# 2011
# Comprehensive Annual Financial Report

ARTRS
Arkansas Teacher Retirement System

A Pension Trust Fund of the State of Arkansas

Prepared by the Staff of
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201
(501) 682-1517
1-800-666-2877
www.artrs.gov

# 2011
# Comprehensive Annual Financial Report

ARTRS
Arkansas Teacher Retirement System

A Pension Trust Fund of
the State of Arkansas
George Hopkins, Executive Director

# Table of Contents

ARTRS
Arkansas Teacher Retirement System

Arkansas Teacher Retirement System

# Introduction

2011 Comprehensive Annual Financial Report

# Letter of Transmittal

May 23, 2012

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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The ATRS CAFR provides comprehensive information on the retirement plan that ATRS administers. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the System. To the best of the system's knowledge and belief, the enclosed data is accurate in all material respects and presents fairly the System's financial status and changes in the financial condition.

The 2011 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on Page 5).

**Introductory Section**:
This section contains the transmittal letter, the Board of Trustees, and organizational chart.

**Financial Section**:
This section provides the System's financial statements, required supplementary information, and supporting schedules with additional information about the System's expenses.

**Investment Section**:
This section includes the investment consultant's report, investment policies, asset allocation, and investment results.

**Actuarial Section**:
This section provides the certification letter from the independent actuary, supporting schedules, and a summary of plan provisions.

**Statistical Section**:
This 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 Arkansas retirement law, Chapter 24 of the Arkansas Code. ATRS is one of five state-supported retirement systems in Arkansas and provides retirement, disability and survivor benefits to employees of Arkansas public schools and educationally related public agencies. The System has 337 participating employers.

***Investments***
Performance across capital markets was broadly positive over the last year, offering some relief to investors after a volatile time period. Concerns that had previously weighed on investor sentiment did not completely dissipate; however, a more positive outlook seemed to prevail. Action by the European Union Central Bank helped to curb concerns over the European debt crisis and Japan's economy was able to post a solid advance in the year preceding the earthquake. Within the U.S., investor confidence has improved, and indicators point to a slow, but progressing recovery. While the global outlook is still uncertain and corrections should be anticipated, markets have shown momentum and strength.

ATRS has structured a diversified portfolio that includes allocations to the equity markets, bonds, private equity, real estate, and alternative investments. The approach of investing in multiple asset classes not only allows the Fund to benefit from equity advances, but also offers protection during down markets. Over the long-term, ATRS' investment approach has proved beneficial. For example, over the ten-year period ending December 31, 2011, ATRS ranked in the top 27% of a universe of other large public pension funds. ATRS maintains a roster of compelling investment managers, and new opportunities that will benefit the Fund are being considered. A focus on long term growth potential, coupled with asset protection and cost containment continue to be a focus for ATRS.

***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, $400.3 million employer and $139.5 million employee, covered 74% of the $731.9 million in benefits paid, compared with 72% coverage last year: There was a 4.9% percent increase in retirees receiving benefits while the number of active members remained relatively level, only increasing by .1%. This is a trend that could continue for the next few years as the Baby Boomer generation reaches retirement age and schools continue to consolidate.

***Funding Status***

The System lost a little ground in pre-funding as a result of the negative market returns in the 2009 fiscal year. To reduce the impact of wild swings in the financial markets, annual results are spread over a four-year period (four year smoothing). This means the 2009 fiscal year's negative results will be felt through the 2012 fiscal year. ATRS remains a stable 71.8% funded. Amortization required to fund the unfunded accrued actuarial liability (UAAL) increased from 52.4 to 66.0 years.

***Internal Control***

Internal controls are at the heart of safeguarding the System's assets. ATRS has an active internal audit department that is continually reviewing and updating 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 and to correct any errors that are discovered.

***Professional Services***

The ATRS Board of Trustees employs firms considered experts in their field to draw on their knowledge and to get views of policy administration. The System's independent general investment consultant and real estate consultant is Hewitt Ennis Knupp, headquartered in Chicago, IL; the private equity consultant is Franklin Park, Associates, LLC of Bala Cynwyd, PA; and the independent actuary is Gabriel Roeder Smith & Company, headquartered in Southfield, MI. The System also utilizes the services of local legal firms for various projects.

***Acknowledgements***

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 fund. 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.

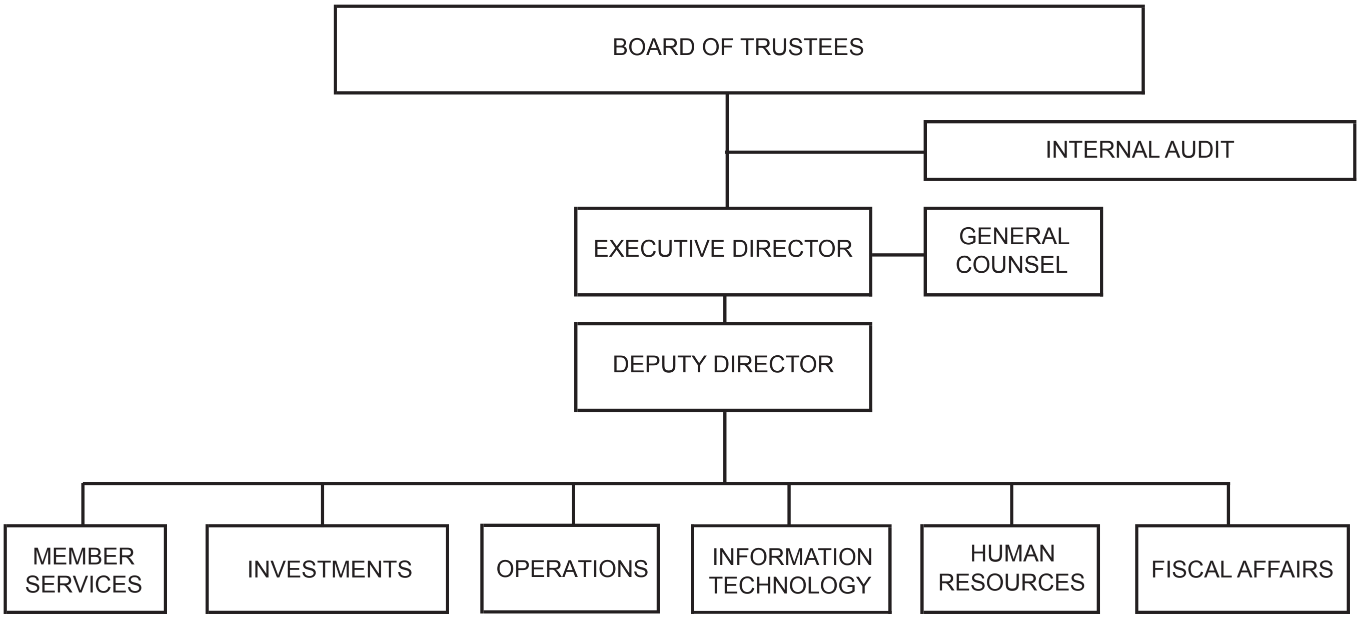
Respectfully submitted,

George Hopkins
Executive Director

# MEMBER AND RETIRANT TRUSTEES

# Organizational Chart

ARTRS
Arkansas Teacher Retirement System




## ADMINISTRATIVE STAFF

**George Hopkins**
*Executive Director*

**Gail Bolden**
*Deputy Director*

**Brenda West, CPA**
*Chief of Risk Management & Internal Audit*

**Laura Gilson**
*General Counsel*

**Gaye Swaim**
*Operations Administrator*

**Michael Ray**
*Member Services Administrator*

**G. Wayne Greathouse**
*Associate Director of Investments*

**Mullahalli Manjunath**
*Director of Information Technology*

**Vicky Fowler**
*Personnel Manager*

**James R. Berry, CPA**
*Associate Director of Fiscal Affairs*

# Professional Services

## ACTUARY

**Gabriel Roeder Smith & Company**
Southfield, MI

## LEGAL COUNSEL

**Gill, Elrod, Ragon, Owen & Sherman**
Little Rock, AR

**Kutak Rock, LLP**
Scottsdale, AZ

**Mitchell, Williams, Selig, Gates & Woodyard, PLLC**
Little Rock, AR

**Morgan, Lewis & Bockius, LLP**
New York, NY

**Rose Law Firm, PA**
Little Rock, AR

## SECURITIES MONITORING COUNSEL

**Bernstein, Litowitz, Berger & Grossman, LLP**
New York, NY

**Kaplan, Fox & Kilsheimer**
New York, NY

**Labaton Sucharow, LLP**
New York, NY

**Nix, Patterson & Roach, LLP**
Daingerfield, TX

**Williams & Anderson**
Little Rock, AR

## INVESTMENT CONSULTANT

**Hewitt EnnisKnupp, Inc.**
Chicago, IL

## CUSTODIAN
(Domestic and International)

**State Street Public Fund Services**
Boston, MA

**State Street Fund Services Toronto, Inc.**
Toronto, Ontario

## PUBLIC MARKETS

**Allianz Global Investors Capital**
New York, NY

**Bedlam Asset Management plc**
London, England

**BlackRock**
**Account Management Group**
New York, NY

**Blackstone Mezzanine Partners, LP**
New York, NY

**Daruma Asset Management, Inc.**
New York, NY

**D.E. Shaw & Company, LP**
New York, NY

**ICC Capital Management**
Danville, CA

**ING Management Americas**
Chicago, IL

**Jacobs Levy Equity Management, Inc.**
Florham Park, NJ

**Kennedy Capital Management**
St. Louis, MO

**Knight Vinke Asset Management, LLC**
New York, NY

**Lazard Asset Management, LLC**
New York, NY

**Lincoln Vale European Partners Fund**
Lincoln, MA

**Loomis Sayles & Company, LP**
Boston, MA

**Oppenheimer Capital (Allianz)**
New York, NY

**Pershing Square Capital Management, Lp**
New York, NY

**PIMCO/PIMCO PARS II**
Newport Beach, CA

**Putnam Investments Management**
Boston, MA

**Relational Investors, LLC**
San Diego, CA

**State Street Global Advisors (SSgA)**
Boston, MA

**State Street Global Markets, LLC**
**Transition Management**
Boston, MA

**State Street - Securities Lending**
Boston, MA

**State Street Specialized Trust Services**
Kansas City, MO

**Stephens Investment Management**
Houston, TX

**T. Rowe Price Associates, Inc.**
Baltimore, MD

**UBS Global Asset Management (Americas) Inc.**
Chicago, IL

**Wellington Management Co., LLP**
Boston, MA

**Western Asset Management Company**
Pasadena, CA

## PRIVATE EQUITY

**Franklin Park**
General Consultant – Private Equity
Bala Cynwyd, PA

**21st Century Group I**
Dallas, TX

**Advent International Corporation**
Boston, MA

**Altus Capital Partners**
Westport, CT

**Audax**
New York, NY

**Blackstone Mezzanine Partners**
New York, NY

**Boston Ventures VIII**
Boston, MA

**Second Cinven Fund, LP**
London, England

**Credit Suisse Customized Fund Investment Group**
New York, NY

**The Cypress Group**
New York, NY

**DLJ Merchant Banking Partners III**
**DLJ Investment Partners II**
New York, NY

**DLJ Real Estate Capital Partners**
New York, NY

**Diamond State Ventures**
**Diamond State Ventures II**
Little Rock, AR

**Doughty Hanson & Company**
**Doughty Hanson & Company Technology**
London, England

**EnCap Investments, LP**
Houston, TX

**Hicks Muse Tate & Furst Equity Fund III**
**Hicks Muse Tate & Furst Equity Fund IV**
**Hicks Muse Tate & Furst Equity Fund V**
Dallas, TX

