

2007



Prepared by the staff of Arkansas Teacher Retirement System

Paul V. Doane
Chief Executive Officer

Copies of this report are available from:

Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, Arkansas 72201
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2007 **COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



A Pension Trust Fund of the State of Arkansas

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INTRODUCTION

Letter of Transmittal

February 19, 2008

Board of Trustees
Arkansas Teacher Retirement System
1400 West Third
Little Rock, AR 72201

The Arkansas Teacher Retirement System (the 'System' or ATRS) is pleased to submit this 64th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. It provides comprehensive information on the retirement plan that we administer. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and presents fairly the System's financial status and changes in financial condition.

The 2007 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on Page 2).

Introductory Section:

Contains this transmittal letter, organization chart and the Board.

Financial Section:

Provides the System's financial statements, required supplementary information, and supporting schedules with additional information about the System's expenses.

Investment Section:

Includes the investment consultant's report, investment policies, asset allocation, and investment results.

Actuarial Section:

Provides the certification letter from the independent actuary, supporting schedules, and a summary of plan provisions.

Statistical Section:

Presents schedules and tables of comparative data related to the membership, active and retired, of the System.

On March 17, 1937, ATRS was established by Act 266 of 1937. ATRS is a combination contributory/non-contributory retirement system governed by the State's retirement law, Chapter 24 of the Arkansas Code. ATRS is one of five State-supported retirement systems and provides retirement, disability and survivor benefits to employees of Arkansas public schools and educationally related agencies. The system consists of 343 participating employers (see pages 66 - 68).

Investments

Economic conditions continued to improve from the deterioration of the technology sector seen in 2000 through 2003 at a faster pace than during the previous fiscal cycle. The investment philosophy employed by ATRS allowed the System to take full advantage of the improving market conditions and generate a 19.1% return, net of fees.

Investment performance for the last three years has been excellent for the System with fiscal year returns exceeding the 8% assumed return. In addition, two of the last three years the System has outperformed more than 80% of the retirement plans in our nationwide peer group.

As part of the portfolio realignment, the decision was made to reduce the portfolio's reliance on the US and international stock markets. It is believed this move overtime will further cushion the ATRS portfolio from the volatility of the active equity markets, while reducing risk and increasing return.

Additions/Deductions to Plan Net Assets

As a retirement system matures, employer and employee contributions must be supplemented with investment earnings to fully fund retirement benefits and operating costs. This scenario leaves the investment nucleus untouched to continue providing the required investment income for future generations of plan participants.

Current year total contributions, \$331.9 million employer and \$100.0 million employee, covered 77.7% of the \$556.3 million in benefits paid, compared with 79.5% coverage last year. The small change is the result of a phasing in of the contribution for members still working but participating in the Teacher Deferred Retirement Option Plan (TDROP), and the ability for previous non-contributory members to elect to become contributory. Over the next few years this phased approach will put employer contribution levels for TDROP members in line with regular active members.

Funding Status

Positive returns were achieved by the System and the last of the bear markets were recognized in the fiscal year ended June 30, 2006. ATRS is a healthy 85% funded, compared to the industry average of 84%, up from 80% at the end of the 2006 fiscal year. Amortization required to fund the unfunded accrued actuarial liability (UAAL) declined from 38 to 19 years. ATRS currently has \$1.118 billion in reserve earnings that will be recognized over the next three (3) years.

Internal Control

Internal controls are at the heart of safeguarding the System's assets. Working in conjunction with a new state mandate, ATRS is reviewing and updating its control policies. As the System grows and technology advances we feel it prudent to continuously monitor internal systems and policies to detect and correct potential errors before they occur.

Implemented during this fiscal year is an in-house Risk Management and Internal Audit Division. Staffing and education of this division is expected to be complete in the 2008 fiscal year. The division will work closely with the Division of Legislative Audit (DLA) and other independent consultants.

Professional Services

The ATRS Board employs firms considered experts in their field to draw on their knowledge and to get views of policy administration. The System's independent investment consultant is Ennis + Knupp & Associates, headquartered in Chicago, IL, and the independent actuary is Gabriel Roeder Smith & Company, headquartered in Southfield, MI. The system also utilizes the services of local legal and accounting firms for various projects.

Acknowledgments

This report is intended to provide complete and reliable information as a foundation for management decisions, determining compliance with legal provisions, and determining conscientious administration of the System's funds. Compilation of this report symbolizes the collective efforts of the staff, under the direction of the Board of Trustees.

Copies of this report are available to all members of the System via request, and copies will be mailed to each employer with members in the System.

Respectfully submitted:

Paul V. Doane
Chief Executive Officer

Board of Trustees

The authority and responsibility for the administration, management and control of the Arkansas Teacher Retirement System (ATRS), and for the construing and carrying out the provisions of the plan is vested in the Board of Trustees by Act 427 of 1973, as amended. The Board is comprised of 15 persons. The State Bank Commissioner, the State Treasurer, the State Auditor, and the State Commissioner of Education serve as ex officio trustees.

Act 418 of 1997 provides that eleven (11) members shall be elected to the Arkansas Teacher Retirement System Board of Trustees. Seven trustees (7) shall be active members of the system with at least five (5) years of credited service in force; three (3) shall be retirants receiving an annuity paid by ATRS who are residents of the State of Arkansas, and one (1) shall be of a minority racial ethnic group, and may be either an active or retired member.

Position #1
Member Trustee
1st Congressional District
 Robin Nichols
 (Jonesboro)
 Term Expires 6/30/2007

Position #2
Member Trustee
2nd Congressional District
 *Linda Parsons, Chair
 (Conway)
 Term Expires 6/30/2010

Position #3
Member Trustee
3rd Congressional District
 Lawrence Colston (Fayetteville)
 Term Expires 6/30/2007

Position #4
Member Trustee
4th Congressional District
 Beverly Leming (Malvern)
 Term Expires 6/30/2011

Position #5
Member Trustee
Superintendent
 Dr. Richard Abernathy (Bryant)
 Term Expires 6/30/2012

Position #6
Member Trustee
Administrator
 Monty Betts
 (Searcy)
 Term Expires 6/30/2009

Position #7
Member Trustee
Non-certified
 Ellen Terry
 (Ft. Smith)
 Term Expires 6/30/2009

Position #8
Member Trustee
Minority
 Hazel Coleman (Helena)
 Term Expires 6/30/2009

Position #9
Retirant Trustee
 *Dr. Paul Fair (Little Rock)
 Term Expires 6/30/2010

Position #10
Retirant Trustee
 Vacant
 Term Expires 6/30/2005

Position #11
Retirant Trustee
 John Fortenberry (Little Rock)
 Term Expires 6/30/2006

Ex Officio Trustees
 Roberty H. "Bunny" Adcock, Jr.
 State Bank Commissioner

Dr. T. Kenneth James, Director
 State Department of Education

Martha Shoffner
 State Treasurer

Jim Wood
 State Auditor

* Members of the Arkansas Teacher Retirement System Investment Committee

Professional Consultants

Actuary

Gabriel Roeder Smith & Co.
One Town Center
Suite 800
Southfield, MI 48076

Auditors & External Accountants

State Legislative Auditors
Thomas & Thomas CPAs

Data Processing

AR Dept. of Information Services
1 Capitol Mall
Room 30310
Little Rock, AR 72201

Legal Counsel

Dover & Dixon, P.A.
425 West Capitol, Suite 3700
Little Rock, AR 72201

Mitchell, Williams, Selig
Gates, Woodyard PLLC
425 West Capitol, Suite 1800
Little Rock, AR 72201

Rose Law Firm
120 East 4th
Little Rock, AR 72201

Medical Board

Dr. John Stotts, Chairman
137 Pleasant Valley Drive
Little Rock, AR 72212

Dr. Worthie Springer
3810 DeBusk Circle
Little Rock, AR 72206

Dr. Ewing C. Reed
8 Combonne Court
Little Rock, AR 72211

Investment Consultant

ENNIS KNUPP & Associates
10 South Riverside Plaza, Suite 1600
Chicago, IL 60606-3709

Custodian

Domestic and International

State Street Bank
State Street Financial Center
One Lincoln Street
Boston, MA 02111

Investment Counsel

ING Aeltus Investment Management
10 State House Square
Hartford, CT 06103-3602

Blackstone Mezzanine Partners
345 Park Avenue
New York, NY 10154

Blackrock
40 East 52nd Street
New York, NY 10022

Capital Guardian Trust Company
333 South Hope Street
Los Angeles, CA 90071

Cinven
Warwick Court
Paternoster Square
London EC4M 7AG
ENGLAND

Credit Suisse Real Estate –
Capital Partners
11 Madison Avenue
16th Floor
New York, NY 10010

Credit Suisse Merchant Banking III
Credit Suisse Mezzanine
11 Madison Avenue
16th Floor
New York, NY 10010

The Cypress Group
65 East 55th Street
28th Floor
New York, NY 10022

Daruma Asset Management
80 West 40th Street
9th Floor
New York, NY 10018

Diamond State Ventures
200 Commerce, Suite 400
Little Rock, AR 72201

Doughty Hanson and Company
45 Pall Mall
London SW1Y5JG
ENGLAND

Doughty Hanson and Company
European Real Estate Fund
Times Place
45 Pall Mall
London UK SW1Y5JG
ENGLAND

Eubel Brady & Suttman
Asset Management
777 Washington Village Drive
Suite 210
Dayton, Ohio 45459

HM Capital Partners
200 Crescent Court
Suite 1600
Dallas, TX 75201

ICC Capital Management
145 Montair Court
Danville, CA 94526

JP Morgan Investment Management
522 Fifth Avenue
Floor 9
New York, NY 10036

Professional Consultants (continued)

Jacobs Levy Equity Management
100 Campus Drive
Florham Park, NJ 07932

Kennedy Capital Management
10829 Olive Blvd
St. Louis, MO 63141-7739

Nicholas/Applegate
1345 Avenue of the Americas
New York, NY 10105

Oak Hill Capital Partners, L.P.
201 Main Street, Suite 2415
Fort Worth, TX 76102

Olympus Real Estate Fund
5080 Spectrum Drive, Suite 1050 East
Addison, TX 75001

Oppenheimer Capital
1345 Avenue of the Americas
49th Floor
New York, NY 10105-4800

PIMCO
840 Newport Center Drive
Suite 300
Newport Beach, CA 92660

Prudential Financial - Real Estate
8 Campus Drive
4th Floor
Parispany, NJ 07054

RMK Timberland Group
110 Oakwood Drive
Suite 480
Winston-Salem, NC 27103

State Street Global Advisory
State Street Financial Center
One Lincoln Street
Boston, MA 02111

State Street Global Markets
State Street Financial Center
One Lincoln Street
Boston, MA 02111

Stephens Investment Management
111 Center Street
P.O. Box 3507
Little Rock, AR 72203

T Rowe Price
100 East Pratt Street
Baltimore, MD 21202-1009
The TCW Group
865 South Figueroa St
Suite 1800
Los Angeles, CA 90017

UBS Global Asset Management
UBS Tower
One Wacker Drive
Chicago, IL 60606

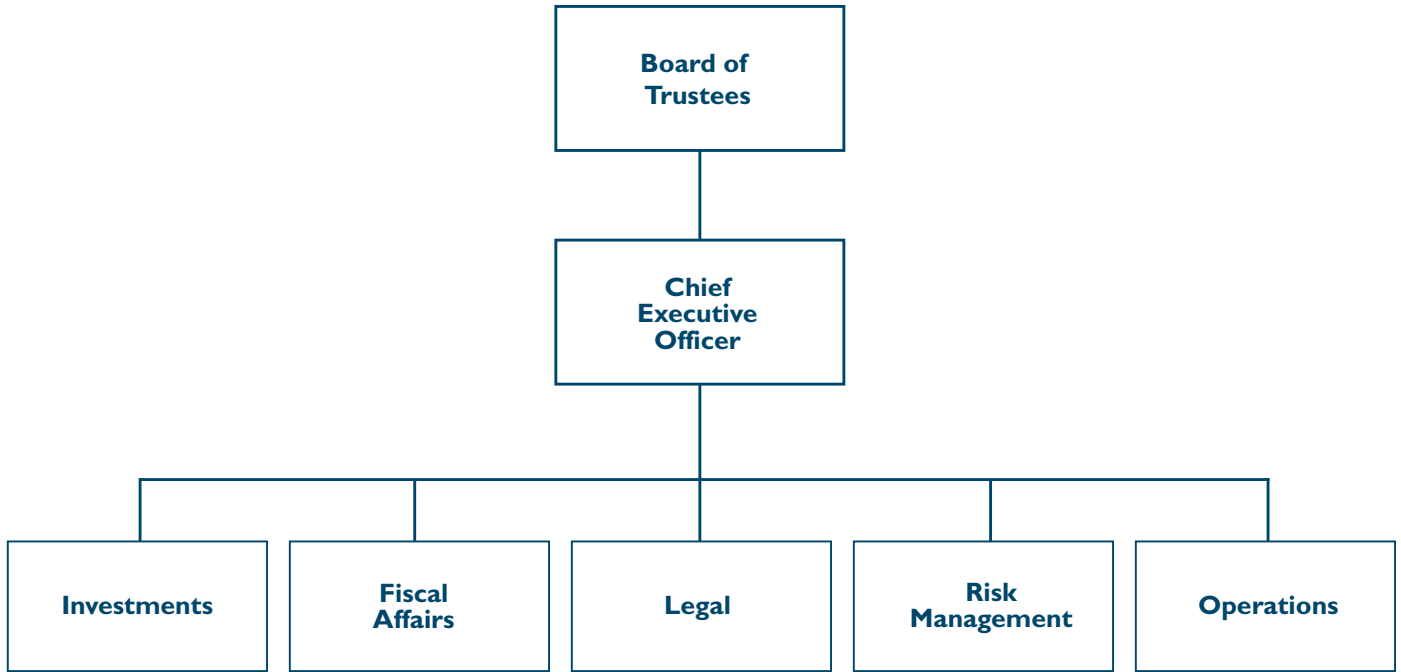
UBS Real Estate
242 Trumbor Street
Hartford, CT 06103

