion of the plan had 73 active members. While they had similar service levels as the average APERS member, ADJRS members had a higher average salary (\$46,121). Mr. Jones reported that there were currently 97 district judges receiving an annuity.

The actuaries detailed the development of the funding value of assets (excluding District Judges) for APERS. Recent experience has been very favorable, leaving the fund with over \$215 million in investment gains to be recognized from the previous 4 years. Mr. Jones commented that the substantial drop in computed employer contribution rate (11.09% down from 12.54%) was due in mainly to those recognized gains. He pointed out that the system actually has 2 buffers in place now: an adjustable amortization rate (currently 18 years) and unrecognized gains for the next three years.

Mr. Jones cited the tentative numbers from the District Judge portion and gave GRS' best estimate of the cost of benefits being earned this year. He noted that the decreased normal cost (down almost 3% of payroll) from last year was due to factoring in expected investment returns. While ADJRS had previously used 7% as an actuarial assumed rate, there was no reason to expect that money would now earn less than the 8% rate of return assumed by APERS. Contributions to finance unfunded liabilities are a more difficult item to calculate. Past service liability was calculated based on a 7% assumption when the system was formed. Many entities have paid off this liability, but there are still a number that own for past service. GRS will be working with Staff to make a recommendation with how to fairly allocate costs among the judge's employers at the November meeting. The expectation is that their employer rate will go down.

Ms. Stone stated that Staff needed to communicate expected 2008 employer rates to both APERS' and district judge's employers by the beginning of September. Mr. Jones commented when the district judge's system was absorbed into APERS, they were only 40-50% funded. He advised keeping them as a separate rate group for the foreseeable future. There was an issue of equity to the APERS employers if they were asked to subsidize the incoming judges. Currently, district judge's employers pay an 18% rate, while most APERS employers pay 12.54%. Mr. Jones also cautioned against rushing into any actions and this could set a bad precedent to other high-cost groups that might seek to join later.

Finally, Mr. Drazilov summarized the preliminary actuarial findings: the reserve strength of PERS remains strong, with a funded ratio of 89%. He commented that the \$483 million of unrecognized gains, gave the system a substantial cushion to off-set market returns of less than 8%. Mr. Drazilov outlined three scenarios for market returns over the next 2 years, ranging from 0% - 8% and how they would affect the funded ratio and the employer rates, among other things. Mr. Jones stated that many economists believed that achieving 8% returns in the near future, was going to be very difficult, but APERS had a decent buffer against some hard times.

Mr. Zimmerman thanked the actuaries and observed that it had been a tremendous report, not only in the short term, but also the long-term outlook for the system and APERS must be doing something right. After a short discussion, Mr. Williams motioned to inform the APERS employers that for Fiscal Year 2008 the employer contribution rate would be between 11% - 11.25% however the district judges' rate would hold steady at 18%. Mr. Fratesi seconded the motion and it passed

SUMMARY OF RETIREES FOR JUNE, JULY & AUGUST 2007:

Ms. Stone pointed out that the previous three months had seen perhaps the largest number of retirees ever for the system, with about 460 members retiring in July alone. She explained to the trustees that July 1 was the most common separation date in APERS. The Board also noted the single retiree from the old ADJRS system without comment.

MEDICAL REVIEW BOARD RECOMMENDATIONS:

The Medical Review Board met at 10:00 a.m. on Wednesday, August 8, 2007 in the APERS Library to discuss two (2) cases: Mr. Toby W. Moore and Mr. Harry L. Short.

- After review and discussion, the Medical Review Board recommended the approval of disability retirement for Mr. Toby W. Moore, with an onset date of August 2004.
- After review and discussion, the Medical Review Board recommended the approval of disability retirement for Mr. Harry L. Short, with an onset date of December 2004.

Mr. Fratesi motioned to accept the Medical Review Board's recommendations. Ms. Wright seconded and the motion carried unanimously.

FINANCIAL STATEMENTS FOR THE QUARTER ENDING JUNE 30, 2007:

As was mentioned previously during the meeting, the system had fallen from all time high of \$6.02 billion down to \$5.98 at the end of Fiscal Year 2007.

APERS INTERNAL AUDIT REPORTS – Presented by Mr. Craig Blackard, APERS Internal Auditor

- **Annual Audit Results for Fiscal Year 2007** - Mr. Blackard reviewed his audit findings for the previous Fiscal Year. He stated that of the nine audits, seven had achieved the audit object. The two areas that failed to obtain their objectives were: Enrollment of Contributory Members and Current Agency Practices. He outlined the deficiencies that he had identified, gave recommendations for both areas and answered questions from Board members. Ms. Stone explained that APERS had hired two people within the last seven months, Mr. Jim Chandler and Mr. Phillip Norton, specifically to remedy these exact issues. She promised the Trustees to give her detailed response to the audit at the November Board Meeting.
- **Proposed Audit Plan for Fiscal Year 2008** – Mr. Blackard continued his presentation outlining the ten proposed internal audits for the upcoming Fiscal Year. He finished up with a FY 2008 Audit Work Schedule and Plan Hours

Mr. Gaddy motioned to approve the proposed Fiscal Year 2008 Audit Plan. He was seconded by Ms. Wright and the motion carried unanimously.

OTHER BUSINESS:

Staff Travel Reports

Ms. Stone remarked that she had detailed the findings of her trip to London earlier in the meeting, but the written report was there for their review. There was a report included in the Trustees folders from the Social Security Coordinator reporting on her trip to the annual National Council of State Social Security Administrators (NCSSSA).

Ms. Stone also promised details from her trip to Florida for the annual National Association of State Retirement Administrators (NASRA) at the next regular Board meeting. Ms. Williams, Ms. Wright and Mr. Henry had also attended the NASRA convention and would submit their reports at that time as well.

Looking into the future, Ms. Stone stated she will be going to Chicago over September 17-18 for a Board of Directors meeting with the Council of Institutional Investors (CII) and that she had been recently been invited to sit on a panel regarding international corporate governance rules and laws in New York around October 31st. Ms. Stone stated that since she campaigned as the voice of

moderation on imposing rules in the capital markets that could work the to public pension plans' disadvantage, she felt this would be an excellent opportunity to speak to influential people.

APERS INVESTMENT RETREAT:

Ms. Stone reminded the Trustees that the Retreat date had been changed to Monday, October 1, 2007 starting at 8:00 a.m. and would be held at the Peabody Hotel in Little Rock. She noted that this would be a one-day event, unlike past Retreats, and would conclude with the dinner on Monday evening.

DISTRICT JUDGE ACTUARIAL INFORMATION:

Ms. Stone distributed some background information on the old District Judges Retirement System that explain in greater detail the actuarial findings and concerns, for the Trustees to study before setting the final employer contribution rate at the November meeting.

NEXT QUARTERLY BOARD MEETING:

The next quarterly meeting of the APERS Board of Trustees is scheduled for November 21, 2007 at 9:00 a.m.

ADJOURNMENT:

There being no further business, the meeting was adjourned.

MR. DON ZIMMERMAN, CHAIR

MS. GAIL STONE, EXECUTIVE DIRECTOR