**Insight Equity II**
**Insight Mezzanine I**
Southlake, TX

**KPS Supplemental III**
New York, NY

**LLR Equity Partners III**
Philadelphia, PA

**Mason Wells**
Milwaukee, WI

**Natural Gas Partners IX**
Irving, TX

**Oak Hill Capital Partners**
New York, NY

**TA XI**
Boston, MA

**Tennenbaum**
Santa Monica, CA

**VISTA Equity Partners**
San Francisco, CA

**Wellspring Capital Management, LLC**
New York, NY

**The Wicks Group of Companies, LLC**
New York, NY

## REAL ESTATE

**Anchorage Capital Group, LLC**
New York, NY

**CB Richard Ellis Strategic Partners, LP**
Los Angeles, CA

**Capula Investment US, LP**
Greenwich, CT

**DLJ Real Estate II, LP**
New York, NY

**Doughty Hanson & Co. European Real Estate Fund**
London, England

**Long Wharf Real Estate Partners, LLC**
Boston, MA

**Graham Capital Management, LP**
Rowayton, CT

**Halderman Farm Management Services, Inc.**
Wabash, IN

**Heitman Capital Management, LLC**
Chicago, IL

**J.P. Morgan Strategic Property Fund**
**J.P. Morgan Special Situation Fund**
New York, NY

**New Boston Fund VII, LP**
Boston, MA

**O'Connor North American Property Partners II**
New York, NY

**Olympus Real Estate Corporation, LP**
Addison, TX

**Prudential Financial Investment Management, LLC**
Parsippany, NJ

**RMK Timberland Group**
Atlanta, GA

**Rothschild Five Arrows Realty Securities V, LP**
New York, NY

**Torchlight Debt Opportunity Fund (Cayman) II, LP**
**Torchlight Debt Opportunity Fund III, LP**
New York, NY

**Westbrook Partners, LLC**
New York, NY

**York Capital Management**
New York, NY

## DIRECT REAL ESTATE PARTNERSHIPS

**CRI – Cooper Real Estate Investment**
Rogers, AR

**Lindsey Management, Co. Inc.**
Fayetteville, AR

ARTRS
Arkansas Teacher Retirement System

# Financial

2011 Comprehensive Annual Financial Report

# STATEMENT OF PLAN NET ASSETS

As Of June 30, 2011

| | |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 220,659,259 |
| | |
| Receivables | |
| Employer contributions | 56,133,695 |
| Member contributions | 31,028,975 |
| Investment principal | 407,508,116 |
| Interest and dividends | 16,025,220 |
| Other | 248,106 |
| Total Receivables | 510,944,112 |
| | |
| Investments, at fair value | |
| U.S. Government and agency obligations | 131,974,040 |
| International equities | 789,711,357 |
| Global corporate bonds | 74,210,057 |
| Forward currency contracts | (1,009,105) |
| Domestic corporate bonds | 262,458,581 |
| Domestic equities | 2,533,920,459 |
| Domestic convertible bonds | 413,901,269 |
| Collateralized mortgage obligations | 52,549,729 |
| Mortgages | 44,226,287 |
| Department of Education revolving credit notes | 2,691,748 |
| Asset-backed securities | 17,294,382 |
| Commingled funds - fixed-income | 1,792,118,791 |
| Commingled funds - equities | 2,813,839,380 |
| Municipal bonds | 2,213,000 |
| Partnerships | 70,841,179 |
| Real estate | 85,549,942 |
| Alternative investments | 2,562,139,952 |
| Total Investments | 11,648,631,048 |
| | |
| Securities lending invested cash collateral | 704,310,559 |
| Capital assets, net of accumulated depreciation | 253,522 |
| Prepaid expenses | 138,321 |
| Total Assets | 13,084,936,821 |
| | |
| **LIABILITIES** | |
| Accrued expenses and other liabilities | 8,372,724 |
| Investment principal payable | 472,781,341 |
| Securities lending obligations | 707,310,957 |
| Compensated absences payable | 335,310 |
| Post employment benefit liability | 1,259,151 |
| Total Liabilities | 1,190,059,483 |
| | |
| **NET ASSETS HELD IN TRUST FOR PENSION BENEFITS** | $ 11,894,877,338 |

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.*

# STATEMENT OF CHANGES IN PLAN NET ASSETS

For The Year Ended June 30, 2011

| | |
|---|---|
| **ADDITIONS** | |
| Contributions | |
| Employer | $ 400,330,902 |
| Member | 139,460,601 |
| Total Contributions | 539,791,503 |
| | |
| Investment income | |
| From investing activities: | |
| Net appreciation (depreciation) in fair value of investments | 2,116,421,099 |
| Interest | 72,057,708 |
| Dividends | 64,607,311 |
| Real estate operating income | 7,522,285 |
| Other income | 3,741,058 |
| Total investment income | 2,264,349,461 |
| Less investment expenses | 44,766,466 |
| Total income from investing activities | 2,219,582,995 |
| From securities lending activities | |
| Securities lending income | 4,329,015 |
| Less Securities lending expense | |
| Borrower rebates | 695,355 |
| Bank fees | 654,127 |
| Unrealized loss on invested cash collateral | (3,000,398) |
| Total income from securities lending activities | (20,865) |
| Total net investment income | 2,219,562,130 |
| | |
| Miscellaneous income | 271,207 |
| Total additions (losses) | 2,759,624,840 |
| | |
| **DEDUCTIONS** | |
| Benefits | 731,866,100 |
| Refunds of employer contributions | 45,173 |
| Refunds of member contributions | 8,861,268 |
| Administrative expenses | 7,548,959 |
| Total deductions | 748,321,500 |
| | |
| Net increase (decrease) | 2,011,303,340 |
| | |
| **NET ASSETS HELD IN TRUST FOR PENSION BENEFITS** | |
| Beginning of year | 9,883,573,998 |
| End of year | $ 11,894,877,338 |

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.*

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *A. REPORTING ENTITY/HISTORY*

Act 266 of 1937, as amended, established the Arkansas Teacher Retirement System, as an Office of Arkansas State government, for the purpose of providing retirement benefits for employees of any school or other educational agency participating in the system. Act 427 of 1973, as amended, provides that the general administration and responsibility for the proper operation of the System and for making effective the provisions of the Teacher Retirement law are vested in a board of trustees of 15 persons. The State Bank Commissioner, the Treasurer of State, the Auditor of State and the Commissioner of Education shall be the ex officio trustees. Act 418 of 1997 provides 11 members shall be elected to the Arkansas Teacher Retirement Board of Trustees, seven of whom shall be active members of the system with at least five years of actual service in force, three who are retired from the system and are being paid an annuity by the System and one active or retired member of a minority racial ethnic group. The seven members consist of one active member trustee elected from each of the four congressional districts; two active administrators, one of which must be a superintendent and one active member employed in a position that does not require state certification. The member and retirant trustees shall be elected in accordance with rules as have been adopted by the Board to govern the elections. Board members serve as trustees without compensation for their services; except that each trustee shall be reimbursed for any necessary expenses incurred in attending meetings of the Board or the performance of other duties authorized by the Board.

### *B. PLAN DESCRIPTION*

Arkansas Teacher Retirement System (ATRS) is a cost-sharing multiple-employer defined benefit pension plan that covers any person employed by an employer covered by the System. Employer is any public school, public educational agency, or other eligible employer participating in the System. Employers include:

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

Certain employees of other employers may qualify to participate in ATRS including area vocational-technical schools, public colleges and universities, enterprise privatized by a public school district, Department of Career Education, Easter Seals of Arkansas, and Arkansas Rehabilitation Services, a division of the Department of Career Education.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

On June 30, 2011, the number of participating employers was:

| | |
|---|---|
| Public Schools | 256 |
| State Colleges and Universities | 40 |
| State Agencies | 10 |
| Other/Privatized | 31 |
| Total | 337 |

On June 30, 2011, the System's membership was as follows:

| | |
|---|---|
| Retirees or beneficiaries receiving annuity benefits | 32,099 |
| T-DROP participants | 4,487 |
| Inactive plan members (not receiving benefits) | 12,439 |
| Active members: | |
| Fully vested | 47,999 |
| Non-vested | 24,294 |
| Total | 121,318 |

Members are eligible for full retirement benefits at age 60 with five or more years of actual service or any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5/12 of one percent multiplied by the number of months by which time the early retirement precedes the earlier of (1) completion of 28 years of service or (2) attainment of age 60. The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average salary (computed using highest three years salary) and (2) the number of years of service.

ATRS has contributory and non-contributory plans. The contributory plan has been in effect since the beginning of ATRS. The non-contributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or non-contributory. Act 93 of 2007 allows any non-contributory member to elect contributory status at the beginning of each fiscal year.

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. The disability annuity is computed in the same manner as the age & service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible 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 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for non-contributory members.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credits. Act 1590 of 1999, allows for participation in the T-DROP after 28 years of credited service with a reduction of six percent for each year under 30 years. The T-Drop benefit is the member's normal retirement benefit reduced by one percent for each contributory year of service and 6/10 of one percent for each non-contributory year of service. For members entering T-DROP prior to September 1, 2003, a reduction of ½ of one percent for contributory service and 3/10 of one percent for non-contributory service for each year above 30 years of service was made to the benefit. 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. Member contributions, if applicable, cease upon the member entering the T-DROP program. The election to enter the T-DROP is irrevocable and the member cannot accumulate any additional service credit. Effective September 1, 2003, employers are required to make contributions on behalf of all members in T-DROP at rates established by the Board of Trustees. A member may participate in T-DROP for a maximum of ten years. There is no minimum number of years required, but deposits into the T-DROP account will cease after the completion of 10 years. After the 10th year, if the member continues employment, ATRS will pay interest on the account at a guaranteed rate to be determined by the Board of Trustees. The T-DROP account balance may be received as a lump-sum cash payment, an annuity, or rolled over into another tax-deferred account when the member terminates employment.

## *C. BASIS OF ACCOUNTING*

Financial statements for ATRS are prepared using the accrual basis of accounting. Member and employer contributions and other revenues are recognized when due, pursuant to formal commitments and statutory requirements. Expenses, including benefits and refunds, are recognized when due and payable in accordance with provisions of law.

### *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.

### *Method Used to Value Investments*

Investments are reported at fair value. Cash and cash 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. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued based on a good faith determination of the General Partner. Given the inherent nature of investments it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

### *New Accounting Pronouncements*

#### *GASB Statement 51*

Effective July 1, 2009, ATRS implemented the provisions of GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets in order to reduce inconsistencies, thereby enhancing the comparability of such assets among state and local governments. The adoption of GASB 51 did not have a significant impact on the System's financial statements.

#### *GASB Statement 53*

Effective July 1, 2009, ATRS implemented the provisions of GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, which establishes uniform financial reporting standards for derivative instruments. The adoption of GASB 53 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

## II. CAPITAL ASSETS

Capital assets are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs and installation costs). Infrastructure of public domain fixed assets such as roads, bridges, tunnels, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are also capitalized. Gifts or contributions are generally recorded in the accounts at fair market value at the time received. Depreciation is reported for capital assets based on a straight-line method, with no salvage value.

Capital asset activity for the year ended June 30, 2011, was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Fiduciary activities: | | | | |
| Equipment | $ 2,035,693 | $ – | $ 25,464 | $ 2,010,229 |
| Less accumulated depreciation for: | | | | |
| Equipment | 1,750,335 | 31,836 | 25,464 | 1,756,707 |
| Fiduciary activities, net | $ 285,358 | $ (31,936) | $ – | $ 253,522 |

## III. DEPOSITS AND INVESTMENTS

### *A. DEPOSITS*

Deposits are carried at cost and are included in "Cash and Cash Equivalents". Cash and cash equivalents include demand accounts, imprest accounts, cash in state treasury and short term investment funds (STIF). The STIF accounts are excess cash that is swept daily by the System's custodial bank into bank sponsored commingled funds that are invested in U.S. Government and Agency securities and other short term investments. State Treasury Management Law governs the management of funds held in the State Treasury and it is the responsibility of the Treasurer of State to ensure these funds are adequately insured and collateralized. Cash and cash equivalents totaled $220,659,259 at June 30, 2011. The total consisted of cash deposits with financial institutions of $12,438,880, STIF accounts in the amount of $205,606,740, cash in state treasury of $2,613,564 and a petty cash fund of $75.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, ATRS will not be able to recover deposits or collateral securities. ATRS maintains accounts in trust for the benefit of its members and is granted insurance coverage per participant in the System by the Federal Deposit Insurance Corporation (FDIC). On June 30, 2011, $4,329,236 of the System's bank balance of $12,469,618 was held in foreign banks and was exposed to custodial credit risk.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

JUNE 30, 2011

## *B. INVESTMENTS*

Arkansas Code Annotated 24-2-601 thru 24-2-619 authorizes the Board of Trustees of the Arkansas Teacher Retirement System to have full power to invest and reinvest monies of the system and to hold, purchase, sell, assign, transfer or dispose of any of the investments, or proceeds of the investments in accordance with the prudent investor rule. The Code also states the System shall seek to invest not less than five percent (5%) nor more than ten percent (10%) of the System's portfolio in Arkansas related investments.

Each investment manager is required to invest within the specific guidelines and parameters set by the Board of Trustees. Asset allocation guidelines have been established as follows:

| Asset Allocation | Minimum* | Target | Maximum* |
|---|---|---|---|
| Domestic Equity | 20.0% | 25.0% | 30.0% |
| Global Equity | 25.0 | 30.0 | 35.0 |
| Fixed Income | 15.0 | 20.0 | 25.0** |
| Alternatives | N/A | 5.0 | N/A |
| Real Estate | N/A | 10.0 | N/A |
| Private Equity | N/A | 10.0 | N/A |
| Cash Equivalents | 0.0 | 0.0 | 5.0 |

* Due to the illiquid nature of alternatives, real estate and private equity, it is not prudent to set rebalancing ranges for these asset classes.

** Additional allocations to fixed income may be made beyond the maximum range to serve as a placeholder for unfunded and uncommitted alternatives, private equity, and real estate allocations.