Wellington Management Company
75 State Street
Boston, MA 02109

Westbrook Partners, LLC
1370 Avenue of the Americas
Suite 2800
New York, NY 10019-4602

Western Asset Management
117 East Colorado Boulevard
Pasadena, CA 9101

Organizational Chart



Administrative Staff

Paul V. Doane
Chief Executive Director

Suzanne Davenport
Chief Financial Officer

Michael Ray
Manager - Member Services

Gail Bolden
Chief Operations Officer

G. Wayne Greathouse
Director - Equity Investments

George M. Snyder, CPA
Chief Risk Management/Internal Audit

Christa S. Clark
Chief Counsel

Mullahalli Manjunath
Director - Information Technology



FINANCIALS

Statement of Plan Net Assets

As of June 30, 2007

	2007
Assets:	
Cash Held Outside the Treasury	\$ 31,394,463
Cash in Treasury	514,647
	<u>31,909,110</u>
Receivables:	
Other Receivables	363,300
Employer Contributions	44,593,390
Employee Contributions	12,751,726
Investment Principal Unsettled Trades	171,823,561
Interest and Dividends	19,389,964
Total Receivables	<u>248,921,942</u>
Securities Lending-Domestic & International	1,292,638,364
Total Investments at Fair Value	11,777,328,941
Net Property and Equipment	126,331
	<u>13,070,093,636</u>
Other Assets:	<u>130,383</u>
Total Assets	<u><u>13,351,055,071</u></u>
Liabilities:	
Accounts Payable	7,793,415
Accrued Expense - Escrow	46,901
	<u>7,840,316</u>
Investment Principal Payable	413,641,678
Securities Lending Collateral	1,292,638,364
	<u>1,708,280,042</u>
Total Liabilities	<u>1,714,120,358</u>
Net Assets Available for Benefits	<u><u>\$11,636,934,713</u></u>

Statement of Changes in Plan Net Assets
for the Fiscal Year Ended June 30, 2007

	2007
Additions:	
Contributions:	
Employer	\$ 331,891,210
Employee	100,093,372
Total Contributions	<u>431,984,581</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	1,715,111,678
Interest	106,261,633
Dividends	89,257,472
Real Estate Operating Income	6,292,883
Other	8,614,837
From Securities Lending Activities:	
Lending Income	67,523,197
Less Rebate & Fees	<u>(63,773,989)</u>
Less Investment Expense	<u>(36,394,345)</u>
Net Investment Income	<u>1,892,893,365</u>
 Total Additions	 2,324,877,947
 Deductions:	
Annuity Benefits	545,220,337
Refund of Employer Contributions	204,810
Refund of Employee Contributions	4,975,040
Administrative Expenses	<u>5,854,557</u>
 Total Deductions	 <u>556,254,744</u>
 Net Increase (Decrease)	 1,768,623,203
 Net Assets available for Benefits	
Beginning of year	<u>9,868,311,510</u>
End of year	<u>\$11,636,934,713</u>

Notes to Basic Financial Statements

June 30, 2007

I. DESCRIPTION OF PLAN

The following is a description of the Arkansas Teacher Retirement System (ATRS). Members should visit the ATRS web-site (www.atrs.state.ar.us) for complete information regarding specific plan provisions.

General Information

ATRS is a cost-sharing, multiple employer, defined benefit pension plan established by authority of the Arkansas General Assembly on March 17, 1937, pursuant to Act 266 of 1937. ATRS operates as a qualified trust under IRS Code § 401(a) and is a component unit of the State of Arkansas. ATRS appropriations are funded by its trust assets.

ATRS plan provisions are established by the General Assembly. The governing statutes for the plan are codified at Arkansas Code Annotated § 24-7-101 –1409 (Lexis 2007). ATRS provides age and service retirement benefits, disability retirement benefits, survivor benefits, and lump sum death benefits for public school employees and other educationally-related employees. The ATRS plan also includes a Teacher Deferred Retirement Option Plan (T-DROP) for eligible employees.

Membership

ATRS is a mandatory retirement plan for full-time employees of the following entities:

- Arkansas Activities Association
- Arkansas Department of Education
- Arkansas Department of Correction School
- Regional Educational Cooperatives
- Arkansas Educational Television Commission
- Arkansas Public Schools
- Arkansas School for the Blind
- Arkansas School for the Deaf
- Arkansas Teacher Retirement System
- Local School Board
- State Board of Education

Certain employees of other employers may qualify to participate in ATRS including Vocational-Technical schools, Public Colleges and Universities, Department of Workforce Education, Easter Seals of Arkansas, Arkansas Rehabilitation Services, and HHS - Division of State Services for the Blind.

At June 30, 2007, the latest actuarial valuation date, the total membership was as follows:

The total number of participating employers was 344.

The number of participating employees included

Retirees or beneficiaries receiving annuity benefits	24,153
T-DROP participants	4,709
Inactive plan members (not receiving benefits)	10,689
Active plan members (not retired)	69,226

Total 110,235

DESCRIPTION OF PLAN (Continued)

ATRS members are contributory or non-contributory based on their employment status. Contribution rates are set by the statutes as enacted by the General Assembly. The employee contribution rate for contributory members is currently six percent of gross earnings. As of July 1, 1997, all member contributions are tax-deferred and deposited in the Member Deposit Account. Non-contributory members make no contributions to ATRS, but the employer contribution rate still applies. Effective July 1, 1999, all new members who entered covered service as full-time employees are contributory.

All participating employers pay the employer contribution rate for eligible employees in accordance with ATRS laws and regulations. The contribution rate for participating employers is currently 14% of the member's gross earnings.

Vesting

Five (5) years of Arkansas service credit is required for vesting purposes. Out of state, overseas, private school, sabbatical leave, or military service may not be used for vesting purposes.

Retirement, Disability, and Survivor Benefits

ATRS is a defined benefit pension plan that offers the following types of benefits: age and service retirement annuities, disability retirement annuities, survivor annuities, and lump sum death benefits. The retirement benefits are based on a member's years of credited service and the highest average salaries. ATRS members may currently retire after 28 years of service or after age 60 if vested.

Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of his/her position while in active employment.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Survivors receive a survivor annuity that is based on the member's years of service credit prior to his/her death.

ATRS also provides a lump sum death benefit for ATRS active and retired members with 5 years of credited service. The amount for contributory members will be up to \$10,000 for contributory members and up to \$6,667 for non-contributory members.

Teacher Deferred Retirement Option Plan (T-DROP)

T-DROP was designed to encourage employees to delay retirement and continue working in covered employment. Members having 28 or more years of service credit may elect to participate in T-DROP. T-DROP freezes the member's retirement benefits while the member continues in covered employment. During each month in T-DROP, a large portion of the amount the member would have received as a retirement annuity is deposited into a tax-deferred account. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees based on the applicable rate of return. A member may participate in T-DROP for a maximum of 10 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Reporting Entity**

The management of the System is the responsibility of the fifteen member Board of Trustees (Board). The Chief Executive Officer of the System is appointed by the Board and oversees the day to day administration with the assistance five Senior Division Officers.

Basis of Accounting

Financial statements for ATRS are prepared using the accrual basis of accounting. Contributions, or receivables, are recognized when due and a formal commitment is extended for payment. All contributions are considered fully collectable, therefore no allowance for doubtful accounts is necessary. Expenses, including benefits and refunds, are recognized when due and payable in accordance with the plan outline.

Administrative Expenses

Expenses incurred administrating the System are budgeted and approved by the Arkansas General Assembly. Funds expended by ATRS are from the trust and not taken directly from the general revenues of the state.

Investments

Investments are reported at fair value. Cash and equivalents having a maturity of three months or less when purchased are reported at cost. Fair market is determined using pricing services, when available, historical costs adjusted for market trends, independent third-party appraisals, and independent brokers and industry experts.

ATRS revised the method used to reflect market values of alternative investments during the current fiscal year. In conjunction with the investment consultant and Credit Suisse, returns were recomputed for each fund from inception through the current year. Therefore, historical total fund returns may vary slightly from returns reported in prior years.

Derivatives

ATRS does not employ an active investing policy utilizing derivatives. Various managers are permitted to use foreign currency futures selectively to hedge risks in the markets caused by timing differences. As of June 30, 2007, ATRS had open forward exchange contracts with an unrealized loss of approximately \$2,527,084.

Equipment

Equipment costing \$2,500 and more is capitalized at the original cost and depreciated over its useful life using the straight-line method. Useful lives of assets are stipulated in the Arkansas Administrative Information System (AASIS).

Tax Status

The System is classified as a Section 401(a) pension trust under the Internal Revenue Code (the "code"). ATRS qualified under Section 501(a) of the code, and was exempt from federal income taxes for the year ended June 30, 2007.

3. DEPOSITS AND INVESTMENTS

For the year ended June 30, 2005, ATRS implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB No. 3. The implementation of GASB 40 requires additional disclosures but had no impact on the reported amounts of investments, net assets, or changes in net assets.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, ATRS' deposits may not be returned to it. ATRS maintains accounts in trust for the benefit its members and is therefore not limited to the \$100,000 total insured limit as set by the Federal Deposit Insurance Corporation (FDIC). Therefore, all cash maintained in deposit is fully insured by the FDIC.

The following is a reconciliation of the carrying value of cash and investments at June 30, 2007.

As presented in Statement of Plan Net Assets:

Cash and cash equivalents	\$ 31,867,210
Investments	<u>11,777,328,940</u>
Total	<u>\$ 11,809,196,150</u>

As presented below:

Deposits	\$ 4,750,072
Investments	<u>11,804,446,078</u>
Total	<u>\$ 11,809,196,150</u>

Below is a summary of deposits as of June 30, 2007.

Carrying amount	\$ <u>4,750,072</u>
Bank balance	\$ <u>4,490,623</u>
Amount insured or collateralized (Category I)	\$ <u>4,490,623</u>
Amount uninsured	\$ <u>0</u>

Credit Risk

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ATRS sets individual limits on its money managers as to the minimum level of credit risk the overall portfolio must maintain utilizing a nationally recognized credit rating firm.

Concentration of credit risk is the risk of loss attributable to the magnitude of ATRS' investment in a single user. There was no concentration of credit risk at June 30, 2007.

Following is a table classifying the credit risk exposure at June 30, 2007, as rated by Standard and Poors.

Rating	Fair Value
AAA	\$ 459,513,098
AA	11,694,094
A	73,471,898
BBB	85,301,112
BB	74,777,982
B	86,974,622
CCC	16,912,082
Not Rated	296,600,978

3. DEPOSITS AND INVESTMENTS (continued)

The following table presents the System's investments as of June 30, 2007, categorized to give an indication of the level of risk assumed. ATRS invests in mortgages, asset backed securities (ABS), and collateralized mortgage obligations (CMO) as part of the overall strategy. Market value of these investments is heavily tied to interest rates. At June 30, 2007, ATRS had approximately \$580 million invested in these securities.

The categories of risk are:

1. Insured or registered investments, or securities held by the System or its agent in the System's name.
2. Uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the System's name.
3. Uninsured and unregistered investments, with securities held by the counterparty in the System's name or held by the counterparty's trust department or agent but not in the System's name.