The System's investment policies and procedures can be found in the Investments Section of this report.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

The fair values of investments held at June 30, 2011, are as follows:

| Investment Type | Fair Value |
|---|---|
| U.S. Government and agency obligations | $ 131,974,040 |
| Domestic equities | 2,533,920,459 |
| International equities | 789,711,357 |
| Domestic corporate bonds | 262,458,581 |
| Domestic convertible bonds | 413,901,269 |
| Global corporate bonds | 74,210,057 |
| Forward currency contracts | (1,009,105) |
| Collateralized mortgage obligations | 52,549,729 |
| Asset backed securities | 17,294,382 |
| Mortgages | 44,226,287 |
| Department of Education revolving credit notes | 2,691,748 |
| Commingled funds - fixed | 1,792,118,791 |
| Commingled funds - equities | 2,813,839,380 |
| Municipal bonds | 2,213,000 |
| Partnerships | 70,841,179 |
| Real estate | 85,549,942 |
| Alternative investments | 2,562,139,952 |
| Total investments | 11,648,631,048 |
| Securities Lending Invested Cash Collateral | |
| Quality D short term investment pool | 704,310,559* |
| Total | $12,352,941,607 |

* Cash collateral received totaled $707,310,957. The amount reported in the GASB No. 40 footnote above is the market value of the cash collateral invested at June 30, 2011.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

### *Interest Rate Risk*

Interest rate risk is 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. The System does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. As of June 30, 2011, the interest rate risk of debt investments using the weighted average maturity is as follows:

| | | Investment Maturities (In Years) | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less than 1** | **1 - 5** | **6 -10** | **More than 10** |
| U.S.Treasuries | $ 48,156,762 | $ 1,925,933 | $ 30,316,142 | $ 2,115,084 | $ 13,799,603 |
| U.S. Government agency | 83,817,277 | 637,736 | | 4,471,224 | 78,708,317 |
| Global corporate bonds | 74,210,057 | 3,218,773 | 42,570,300 | 11,396,596 | 17,024,388 |
| Domestic corporate bonds | 262,458,582 | 3,204,135 | 74,085,637 | 114,016,334 | 71,152,476 |
| Domestic convertible bonds | 413,901,270 | 25,748,963 | 196,163,975 | 45,503,194 | 146,485,138 |
| Mortgage backed securities | 52,549,728 | 790,671 | 5,642,580 | 14,154,711 | 31,961,766 |
| Asset backed securities | 17,294,382 | | 8,387,355 | 5,012,765 | 3,894,262 |
| Mortgages | 44,226,287 | | 17,376,138 | 693,221 | 26,156,928 |
| Department of Education note | 2,691,748 | 2,691,748 | | | |
| Commingled funds | 1,792,118,791 | 55,335,330 | 637,153,466 | 1,059,668,823 | 39,961,172 |
| Municipal bonds | 2,213,000 | | | | 2,213,000 |
| STIF balances | 205,606,740 | 205,606,740 | – | – | – |
| Totals | $ 2,999,244,624 | $ 299,160,029 | $ 1,011,695,593 | $ 1,257,031,952 | $ 431,357,050 |

| Securities Lending Invested Cash Collateral | | | |
|---|---|---|---|
| Quality D Investment Fund | $ 704,310,559 | $ 578,748,423 | $ 125,562,136 |

### *Mortgage-Backed Securities*

As of June 30, 2011, the System held mortgage-backed securities with a fair value of $52,549,728. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the System will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties. At June 30, 2011, the System held no mortgage-backed securities that were considered as highly sensitive to changes in interest rates.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

### *Asset-Backed Securities*

As of June 30, 2011, the System held asset-backed securities with a fair value of $17,294,382. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets. At June 30, 2011, the System held no asset-backed securities that were considered as highly sensitive to changes in interest rates.

### *Derivatives*

Derivatives instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates, and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts, and foreign currency forward contracts. ATRS investment guidelines state that derivatives may be used to reduce the risk in a portfolio and provide desired market and security level positions as an alternative to purchasing cash securities, but should not be used to create a position of leverage or substantially increase the risk of the overall portfolio. Futures and options should be matched by cash or cash equivalent securities, and all short futures positions should be matched by equivalent long security positions. Each investment manager's derivative usage is specified in the investment management agreement or specific guidelines.

The System's investment derivatives included equity options, rights and warrants, forward contracts on mortgage-backed securities classified as to-be-announced ("TBA") securities, and forward currency contracts. All derivatives are considered investments and are reported on the Statement of Plan Net assets at fair value. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year were as follows:

| | Changes in Fair Value | | Fair Value at June 30, 2010 | | |
|---|---|---|---|---|---|
| **Derivatives** | **Classification** | **Amount** | **Classification** | **Amount** | **Notional** |
| FX Forwards | Investment Revenue | $ (6,650,790) | Long Term Instruments | $ (1,012,986) | $233,799,091 |
| Index Futures Long | Investment Revenue | (40,347) | Futures | - | - |
| Index Futures Short | Investment Revenue | (114,102) | Futures | - | - |
| Rights | Investment Revenue | 495,992 | Common Stock | 39,750 | 153,744 |
| Warrants | Investment Revenue | 587,290 | Common Stock | 1,982,045 | 217,286 |
| Totals | | $ (5,721,957) | | $ 1,008,809 | $234,170,121 |

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

***Credit Risk***

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. The System does not have a formal investment policy for credit risk.

The System's exposure to credit risk as rated by Standard & Poor's (S&P) and Moody's Investors Service as of June 30, 2011, is as follows:

| Standard and Poor's | | Moody's Investors Service | |
|---|---|---|---|
| Rating | Fair Value | Rating | Fair Value |
| AAA | $ 101,109,809 | Aaa | $ 97,337,472 |
| AA | 22,595,235 | Aa | 28,525,534 |
| A | 83,928,519 | A | 41,351,451 |
| BBB | 128,280,595 | Baa | 104,787,470 |
| BB | 162,784,731 | Ba | 94,307,703 |
| B | 131,688,552 | B | 80,737,530 |
| CCC or below | 34,027,528 | C or below | 22,536,505 |
| Not Rated | 2,263,061,660 | Not Rated | 2,457,892,964 |
| Total | $ 2,927,476,629 | Total | $ 2,927,476,629 |
| Securities Lending Invested Cash Collateral | | | |
| Not Rated | $ 704,310,559 | Not Rated | $ 704,310,559 |

***Custodial Credit Risk***

Custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. The System does not have a formal investment policy for custodial credit risk. At June 30, 2011, none of the System's investments was exposed to custodial credit risk.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer (not including investments issued or guaranteed by the U.S. Government, investments in mutual funds or external investment pools). The System does not have a formal investment policy for concentration of credit risk. At June 30, 2011, none of the System's investments in any one issuer, other than those issued or guaranteed by the U.S. Government, represented more than five percent of the total investments.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

***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, 2011, is as follows:

| Currency | Fair Value | Fixed Income | Equities | Forward Contracts | Cash |
|---|---|---|---|---|---|
| Australian Dollar | $ 24,622,961 | $ 3,790,070 | $ 27,730,359 | $ (6,916,169) | $ 18 ,701 |
| Brazilian Real | 19,099,644 | 2,088,758 | 17,112,551 | (101,665) | |
| British Pound Sterling | 224,215,022 | | 225,226,525 | (1,190,320) | 178,817 |
| Canadian Dollar | 62,875,764 | 22,217,284 | 53,613,705 | (13,639,317) | 684,092 |
| Chilean Peso | 2,362,895 | 873,901 | 1,486,721 | | 2,273 |
| Columbian Peso | 1,355,656 | 1,355,656 | | | |
| Danish Krone | 10,072,232 | | 16,142,359 | (6,084,769) | 14,642 |
| Euro Currency | 112,549,994 | 7,074,545 | 167,657,194 | (62,389,355) | 207,610 |
| Hong Kong Dollar | 82,290,877 | | 88,998,194 | (6,620,996) | (86,321) |
| Hungarian Forint | 291 | | | | 291 |
| India Rupee | 5,819,449 | 5,915,615 | | (848,700) | 752,534 |
| Indonesian Rupiah | 14,194,739 | 6,088,855 | 7,257,184 | | 848,700 |
| Israeli Shekel | 253 | | | | 253 |
| Japanese Yen | 86,995,540 | 271,566 | 83,081,913 | 2,990,850 | 651,211 |
| Malaysia Ringgit | 9,957,688 | 1,444,930 | 8,512,758 | | |
| Mexican Peso | 19,497,521 | 6,228,893 | | 13,040,535 | 228,093 |
| New Taiwan Dollar | 9,151,081 | | 9,099,231 | | 51,850 |
| New Zealand Dollar | 3,351 | | | | 3,351 |
| Norwegian Krone | 11,471,885 | | 21,209,489 | (9,936,834) | 199,230 |
| Phillipine Peso | 7,969,358 | 5,948,033 | 2,021,325 | | |
| Singapore Dollar | 24,656,665 | 497,678 | | 24,158,357 | 630 |
| South African Rand | 8,613,612 | | 8,600,381 | | 13,231 |
| South Korean Won | 11,759,517 | 5,650,169 | 6,109,311 | | 37 |
| Swedish Krona | 28,550,715 | 4,764,104 | 18,300,322 | 5,500,870 | (14,581) |
| Swiss Franc | 31,499,656 | | 23,674,258 | 7,747,490 | 77,908 |
| Thailand Baht | 1,627,430 | | 3,877,577 | (2,746,831) | 496,684 |
| Totals | $ 811,213,796 | $ 74,210,057 | $ 789,711,357 | $ (57,036,854) | $ 4,329,236 |

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

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

### *Forward Currency Contracts*

The Agency enters into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U. S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates and the changes in value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net appreciation (depreciation) in fair value of investments in the statement of changes in plan net assets. At June 30, 2011, the Agency had outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of $103,653,650. Market values of these outstanding contracts were $103,549,810 resulting in a net loss of $103,840. The Agency also had outstanding forward currency contracts to sell foreign currencies with contract amounts of $159,681,399 at June 30, 2011. Market values of these contracts were $160,586,663 resulting in a net loss of $905,264.

### *Securities Lending Transactions*

Arkansas Code Annotated and Board of Trustees policies permit the System to participate in a securities lending program, whereby securities are loaned to broker-dealers or other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There were no restrictions on the amount of security loans that could be made. The System's securities lending program is administered by State Street Bank and Trust Company (the "custodian"). The legal and contractual authorization for the securities lending program is contained in the Securities Lending Discretionary Agency Agreement between the System and the Custodian. For the year ended June 30, 2011, there were no violations of the Agency Agreement. The Custodian provides for full indemnification to the System's funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the trust funds for income of the securities while on loan. Collateral must be provided that is equal to at least 100% of the market value of the loaned securities at the time of transfer. The cash collateral received on each loan is invested in a collective investment fund comprised of a liquidity pool and a duration pool. The loan maturity dates generally do not match the maturity dates of the investments made with the cash collateral received. As of June 30, 2011, the liquidity pool had an average weighted maturity of 31.67 days and the duration pool had an average weighted maturity of 35.97 days. Because the loans were terminable at will, the custodian considered the loans to have an average duration of one day. At year-end, the System had no exposure to credit risk to borrowers due to the Custodian's indemnification. Securities on loan (Underlying Securities) to participating brokers at year-end include U. S. Government securities, corporate securities and international securities. Brokers who borrow the securities provide collateral in the form of cash and cash equivalents, U. S. Treasury or Government securities, sovereign debt rated A or better, Canadian provincial debt, convertible bonds or letters of credit (for the marginal percent collateralization only). The System cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral received is invested in the System's name; accordingly investments made with cash collateral appear as an asset on the Statement of Plan Net Assets. A corresponding liability is recorded, as the System must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2011, the amount owed to borrowers was $3,000,398 more than the fair value of the cash collateral invested.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

JUNE 30, 2011

## IV. CONTRIBUTIONS AND RESERVES

### A. CONTRIBUTIONS

Arkansas Teacher Retirement System's (ATRS) funding policy provides for periodic employer contributions at statutorily established rates, with a fundamental financial objective of having rates of contribution which remain relatively level from generation to generation of Arkansas citizens. All participating employers pay the employer contribution rate for eligible employees in accordance with ATRS laws and regulations. Ark. Code Ann. 24-7-401 states for the fiscal years ending June 30, 2008, and June 30, 2009, and each fiscal year thereafter, the employer contribution rate shall not exceed 14%. The employer contribution rate was 14% for the fiscal year ending June 30, 2011. To test the adequacy of the statutory rates and assess the extent to which the fundamental financial objective is being achieved, the system has actuarial valuations prepared annually. The entry age normal cost actuarial method was used to determine normal cost and actuarial accrued liabilities using the difference between the statutory rate and the normal cost as the amortization rate.

Contributory members are required by code to contribute six percent of gross wages to ATRS (by individual election, employees who became members before July 1, 1971, can contribute on only the first $7,800 of their annual salaries). Employee contributions are refundable if ATRS covered employment terminates before a monthly benefit is paid. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

### B. RESERVES

In accordance with the provisions of Ark. Code Ann. 24-7-405 and 24-7-1307, Arkansas Teacher Retirement System must maintain reserve accounts showing net assets available for benefits. At June 30, 2011, the reserve accounts were funded at a level, which complied with the code provisions. The reserve balances at June 30, 2011, are as follows:

| | Total |
|---|---|
| Members' deposit account reserve | $ 6,791,204,231 |
| Employers' accumulation account reserve | (2,305,274,099) |
| Retirement reserve | 6,739,862,706 |
| Teacher Deferred Retirement Option Plan account reserve | 585,542,320 |
| Survivor benefit account reserve | 74,430,187 |
| Income - expense account reserve | 9,111,993 |
| Total | $11,894,877,338 |

## NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

# V. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLANS

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows (dollar amounts in millions):

| Actuarial Value of Assets (a) | Actuarial Accrued Liability(AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b-a]/c) |
|---|---|---|---|---|---|
| $11,146 | $15,521 | $4,375 | 71.8% | $2,728 | 160.4% |

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

Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | June 30, 2011 |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 66.0 years |
| Asset valuation method | 4-year smoothed market 80%/120% corridor (1) |
| Actuarial assumptions: | |
| Investment rate of return | 8.00% |
| Projected salary increases | 3.25 - 9.10% |
| Inflation rate | 3.25% |
| Post retirement cost-of-living adjustments | 3.00% - simple |
| Mortality table | RP-2000 Mortality Table projected 20 years with scale AA |

(1) Present market conditions can lead to a situation where the recognized assets might deviate greatly from the market value. To prevent this there is a requirement that the recognized assets must always be between 80% and 120% of the market value

# VI. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), requires that OPEB expense of fiduciary funds should be recognized on the accrual basis in the fund financial statements. The 2011 charge of $343,821 is a prorated amount from the Department of Finance and Administration based on a State-wide actuarial study. The amount charged to ATRS is based on budgeted employees of the Agency and is composed of: (1) the annual required contribution (ARC) which is the normal cost and 1/30 of the unfunded actuarial accrued liability (UAAL), (2) one-year's interest on the net OPEB, (3) adjustments to the ARC to offset the effect of actuarial amortization of past under or over contributions, and (4) minus actual contributions. The State of Arkansas 2011 CAFR will contain the complete OPEB footnote required by GASB 45.

# NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2011

## VII. COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, ATRS was committed to purchase investments and return securities lending collateral at an aggregate cost of approximately $1.7 billion.

## VIII. REQUIRED SUPPLEMENTARY SCHEDULES

The historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information. Required supplementary information prepared in accordance with the parameters of GASB Statement No. 25 and GASB Statement No. 43 is included immediately following the notes to the financial statements.

### SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS

*(DOLLAR AMOUNTS IN MILLIONS)*

| Valuation Date June 30 | (1) Actuarial Value of Assets | (2) Entry Age AAL | (3) UAAL (2)-(1) | (4) Funding Ratio (1)/(2) | (5) Annual Payroll | (6) UAAL as % of Payroll (3)/(5) |
|---|---|---|---|---|---|---|
| 1991+* | $ 2,434 | $ 2,762 | $ 328 | 88.1% | $ 909 | 36.1% |
| 1992+ | 2,729 | 3,329 | 600 | 82.0% | 1,077 | 55.7% |
| 1993+ | 3,051 | 3,712 | 661 | 82.2% | 1,120 | 59.0% |
| 1994 | 3,307 | 3,960 | 653 | 83.5% | 1,167 | 56.0% |
| 1995* | 3,626 | 4,257 | 631 | 85.2% | 1,234 | 51.1% |
| 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 | 7,879 | 259 | 96.7% | 1,485 | 17.4% |
| 2001+ | 8,166 | 8,561 | 395 | 95.4% | 1,557 | 25.4% |
| 2002* | 8,328 | 9,062 | 734 | 91.9% | 1,628 | 45.1% |
| 2003+ | 8,113 | 9,445 | 1,332 | 85.9% | 1,683 | 79.1% |
| 2004 | 8,424 | 10,050 | 1,626 | 83.8% | 1,748 | 93.0% |
| 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% |
| 2008+ | 11,319 | 13,334 | 2,015 | 84.9% | 2,268 | 88.8% |
| 2009 | 10,617 | 14,019 | 3,402 | 75.7% | 2,318 | 146.8% |
| 2010 | 10,845 | 14,702 | 3,857 | 73.8% | 2,381 | 162.0% |
| 2010+ | 10,845 | 14,697 | 3,852 | 73.8% | 2,381 | 161.8% |
| 2011+* | 11,146 | 15,521 | 4,375 | 71.8% | 2,728 | 160.4% |

\+ *Legislated benefit or contribution rate change.*

* *Revised actuarial assumptions or methods.*

*Prepared by Gabriel Roeder Smith & Company*

# REQUIRED SUPPLEMENTARY SCHEDULES *(continued)*

## SCHEDULE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS

*(DOLLAR AMOUNTS IN MILLIONS)*

| Fiscal Year Ended June 30 | Estimated Payroll | Annual Required Contribution Rate | (A) Annual Required Contribution* | (B) Actual Contributions | (B) (A) Percent Contributed |
|---|---|---|---|---|---|
| 2000 | 1,429 | 12.0% | 171.49 | 175.69 | 102.4% |
| 2001 | 1,485 | 12.0% | 178.25 | 181.12 | 101.6% |
| 2002 | 1,557 | 12.0% | 186.84 | 191.35 | 102.4% |
| 2003 | 1,628 | 12.0% | 195.36 | 200.46 | 102.6% |
| 2004 | 1,683 | 13.0% | 218.84 | 224.18 | 102.4% |
| 2005 | 1,748 | 14.0% | 244.68 | 286.44 | 117.1% |
| 2006 | 1,962 | 14.0% | 285.64 | 311.71 | 109.1% |
| 2007 | 2,080 | 14.7% | 321.66 | 331.89 | 103.2% |
| 2008 | 2,191 | 14.5% | 343.99 | 350.32 | 101.8% |
| 2009 | 2,268 | 14.0% | 344.03 | 359.06 | 104.4% |
| 2010 | 2,592 | 14.0% | 362.85 | 389.30 | 107.3% |
| 2011 | 2,743 | 15.4% | 417.32 | 400.33 | 95.9% |

**Actual contributions will be based on pay actually paid throughout the year which may be different from the payroll used in this calculation. The ARC has been adjusted to include contributions expected on behalf of T-DROP participants and retirees who have returned to work, when information was available.*

*Prepared by Gabriel Roeder Smith & Company*

# SUPPORTING SCHEDULES

## SCHEDULE 3 - SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30, 2011

| | |
|---|---|
| Personnel Services | |
| Staff Salaries | $ 3,900,347 |
| Employee Benefits | 1,652,729 |
| Total Personnel Services | 5,553,076 |
| Professional Services | |
| Actuary | 226,000 |
| Data Processing | 540,646 |
| Legal Counsel | 20,000 |
| Medical Board | 5,250 |
| Other Professional Services and Fees | 13,809 |
| Total Professional Services | 805,705 |
| Miscellaneous | |
| Rent Expense | 625,983 |
| Communication Expenses | 210,230 |
| Travel Expense | 79,127 |
| Equipment Expense | 76,902 |
| Other Operating Expense | 197,936 |
| Total Miscellaneous | 1,190,178 |
| Total Administrative Expenses | $ 7,548,959 |

## SUPPORTING SCHEDULES *(continued)*

# SCHEDULE 4 - SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2011

| | |
|---|---|
| Investment Counsel | $ 2,176,530 |
| | |
| Professional Services | |
| Domestic Money Managers | 18,334,326 |
| International / Global Money Managers | 12,761,729 |
| Alternative Investment Managers | 7,663,729 |
| Custodian Fees | 662,925 |
| Total Professional Services | 39,422,709 |
| | |
| Other Investment Expenses | |
| Real Estate Expense | 2,394,600 |
| International Withholding Tax | 739,883 |
| Miscellaneous Investment Expense | 32,743 |
| Total Other Investment Expenses | 4,516,708 |
| | |
| Total Investment Expense | $ 44,766,466 |

Arkansas Teacher Retirement System

# Investments

2011 Comprehensive Annual Financial Report

Hewitt ennisknupp
An Aon Company

February 2012

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

**Market Overview**

The major equity markets across the globe posted strong gains during fiscal year 2011. While volatility was a hallmark of the time period, the advance that started in the first fiscal quarter did not subside until late the in year. The rally, which extended over two years, helped the markets recover from lows posted in March 2009. Continued government stimulus programs, strong corporate balance sheets, improved investor optimism, and an appetite for risk-taking contributed to a broad economic rebound and supported market appreciation. At the close of the fiscal year, however, worries regarding the possibility of a U.S. debt downgrade (which occurred subsequent to the end of the fiscal year), the debt crisis in Europe, and continued high unemployment tempered results and weighed on investor sentiment.

The Federal Open Markets Committee kept the Federal Funds Target Range at an all time low, 0.00% - 0.25%, throughout fiscal year 2011. The low target range reflected the Committee's expectation for a slower pace of recovery and was intended to further stimulate economic growth. The Federal Reserve finished purchasing $600 billion in U.S. Treasury securities during the final months of fiscal year 2011. The current target range is likely to remain unchanged for the near and intermediate term. Inflation expectations remain modest.

The real estate markets showed strong signs of improvement, though pricing seemed to slightly outpace improvements in fundamentals. Valuations continued to improve across more conservative segments of the real estate market as investors appeared willing to pay a premium for quality assets. Transaction activity more than doubled since the end of the prior fiscal year and closed out the period at levels last seen in 2008.

Equity market results were strong across the board for the fiscal year; the broad U.S. equity market gained 32.4%, the developed non-U.S. equity market was up 29.7%, and emerging markets advanced 27.8%. Yields fell across the long-side of the curve, and the low interest rate environment resulted in a moderate 3.9% gain by the broad U.S. bond market over fiscal year 2011. Government issues did not perform well and lost value (-0.8%) over this same time period. Investor preference for risk was reflected in the bond market, as riskier fixed income assets such as high yield bonds outperformed. U.S. high yield bonds gained 15.6% during the fiscal year.

**Overview of Fund Structure**

The ATRS portfolio is diversified across several asset classes including U.S. equity, global equity, fixed income, private equity, real estate, and alternative investments. Within these asset classes, the investments are further diversified amongst different investment types, vintage years, and styles. A variety of investment firms are employed within each category to minimize manager- and firm-specific risk. We believe the diversification and general risk level of the fund structure to be appropriate given its goals and objectives.

The fund's asset allocation is determined through periodic asset-liability studies and assessments of risk and liquidity needs. The last asset-liability study was completed in 2009, which supported a mix of equities and alternative investments of eighty percent and a twenty percent allocation to fixed income. Minor allocation shifts during fiscal year 2011 served to further align the fund with this strategic asset allocation. Such shifts included further funding of the real estate and alternatives allocations. Another asset-liability study is scheduled for completion in April 2012.

**Hewitt EnnisKnupp, Inc.**
10 South Riverside Plaza, Suite 1600 | Chicago, Il 60606
t 312.715.1700 | f 312.715.1952 | www.hewittennisknupp.com

Arkansas Teacher Retirement System

Hewitt ennisknupp
An Aon Company

Various changes to the investment management structure were executed during the fiscal year. These changes are detailed below.

- Two new index funds were added to the portfolio in June 2011 to provide liquidity and low fees. The BlackRock U.S. Equity Market Index Fund provides diversified exposure to the broad U.S. equity market while the BlackRock MSCI Al Country World Index Fund provides diversified exposure to the global equity markets (U.S. and non-U.S. stocks, including developed and emerging markets).
- The Capital Guardian Global Equity portfolio was terminated in June 2011 due to portfolio construction and management concerns.
- Two new alternative investment strategies were added during the fiscal year –credit and global macro. The credit strategies are designed to capitalize on opportunities in the credit markets stemming from changes in lending practices, availability of credit, financial regulations and distress opportunities. This is done in a risk controlled fashion but targets equity-like returns. The global macro strategies, which have been particularly good diversifiers to equity and bond investments historically, invest in a broad array of macroeconomic opportunities worldwide such as relative value judgments on various currency, commodities, debt and equity markets. Two managers were hired within each strategy in May 2011.
- Additional real estate and private equity investments were initiated during the year.
- The BlackRock Fixed Income Global Opportunities account was redeemed in April 2011 due to the diminished asset size of the strategy and a desire to reduce the risk exposure of the fixed income portfolio.

## ATRS PERFORMANCE OVERVIEW (ANNUALIZED RETURNS)

| | 1 Year Ending 6/30/10 | | 3 Year Ending 6/30/10 | | 5 Year Ending 6/30/10 | |
|---|---|---|---|---|---|---|
| | Return | Rank | Return | Rank | Return | Rank |
| **Total Fund** | **22.3%** | **33** | **4.4%** | **34** | **5.5%** | **22** |
| Performance Benchmark | 21.9 | 40 | 3.7 | 57 | 4.6 | 45 |
| **Total U.S. Equity** | **34.1** | **26** | **8.8** | **1** | **6.4** | **1** |
| DJ U.S. Total Stock Market Index | 32.4 | 67 | 4.2 | 36 | 3.6 | 37 |
| **Total Global Equity** | **29.2** | **67** | **1.2** | **62** | **--** | **--** |
| MSCI ACW Index | 30.1 | 62 | 0.9 | 66 | -- | -- |
| **Total Fixed Income** | **7.3** | **32** | **7.9** | **29** | **7.3** | **27** |
| Performance Benchmark | 4.8 | 78 | 6.7 | 58 | 6.6 | 51 |
| **Total Private Equity** | **14.8** | **--** | **-0.6** | **--** | **8.5** | **--** |
| Private Equity Policy | -- | -- | 5.8 | -- | 5.3 | -- |
| **Total Real Estate** | **17.7** | **--** | **-7.2** | **--** | **1.5** | **--** |
| NCREIF NPI | 16.0 | -- | -3.6 | -- | 3.5 | -- |
| **Total Other Alternatives** | **-0.2** | **--** | **-0.1** | **--** | **6.0** | **--** |
| South Timberland Index | -1.5 | -- | -0.6 | -- | 5.6 | -- |

During the fiscal year 2011, the System's 22.3% return outperformed the 21.9% return of the Performance Benchmark, and ranked in the top third of the BNY Mellon Performance & Risk Analytics Public Fund Universe. This universe is comprised of 74 public pension funds with aggregate assets of $688 billion. Longer-term performance was also favorable as the System's return exceeded that of the Performance Benchmark over the three- and five-year periods and ranked 34th and 22nd, respectively, in the Public Fund Universe.

The U.S. equity asset class outperformed its benchmark over the one-, three-, and five-year periods and ranked at or near the top of plans in the BNY Mellon Performance & Risk Analytic's Public Fund U.S. equity asset class universe. Most of the active managers within the U.S. equity portfolio outperformed their respective benchmarks during fiscal year 2011. The two portfolios managed by Allianz had the largest positive impact on the asset class's performance.