	<u>ATRS Securities</u>		
	<u>Of Record</u>	<u>Loaned</u>	<u>Adjusted</u>
Category I			
Domestic equities	\$3,244,856,781	\$915,217,697	\$2,329,639,084
International equities	2,156,961,305	228,143,529	1,928,817,776
Commingled funds	3,339,649,870	-	3,339,649,870
Corporate bonds	170,132,604	79,448,611	90,683,993
Government securities	55,698,738	65,671,604	(9,972,866)
Cash equivalents – Repurchase agreements	291,651,298	-	291,651,298
Convertible corporate bonds	298,471,609	-	298,471,609
Mortgage back/ABS/CMO	580,942,916	-	580,942,916
Not subject to classification			
Limited partnerships	628,186,490	-	628,186,490
Real estate	937,895,303	-	937,895,303
Mortgage loans	65,757,031	-	65,757,031
Other investments	7,125,000	-	7,125,000
Cash	<u>27,117,137</u>	<u>-</u>	<u>27,117,137</u>
	<u>11,804,446,082</u>	<u>\$1,288,481,441</u>	<u>10,515,964,641</u>
Collateral for lent securities			
Government securities – cash	-	\$ 66,748,871	66,748,871
Domestic equities – securities	-	915,351,440	915,351,440
Corporate bonds – cash	-	81,089,315	81,089,315
Corporate bonds – securities	-	31,430,455	31,430,455
Corporate bonds – letter of credit	-	228,723	228,723
International equities – cash	-	229,448,738	229,448,738
International – securities	-	<u>4,727,292</u>	<u>4,727,292</u>
Net trust assets	<u>\$11,804,445,082</u>	<u>\$1,329,024,834</u>	<u>\$11,844,989,475</u>

3. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. As of June 30, 2007, ATRS had the following debt investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)			
		1 to 5	6 to 10	> 10	
US Government agencies	\$307,288,913	\$ -	\$ 2,624,967	\$ 1,875,171	\$302,755,775
Government issues	55,698,738	-	-	-	55,698,738
Mortgages	65,757,031	2,776,920	37,949,415	25,030,696	-
Corporate Issue, Asset Backed & Convertibles	742,291,216	17,822,857	136,055,369	127,830,080	460,852,910

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. ATRS does not have a formal investment policy for foreign currency risk. The exposure to foreign currency risk for investments and deposits at June 30, 2007, is as follows:

Currency	Fair Value	Equities	Contracts	Cash
Australian dollar	\$ 79,520,242	\$ 62,164,309	\$ 17,355,148	\$ 785
Brazilian real	7,092,942	7,070,821	-	22,121
Canadian dollar	72,365,362	72,335,190	-	30,171
Swiss franc	162,385,918	161,967,802	-	418,116
Danish krone	12,091,230	6,713,005	5,177,713	200,512
Euro currency	849,301,904	701,740,959	138,724,316	8,836,629
Pound sterling	376,506,050	305,207,531	68,641,671	2,656,848
Hong Kong dollar	49,046,039	47,613,284	58,949	1,373,806
Hungarian forint	17,208,112	4,924,589	-	12,283,523
India rupee	333,640,144	-	-	333,640,144
Indonesian rupiah	8,877,505	8,082,057	-	795,448
Israeli shekel	5,598,893	-	5,598,893	-
Japanese yen	864,907,115	369,346,535	74,600,469	240,960,111
South Korean wan	(398,170,463)	55,359,139	-	(453,529,602)
Malaysia ringgit	5,732,412	5,549,851	-	182,561
Norwegian krone	18,527,629	13,262,595	3,875,550	1,389,484
New Zealand dollar	4,057	-	-	4,057
Swedish krona	75,271,990	32,000,346	40,596,094	2,675,550
Singapore dollar	21,691,008	7,726,908	13,962,965	1,135
South African rand	9,980,765	-	9,980,765	-
Swiss franc	39,937,356	-	39,937,356	-
New Taiwan dollar	25,694,397	15,094,416	-	10,599,981
South African rand	8,075,934	8,075,826	-	108
Thailand baht	4,813,327	4,813,327	-	-

Note – For Foreign Currency Contracts, a positive number represents the value of contracts to purchase that currency in excess of the value of contracts to sell that currency. A negative number therefore represents the value of contracts to sell foreign currency in excess of contracts to purchase that currency.

4. SECURITIES LENDING ARRANGEMENTS

The System participates in a securities lending program administered by State Street Bank and Trust Company (State Street or ‘custodian’). Securities lending involves the transfer of investment securities to an independent broker, or dealer, in exchange for collateral equal to 100% of the market value at the time of transfer. Market values of the collateral and transferred securities as of June 30, 2007, were \$1,329,024,836 and \$1,288,481,441, respectively.

Risks associated with a securities lending program include borrower bankruptcy, collateral deficiencies, settlement problems, and corporate actions. ATRS has minimized its exposure to credit risk due to borrower default by having the custodian value the collateral daily to ensure the value remains 100% or more of the value of the transferred securities.

The carrying amounts and fair value of securities lending collateral, by type held, is presented in the Table of Note 3

5. RELATED PARTY TRANSACTIONS

State of Arkansas Department of Education had a loan outstanding from ATRS with a balance of \$11,580,040 as of June 30, 2007. During the fiscal year ATRS paid the Department of Information Services approximately \$561,447 for data processing services.

6. LEGALLY REQUIRED RESERVES

State law requires the net assets held in trust for pension benefits to be recorded in the five (5) accounts listed below. As of June 30, 2006, the accounts had the following balances:

Members’ deposit account	\$ 8,095,241,955
Employers’ accumulation account	(1,328,251,686)
Retirement reserve account	4,795,935,845
Survivor benefit account	59,775,460
Income-expense account	14,233,139
Net assets held in trust for pension benefits	<u>\$ 11,636,934,713</u>

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2007, ATRS was committed to purchase investments and return securities lending collateral at an aggregate cost of approximately \$1.188 billion.

Required Supplementary Information

Schedule I - Schedule of Funding Progress

(Dollar Amounts in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (AAL) (b-a)	Funding Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1996	4,186	4,635	449	90.3%	1,260	35.6%
1997+*	4,956	5,403	447	91.7%	1,302	34.3%
1998+*	5,815	6,188	373	94.0%	1,368	27.3%
1999+	6,740	6,834	94	98.6%	1,429	6.6%
2000	7,620	7,580	(40)	100.5%	1,485	-
2000+	7,620	7,879	259	96.7%	1,485	17.4%
2001	8,166	8,469	303	96.4%	1,557	19.5%
2001+	8,166	8,561	395	95.4%	1,557	25.4%
2002	8,328	9,170	842	90.8%	1,628	51.7%
2002*	8,328	9,062	734	91.9%	1,628	45.1%
2003	8,263	9,672	1,409	85.4%	1,683	83.7%
2003*	8,113	9,445	1,332	85.9%	1,683	79.1%
2004	8,424	10,050	1,626	83.8%	1,863	87.3%
2005	8,817	10,973	2,156	80.4%	1,962	109.9%
2006	9,332	11,623	2,291	80.3%	2,080	110.1%
2007+	10,519	12,329	1,810	85.3%	2,191	82.6%

+ Legislated benefit increase.

* Revised actuarial assumptions.

Required Supplementary Information (continued)

Schedule 2 - Schedule of Employer Contributions

(\$ Millions)

Year Ended June 30	(A) Covered Payroll BOY	(B) Rate	(C)=BxA Annual Required Contribution*	(D) Actual Contributions	(D)/(C) Percent Contributed
1996	1,234	12%	148.08	132.60	89.5%
1997	1,260	12%	151.20	153.50	101.5%
1998	1,302	12%	156.24	159.00	101.8%
1999	1,368	12%	164.16	166.80	101.6%
2000	1,429	12%	171.48	175.70	102.5%
2001	1,485	12%	178.20	181.10	101.6%
2002	1,557	12%	186.84	191.35	102.4%
2003	1,628	12%	195.36	200.46	102.6%
2004	1,677	13%	218.04	224.18	102.4%
2005	1,748	14%	244.72	286.44	117.0%
2006	1,962	14%	274.68	311.71	113.51%
2007	2,080	14.7%	305.76	331.89	108.5%
2008	2,191	14.5%	318.57	N/A	N/A

*The Annual Required Contribution dollar amount is based on estimated projected payroll. Actual contributions will be based on pay actually paid throughout the year which may be different.

Required Supplementary Information (continued)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Schedule 3 - Notes to Trend Data

Valuation Date	June 30, 2006
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Remaining Amortization Period	36 years
Asset Valuation Method	4-year smoothed market 80%/120% Corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Cost-of-living adjustments	3.0% Simple
Projected Salary Increases*	4.0% to 10.1%
*Includes inflation at	4.0%

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SUPPORTING SCHEDULES

Schedule 4 - Schedule of Administrative Expenses

Fiscal Year ended June 30, 2007

Personnel Services:	
Staff Salaries	\$ 2,664,041
Employee Benefits	831,506
Total Personnel Services	<u>3,495,550</u>
Professional Services:	
Actuary	\$ 152,000
Data Processing	720,486
Other Professional Services and Fees	377,368
Total Professional Services	<u>1,249,854</u>
Miscellaneous:	
Rent Expense	\$ 506,234
Communication Expenses	241,035
Travel Expense	76,502
Other Operating Expenses	285,382
Total Miscellaneous	<u>1,109,153</u>
Total Administrative Expenses	<u>\$ 5,854,557</u>

Schedule 5 - Schedule of Investment Expenses

Fiscal Year Ended June 30, 2007

Investment Counsel	\$ 948,509
Professional Services:	
International	7,937,918
Alternative Investment	8,140,280
Domestic Equity	16,401,120
Custodian Fee	650,117
Real Estate Expense	2,761,977
Security Lending	63,123,872
Commission Recapture	<u>204,541</u>
Total Professional Services	<u>99,219,825</u>
Total Investment Expense	<u>\$ 100,168,334</u>

Schedule 6 - Schedule of Payments To Consultants

Fiscal Year Ended June 30, 2007

Individual or Firm Professional Services:	Commission/Fee
Actuary	
Gabriel, Roeder, Smith & Company	\$ 152,000
Other	—
	<u>152,000</u>
Data Processing	
Department of Information Services	561,447
Princeton Financial	77,254
Other supplies/services	81,785
	<u>720,486</u>
Other Professional Services and Fees	
Gabriel, Roeder, Smith & Company	151,500
Thomas and Thomas	115,088
Milliman, Inc.	35,000
Osborn, Carreiro & Assoc., Inc.	22,000
Other	53,780
	377,368
Total	<u>\$1,249,854</u>



INVESTMENTS

ENNISKNUPP & ASSOCIATES

December 13, 2007

Board of Trustees
Arkansas Teacher Retirement System
1400 West Third Avenue
Little Rock, AR 72201

Market Overview

The broad U.S. equity market posted a solid return of 20.5% during fiscal year 2007. During the 1st quarter of the fiscal year, falling crude oil prices helped ease inflation worries, which led to the Federal Reserve halting interest rate hikes after 17 consecutive increases. These factors helped the Dow Jones Industrial Average reach an all-time closing high on December 27, 2006. The rally in the stock market was mitigated during the third quarter of fiscal 2007 as concerns over a slowing domestic housing sector coupled with rising energy prices created uncertainty in the market. The fourth quarter of fiscal year 2007 saw a rally in the markets during April and May that was partially offset in June as the beginning of sub-prime mortgage defaults and the impact of tightening credit caused a decline in the overall stock market. For the fiscal year, the technology, utilities, and energy sectors drove the return of the Dow Jones Wilshire 5000 Index, while the financial sector was the largest negative contributor. On a style and capitalization basis, large cap stocks outperformed their small cap counterparts and value stocks outperformed growth during the fiscal year.

International stocks continued to post more favorable returns relative to the U.S. equity market as the MSCI All Country World ex-U.S. Index advanced 29.6% during the fiscal year. International returns, relative to U.S. returns were helped by the decline in value of the U.S. dollar. Latin America and Asia were the best performing regions, advancing 62.6% and 47.2%, respectively, while Japan lagged the Index with a return of 7.2% during the fiscal year. Growth continued in emerging markets across the world as the MSCI Emerging Markets Index produced strong returns, advancing 45.0% during fiscal year 2007.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, advanced 6.1% during fiscal year 2007. The bond market enjoyed its most favorable performance during the first quarter of the fiscal year as the market responded favorably to the Fed's decision to halt increases in interest rates. The decision resulted in a decrease in U.S. Treasury yields and a slightly inverted yield curve. Throughout the rest of the year, bond yields steadily rose and credit spreads steadily widened, which caused the overall bond market to post negative returns by the end of the fiscal year.

Overview of Fund Structure

The ATRS portfolio is diversified across several asset classes including U.S. equity, International equity, fixed income, and alternative investments. Within these asset classes, the investments are further diversified amongst different investment types and styles. A variety of investment firms are also employed within each category to minimize manager- and firm-specific risk. We believe the diversification level and general risk level of the fund structure to be appropriate for a fund of this type.

During the fiscal year 2007, some changes were made in manager structure. At the beginning of the fiscal year, two large-cap growth managers were added to the U.S. equity portfolio as replacements for the large-cap growth index fund managed by State Street Global Advisors. Also, Stephens Investment management Group was hired as a small-cap growth manager, replacing the small-cap growth index fund managed by State Street Global Advisors. In addition, toward the end of the fiscal year, J.P. Morgan was hired to manage core and value-added real estate allocations.

ATRS Performance Overview

During the fiscal year of 2007, the Total Fund experienced strong absolute returns as the portfolio advanced 19.1%, outperforming the 17.6% return of the Performance Benchmark and the 17.4% return of the Mellon Analytical Solutions Public Fund Index. The Mellon Analytical Solutions Public Fund Universe represented 52 funds with an aggregate market value of \$748.3 billion. The total fund ranked at the 16th percentile out of the 52 funds represented in the universe. Longer-term performance was favorable as the Total Fund return exceeded that of the Performance Benchmark for the three- and five-year periods.

The non-U.S. equity managers produced a return of 26.8% during the fiscal year of 2007. While this return was strong on an absolute basis, it trailed that of the broad non-U.S. equity market as all three non-U.S. equity managers underperformed their benchmarks. However, the asset class has added value relative to the benchmark since inception.

The overall fixed income component returned 6.3% during fiscal year 2007 but underperformed the Lehman Brothers Universal Index by 30 basis points as BlackRock and PIMCO underperformed their benchmark while Western and the SSgA Bond Market Index approximated their benchmarks during the fiscal year.