Hewitt ennisknupp
An Aon Company

The international equity portfolio was transitioned to a global equity portfolio in fiscal year 2008 to provide additional latitude to the investment managers and capture cross-border opportunities. The global equity portfolio posted a strong double-digit return for fiscal year 2011, but slightly underperformed the benchmark. The performance of the Capital Guardian portfolio, which was terminated during the fiscal year, tempered overall results. Several other managers also fell short of the advance of the market and detracted from relative results despite earning strong absolute returns. Wellington Global Perspectives was a strong performer for the fiscal year. Over the three-year period, the global equity asset class has outperformed.

The fixed income asset class outperformed the performance benchmark during the one-, three- and five-year periods due to solid gains in fiscal year 2011. The fixed income asset class includes several core-plus and opportunistic strategies that were well positioned to take advantage of fluctuations in the bond market. All of the fund's active fixed income managers outperformed during the fiscal year. Loomis Sayles in particular had a very strong year, returning 15.7%.

The System's private equity investments posted a positive absolute return during fiscal year 2011. Due to the long-term nature of private equity, performance benchmark returns are not shown for periods less than three-years. While the private equity portfolio has underperformed over the three-year period, it has added value over its benchmark and public equity market equivalents over the five-year period.

Total real estate outperformed the NCREIF Property Index during the one-year period, but has underperformed over the three- and five-year periods due to recent difficulties in the real estate markets and the J-Curve effect from its relatively recent closed end fund commitments.

Total other alternatives, which consisted of timberland investments at the close of the fiscal year, outperformed the alternatives benchmark during the trailing periods shown. The credit and global macro strategies that were initiated in June 2011 will be included in the portfolio going forward. Looking forward, the fund will be adding agricultural investments and other active alternative strategies to this asset class to improve the risk/return characteristics of the System's investments.

It is a pleasure to be of service to ATRS.

Sincerely,

Patrick J. Kelly

Patrick J. Kelly, CFA
Partner

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 Arkansas Teacher Retirement System Board of Trustees, hereinafter "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 Arkansas Teacher Retirement System, hereinafter, "the System". This policy has been chosen as the most appropriate for achieving the financial objectives of the System. The policy will be reviewed periodically as circumstances dictate.

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 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 System will be in the sole interest of the members of the System.

To achieve the overall investment goal of the System, one or more investment consultants may be retained by the Board as investment advisors. 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. Throughout this document, investment advisors are referred to as investment consultants.

The System shall manage those assets not specifically allocated to investment managers. No investment shall be made without an investment consultant's recommendation.

### *Standard of Care*

The standard of care for the Board and Executive Director of the assets of the 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 Board reasonably determines 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. The trust assets shall be invested in a manner to only incur costs that are appropriate and reasonable in relation to the assets and purposes of the investment. Compliance with the standard of care is determined in light of facts and circumstances at the time of action, not in hindsight.

Investment and management functions may be delegated to an investment agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, the Board shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the investment agent performance and compliance with the terms of the delegation. In performing a delegated function, an investment agent owes a duty to the System and the trust to exercise reasonable care to comply with the terms of the delegation. In addition, the Executive Director may delegate certain duties to the System's investment staff without relieving the Executive Director from the ultimate responsibility.

Each party serving in a fiduciary capacity for the trust shall apply the standard of care set forth herein.

# INVESTMENT POLICIES AND PROCEDURES *(continued)*

***Asset Allocation***

The Board is responsible for the prudent investment of funds and to maintain a proper allocation of the System's investment assets. The Board, in conjunction with its investment consultants, shall set and adjust the System's asset allocation ranges as necessary to provide an optimal allocation to obtain its target returns. The general investment consultant shall notify the Executive Director and the Board when an asset liability modeling study should be undertaken. It shall be the goal of the System to maintain the following asset allocation targets and ranges:

| Asset Category | Minimum* | Target | Maximum* |
|---|---|---|---|
| Domestic Equity | 20.0% | 25.0% | 30.0% |
| Global Equity | 25.0 | 30.0 | 35.0 |
| Fixed Income | 15.0 | 20.0 | 25.0** |
| Alternatives | N/A | 5.0 | N/A |
| Real Estate | N/A | 10.0 | N/A |
| Private Equity | N/A | 10.0 | N/A |
| Cash Equivalents | 0.0 | 0.0 | 5.0 |

* Due to the illiquid nature of alternatives, real estate and private equity, it is not prudent to set rebalancing ranges for these asset classes
**Additional allocations to fixed income may be made beyond the maximum range to serve as a placeholder for unfunded and uncommitted alternatives, private equity, and real estate allocations.

***Rebalancing***

The asset allocation ranges established by the Board 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 System.

The Executive Director is responsible for rebalancing the allowable asset classes and the individual portfolios if any of the asset classes falls outside of the designated range. The general investment consultant shall provide guidance and advice to the Executive Director to best achieve the rebalancing. The Executive Director and general investment consultant will monitor the asset values by classification for each asset manager on a monthly basis, based on month-end data provided by the custodial bank. The Executive Director and general investment consultant shall regularly inform the Board on the rebalancing pacing and strategy.

Whenever the minimum or maximum range of domestic equity, global equity, or fixed income has been exceeded, a transfer of funds or other appropriate action will occur to bring the actual allocation within the prescribed range within a time frame determined to be prudent by the Executive Director in consultation with the general investment consultant.

Normal plan cash flows should be used to the extent possible to rebalance. Interest, dividends, and plan contributions should be used to the extent possible to fund asset classes that are below their target. Withdrawals should be made from asset classes that are above their target.

## INVESTMENT POLICIES AND PROCEDURES *(continued)*

### *Investment Manager Selection*

In order to implement its investment strategy, the System will use individual investment managers. Arkansas Code § 24-3-401 et seq. requires ATRS to always operate under the prudent investor rule. The prudent investor rule requires all investment decisions to be made based on the experience of management, rates of return, appropriate risk, reasonable cost, and all other relevant factors that should be used by prudent investors.

It is the policy of the Board to include, whenever appropriate, qualified minority–owned and women-owned business enterprises in the System's investment manager selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or disability.

The Board will evaluate all qualified investment manager candidates with emphasis on demonstrated professional performance, organizational depth, institutional investment management capability, and reasonableness of fee structure regardless of the amount of investment assets under management or the age of the investment management firm.

The Board will use professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases and will require the investment consultants to affirm their use of non-discriminatory practices when recommending investment manager candidates to the Board.

### *Goals*

Recognizing the purpose of the System is to remain actuarially sound and pay member benefits, the overall investment goal is to achieve, over a period of years, the greatest rate of return for the System with due consideration given to preserving capital and its purchasing power, and to maintain an appropriate level of risk consistent with the obligations of a prudent investor. The return of the System should exceed, net of fees, a policy benchmark comprised of the respective asset class benchmarks weighted by the asset class policy targets over a full market cycle (approximately five years). During periods of transition to and from non-marketable and illiquid asset classes such as private equity, real estate and timberland, actual allocations may be used over extended periods to reflect these changes in the policy targets. Periodic performance reports will provide a detailed description of the policy benchmark composition over time.

The System's actuary sets an expected return based on the Board's policy decisions. Market cycles may result in the 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 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 Total Stock Market Index over a full market cycle (approximately five years).

### *Global Equity*

The goal for global 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 global equity market as measured by the Morgan Stanley Capital International All Country World Index over a full market cycle (approximately five years).

## INVESTMENT POLICIES AND PROCEDURES *(continued)*

***Total Equity***

The total equity exposure of the portfolio is designed to be viewed in aggregate and shall be well diversified with broad exposures to small, mid, and large capitalization companies, growth and value style sectors, as well as U.S. and non-U.S. markets. The manager structure of the combined equity portfolio (domestic and global) should resemble the weighted average of their respective benchmarks and avoid any material biases due to a concentration of managers or management styles. To achieve this goal, the Board may employ various actively managed and passive mandates. The structure of the equity components with be analyzed annually to ensure proper diversification is achieved.

***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 Barclays Aggregate Universal Bond Index. To help achieve this goal, the Board will employ investment 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 and global fixed income markets. To provide a broad base of low-cost diversification and readily available liquidity, the Board may allocate a portion of the fixed income assets to a passive investment portfolio that approximates the return of the broad fixed income market.

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 Barclays Aggregate Universal Bond Index over a full market cycle (approximately five years).

***Alternative Investments***

The Alternatives asset class includes investments in real assets investments including timberland, farmland, infrastructure, commodities and other alternative strategies that are not closely correlated or related to the traditional asset classes (fixed income, equities, private equity and real estate), The System may initiate direct ownership in timberland or indirect investments in fund of funds, direct hedge funds, partnerships, corporations, or real estate investment trusts (REITs") investing in investment grade properties of like kind. The System may expand this asset class to include additional asset strategies, including, but not limited to, hedge fund of funds, direct hedge funds, and currency mandates.

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).

The goal of the credit, global macro, and other liquid alternative investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Hedge Fund Research Fund of Funds Index over a full market cycle (approximately five years).

The goal of the farmland investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Annual Cropland Subindex of the NCREIF Farmland Index over a full market cycle (approximately five years).

***Real Estate***

The System may initiate investments in real estate as governed by the Real Estate Statement of Investment Policy.

The System's goal is to not materially exceed the System's approved target asset allocation for total real estate investments as determined by the Board at the beginning of each fiscal year. Should the real estate target asset allocation be exceeded, the Executive Director, working with the Real Estate Consultant, shall develop a pacing and strategy plan to address the over allocation.

ATRS' Real Estate portfolio is benchmarked on a net of fee basis against the NPI without any further adjustment in basis points. Once ATRS' Real Estate portfolio reaches its full target allocation for a three year period, it is expected to meet or exceed the NPI over rolling three year periods.

## INVESTMENT POLICIES AND PROCEDURES *(continued)*

***Private Equity***

Private equity investments may include domestic and foreign private equity partnerships, venture capital, and mezzanine financing partnerships that are intended to diversify the assets and reduce the likelihood of material losses in any individual investment classification. The investment consultant responsible for private equity shall advise the Executive Director and Board on the structure of private equity investments best suited for the System.

The System's goal for private equity 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 Dow Jones U.S. Total Stock Market Index, plus a liquidity premium of 2.0% per year over a full market cycle for private equity (approximately ten 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 investment manager or of the System.

The System's cash management goal shall be to preserve capital and maintain liquidity.

***Arkansas-Related Investments***

The System may initiate Arkansas-related mortgage loans, promissory notes, 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. Arkansas-related investments are categorized according to the appropriate asset class for each investment. In addition, Arkansas related investments include, but are not limited to, investments managed by an Arkansas related manager, Arkansas related investments held by other fund managers, Arkansas timberland, partnerships based in Arkansas, and partnerships holding Arkansas properties.

***Commingled or Mutual Funds***

If a commingled fund or mutual fund is utilized, the portfolio will be governed by the prospectus or similar document for the fund. In those cases, the System will utilize the prudent investor rule and advice of the investment consultant in selecting and evaluating funds initially and in monitoring them on an on-going basis.

***Derivatives***

Derivatives may be used to reduce the risk in a portfolio and provide desired market and security level positions as an alternative to purchasing cash securities. Excessive leverage shall not be created through the use of derivatives in a manner that substantially increases the System's portfolio risk. 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, unless otherwise stated in the investment manager guidelines or authorizing fund documents.

***Loaning of Securities***

The lending agent will evaluate the credit-worthiness of potential borrowers of securities, and will loan securities only to financially sound borrowers. The lending agent will maintain a diversified list of such borrowers in order to mitigate the counterparty risk that is inherent in securities lending.

Collateral levels should be based on the nature of the loaned security and will generally be between 102% and 105% of the market value of the borrowed security. Marking to market will be performed every business day subject to de minimis rules of change in value, and borrowers will be required to deliver additional assets as necessary to maintain over-collateralization of securities loans.

## INVESTMENT POLICIES AND PROCEDURES *(continued)*

***Securities Lending Reinvestment Guidelines***

The cash collateral portfolio will be managed on an amortized cost basis (maintain a $1 net asset value) and have investment guidelines that are 2a-7-like in nature (money market fund guidelines) to ensure that only a moderate amount of risk is taken on the reinvestment of the cash collateral. This will control the amount of credit and duration risk that can be taken by the short duration fixed income manager, which will help to mitigate losses due to insufficient collateral relative to the amount on loan. In addition, guidelines for the cash collateral portfolio will be created in conjunction with the lending strategy and with input from the securities lending agent.

The collateral pool should also maintain a reasonable level of overnight liquidity in order to allow for the smooth recall of securities over time.

***Investment Manager Reporting***

The System will require all investment managers, managing partners, and general partners to provide on at least a quarterly and an annual basis, reporting appropriate for the investment.