The ATRS private equity component underperformed its benchmark returning 17.3% for the fiscal year, while total real estate advanced 28.6%, significantly outperforming the NCREIF NPI Index.

It continues to be our pleasure serving the ATRS, and we look forward to many more years of service.

Sincerely,



Patrick J. Kelly, CFA
Principal

PJK:cm

Investment Policies and Procedures

STATEMENT OF INVESTMENT POLICY

This Investment Policy has been prepared within the context of applicable Arkansas laws and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure that both prudence and care are maintained in the execution of the investment program. While safety of principal is given primary consideration, the Board may take appropriate levels of risk to earn higher levels of investment return.

The Board has arrived at this policy through careful study of the rates of return and risks associated with various investment strategies in relation to the current and projected liabilities of the Retirement System. This policy has been chosen as the most appropriate for achieving the financial objectives of the Retirement System.

The Board has adopted a long-term investment horizon so that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of the Retirement System will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. All transactions undertaken on behalf of the Retirement System will be in the sole interest of the members of the Retirement System.

The Retirement System shall manage those assets not specifically allocated to investment managers. Notwithstanding the provisions of this Investment Policy, the Board may direct a specific investment activity and shall be fully responsible for any such action.

To achieve the overall goal of the Retirement System as it pertains to investments, one or more investment consultants may be retained by the Board. The scope of duties, together with the terms and conditions of engagement, of any investment consultant will be set forth in a contract approved by the Board.

Standard of Care

The standard of care for the Board and Executive Director of the assets of the Retirement System is: when investing and reinvesting monies in the fund and in acquiring, retaining, managing and disposing of investments of the fund there shall be exercised the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The standard of care for the Board and Executive Director of the assets of the Retirement System is: when investing and reinvesting trust assets and in acquiring, retaining, managing and disposing of investments of the trust assets, there shall be exercised the reasonable care, skill, and caution that a prudent investor would use after considering the purposes, terms, distribution requirements, and other circumstances of the trust. Investment and management decisions respecting individual assets shall be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust. The investments of the trust shall be diversified unless the trustees reasonably determine that, because of special circumstances, the purposes of the trust are better served without diversifying. The trust assets shall be invested and managed solely in the interest of the members and benefit recipients of the trust. Investment and management functions may be delegated to an agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, Trustees shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the agent's performance and compliance with the terms of the delegation. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation. The standard of care set forth herein shall be applied by each party serving in a fiduciary capacity for the trust.

INVESTMENT POLICIES AND PROCEDURES (continued)

Asset Allocation

The asset allocation ranges established by this Policy represent the Board's judgment of a portfolio mix that provides the greatest risk/return value. Allowing the portfolio to exceed the Board limits strays from the financial discipline, which the Board believes will – over time – provide the appropriate risk-adjusted return to the Retirement System.

It shall be the goal of the System to maintain the following asset allocation ranges:

Asset Category	Minimum	Target	Maximum
Domestic Equity	35.0%	40.0%	45.0%
International Equity	15.0%	17.5%	20.0%
Domestic Fixed Income	20.0%	25.0%	30.0%
Alternatives	4.0%	6.0%	8.0%
Real Estate	3.0%	5.0%	7.0%
Timberland	0.0%	1.5%	3.0%
Arkansas Related	3.0%	5.0%	7.0%
Cash Equivalents	0.0%	0.0%	3.0%

Rebalancing

The asset allocation ranges established by this Policy represent the Board's judgment of a portfolio mix that provides the greatest risk/return value. Allowing the portfolio to exceed the Board limits strays from the financial discipline, which the Board believes will – over time – provide the appropriate risk-adjusted return to the Retirement System. The Executive Director is responsible to rebalance among the allowable asset classes and the individual portfolios at such time that any of the asset classes falls outside of the designated range. The Executive Director will monitor the asset values by classification and for each asset manager on a monthly basis, based on month-end data provided by the custodial bank, and report to the Board any movement of funds necessary to carry out any rebalancing.

Goals

The overall goal is to achieve, over a period of years, the greatest rate of return for the Retirement System with due consideration being given to preserving capital and its purchasing power and to maintaining an element of risk at a prudent investor level.

The System's actuary sets an expected return based on the Board's policy decisions. Market cycles may result in the Retirement System earning a return materially above or below the actuarial rate of return for extended periods of time. Therefore, the actuarial rate of return will not be used for performance comparison purposes.

Domestic Equity

The manager structure of the domestic equity portfolio's risk and style exposure should resemble the aggregate domestic equity market as measured by the Dow Jones Wilshire 5000 Index. To help achieve this goal, the Board will employ managers utilizing various or multiple capitalization (small, mid, and large) and investment styles (growth and value) so that the overall size and capitalization structure of the total component will approximate that of the broad market. To provide a broad base of low-cost diversification, the Board will allocate a portion of the domestic equity assets to a passive investment portfolio that approximates the return of the broad domestic equity market.

INVESTMENT POLICIES AND PROCEDURES (continued)

Domestic Equity Active/Passive Allocation (as a percent of the domestic equity portfolio)

	Minimum	Target	Maximum
Active Component	50%	70%	90%
Passive Component	10%	30%	50%

The goal for domestic equity investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate domestic equity market as measured by the Dow Jones Wilshire 5000 Index over a full market cycle (approximately five years).

International Equity

The manager structure of the aggregate international equity portfolio's risk and style exposure should resemble the aggregate international equity market as measured by the Morgan Stanley Capital International All Country World Ex-US. Index. To help achieve this goal, the Board will employ managers that invest in a broad array of countries (both developed and emerging markets), capitalization (small, mid, and large), and style (growth and value) so that the overall style and capitalization structure of the total component will approximate that of the broad international market. An active management strategy for international equity investments will be used.

The goal for international equity investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate international equity market as measured by the Morgan Stanley Capital International All Country World Ex-U.S. Index over a full market cycle (approximately five years)

Fixed Income

The manager structure of the aggregate fixed income portfolio's risk exposure should resemble the aggregate domestic fixed income market as measured by the Lehman Brothers Universal Bond Index. To help achieve this goal, the Board will employ managers that invest assets in a broad array of sectors (government, mortgage backed, credits, asset backed, and commercial mortgage backed bonds), maturities, and credit qualities so that the overall portfolio structure is not materially different from that of the domestic fixed income market. To provide a broad base of low-cost diversification, the Board will allocate a portion of the fixed income assets to a passive investment portfolio that approximates the return of the broad fixed income market.

Fixed Income Active/Passive Allocation (as a percent of the fixed income portfolio)

	Minimum	Target	Maximum
Active Component	85%	90%	95%
Passive Component	5%	10%	15%

The goal for fixed income investments shall be to achieve a total rate of return that will exceed, net of all costs and fees, the return of the aggregate domestic fixed income market as measured by the Lehman Brothers Universal Bond Index over a full market cycle (approximately five years).

Alternative Investments

The structure of alternative investments should include domestic and foreign private equity partnerships, venture capital, and mezzanine financing partnerships to diversify the assets and reduce the likeliness of material losses in any individual investment classification.

INVESTMENT POLICIES AND PROCEDURES (continued)

The goal for alternative investments is to achieve a total rate of return that will exceed, net of all costs and fees, the return of the public equity markets, as measured by the Wilshire 5000 Index, plus a liquidity premium of 2.0% per year.

Real Estate

The system may initiate direct ownership in raw land, commercial, industrial, and residential properties or indirect investments in fund of funds, partnerships, corporations, or real estate investment trusts investing in investment grade properties of like kind.

Total real estate investments shall not exceed the system's approved asset allocation as determined by the Board at the beginning of each fiscal year. Should the real estate allocation be exceeded, no additional real estate investments shall be entered into until the asset allocation exceeds the total real estate investments.

The goal of the real estate investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate domestic real estate market as measured by the NCREIF National Property Index over a full market cycle (approximately five years).

Timberland

The system may initiate direct ownership in timberland or indirect investments in fund of funds, partnerships, corporations, or real estate investment trusts investing in investment grade properties of like kind.

The goal of the timberland investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Southeast Timberland NCREIF index over a full market cycle (approximately five years).

Arkansas-Related Investments

The System may initiate Arkansas-related mortgage loans, direct real estate investments, or purchase insured certificates of deposit or short term securities of Arkansas financial institutions to meet the goals of the mandated requirements.

The goal of Arkansas-related investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Lehman Brothers Mortgage Index as measured over a full market cycle (approximately five years).

Cash Equivalents

The system may hold direct ownership in short-term investments or may permit or require managers to hold cash or cash equivalents to meet liquidity needs of the manager or of the System

The goal of the cash management shall be to preserve capital and maintain liquidity.

Commingled or Mutual Funds

If a commingled fund or mutual fund is utilized, it is understood that the portfolio will be governed by the prospectus or similar document for the fund. In those cases, the System will utilize the ATRS Investment Guidelines in selecting and evaluating funds initially and in monitoring them on an on-going basis for continued suitability. If the assets of the commingled or mutual fund participate in securities lending, the cash collateral should be prudently invested to avoid risk of loss.

INVESTMENT POLICIES AND PROCEDURES (continued)

Derivatives

Derivatives may be used to reduce the risk in a portfolio. At no time shall derivatives be used to create a position of leverage or substantially increase the risk of the overall portfolio. Each investment manager’s derivative usage shall be specified in the investment management agreement or specific guidelines.

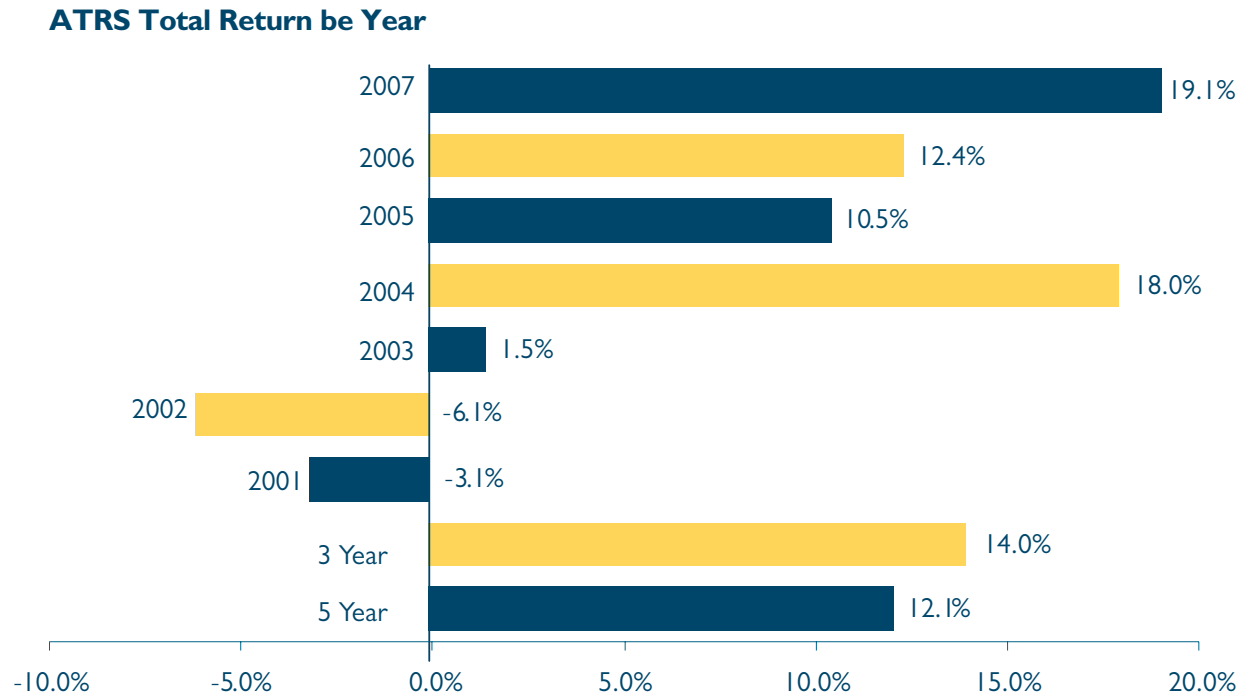
The use of futures and options shall be matched by cash or cash equivalent securities, and all short futures positions shall be matched by equivalent long security positions. Option premiums outstanding at any given time shall be limited to less than 5% of the market value of the total portfolio. The notional value of the underlying securities of the futures contracts shall not exceed 15% of the market value of the total portfolio.

Loaning of Securities

To increase investment income with minimal risk, the Board may loan bonds, stocks, or other securities provided at least 102% of the full market value of the security loaned is collateralized by cash or securities at the time the loan is executed.

At all times during the term of each loan, the collateral shall be equal to not less than 100% of the full market value calculated on the total value of all securities on loan.