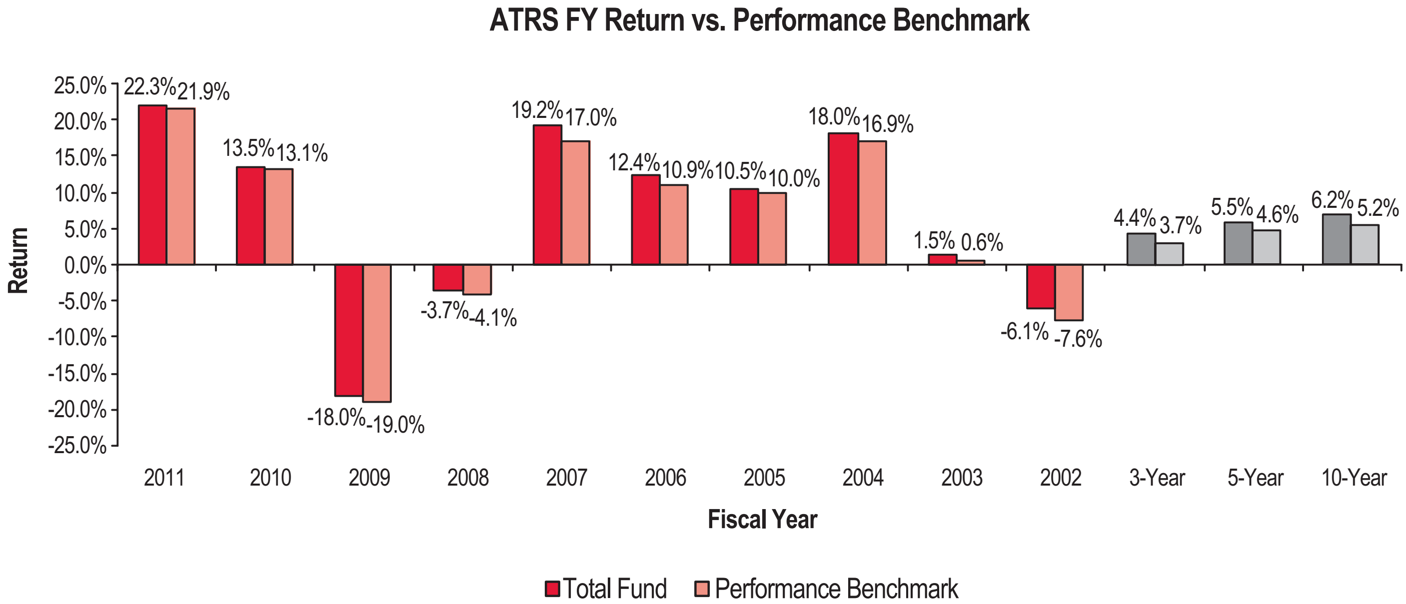
***Roles***

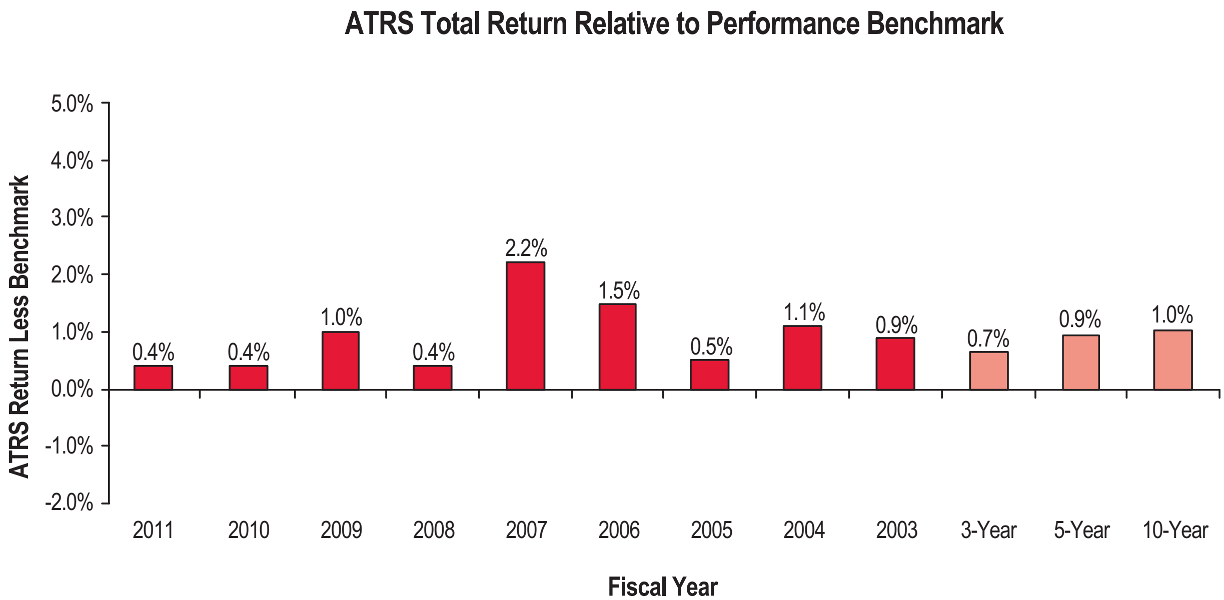
The Executive Director and investment consultant are jointly responsible for the initial selection of investment managers and any increase or decrease in an investment manager's funding. The Executive Director and investment consultant are jointly responsible for monitoring existing investment managers on performance, stability, and compliance. The Executive Director and investment consultant may also recommend termination of an investment manager when circumstances justify termination. Reasons for termination include, but are not limited to, relative performance, relative stability, costs, strategic allocation of assets, or other relevant factors that a prudent investor would use.

***Proxies***

The System authorizes the investment manager to vote all proxies related to stocks in which it invests the System's assets. The System expects the investment manager to cast votes solely in the best interest of plan beneficiaries.

# ATRS TOTAL RETURN BY FISCAL YEAR



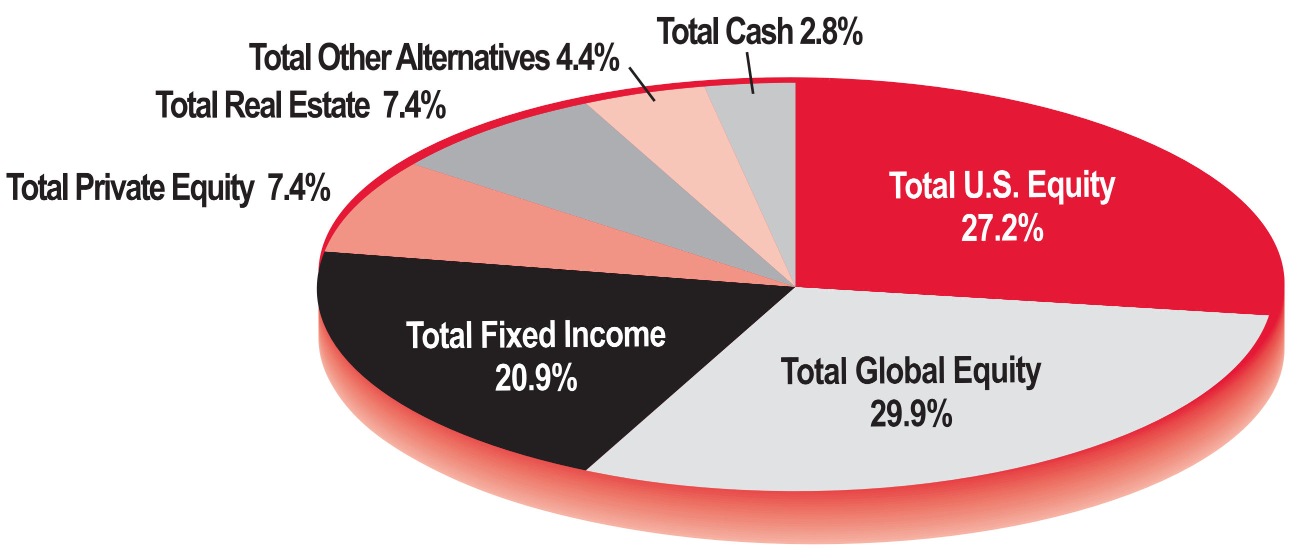
## ASSET ALLOCATION ANALYSIS

As of June 30, 2011

| Asset Class | Market Value | Current % |
|---|---|---|
| Total U.S. Equity | $3,180,341 | 27.2% |
| Total Global Equity | 3,503,621 | 29.9% |
| Total Fixed Income | 2,443,795 | 20.9% |
| Total Private Equity | 862,656 | 7.4% |
| Total Real Estate | 870,057 | 7.4% |
| Total Other Alternatives | 516,422 | 4.4% |
| Total Cash | 330,704 | 2.8% |
| | **$11,707,596** | **100.0%** |

## CURRENT ALLOCATION BY ASSET CLASS

As of June 30, 2011



# TRADITIONAL ASSETS
## Schedule of Investment Results

RETURNS FOR PERIOD ENDING JUNE 30, 2011

The table below details the rates of return for the System's Investment managers over various time periods ending June 30, 2011. The Appendix at the end of this document provides a description of the benchmarks used for each manager as of the end of the fiscal year.

| | 1 Year | 3 Years | 5 Years |
|---|---|---|---|
| **TOTAL FUND** | | | |
| Total Fund | 22.3% | 4.4% | 5.5% |
| Performance Benchmark | 21.9 | 3.7 | 4.6 |
| **LARGE CAP EQUITY** | | | |
| Allianz Structured Alpha | 42.6% | -- | -- |
| S&P 500 Index | 30.7 | -- | -- |
| **SMALL CAP VALUE EQUITY** | | | |
| Kennedy Capital Management | 33.9% | 9.2% | 8.7% |
| Russell 2000 Value Index | 31.4 | 7.1 | 2.2 |
| Daruma Asset Management | 46.3 | 13.8 | 9.2 |
| Russell 2000 Index | 37.4 | 7.8 | 4.1 |
| **SMALL CAP GROWTH EQUITY** | | | |
| Stephens | 46.7% | 10.8% | -- |
| ING Investment Management | 43.1 | 9.5 | 8.1% |
| Russell 2000 Growth Index | 43.5 | 8.4 | 5.8 |
| **ALL CAP DOMESTIC EQUITY** | | | |
| ICC Capital Management | 23.0% | 11.0% | 9.8% |
| Performance Benchmark | 32.4 | 4.0 | 3.5 |
| Jacobs Levy | 38.2 | 4.5 | 3.3 |
| Performance Benchmark | 32.4 | 4.0 | 4.3 |
| Jacobs Levy 130/30 | 43.2 | 3.5 | -- |
| Russell 3000 Index | 32.4 | 4.0 | -- |
| Pershing Square | 26.8 | 16.4 | -- |
| DJ Total Stock Market Index | 32.4 | 4.2 | -- |
| Relational Investors | 45.1 | 9.6 | -- |
| S&P 500 Index | 30.7 | 3.3 | -- |
| ING Absolute Return | 30.5 | -- | -- |
| S&P 500 Index | 30.7 | -- | -- |

# TRADITIONAL ASSETS
## Schedule of Investment Results *(continued)*
RETURNS FOR PERIOD ENDED JUNE 30, 2011

The table that follows details the rates of return for the System's investment managers over various time periods ending June 30, 2011.

| | 1 Year | 3 Years | 5 Years |
|---|---|---|---|
| **CONVERTIBLES** | | | |
| Allianz | 29.7% | 9.5% | 9.8% |
| Performance Benchmark | 22.5 | 6.8 | 5.4 |
| **GLOBAL EQUITY MANAGERS** | | | |
| Bedlam | 26.3% | -- | -- |
| Lazard | 29.6 | – | – |
| Wellington Opportunistic | 28.2 | -- | -- |
| T. Rowe Price | 28.2 | – | – |
| UBS Global Asset Management | 26.5 | -- | -- |
| Lincoln Vale | 20.6 | -- | -- |
| MSCI ACWI Index | 30.1 | -- | -- |
| D.E. Shaw | 32.0 | -- | -- |
| MSCI World Index | 30.5 | -- | -- |
| Knight Vinke | 24.2 | -12.5% | -- |
| FTSE Europe Index | 36.1 | -2.7 | -- |
| Wellington Global Perspectives | 45.8 | -- | -- |
| MSCI ACW Mid/Small Cap Index | 35.8 | -- | -- |
| SSgA Global Index | 31.4 | 2.0 | -- |
| MSCI ACWI IMI Index | 31.0 | 1.7 | -- |
| **FIXED INCOME MANAGERS** | | | |
| BlackRock | 6.3 | 7.0 | 6.9 |
| PIMCO | 6.6 | 9.1 | 8.5 |
| Western | 8.0 | 9.3 | 7.3 |
| Performance Benchmark | 4.8 | 6.7 | 6.6 |
| Loomis Sayles | 15.7 | -- | -- |
| Performance Benchmark | 7.8 | – | – |
| Putnam | 4.6 | -- | -- |
| Western Absolute Return | 7.1 | 8.6 | -- |
| LIBOR | 0.4 | 1.1 | |
| SSgA Aggregate Bond Index | 3.9 | -- | |
| BC Aggregate Bond Index | 3.9 | -- | -- |

# PRIVATE EQUITY
## Schedule of Investment Results *(continued)*

Returns for Period Ended June 30, 2011

The table that follows details the rates of return for the System's investment managers for the period ending June 30, 2011.