Investment Return History



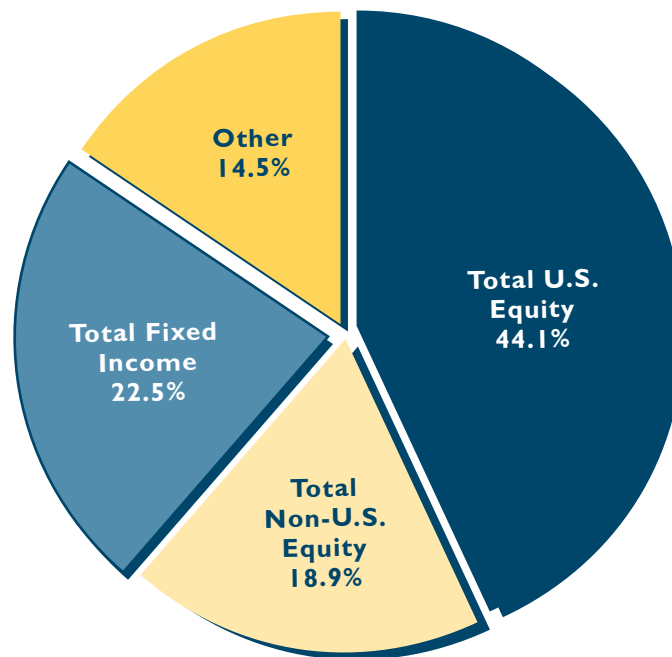
Asset Allocation Analysis

As of June 30, 2007

Asset Class	Market Value (\$ in thousands)	Current %
Total U.S. Equity	\$5,096,112	44.1%
Total Non-U.S. Equity	2,182,191	18.9%
Total Fixed Income	2,594,983	22.5%
Total Private Equity	598,033	5.2%
Total Real Estate	829,280	7.2%
Arkansas-Related	190,936	1.6%
Total Cash	65,383	0.5%
	<u>\$11,556,918</u>	<u>100.0%</u>

Current Allocation by Asset Class

As of June 30, 2007



Schedule of Investment Results

Returns for Period Ended June 30, 2007

The table below details the rates of return for the System's Investment managers over various time periods ending June 30, 2007.

	1 Year	3 Years	5 Years
Total Fund	19.1%	14.0%	12.1%
Performance Benchmark	17.6	12.7	11.5
LARGE CAP GROWTH EQUITY			
Capital Guardian	13.9	9.1	--
Jacobs Levy	14.3	--	--
T. Rowe Price	19.0	--	--
Russell 1000 Growth Index	19.0	8.7	--
LARGE CAP VALUE EQUITY			
Oppenheimer	22.2	13.4	11.8
Russell 1000 Value Index	21.9	15.9	13.3
ICC Capital	31.1	20.8	16.5
Russell 1000 Index	20.4	12.3	11.3
MID CAP VALUE EQUITY			
Eubel Brady & Suttman	8.4	8.8	10.8
Russell Mid Cap Value	22.1	19.3	17.2
SMALL CAP VALUE EQUITY			
Kennedy Capital Management	26.8	19.8	19.6
Daruma Asset Management	23.8	16.8	13.9
Russell 2000 Value Index	16.1	15.0	14.6
SMALL CAP GROWTH EQUITY			
Stephens Investment Management	--	--	--
ING Investment Management	19.8	12.9	12.1
Russell 2000 Growth Index	16.8	11.8	13.1
ALL CAP PASSIVE DOMESTIC EQUITY			
SSgA Wilshire 5000 Fund	20.4	12.6	--
DJ Wilshire 5000 Index	20.5	12.7	--
CONVERTIBLES			
Nicholas Applegate	20.4	13.1	13.1
Performance Benchmark ¹	14.0	7.5	10.7

SCHEDULE OF INVESTMENT RESULTS (continued)

The table below details the rates of return for the System's investment managers over various time periods ending June 30, 2007.

	1 Year	3 Years	5 Years
INTERNATIONAL EQUITY MANAGERS			
Capital Guardian	25.5%	21.8%	--%
MSCI EAFE Index	27.0	22.2	--
UBS Global Asset Management	26.6	21.3	16.3
Performance Benchmark ²	29.6	24.5	19.0
Wellington	28.4	24.4	--
MSCI All Country World ex-U.S.	29.6	24.5	--
FIXED INCOME MANAGERS			
Western Asset Management	6.6	5.0	--
Performance Benchmark ³	6.6	4.5	4.8
SSgA Bond Market Index	6.2	4.0	--
Lehman Brothers Bond Index	6.1	4.0	4.5
BlackRock	5.9	4.5	--
PIMCO	6.3	4.8	--
Total Fixed Income	6.3	4.7	4.8
Performance Benchmark ¹	6.6	4.5	4.8
ALTERNATIVE INVESTMENTS			
Total Real Estate	28.6	26.2	19.6
NCREIF NPI	17.2	18.0	14.4
Total Private Equity	27.0	31.8	23.6
Private Equity Policy	22.9	15.0	14.2
ARKANSAS RELATED			
	(0.1)	1.0	2.6

SCHEDULE OF INVESTMENT RESULTS (continued)

The table below details the rates of return for the System's investment managers for the period ending June 30, 2007.

INDIVIDUAL PARTNERSHIPS	Inception Date	Annualized Internal Rate of Return
Mezzanine		
Blackstone Mezzanine Partners	11/30/1999	10.6
DLJ Mezzanine	10/31/1999	10.9
Domestic Private Equity		
Hicks Muse Tate & Furst Fund III	2/28/1997	1.1
Hicks Muse Tate & Furst Fund IV	7/31/1998	(8.6)
Hicks Muse Tate & Furst Fund V	11/31/2000	19.7
Oak Hill Capital Partners	3/31/1999	10.6
Cypress	5/31/1999	3.9
Diamond State Ventures	3/31/2000	7.9
DLJ Merchant III	8/31/2000	20.3
21st Century Group Equity Fund	4/30/2000	5.0
DLJ Real Estate Capital Partners II	9/30/1999	21.5
Foreign Private Equity		
Doughty Hanson-Fund III	10/31/1997	16.2
Doughty-Hanson Tech I	1/31/2000	(3.0)
Cinven Funds	4/30/1998	10.4
Real Estate		
Doughty-Hanson-Euro real estate	6/30/1999	26.7
Westbrook Fund II	4/30/1997	14.2
Westbrook Fund III	8/31/1998	9.8
Westbrook IV	4/30/2001	21.6
Westbrook SHP	10/31/1999	2.5
Olympus	7/31/2000	(1.0)
Wachovia Timberland	1/31/1998	8.1
Wachovia Timberland II	10/31/1999	8.7
INDIVIDUAL MANAGERS		
	1 Year Rate of Return	
PRISA	6/30/2005	18.0
UBS	3/31/2006	18.4
JP Morgan Strategic Property	3/31/2007	--
JP Morgan Special Situation Property	3/31/2007	--

¹ Nicholas Applegate Performance Benchmark is the Merrill Lynch Convertible Securities (All Quality) Index. Prior to January 1, 2005, it was the CSFB Convertible Securities Index. Prior to May 1, 2004, it was a blend of 90% CSFB Convertible Securities Index and 10% Salomon High Yield Market Index. Prior to November 1, 2000, the benchmark was the CSFB Convertible Securities Index.

² UBS Performance Benchmark represents the MSCI All Country World Ex-U.S. Index beginning March 1, 2004. Returns through February 29, 2004 represent the MSCI World Ex-U.S. Index.

³ Western Asset Performance Benchmark and Fixed Income Performance Benchmark - As of March 1, 2004 the benchmark was the Lehman Brothers Universal Bond Index. Prior to March 1, 2004 it consisted of the Lehman Brothers Aggregate Bond Index.

Ten Largest Holdings

(By Market Value)

As of June 30, 2007

Fixed Income

Par	Security Name	Market Value
51,178,578	WESTERN ASSET CORE	\$ 599,198,764
21,523,492	BOND MARKET INDEX SL	412,669,911
26,045,199	PIMCO FDS PAC INVT MGMT SER MTG PORTFOLIO INSTL CL	267,484,193
19,115,567	PIMCO FDS PAC INVT MGMT SER US GOVT SECTOR PROFIT	194,405,313
6,411,938	PIMCO FDS PAC INVT MGMT SER SHORT TERM PORTFOLIO	62,772,875
13,235,347	PIMCO FDS PAC INVT MGMT SER INTL PORTFOLIO INSTL CL	57,176,699
58,900,000	FNMA TBA 5.5% JUL 30	56,778,681
4,227,910	WESTERN ASSET FDS INC HIGH YIELD PORT INSTL CL	44,477,614
3,937,783	PIMCO FDS PAC INVT MGMT SER EMERGING MKTS PORTFOLIO	43,670,015
43,200,000	FNMA TBA 6% JUL 30	42,724,126
		<u>\$1,781,358,221</u>

(A complete listing of portfolio holdings is available upon request.)

Ten Largest Holdings (continued)

(By Market Value)

As of June 30, 2007

Domestic Equities

Shares	Security Name	Market Value
59,875,996	US TOTAL MARKET INDEX	\$ 1,465,944,023
1,115,750	LILLY ELI & CO	62,348,110
6,483,252	FORD MOTOR CO	61,072,234
1,536,450	MOSAIC CO	59,952,279
1,847,550	BARRICK GOLD CORP	53,708,278
2,033,050	AMR CORP	53,570,867
1,191,407	AT & T CORP	49,443,390
1,408,201	COMCAST CORP	39,598,612
908,350	VERIZON COMMUNICATIONS	37,396,769
2,457,086	CHEMTURA CORP	27,298,225
		<u>\$1,910,332,787</u>

(A complete listing of portfolio holdings is available upon request.)

Ten Largest Holdings (continued)

(By Market Value)

As of June 30, 2007

International Equities

Shares	Security Name	Market Value
158,853	E ON AG	\$ 26,665,045
6,617,989	VODAFONE	22,280,466
1,820,949	BP PLC	22,030,349
82,699	ALLIANZ SE	19,388,119
470,159	ROYAL DUTCH SHELL	19,169,844
2,063,823	UNICREDITO ITALIAN	18,479,775
68,347	UNIBAILK RODAMCO	17,551,995
762,495	WEST PAC BKG CORP	16,599,478
197,566	TOTAL SA	16,078,741
110,974	SIEMENS AG	15,972,280
		<u>\$ 194,216,092</u>

(A complete listing of portfolio holdings is available upon request.)

Ten Largest Holdings (continued)

(By Market Value)
As of June 30, 2007

Arkansas Related Investments

Security Name	Market Value
LINDSEY PARTNERSHIP	\$ 42,428,103
THE PEABODY HOTEL	25,642,467
THE VICTORY BUILDING	18,796,703
AMERICAN CENTER 1 & 2	15,990,845
ARKANSAS DEPT OF EDUCATION LOAN	11,580,040
ATRS RETIREMENT VILLAGE	12,517,880
SOUTHCENTER SHOPPING CENTER	11,930,000
THE STATION APARTMENTS-MORTGAGE LOAN	4,756,213
CENTENNIAL VALLEY APARTMENTS-MORTGAGE LOAN	4,142,507
ROSE LAW FIRM BUILDING	4,203,000
	<u>\$151,987,758</u>

(A complete listing of portfolio holdings is available upon request.)



ACTUARIALS

Actuary's Certification Letter

GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

One Towne Square | Suite 800 | Southfield, Michigan 48076 | 248-799-9000 | 800-521-0498 | fax 248-799-9020

October 26, 2007

Board of Trustees
Arkansas Teacher Retirement System
1400 West Third
Little Rock, Arkansas 72201

Dear Board Members:

The basic funding objective of the Arkansas Teacher Retirement System (ATRS) is to establish and receive contributions which:

- When expressed in terms of the percentage of active member payroll, will remain approximately level from generation to generation, and
- When combined with present assets and future investment return, will be sufficient to meet the financial obligations of ATRS to present and future retirees and beneficiaries.

The progress being made toward the realization of the financing objectives of the System through June 30, 2007, is illustrated in the attached Exhibits 1 and 2. The funding objective is currently being realized. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the cost assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll. The actuarial valuations are performed each year and the most recent valuations were completed based upon census data, asset data, and plan provisions as of June 30, 2007.

The System's administrative staff provides the actuary with data for the actuarial valuations. The actuary relies on the census data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. Asset information was accepted without further audit.

The figures disclosed in the Supplementary Schedules to the Financial Section were provided by Gabriel, Roeder, Smith & Company, as were the Notes to Trend Data. In addition, Gabriel, Roeder, Smith & Company was responsible for the following schedules found in the Actuarial Section:

Computed Actuarial Liabilities
Employer Contribution Rate Computed as of June 30, 2006
Active Members in Valuation Data
Retirees and Beneficiaries added to and removed from rolls

Solvency Test

Board of Trustees

October 26, 2007

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Summary of Actuarial Assumptions and Methods
Single Life Retirement Values
Probabilities of Retirement for Members
Assumed Duration in T-DROP for Members
Teachers Separations and Individual Pay Increases
Non-Teachers Separations and Individual Pay Increases
Analysis of Financial Experience
Comments and Conclusion
Schedule of Funding Progress
Schedule of Employer Contributions
Schedule of Retired Members by Benefit Type
Schedule of Average Benefit Payments

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2007 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1997-2002 period.

ATRS is 85.3% funded as of June 30, 2007, indicating significant progress in recovering from the disappointing 2000 – 2002 investment markets. In response to those markets, the Board increased the employer contribution rate to 14% of payroll for the period beginning July 1, 2004, and other adjustments were made in an effort to return the amortization period to 30 years. The amortization period as of June 30, 2007 is 19.10 years.

Based upon the results of the June 30, 2007 valuations, we are pleased to report to the Board of Trustees that the Arkansas Teacher Retirement System is meeting its basic financial objective and is in accordance with actuarial principles of level percent of payroll financing. Continuation of the recovery in the investment markets is important for ATRS as well as for virtually every retirement system in the country.

Respectfully Submitted,

GABRIEL, ROEDER, SMITH & COMPANY


Judith A. Kermans, E.A., M.A.A.A.


Brian B. Murphy, F.S.A., M.A.A.A.

**Exhibit I
Computed Actuarial Liabilities**

As of June 30, 2007

	(1) Total Present Value	Entry Age Actuarial (2) Portion Covered By Future Normal Cost Contributions	Cost Method (3) Actuarial Accrued Liabilities (1)-(2)
Actuarial Present Value of Age and service retirement and T-DROP allowances based on Total service likely to be rendered by present active and T-DROP members	\$ 8,971,345,784	\$2,164,729,453	\$ 6,806,616,331
Vested Deferred Benefits likely to be paid present active and inactive members	766,029,469	300,383,699	465,645,770
Survivor benefits expected to be paid on behalf of present active members	138,568,126	59,268,122	79,300,004
Disability Benefits expected to be paid on behalf of present active members	217,826,046	124,507,396	93,318,650
Refunds of Member contributions expected to be paid on behalf of Present active members	17,207,365	93,025,929	(75,818,564)
Benefits payable to present retirees and beneficiaries	4,879,922,733	0	4,879,922,733
Lump Sum Death benefits payable to present retirees and beneficiaries	79,650,079	0	79,650,079
Total	\$15,070,549,602	\$2,741,914,599	\$12,328,635,003
Applicable Assets	10,519,229,198	0	10,519,229,198
Liabilities to be Covered by Future Contributions	\$ 4,551,320,404	\$2,741,914,599	\$ 1,809,405,805

**Exhibit 2
Employer Contribution Rate**

Computed as of June 30, 2007

Computed Contributions for	Percents of Active Member Full Payroll			Prior Year
	Teachers	Support	Combined	
Normal Cost				
Age & Service Annuities	10.76%	8.35%	10.06%	10.12%
Deferred Annuities	1.29%	1.59%	1.38%	1.44%
Survivor Benefits	0.29%	0.24%	0.28%	0.29%
Disability Benefits	0.62%	0.52%	0.59%	0.61%
Refunds of Member Contributions	0.37%	0.69%	0.46%	0.42%
Total	13.33%	11.39%	12.77%	12.88%
Average Member Contributions	4.80%	3.54%	4.44%	4.16%
Net Employer Normal Cost	8.53%	7.85%	8.33%	8.72%
Unfunded Actuarial Accrued Liabilities			5.67%	5.28%
Employer Contribution Rate			14.00%	14.00%
Amortization Years			19.1	36.0

The amortization period is the number of years it will take to pay off the unfunded liability of \$1.8 billion assuming that the employer contribution rate remains at the 14% of payroll level. In recent times the period has varied from a low of 4 years to a high of 125 years.

Schedule of Active Member Valuation Data

Valuation Date June 30	Active Members in Valuation		Average Annual Pay	
	Number	Annual Payroll	Amount	% Change
2007	69,226	\$2,191	\$31,645	3.0%
2006	67,710	2,080	30,714	3.0%
2005	65,793	1,962	29,826	7.8%
2004	63,185	1,748	27,660	2.6%
2003	62,432	1,683	26,963	6.3%
2002	62,011	1,628	26,254	3.5%
2001	61,389	1,557	25,365	2.7%
2000	60,147	1,485	24,696	2.8%
2000	60,147	1,485	24,696	2.8%
1999	59,499	1,429	24,019	2.7%
1998	58,528	1,368	23,380	2.3%
1997	56,997	1,302	22,847	1.7%
1996	56,100	1,260	22,463	7.2%

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

Year	Estimated Number		Total Retirees	Annual Allowances (Millions)	% Increase in Annual Allowances	Average Annual Allowances
	Added	Removed				
2007	2,017	559	25,611	\$484.55	7.7%	\$18,920
2006	1,958	485	24,153	449.77	8.4%	18,622
2005	1,822	570	22,680	415.04	7.5%	18,300
2004	1,692	535	21,428	386.23	7.3%	18,025
2003	1,621	548	20,272	360.00	7.7%	17,759
2002	1,989	568	19,199	334.15	8.1%	17,404
2001	1,571	450	17,778	309.03	10.3%	17,383
2000	1,249	479	16,657	280.14	12.6%	16,818
1999	1,582	497	15,887	248.75	12.9%	15,658
1998	809	240	14,802	220.38	13.1%	14,888
1997	1,049	475	14,233	194.90	14.3%	13,694
1996	1,107	654	13,659	170.59	8.9%	12,489

Total Retirees does not include any members who are currently participating in T-Drop.

Solvency Test

The ATRS funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will **pay all promised benefits when due - the ultimate test of financial soundness**. Testing for level contribution rates is **the** long term test.

A solvency test is one means of checking a system's progress under its funding program. In a solvency test, the plan's present assets (cash and investments) are compared with: 1) Member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for service already rendered by members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the system. Liability 3 being fully funded is unusual.

The schedule below illustrates the history of liability 3 of the System and is indicative of the ATRS objective of following the discipline of level percent of payroll financing.

Val. Date June 30	(1) Member Contrib.	(2) Retirees and Benef.	(3) Active and Inactive Members (Employer Financed Portion)	Present Valuation Assets	Portion of Present Values Covered by Present Assets			Total
					(1)	(2)	(3)	
\$ Millions								
1991#*	\$344	\$ 985	\$1,433	\$2,434	100%	100%	77%	88%
1992#	367	1,077	1,885	2,729	100%	100%	68%	82%
1993#	388	1,207	2,117	3,051	100%	100%	69%	82%
1994	403	1,334	2,223	3,307	100%	100%	71%	84%
1995*	415	1,488	2,354	3,626	100%	100%	73%	85%
1996	424	1,634	2,577	4,186	100%	100%	83%	90%
1997#	426	1,918	3,059	4,956	100%	100%	85%	92%
1998#	435	2,173	3,553	5,815	100%	100%	90%	94%
1999#	447	2,566	3,821	6,740	100%	100%	98%	99%
2000	454	2,804	4,322	7,620	100%	100%	101%	101%
2000#	454	2,888	4,537	7,620	100%	100%	94%	97%
2001#	470	3,200	4,891	8,166	100%	100%	92%	95%
2002*	490	3,464	5,216	8,328	100%	100%	84%	91%
2003#	521	3,706	5,218	8,113	100%	100%	74%	86%
2004#	547	3,985	5,518	8,424	100%	100%	71%	84%
2005	586	4,276	6,111	8,817	100%	100%	65%	80%
2006	630	4,617	6,376	9,332	100%	100%	64%	80%
2007	679	4,960	6,716	10,519	100%	100%	73%	85%
2007#	679	4,960	6,690	10,519	100%	100%	73%	85%

* Revised actuarial assumptions or methods.

Legislated benefit or contribution rate change.

Summary of Actuarial Assumptions and Methods

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age
Amortized Method	Level percent of payroll
Remaining Amortization Period	19.10 years
Asset Valuation Method	4-year smoothed market 80%/ 120% corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increase	4.0% to 10.10%
Cost-of-living Adjustments	3% Simple
Includes wage inflation at	4%

An actuarial valuation is based upon an actuarial cost method, an asset valuation method, and actuarial assumptions. These methods and assumptions are chosen by the Board of Trustees after consultation with the Actuary and other advisors.

The actuarial cost method is called the Entry Age Actuarial Cost Method. This method is consistent with the Board's level percent of payroll funding objective. With this method, the level percent of payroll is determined that will fund a member's retirement benefit over the member's entire working lifetime, from date of hire (Entry Age) to date of exit from the active member population. Differences in the past between assumed and actual experience become part of unfunded actuarial accrued liabilities and are amortized with level percent of payroll contributions. This cost method was first used in the **June 30, 1986** valuation.

The asset valuation method is a four year smoothed market value method in which assumed investment return is recognized immediately each year and differences between actual and assumed investment return are phased in over a closed four year period. This asset valuation method is intended to give recognition to the long term accuracy of market values while filtering out and dampening short term market swings. This method was first used in the **June 30, 1995** valuation. It was modified in conjunction with the 2002 valuation to include a corridor.

The actuarial assumptions used in producing the valuation fall into two broad classes: economic assumptions, and demographic assumptions. Economic assumptions refer to long term rates of investment return, wage growth, covered population growth, and inflation. Demographic assumptions refer to retirement rates, turnover rates, disability rates, merit and seniority pay increases, and mortality rates. The current assumptions are based upon a 1997-2002 study of experience of the ATRS. The assumptions are reviewed from time to time to keep them reasonably current with expected experience.

Economic Assumptions

The investment return rate used in making the valuation was 8.0% per year, compounded annually (net after administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return over wage inflation is defined to be the portion of investment return which is more than the wage inflation rate. Considering wage inflation recognition of 4.0%, the 8.0% rate translates to an assumed real rate of return over wage inflation of 4.0%. This rate was first used for the **June 30, 2002** valuation.

Pay increase assumptions for individual active members are shown on Tables IV and V. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.0% recognizes wage inflation. These rates were first used for the **June 30, 2002** valuation. No specific **Price Inflation** is needed for this valuation. However, the wage inflation and interest rate assumptions would be compatible with a price inflation assumption of 3.0% or 3.5%. It is assumed that the 3% COLA will always be paid.

Summary of Actuarial Assumptions and Methods (continued)

The Active Member Group size is assumed to remain constant at its present level.

Total active member payroll is assumed to increase 4.0% a year, which is the portion of the individual pay increase assumptions attributable to wage inflation. This rate was first used for the **June 30, 2002** valuation.

Non-Economic Assumptions

The mortality table used to measure retired life mortality was the 1983 Group Annuity Mortality Table. Related values are shown on Table I. This table was first used for the June 30, 1998 valuation. It was reviewed as part of the June 30, 2002 valuation and deemed to still be an appropriate measurement of mortality for the plan. For disabled lives, the mortality table is set forward 5 years. This set forward of 5 years was first used for the **June 30, 2002** valuation.

The probabilities of retirement for members eligible to retire are shown on Tables II and III. The rates for full retirement were first used in the **June 30, 2005** valuation. The rates for reduced retirement were first used in the **June 30, 2002** valuation.

The probabilities of withdrawal from service, **death-in-service** and **disability** are shown for sample ages on Tables III and IV. The withdrawal and disability rates were first used in the **June 30, 2002** valuation. The death-in-service rates were first used in the **June 30, 2002** valuation.

The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary. Members whose dates of birth were not supplied were assumed to be 40 years old on the valuation date.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

Table I
Single Life Retirement Values

Sample Attained Ages	Present Value of \$1.00 Monthly for Life		Present Value of \$1 Monthly for Life Increasing 3.0% Annually		Future Life Expectancy (years)		Percent Dying Within Next Year	
	Men	Women	Men	Women	Men	Women	Men	Women
40	\$142.98	\$147.82	\$184.74	\$193.70	38.46	44.52	0.12%	0.07%
45	138.18	144.67	176.24	187.61	33.74	39.69	0.22%	0.10%
50	132.10	140.42	165.94	179.79	29.18	34.92	0.39%	0.16%
55	124.57	134.74	153.75	169.90	24.82	30.24	0.61%	0.25%
60	115.04	127.24	139.16	157.58	20.64	25.67	0.92%	0.42%
65	103.26	117.61	122.19	142.67	16.69	21.29	1.56%	0.71%
70	90.18	105.53	104.27	125.11	13.18	17.13	2.75%	1.24%
75	76.40	91.57	86.27	105.96	10.15	13.37	4.46%	2.40%
80	62.65	77.16	69.17	87.10	7.64	10.20	7.41%	4.29%
85	50.59	62.99	54.72	69.36	5.73	7.58	11.48%	6.99%

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive Men	Portion of Age 60 Lives Still Alive Women
60	\$100.00	100%	100%
65	115.00	94%	97%
70	130.00	85%	93%
75	145.00	72%	86%
80	160.00	54%	73%

Table II
Probabilities of Retirement for Members

Retirement Ages	% of Active Participants Retiring with Unreduced Benefits			
	Education		Support	
	Male	Female	Male	Female
48	50%	40%	50%	30%
49	50%	40%	50%	30%
50	13%	8%	5%	9%
51	10%	8%	5%	9%
52	9%	8%	12%	8%
53	9%	9%	13%	12%
54	9%	9%	8%	10%
55	9%	11%	8%	12%
56	12%	11%	9%	11%
57	10%	13%	14%	9%
58	11%	13%	15%	16%
59	14%	18%	11%	28%
60	14%	17%	9%	14%
61	14%	15%	10%	14%
62	28%	25%	28%	21%
63	17%	18%	20%	17%
64	17%	17%	20%	16%
65	27%	38%	30%	30%
66	30%	30%	30%	30%
67	30%	30%	30%	30%
68	30%	30%	30%	30%
69	30%	30%	30%	30%
70	30%	30%	30%	30%
71	30%	30%	30%	30%
72	30%	30%	30%	30%
73	30%	30%	30%	30%
74	30%	30%	30%	30%
75	100%	100%	100%	100%

Probabilities of Reduced Retirement for Members

Retirement Ages	% of Active Participants Retiring with Reduced Benefits			
	Education		Support	
	Male	Female	Male	Female
50	2%	2%	2%	2%
51	2%	2%	2%	2%
52	3%	3%	3%	3%
53	4%	4%	4%	4%
54	4%	4%	4%	4%
55	6%	6%	6%	6%
56	9%	5%	9%	5%
57	9%	5%	9%	5%
58	9%	5%	9%	5%
59	9%	5%	9%	5%
60	100%	100%	100%	100%

Table III
Probabilities of T-DROP for Members

Members entering T-DROP are assumed to remain in T-DROP according to the following table:

Age	Assumed Duration Years
50-56	6
57	5
58	4
59+	3

Future T-DROP members are assumed to enter T-DROP at the time that is to their greatest financial advantage.