| | Inception Date | Annualized Internal Rate of Return |
|---|---|---|
| **INDIVIDUAL PARTNERSHIPS** | | |
| Mezzanine | | |
| Audax Mezzanine III | 5/10/2010 | NMF |
| Blackstone Mezzanine I | 11/30/1999 | 10.8% |
| DLJ Investment Partners II | 10/31/1999 | 10.5% |
| Insight Mezzanine I | 7/13/2009 | -6.1% |
| **PRIVATE EQUITY** | | |
| 21st Century Group Equity Fund | 4/30/2000 | -2.6% |
| Advent GPE VI-A | 3/12/2008 | 7.9% |
| Altus Capital II | 6/3/2011 | NMF |
| Boston Ventures VII | 12/14/2007 | 4.3% |
| CSFB-ATRS 2005-1 Series | 5/1/2005 | 5.9% |
| CSFB-ATRS 2006-1 Series | 8/1/2006 | 2.8% |
| Cypress MBP II | 6/18/1999 | -3.3% |
| DH Tech I | 1/12/2000 | -15.9% |
| Diamond State | 4/15/2000 | 4.8% |
| Diamond State II | 1/4/2007 | 3.3% |
| DLJ MBP III | 7/19/2000 | 19.4% |
| Doughty Hanson III | 10/20/1997 | 14.0% |
| EnCap VIII | 1/31/2011 | NMF |
| FP Intnl 2011 | 2/16/2011 | NMF |
| FP Venture 2008 | 1/18/2008 | 12.2% |
| FP Venture 2009 | 1/16/2009 | 14.0% |
| FP Venture 2010 | 1/29/2010 | NMF |
| FP Venture 2011 | 2/16/2011 | NMF |
| Hicks Muse Tate & Furst Fund III | 2/28/1997 | 0.4% |
| Hicks Muse Tate & Furst Fund IV | 7/31/1998 | -7.9% |
| Hicks Muse Tate & Furst Fund V | 11/31/2000 | 17.3% |
| Mason Wells III | 5/13/2010 | NMF |
| LLR III | 5/9/2008 | -4.5% |
| NGP IX | 2/27/2008 | 20.9% |
| Oak Hill Capital Partners | 3/31/1999 | 10.6% |
| Second Cinven | 4/30/1998 | 9.3% |
| Riverside IV | 12/4/2009 | 11.4% |
| TA XI | 4/30/2009 | NMF |
| Tennenbaum VI | 2/15/2011 | NMF |
| KPS Supplemental III | 8/14/2009 | 2.8% |
| Insight Equity II | 7/13/2009 | -41.4% |
| Vista Equity III | 7/11/2008 | 32.6% |

# REAL ESTATE
## Schedule of Investment Results *(continued)*
RETURNS FOR PERIOD ENDED JUNE 30, 2011

The table that follows details the rates of return for the System's investment managers for the period ending June 30, 2011.

| | Inception Date | Annualized Internal Rate of Return |
|---|---|---|
| **LIMITED PARTNERSHIPS** | | |
| Doughty-Hanson-Euro Real Estate | 6/30/1999 | 28.5% |
| Westbrook Fund II | 4/30/1997 | 13.4% |
| Westbrook Fund III | 8/31/1998 | 9.0% |
| Westbrook IV | 4/30/2001 | 19.9% |
| Olympus | 7/31/2000 | -5.9% |
| Fidelity RE Growth Fund III | 3/31/2008 | -18.0% |
| Heitman European Property Partners IV | 10/6/2008 | 22.1% |
| ING Clarion DOF II | 12/31/2007 | -17.5% |
| ING Clarion DOF III | 12/12/2008 | 10.0% |
| Landmark VI | 6/30/2010 | 104.1% |
| New Boston Fund VII | 10/9/2008 | -11.3% |
| Rothschild FARS V | 3/31/2008 | 2.6% |
| CBRE SP U.S. Opportunity V | 3/31/2008 | -20.6% |
| DLJ Real Estate Capital Partners | 9/30/1999 | 19.5% |
| O'Connor NAPP II | 3/31/2008 | -28.2% |
| **OPEN-END FUNDS** | | |
| PRISA | 6/30/2005 | 0.0% |
| UBS | 3/31/2006 | 2.4% |
| JP Morgan Strategic Property | 3/31/2007 | 0.5% |
| JP Morgan Special Situation Property | 3/31/2007 | -8.2% |

# DESCRIPTION OF BENCHMARKS

**Total Fund -** The Performance Benchmark for the Total Fund from October 2007 to June 2011 represents the performance of the asset class benchmarks as a weighted average of the previous month's ending market values. The historical components of the benchmark are shown in the table below. Returns prior to September 30, 1996, consist of the actual allocations to the seven different asset classes included in the Arkansas Teacher Retirement System over time.

**Historical Total Fund Performance Benchmark Allocations (prior to October 1, 2007)**

| Date | DJ U.S. Total Stock Market Index | Russell 3000 Index | MSCI ACW ex-US Index | MSCI ACWI | Barclays Capital Universal Bond Index | Barclays Capital Aggregate Bond Index | Alternative Policy[1] |
|---|---|---|---|---|---|---|---|
| 03/31/2004 – 09/30/2007 | 40.0% | -- | 17.5% | -- | 25.0% | -- | 17.5% |
| 07/31/2003 – 02/29/2004 | 40.0% | -- | 17.5% | -- | -- | 25.0% | 17.5% |
| 10/31/2001 – 06/30/2003 | -- | 40.0% | 17.5% | -- | -- | 25.0% | 17.5% |
| 08/31/1998 – 09/30/2001 | -- | 40.0% | 17.0% | -- | -- | 28.0% | 15.0% |
| 10/31/1996 – 07/31/1998 | -- | 40.0% | 20.0% | -- | -- | 28.0% | 12.0% |

**Total U.S. Equity -** The Dow Jones U.S. Total Stock Market Index.

**Total Non-U.S. Equity -** The MSCI All Country World Ex-U.S. Index.

**Total Global Equity -** The MSCI All Country World Index.

**Total Fixed Income -** The Barclays Capital Universal Bond Index as of March 1, 2004.

**Total Real Estate -** The NCREIF Property Index.

**Total Private Equity -** The Dow Jones U.S. Total Stock Market Index + a 2% premium per year.

**Total Other Alternatives -** Currently the South Timberland Index. As additional investments are added to the portfolio the benchmark will be adjusted to reflect the benchmarks of the new investments.

---

[1] *Currently, the benchmarks for Private Equity, Real Estate, and Other Alternatives (timber) are included in the Total Fund Performance Benchmark at their actual beginning quarter weights. Prior October 1, 2007, private equity, real estate, and other alternatives (timber) were grouped together in one "Alternatives Asset Class." The Alternative Policy for this asset class was comprised of the weighted average of the Real Estate, Private Equity, and Other Alternatives policy benchmarks. Prior to July 31, 2003 the alternative benchmark consisted of 57.0% of the Russell 3000 + a 2% Premium per year, 8.5% of the NCREIF South Timberland Index, 28.5% of the Real Estate Index, 6% of the EnnisKnupp STIF Index. After this date, real estate and private equity benchmarks started to report on a one-quarter lag to align with the returns of their asset classes.*

## DESCRIPTION OF BENCHMARKS *(continued)*

**Allianz Performance Benchmark -** On January 1, 2005, the benchmark for the portfolio was changed to the Merrill Lynch Convertible Bond (All Quality) Index. Prior to January 1, 2005, the performance benchmark for the Allianz (previously Nicholas Applegate) portfolio was the CSFB Convertible Securities Index. Prior to May 1, 2004, the performance benchmark consisted of 90% CSFB Convertible Securities Index and 10% Salomon High Yield Index.

**BlackRock Fixed Income Performance Benchmark -** The Barclays Capital Universal Bond Index as of March 1, 2004. Previously it was the Barclays Capital Aggregate Bond Index.

**ICC Capital Management Performance Benchmark -** On October 1, 2007, the benchmark for ICC Capital Management was changed to the Russell 3000 Index. Prior to October 1, 2007, the portfolio benchmark was the Russell 1000 Index.

**Jacobs Levy Performance Benchmark -** On January 1, 2008, the benchmark for the portfolio was changed to the Russell 3000 Index. Prior to January 1, 2008, the portfolio benchmark was the Russell 1000 Growth Index.

**Loomis Sayles Performance Benchmark -** An Index that splices 65% of the Barclays Capital Government/Credit Index and 35% Barclays Capital High Yield Index.

**PIMCO Performance Benchmark -** The Barclays Capital Universal Bond Index as of March 1, 2004. Previously it was the Barclays Capital Aggregate Bond Index.

**UBS Performance Benchmark -** On February 1, 2008, the UBS Performance Benchmark was changed to the MSCI All Country World Index. Prior to February 1, 2008, the portfolio benchmark was the MSCI All Country World ex-U.S. Index.

**Wellington Performance Benchmark -** On January 1, 2008, the portfolio was changed to the MSCI All Country World Index. Prior to January 1, 2008, the Wellington portfolio was the MSCI All Country World ex-U.S. Index.

**Western Asset Performance Benchmark -** The Barclays Capital Universal Bond Index as of March 1, 2004. Previously it was the Barclays Capital Aggregate Bond Index.

**Barclays Capital Aggregate Bond Index -** A market-value weighted index consisting of the Barclays Capital Corporate, Government and Mortgage-Backed Securities Indices. The Index also includes credit card-, auto- and home equity loan-backed securities, and is the broadest available measure of the aggregate U.S. fixed income market.

**Barclays Capital Universal Bond Index -** A market-value weighted index consisting of the components of the Barclays Capital Aggregate Bond Index, plus EuroDollar bonds, emerging markets bonds, 144A fixed income securities, and U.S. corporate high yield securities.

**Barclays Capital Government/Credit Index -** The Barclays Capital Government/Credit Index measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds.

**Barclays Capital High Yield Index -** The Barclays Capital High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

**Cash Equivalents -** The Citigroup 90 day T-bill Index.

## DESCRIPTION OF BENCHMARKS *(continued)*

**Citigroup 90 day T-bill Index -** Treasury bill rates of return, as reported by Citigroup (Salomon Smith Barney), for bills with a maximum time remaining to maturity of 90 days.

**Dow Jones U.S. Total Stock Market Index -** A capitalization-weighted stock index representing all U.S. common stocks traded regularly on the organized exchanges. The Index is the broadest measure of the aggregate U.S. stock market.

**FTSE Europe -** A tradable index, designed to represent the performance of the 100 most highly capitalized blue chip companies in Europe.

**LIBOR Index -** London Interbank Offered Rate. A filtered average of the world's most creditworthy banks' interbank deposit rates with maturities between overnight and one full year.

**Merrill Lynch Convertible Bond (All Quality) Index -** The Merrill Lynch All Convertibles All Qualities Index is a widely used index that measures convertible securities' performance. It measures the performance of U.S. dollar-denominated convertible securities not currently in bankruptcy with a total market value greater than $50 million at issuance.

**MSCI All Country World ex-U.S. Index -** A capitalization-weighted index of stocks representing 48 developed and emerging country markets, excluding the U.S. market.

**MSCI All Country World Index -** A capitalization-weighted index of stocks representing 48 developed and emerging country markets.

**MSCI Europe, Australasia, Far East (EAFE) Non-U.S. Stock Index -** A capitalization-weighted index of stocks representing 21 developed and emerging country markets in Europe, Australia, Asia and the Far East.

**MSCI World Index -** A capitalization-weighted index of stocks representing 22 developed stock markets in Europe, Asia and Canada.

**NCREIF Property Index -** The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index is an unlevered, market-value weighted Index consisting of $244 billion in domestic institutional real estate assets. The Index is representative of the national real estate market, across all property types and regions.

**Russell 3000 Index -** An index that measures the performance of the 3000 stocks that make up the Russell 1000 and Russell 2000 Indices.

**Russell 1000 Index -** An index that measures the performance of the largest 1,000 stocks contained in the Russell 3000 Index.

**Russell 1000 Value Index -** An index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

**Russell 2000 Index -** An index that measures the performance of the smallest 2000 companies contained in the Russell 3000 Index.

**Russell 2000 Growth Index -** An index that measures the performance of those Russell 2000 companies with greater price-to-book ratios and greater I/B/E/S growth forecasts.

**Russell 2000 Value Index -** An index that measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

**Russell Mid Cap Value Index -** An index that measure the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

## DESCRIPTION OF BENCHMARKS *(continued)*

**South Timberland Index -** The largest regional subindex of the NCREIF Timberland Index, consisting of timberland properties held in the U.S. South. This includes close to 300 properties with more than 10 million cumulative acres of timberland in the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. Calculations are based on quarterly returns at the individual property level. Performance is reported on an all-cash, unlevered basis, gross of investment management fees.

**S&P 500 Stock Index -** A capitalization-weighted stock index consisting of the 500 largest publicly traded U.S. stocks.

## DESCRIPTION OF UNIVERSES

**Total Fund -** The Total Fund and its benchmark are ranked in our Public Fund Universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 74 funds with an aggregate market value of $688 billion.

**Total Domestic Equity -** The total domestic equity component and its benchmark are ranked in our domestic equity component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 54 funds with an aggregate market value of $230.9 billion.

**Total Global Equity -** The total global equity component and its benchmark are ranked in our global equity component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 156 global equity portfolios.

**Total Fixed Income -** The total fixed income component and its benchmark are ranked in our fixed income component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 51 funds with an aggregate market value of $178.1 billion.