Table IV
Teachers Separations From Active Employment Before
Age and Service Retirement and Individual Pay Increase

Sample Ages	Service	Percent of Active Members Separating Within the Next Year					
		Death		Disability		Other	
		Men	Women	Men	Women	Men	Women
	0					32.00%	25.00%
	1					15.00%	12.00%
	2					11.00%	9.00%
	3					7.50%	9.00%
	4					5.00%	7.00%
20	5 & Up	0.02%	0.01%	0.10%	0.09%	4.60%	4.60%
25		0.02%	0.01%	0.10%	0.09%	4.60%	4.84%
30		0.03%	0.02%	0.08%	0.07%	3.94%	4.40%
35		0.04%	0.02%	0.08%	0.07%	3.20%	3.10%
40		0.06%	0.03%	0.14%	0.13%	2.70%	2.20%
45		0.11%	0.05%	0.24%	0.22%	2.08%	2.00%
50		0.20%	0.08%	0.53%	0.47%	1.62%	1.70%
55	0.31%	0.13%	0.88%	0.79%	1.50%	1.50%	
60	0.46%	0.21%	1.00%	0.90%	1.50%	1.50%	
65	0.78%	0.35%	1.00%	0.90%	1.50%	1.50%	

Pay Increase Assumptions For an Individual Member

Age	Merit & Seniority	Base (Economic)	Increase Next Year
20	5.4%	4.0%	9.4%
25	4.4%	4.0%	8.4%
30	3.4%	4.0%	7.4%
35	2.4%	4.0%	6.4%
40	1.7%	4.0%	5.7%
45	1.2%	4.0%	5.2%
50	0.8%	4.0%	4.8%
55	0.4%	4.0%	4.4%
60	0.3%	4.0%	4.3%
65	0.3%	4.0%	4.3%

Table V
Non-Teachers Separations From Active Employment Before Age and Service Retirement and Individual Pay Increase

Sample Ages	Service	Percent of Active Members Separating Within the Next Year					
		Death		Disability		Other	
		Men	Women	Men	Women	Men	Women
	0					40.00%	40.00%
	1					30.00%	25.00%
	2					22.00%	18.00%
	3					18.00%	14.00%
	4					13.00%	11.00%
20	5 & Up	0.02%	0.01%	0.10%	0.08%	13.00%	11.00%
25		0.02%	0.01%	0.10%	0.08%	12.00%	11.00%
30		0.03%	0.02%	0.08%	0.07%	10.80%	7.60%
35		0.04%	0.02%	0.08%	0.07%	8.20%	5.40%
40		0.06%	0.03%	0.14%	0.12%	5.80%	4.70%
45		0.11%	0.05%	0.24%	0.19%	4.10%	4.20%
50		0.20%	0.08%	0.53%	0.42%	2.90%	2.80%
55	0.31%	0.13%	0.88%	0.70%	1.90%	1.70%	
60	0.46%	0.21%	1.00%	0.80%	1.50%	1.50%	
65	0.78%	0.35%	1.00%	0.80%	1.50%	1.50%	

Pay Increase Assumptions For an Individual Member

Age	Merit & Seniority	Base (Economic)	Increase Next Year
20	6.1%	4.0%	10.1%
25	5.2%	4.0%	9.2%
30	4.2%	4.0%	8.2%
35	3.6%	4.0%	7.6%
40	2.9%	4.0%	6.9%
45	1.5%	4.0%	5.5%
50	0.6%	4.0%	4.6%
55	0.2%	4.0%	4.2%
60	0.0%	4.0%	4.0%
65	0.0%	4.0%	4.0%

Analysis of Financial Experience

Type of Risk Area	Gain (Loss) For Year Ended (\$ Millions)				
	2002	2003	2004	2005	2006
ECONOMIC RISK AREAS					
Pay increases. <i>If there are smaller pay increases</i> than assumed, there is a gain. If greater increases, a loss.	\$19.3	\$12.9	\$27.7	\$(173.5)	\$3.9
Gross Investment Return. <i>If there is greater investment</i> return than assumed, there is a gain. If less return, a loss.	(392.9)	(767.6)	(218.6)	(193.0)	(76.4)
NON-ECONOMIC RISK AREAS					
Retirements and T-Drop. <i>If members retire at</i> older ages, there is a gain. If younger ages, a loss.	7.0	6.9	6.1	(0.4)	(4.1)
Disability Retirements. <i>If there are fewer disabilities</i> than assumed, there is a gain. If more, a loss.	(0.6)	0.0	(1.6)	0.5	1.2
Death-in-Service Benefits. <i>If there are fewer claims</i> than assumed, there is a gain. If more, a loss.	1.4	0.8	1.1	0.5	0.6
Withdrawal. <i>If more liabilities are released by other</i> separations than assumed, there is a gain. If smaller releases, a loss.	(0.9)	(1.7)	(5.9)	(11.1)	(11.8)
Death After Retirement. <i>If there is higher mortality</i> than assumed, there is a gain. If lower mortality, a loss.	4.8	7.5	(2.6)	(0.7)	(3.3)
TOTAL	\$(361.9)	\$(741.2)	\$(193.8)	\$(377.7)	\$(89.9)

Comments

General Financial Objective. Section 24-3-103 of the Arkansas Code provides as follows (emphasis added):

“6.01. (1) The general financial objective of each Arkansas public employee retirement plan shall be to **establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Arkansas citizens.** More specifically, contributions received each year shall be sufficient both to (i) fully cover the costs of benefit commitments being made to members for their service being rendered in such year and (ii) make a level payment which if paid annually over a reasonable period of future years will fully cover the unfunded costs of benefit commitments for service previously rendered”

Arkansas Teacher Retirement System Status. Based upon the results of June 30, 2007 actuarial valuations, ATRS is satisfying the financial objective of level-contribution-percent financing

Market investment experience for the year end June 30, 2007 was favorable.

The Arkansas Teacher Retirement System is 85.3% funded as of June 30, 2007, indicating significant progress in recovering from one of the worst investment markets since the Great Depression. The amortization period as of June 30, 2007 is 19.10 years.



STATISTICS

Schedule of Revenue By Source

Year Ending June 30	Member Contributions	Employer Contributions		Investment Income	Total
		Employer Contributions	% of Annual Covered Payroll		
2007	\$100,093,372	\$331,891,210	15.1%	\$1,892,393,365	\$2,324,377,947
2006	92,005,600	311,713,735	15.0%	1,173,286,760	1,577,006,095
2005	86,102,842	286,442,709	14.5%	779,443,553	1,151,989,104
2004	77,772,019	224,184,274	12.8%	1,195,341,063	1,497,297,356
2003	76,734,478	200,455,916	11.9%	72,259,296	349,449,690
2002	71,893,349	191,352,910	11.8%	(461,538,652)	(198,292,393)
2001	68,717,889	181,115,569	11.6%	(254,206,596)	(4,373,138)
2000	55,633,069	175,686,958	11.8%	638,534,760	869,854,787
1999	50,842,231	166,785,926	11.7%	781,034,414	998,662,571
1998	48,329,053	158,962,714	11.6%	921,429,638	1,128,721,405
1997	40,214,965	153,546,224	11.7%	1,000,201,271	1,193,962,460

Schedule of Expenses By Type

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Total
2007	\$545,220,337	\$5,854,557	\$5,179,850	\$556,254,744
2006	507,641,961	5,991,755	6,207,622	519,841,338
2005	451,978,547	6,454,762	4,413,077	462,846,386
2004	413,433,516	8,197,465	4,017,884	425,648,865
2003	383,071,936	7,973,933	3,585,188	394,631,057
2002	354,949,683	7,354,162	2,744,684	365,048,529
2001	323,392,426	8,254,731	2,975,138	334,622,295
2000	284,356,092	9,729,999	3,317,881	297,403,972
1999	243,710,242	4,344,055	3,405,210	251,459,507
1998	215,573,711	4,375,104	3,373,945	223,322,760
1997	191,717,604	3,705,351	3,933,212	199,356,167

Schedule of Benefit Expenses By Type

Year Ending June 30	2007	2006	2005	2004	2003	2002
Age and Service	\$426,379,481	\$395,446,232	\$363,872,024	\$338,817,041	\$315,456,745	\$291,969,589
Disability	24,531,282	23,489,045	22,637,834	20,968,493	19,836,787	18,965,804
Option	12,388,887	11,081,484	10,188,011	9,524,367	8,847,041	7,947,966
Survivor	6,545,304	5,925,441	5,677,528	5,585,284	5,503,873	5,306,397
Reciprocity	16,732,846	14,726,557	13,027,579	11,551,771	10,245,385	8,878,504
Active Members Death Benefit	950,829	658,633	831,792	575,813	713,094	580,689
T-DROP	53,462,931	51,961,787	31,457,198	22,950,458	18,600,700	17,038,780
Act 808	4,228,777	4,278,617	4,286,580	4,294,802	4,272,018	4,261,953
Total	\$545,220,337	\$507,567,796	\$451,978,546	\$414,268,026	\$383,475,643	\$354,949,682

Schedule of Retired Members By Type of Benefit

Monthly Benefit	Number of Retirants	Type of Retirement*					Life	Option Selected #		
		1	2	3	4	5		Opt. A	Opt. B	Opt. C
\$1-250	2,969	2,515	64	134	244	12	2,456	375	22	116
251-500	2,771	2,217	53	163	295	43	2,314	320	56	81
501-750	1,931	1,535	67	46	236	47	1,547	243	75	66
751-1,000	1,579	1,217	68	22	230	42	1,254	192	87	46
1,001-1,250	1,495	1,137	65	36	216	41	1,166	206	98	25
1,251-1,500	1,556	1,270	42	39	176	29	1,239	191	95	31
1,501-1,750	1,714	1,459	36	31	163	25	1,341	209	117	47
1,751-2,000	2,092	1,869	30	23	158	12	1,596	260	183	53
Over \$2,000	9,185	8,723	152	79	208	23	6,997	1,039	889	260
Total	25,292	21,942	577	573	1,926	274	19,910	3,035	1,622	725

* Type of Retirement

1. Normal retirement for age and service
2. Survivor payment - normal or early retirement
3. Survivor payment - death-in-service
4. Disability retirement
5. Survivor payment - disability retirement

Option Selected at Retirement

- Life - Straight life annuity
- Option A - 100% survivor annuity
- Option B - 50% survivor annuity
- Option C - annuity for 10 years certain and life thereafter

Excludes Act 793 and Act 808 retirees.

Schedule of Average Benefit Payments

Retirement Effective Dates		Service at Retirement						
July 1, 1997 to June 30, 2007		0-4	5-9	10-14	15-19	20-24	25-29	30+
07/01/97 -06/30/98	Average Monthly Benefit	\$ 275	\$ 199	\$ 297	\$ 712	\$ 1,117	\$ 1,584	\$ 2,096
	Average Final Salary	\$25,351	\$21,528	\$16,808	\$24,491	\$28,474	\$33,396	\$36,007
	Number of Active Retirees	17	46	152	107	142	268	272
07/01/98 -06/30/99	Average Monthly Benefit	\$ 216	\$ 174	\$ 369	\$ 777	\$ 1,197	\$ 1,636	\$ 2,149
	Average Final Salary	\$23,052	\$13,734	\$19,411	\$26,758	\$32,278	\$35,179	\$36,306
	Number of Active Retirees	52	492	187	119	114	317	301
07/01/99 -06/30/00	Average Monthly Benefit	\$ 193	\$ 204	\$ 362	\$ 860	\$ 1,226	\$ 1,743	\$ 2,361
	Average Final Salary	\$25,045	\$13,612	\$17,288	\$28,523	\$30,543	\$36,513	\$37,919
	Number of Active Retirees	27	219	138	102	137	308	318
07/01/00 -06/30/01	Average Monthly Benefit	\$ 194	\$ 210	\$ 422	\$ 920	\$ 1,333	\$ 1,887	\$ 2,459
	Average Final Salary	\$21,910	\$14,772	\$19,899	\$31,531	\$33,529	\$39,490	\$39,512
	Number of Active Retirees	50	315	229	125	132	387	333
07/01/01 -06/30/02	Average Monthly Benefit	\$ 173	\$ 209	\$ 363	\$ 797	\$ 1,348	\$ 1,920	\$ 2,528
	Average Final Salary	\$31,558	\$13,507	\$17,606	\$27,482	\$34,586	\$39,498	\$40,211
	Number of Active Retirees	78	477	376	195	171	423	269
07/01/02 -06/30/03	Average Monthly Benefit	\$ 131	\$ 213	\$ 439	\$ 824	\$ 1,321	\$ 1,982	\$ 2,530
	Average Final Salary	\$25,178	\$16,577	\$21,197	\$28,856	\$34,031	\$40,871	\$39,797
	Number of Active Retirees	48	304	225	155	151	473	265
07/01/03 -06/30/04	Average Monthly Benefit	\$ 200	\$ 252	\$ 456	\$ 804	\$ 1,396	\$ 2,044	\$ 2,602
	Average Final Salary	\$26,511	\$17,293	\$21,690	\$29,722	\$37,471	\$41,637	\$41,256
	Number of Active Retirees	46	333	254	185	163	486	225
07/01/04 -06/30/05	Average Monthly Benefit	\$ 117	\$ 245	\$ 451	\$ 851	\$ 1,413	\$ 2,085	\$ 2,561
	Average Final Salary	\$21,778	\$17,230	\$21,509	\$31,146	\$38,529	\$42,106	\$39,786
	Number of Active Retirees	44	384	239	215	136	562	242
07/01/05 -06/30/06	Average Monthly Benefit	\$ 178	\$ 249	\$ 486	\$ 796	\$ 1,472	\$ 2,146	\$ 2,860
	Average Final Salary	\$23,915	\$17,531	\$24,252	\$29,291	\$39,726	\$43,432	\$42,735
	Number of Active Retirees	44	371	263	207	150	633	290
07/01/06 -06/30/07	Average Monthly Benefit	\$ 193	\$ 269	\$ 489	\$ 810	\$ 1,470	\$ 2,168	\$ 2,791
	Average Final Salary	\$30,693	\$19,693	\$24,448	\$29,479	\$40,437	\$43,736	\$43,192
	Number of Active Retirees	31	371	251	215	157	665	251

May include cases where the service was not reported.

Schedule of Participating Employers

As of June 30, 2007

- | | | |
|----------------------------|------------------------------|-------------------------------|
| Academics Plus Charter Sch | Bradford School Dist | Dover School Dist |
| Alma School Dist | Bradley School Dist | Drew Central Sch Dist |
| Alpena School Dist | Brinkley School Dist | Dumas School Dist |
| Ar Association Edu Admin | Brookland Sch Dist | Earle School Dist |
| Ar Dept Of Correction | Bryant School Dist | East Ar Comm College |
| Ar Dept Of Economic Dev | Buffalo Island Central | East End School Dist |
| Ar Dept Of Workforce Educ | Cabot School Dist | East Poinsett Sch Dist |
| Ar Educational Tv | Caddo Hills Sch Dist | El Dorado Sch Dist |
| Ar Rehabilitation Services | Calico Rock Sch Dist | Elkins School Dist |
| Ar River Ed Srvs Coop | Camden-Fairview Sch Dist | Emerson - Taylor Sch Dist |
| Ar School Boards Ins Trust | Carlisle Sch Dist | England School Dist |
| Ar School F/T Blind | Cave City Sch Dist | Eureka Springs Sch |
| Ar School F/T Deaf | Cedar Ridge School District | Farmington Sch Dist |
| Ar State Univ | Cedarville School District | Fayetteville Schools |
| Ar State Univ, Beebe | Centerpoint School Dist #43 | Flippin School Dist |
| Ar State Univ, Newport | Charleston Sch Dist | Focus Learning Academy |
| Ar Teacher Ret Sys | Clarendon Sch Dist | Fordyce School Dist |
| Ar Tech University | Clarksville Sch Dist | Foreman School Dist |
| Ar Workforce Invest Board | Cleveland County Sch Dist | Forrest City Sch Dist |
| Arch Ford Coop | Clinton School Dist | Fort Smith Sch Dist |
| Arise Charter School | Concord School Dist | Fouke School Dist |
| Ark Northeastern College | Conway School Dist | Fountain Lake Sch |
| Arkadelphia Sch Dist | Conway Voc Ctr | Genoa Central School Dist. #1 |
| Arkansas Activities | Corning School Dist | Gentry School Dist |
| Arkansas Easter Seals | Cossatot Com Col Of Uoa | Glen Rose Sch Dist |
| Armored School District | Cotter School Dist | Gosnell School Dist |
| Ashdown School Dist | County Line Sch Dist | Gravette School Dist |
| Asu Mountain Home Campus | Craighead Co Sd Exec Council | Great Rivers Ed Coop |
| Atkins School Dist | Cross Co Sch Dist | Green Forest Sch |
| Augusta School Dist | Crossett School Dist | Greenbrier Sch Dist |
| Bald Knob Sch Dist | Crowleys Ridge Coop | Greene Co Tech Sch |
| Barton-Lexa Sch Dist | Crowleys Ridge Tech Inst | Greenland Sch Dist |
| Batesville Sch Dist | Cushman School Dist | Greenwood Sch Dist |
| Bauxite School Dist | Cutter Morning Star | Gurdon School Dist |
| Bay School Dist | Danville School Dist | Guy-Perkins Sch Dist |
| Bearden School Dist | Dardanelle Sch Dist | Haas Hall Academy |
| Beebe School Dist | Dawson Educ Service Coop | Hackett School Dist |
| Benton County Sch Of Arts | Decatur School Dist | Hamburg School Dist |
| Benton School Dist | Deer/Mt. Judea School Dist | Hampton School Dist |
| Bentonville Sch Dist | Delight School Dist | Harmony Grove Sch |
| Bergman School Dist | Dept Of Higher Education | Harmony Grove School |
| Berryville Sch Dist | Dequeen School Dist | Harrisburg Schools |
| Bismarck School Dist | Dequeen-Mena Ed Co-Op | Harrison School Dist |
| Black River Technical Col | Dermott School Dist | Hartford School Dist |
| Blevins School Dist | Des Arc School Dist | Hazen School Dist |
| Blytheville Sch Dist | Dewitt School Dist | Heber Springs Sch |
| Booneville Sch Dist | Dierks School Dist | Hector School Dist |
| Boston Mts Ed Coop | Dollarway Sch Dist | Helena-West Helena |

Schedule of Participating Employers (continued)

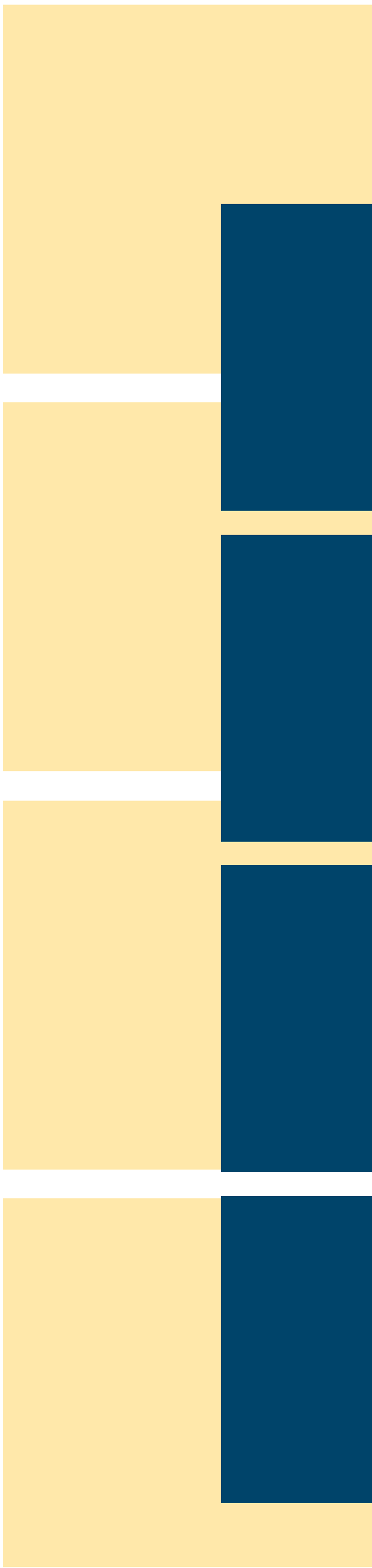
As of June 30, 2007

Henderson State Univ	Mcgehee School Dist	Phillips Com Col-Dewitt
Hermitage Sch Dist	Melbourne Sch Dist	Phillips Comm Coll/Ua
Highland School Dist	Mena School Dist	Piggott School Dist
Hillcrest School District	Metropolitan Voc Ctr	Pine Bluff Sch Dist
Hope School Dist	Midland School Dist #19	Pocahontas Sch Dist
Horatio School Dist	Mid-South Community (Tech) Col	Pottsville Sch Dist
Hot Springs Sch Dist	Mineral Springs	Poyen School Dist
Hoxie School Dist	Monticello Sch Dist	Prairie Grove Sch
Hughes School Dist	Monticello Voc Ctr	Prescott School Dist
Huntsville Sch Dist	Mount Ida Sch Dist	Pulaski Co Sch Dist
Imboden Area Charter Sch	Mountain Home Sch	Pulaski Technical Col
Izard Co Cons School	Mountain Pine Sch	Quitman School Dist
Jackson County Sch Dist	Mountain View Sch	Rector School Dist #1
Jasper School Dist	Mountainburg Sch Dist	Rich Mtn Comm College
Jessieville Sch Dist	Mt Vernon-Enola Sch Dist	River Valley Tech(Voc)ctr
Jonesboro Sch Dist	Mulberry School Dist	Riverside School Dist
Jonesboro Voc Ctr	Murfreesboro Sch Dist	Riverside Vo-Tech School
Junction City Sch	Nashville Sch Dist	Riverview School Dist
Kipp Delta College Prep	National Park Comm College	Rogers School Dist
Kirby School Dist	Nemo Vista Sch Dist	Rose Bud School Dist
Lafayette County Sch Dist	Nettleton Sch Dist	Russellville Sch Dist
Laidlaw/Lr Trans	Nevada School Dist #1	Russellville Voc Ctr
Lake Hamilton Sch	Newport School Dist	Salem School Dist
Lakeside School Dist	Norfolk School Dist	Scranton School Dist
Lakeside School District	Norphlet School Dist	Se Arkansas Ed Coop
Lamar School Dist	North Ar (Comm Tech) College	Searcy County School Dist
Lavaca School Dist	North Central Career Ctr	Searcy School Dist
Lawrence County School Dist	North Central Educ Coop	Sheridan School Dist
Lead Hill Sch Dist	North Little Rock Sch Dist	Shirley School Dist
Lee County Schools	Northeast Ar Educ Coop	Siloam Springs Sch
Lincoln School Dist	Northwest Ar Ed Svc Coop	Sloan-Hendrix Sch Dist
Lisa Academy	Northwest Tech Inst	Smackover Sch Dist
Literacy Council Of Lonoke	Nw Ar Community College	So Ar Community College
Little Rock Sch Dist	Omaha School Dist	So Ar Developmental Ctr
Lonoke School Dist	Osceola School Dist	So Arkansas Univ - Camden
Magazine School Dist	Ouachita River School Dist	So Arkansas Univ
Magnet Cove Sch Dist	Ouachita School Dist	So Conway Co Sch Dist
Magnolia School Dist	Ouachita Technical Col	So Mississippi Co
Malvern School Dist	Ozark Mountain School Dist	South Central Svc Coop
Mammoth Spring Sch	Ozark School Dist	Southeast Arkansas (Tech) Col
Manila School Dist	Ozark Unlimited Res Coop	Southside Sch Dist
Mansfield Sch Dist	Ozarka College	Southside School Dist
Marion School Dist	Palestine-Wheatley Sch Dist	Spring Hill Sch Dist
Marked Tree Sch Dist	Pangburn School Dist	Springdale Sch Dist
Marmaduke Sch Dist	Paragould Sch-Dist	Star City Sch Dist
Marvell School Dist	Paris School Dist	Stephens School Dist
Mayflower Sch Dist	Parkers Chapel Sch	Strong School Dist
Maynard School Dist	Pea Ridge Sch Dist	Stuttgart Sch Dist
Mccrory School Dist	Perryville Sch Dist	Sw Arkansas Ed Coop

Schedule of Participating Employers (continued)

As of June 30, 2007

Texarkana Sch Dist
Texarkana Voc Ctr
Trumann School Dist
Turrell School Dist
Twin Rivers School District
Two Rivers School District
U Of Ar, Monticello
U Of Ar, Pine Bluff
Univ Of Ar-Fayetteville
Univ Of Ark Comm Coll, Hope
Univ Of Ar-Little Rock
Univ Of Central Ar
University Of Ar - Fort Smith
Uoa Com Col At Batesville
Uoa Com Col Morrilton
Uoa Of Medical Sciences
Uoa Sch Math,Science &arts
Valley Springs Sch
Valley View Sch Dist
Van Buren Sch Dist
Van-Cove School Dist
Vilonia School Dist
Viola School Dist
Waldron School Dist
Warren School Dist
Warren Voc Ctr
Watson Chapel Schools
Weiner School Dist
West Fork Sch Dist
West Memphis Sch Dist
West Side Sch Dist
Western Ar Educ Coop
Western Yell Co #9
Westside School Dist
Westside School Dist #40
White Co Central Sch Dist
White Co Sd Exec Council
White Hall Sch Dist
Wickes School Dist
Wilbur D Mills Ed Svs
Wonderview Sch Dist
Woodlawn School Dist
Wynne School Dist
Yellville-Summit Sch





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