# TEN LARGEST HOLDINGS

(By Market Value)
As of June 30, 2011

## Fixed Income

| Security Name | Market Value |
|---|---|
| US TREASURY NOTE .50% DUE 5/31/13 | $ 15,170,913 |
| US TREASURY NOTE 4.75% DUE 2/15/41 | 9,125,810 |
| GNMA I TBA JUL 30 YR 5.5% DUE 7/1/29 | 7,702,170 |
| CANADIAN GOVT COPR BD 3% DUE 12/1/15 | 7,316,908 |
| FNMA TBA JUL 30 SINGLE FAM 6% | 6,920,172 |
| OWENS BROCKWAY CONV CORP BD 3% DUE 6/1/15 | 6,806,350 |
| EMC CORP CONV CORP BD 1.75% DUE 12/1/13 | 6,659,500 |
| GNMA II TBA JUL 30 4.5% DUE 7/1/41 | 6,314,040 |
| FED REPUBLIC OF BRAZIL CORP BD 10.25% DUE 1/10/28 | 6,279,404 |
| ILLUMINA INC CONV CORP BD .25% DUE 3/15/16 | 6,183,056 |

# TEN LARGEST HOLDINGS

(By Market Value)
As of June 30, 2011

## Domestic/Global Equities

| Security Name | Market Value |
|---|---|
| *BARRICK GOLD CORP* | $ 44,814,455 |
| FORD MOTOR CO | 38,604,278 |
| AMR CORP | 32,234,220 |
| APPLE INC | 30,287,504 |
| HEWLETT PACKARD CO | 29,757,000 |
| BOEING CO | 29,146,903 |
| COMCAST CORP CLASS A | 27,273,467 |
| VERIZON COMMUNICATIONS INC | 26,980,246 |
| MORGAN STANLEY ASIA PACIFIC FUND | 25,686,558 |
| COCA COLA CO | 25,647,584 |

# TEN LARGEST HOLDINGS

(By Market Value)
As of June 30, 2011

## Real Estate

| Security Name | Market Value |
|---|---|
| TIMBERLAND 1 | $ 84,962,301 |
| LINDSEY (PARTNERSHIP) | 42,428,103 |
| AMERICAN CENTER 1 & 2 (PARTNERSHIP) | 28,413,076 |
| THE VICTORY BUILDING | 28,051,588 |
| THE PEABODY HOTEL (MORTGAGE) | 26,156,928 |
| WOODLAND HEIGHTS | 20,600,000 |
| SOUTHCENTER SHOPPING CENTER | 13,700,000 |
| RETIREMENT VILLAGE PROPERTIES | 6,600,000 |
| ARKANSAS INSURANCE DEPARTMENT BUILDING | 4,124,550 |
| ARKANSAS TEACHERS RETIREMENT BUILDING | 3,701,676 |

This page intentionally left blank.

Arkansas Teacher Retirement System

# Actuarial

2011 Comprehensive Annual Financial Report

# ACTUARY'S CERTIFICATION LETTER

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

March 30, 2012

Board of Trustees
Arkansas Teacher Retirement System
1400 West Third Street
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, 2011, 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, 2011.

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, 2010
Active Members in Valuation Data
Retirees and Beneficiaries added to and removed from rolls
Short Condition Test
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
Support Employees Separations and Individual Pay Increases
Analysis of Financial Experience
Comments
Schedule of Funding Progress

ARTRS
Arkansas Teacher Retirement System

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

Board of Trustees
March 30, 2012
Page 2

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, 2011 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2005-2010 period.

Like most retirement systems, ATRS has been negatively affected by the market downturn that began in 2008. The Board's continued attention to sound funding has given the System significant resources with which to weather the storm.

The Arkansas Teacher Retirement System remains stable with a 71.8% funded position as of June 30, 2011. The amortization period as of June 30, 2011 is 66.0 years. In the absence of an increase in the contribution rate or an extended period of investment gains, it is likely that the amortization period will increase next year and will remain above 30 years for an extended period.

**Based upon the results of the June 30, 2011 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 operating in accordance with actuarial principles of level percent of payroll financing.**

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. This report does not contain an analysis of the potential range of such future measurements.

To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. The signing actuaries are Members of the American Academy of Actuaries (M.A.A.A.) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Judith A. Kermans

Judith A. Kermans, E.A., M.A.A.A., F.C.A.

Brian B. Murphy

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

JAK/BBM:sc

# EXHIBIT 1
# COMPUTED ACTUARIAL LIABILITIES
# AS OF JUNE 30, 2011

| Actuarial Present Value of | (1) Total Present Value | Entry Age Actuarial Cost Method: (2) Portion Covered By Future Normal Cost Contributions | Entry Age Actuarial Cost Method: (3) Actuarial Accrued Liabilities (1)-(2) |
|---|---|---|---|
| Age and service retirement and T-DROP allowances based on total service likely to be rendered by present active and T-DROP members. | $ 9,569,348,885 | $1,950,816,409 | $ 7,618,532,476 |
| Vested deferred benefits likely to be paid present active and inactive members. | 1,085,428,448 | 385,115,112 | 700,313,336 |
| Survivor benefits expected to be paid on behalf of present active members. | 111,286,610 | 39,410,744 | 71,875,866 |
| Disability benefits expected to be paid on behalf of present active members. | 186,172,453 | 97,621,781 | 88,550,672 |
| Refunds of member contributions expected to be paid on behalf of present active members. | 14,497,122 | 104,823,436 | (90,326,314) |
| Benefits payable to present retirees and beneficiaries. | 7,053,680,291 | 0 | 7,053,680,291 |
| Lump sum death benefits payable to present retirees and beneficiaries. | 78,672,931 | 0 | 78,672,931 |
| Total | $18,099,086,740 | $2,577,787,482 | $15,521,299,258 |
| Applicable assets | 11,146,221,518 | 0 | 11,146,221,518 |
| Liabilities to be covered by future contributions | $ 6,952,865,222 | $2,577,787,482 | $ 4,375,077,740 |

# EXHIBIT 2
# EMPLOYER CONTRIBUTION RATE COMPUTED AS OF JUNE 30, 2011 FOR THE FISCAL YEAR ENDING JUNE 30, 2013

| | Percents of Active Member Payroll | | | |
|---|---|---|---|---|
| Computed Contributions for | Teachers | Support | Combined | Prior Year |
| Normal Cost | | | | |
| Age & Service Annuities | 9.55% | 7.19% | **8.82%** | 10.14% |
| Deferred Annuties | 1.60% | 2.12% | **1.76%** | 1.39% |
| Survivor Benefits | 0.19% | 0.16% | **0.18%** | 0.28% |
| Disability Benefits | 0.47% | 0.42% | **0.45%** | 0.60% |
| Refunds of Member Contributions | 0.37% | 0.77% | **0.49%** | 0.48% |
| Total | 12.18% | 10.66% | **11.70%** | 12.89% |
| Average Member Contributions | 5.09% | 3.92% | **4.72%** | 4.68% |
| Net Employer Normal Cost | 7.09% | 6.74% | **6.98%** | 8.21% |
| Unfunded Actuarial Accrued Liabilities | | | **7.02%** | 5.79% |
| **Employer Contribution Rate** | | | **14.00%** | 14.00% |
| **Amortization Years** | | | **66.0** | 52.4 |

The amortization period is the number of years it will take to pay off the unfunded liability of $4.4 billion assuming that the employer contribution rate remains at the 14% of payroll level. Since 2000, the period has varied from a low of 19 years to a high of 125 years. Unless there is a substantial investment gain in FY 2012, it is very likely that the amortization period will increase significantly in the next valuation.

# SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| Valuation Date June 30 | Active Members in Valuation | | Average Annual Pay | |
|---|---|---|---|---|
| | Number | Annual Payroll (Millions) | Amount | % Change |
| **2011#** | **76,780** | **$2,728** | **$35,534** | **7.7%** |
| 2010 | 72,208 | 2,381 | 32,980 | 0.5% |
| 2009 | 70,655 | 2,318 | 32,804 | 1.5% |
| 2008 | 70,172 | 2,268 | 32,319 | 2.1% |
| 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 | 64,432 | 1,683 | 26,963 | 2.7% |
| 2002 | 62,011 | 1,628 | 26,254 | 3.5% |

# Beginning with the June 30, 2011 valuation, active member information includes TDROP participation.

# 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 | | | | |
| **2011** | **2,394** | **882** | **32,099** | **$657.08** | **7.2%** | **$20,470** |
| 2010 | 2,588 | 819 | 30,587 | 612.77 | 8.5% | 20,034 |
| 2009 | 2,721 | 704 | 28,818 | 564.59 | 9.5% | 19,591 |
| 2008 | 1,703 | 513 | 26,801 | 515.56 | 6.4% | 19,237 |
| 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 | 1,685 | 528 | 21,428 | 386.23 | 7.3% | 18,025 |
| 2003 | 1,621 | 548 | 20,271 | 360.00 | 7.7% | 17,759 |
| 2002 | 1,989 | 568 | 19,199 | 334.15 | 8.1% | 17,404 |

T-DROP participants are classfied as active members for purposes of the valuation and are not included in this schedule.

# SHORT CONDITION 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 short condition test*** is one means of checking a system's progress under its funding program. In a short condition 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | (1) | (2) | (3) | Total |
| | $ Millions | | | | | | | |
| 2002* | 490 | 3,441 | 5,131 | 8,328 | 100% | 100% | 84% | 92% |
| 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 | 6,690 | 10,519 | 100% | 100% | 73% | 85% |
| 2008# | 732 | 5,544 | 7,058 | 11,319 | 100% | 100% | 71% | 85% |
| 2009 | 790 | 6,041 | 7,188 | 10,617 | 100% | 100% | 53% | 76% |
| 2010# | 848 | 6,516 | 7,333 | 10,845 | 100% | 100% | 47% | 74% |
| 2011*# | 929 | 7,132 | 7,460 | 11,146 | 100% | 100% | 41% | 72% |

**Revised actuarial assumptions or methods.*

*# Legislated benefit or contribution rate change.*

# SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

| | |
|---|---|
| Valuation Date | June 30, 2011 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percent of payroll |
| Remaining Amortization Period | 66.0 years |
| Asset Valuation Method | 4-year smoothing 80%/120% corridor |
| Actuarial Assumptions: | |
| Investment Rate of Return | 8.0% |
| Projected Salary Increase | 3.25% to 9.10% |
| Cost-of-Living Adjustments | 3% Simple |
| Includes Wage Inflation at | 3.25% |

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 2005-2010 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 3.25%, the 8.0% rate translates to an assumed real rate of return over wage inflation of 4.75%. This rate was first used for the ***June 30, 2011,*** valuation. The assumed real rate of return over price inflation would be higher – on the order 5% to 5.25%.

## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (*CONTINUED*)

***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 3.25% recognizes wage inflation. These rates were first used for the ***June 30, 2011,*** 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 2.75%. It is assumed that the 3% COLA will always be paid.

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

***Total active member payroll*** is assumed to increase 3.25% 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, 2011,*** valuation.

***Non-Economic Assumptions***

***The mortality table*** used was the RP-2000 Mortality table for males and females projected 20 years with scale AA. Mortality rates were adjusted to include margin for future mortality improvement as described in the table named above. This table was first used for the ***June 30, 2011,*** valuation. For disabled lives, the mortality table used was the 1983 Group Annuity Mortality Table the mortality table set forward 5 years. The 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, 2011,*** 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 IV and V. These rates were first used in the ***June 30, 2011,*** 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.

---

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic and demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

# TABLE I

## SINGLE LIFE RETIREMENT VALUES

| Sample Attained Ages | Present Value of $1.00 Monthly for Life | | Present Value of $1.00 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 | $147.45 | $148.74 | $192.83 | $195.36 | 43.26 | 45.92 | 0.08% | 0.04% |
| 45 | 144.24 | 145.78 | 186.54 | 189.56 | 38.45 | 41.03 | 0.10% | 0.07% |
| 50 | 139.69 | 141.63 | 178.19 | 181.91 | 33.65 | 36.18 | 0.13% | 0.10% |
| 55 | 133.32 | 135.93 | 167.29 | 172.06 | 28.89 | 31.39 | 0.21% | 0.19% |
| 60 | 124.93 | 128.62 | 153.79 | 160.06 | 24.28 | 26.77 | 0.43% | 0.39% |
| 65 | 114.53 | 119.62 | 137.94 | 146.03 | 19.92 | 22.41 | 0.85% | 0.74% |
| 70 | 102.19 | 109.01 | 120.09 | 130.24 | 15.89 | 18.36 | 1.45% | 1.28% |
| 75 | 87.25 | 96.62 | 99.84 | 112.72 | 12.15 | 14.64 | 2.53% | 2.00% |
| 80 | 70.65 | 82.27 | 78.66 | 93.60 | 8.86 | 11.25 | 4.76% | 3.35% |
| 85 | 54.64 | 66.59 | 59.29 | 73.90 | 6.25 | 8.29 | 8.83% | 5.80% |
| Ref. | 472 x 0.95 | 473 x 0.87 | 472 x 0.95 | 473 x 0.87 | | | | |

| Sample Attained Ages | Benefit Increasing 3.0% Yearly | Portion of Age 60 Lives Still Alive | |
|---|---|---|---|
| | | Men | Women |
| 60 | $100.00 | 100% | 100% |
| 65 | 115.00 | 97% | 97% |
| 70 | 130.00 | 92% | 93% |
| 75 | 145.00 | 84% | 86% |
| 80 | 160.00 | 71% | 76% |
| Ref. | | 472 x 0.95 | 473 x 0.87 |

# TABLE II

## PROBABILITIES OF RETIREMENT FOR MEMBERS

| Retirement Ages | % of Active Participants Retiring with Unreduced Benefits | | | |
|---|---|---|---|---|
| | Education | | Support | |
| | Male | Female | Male | Female |
| 48 | 59% | 55% | 25% | 25% |
| 49 | 67% | 25% | 54% | 22% |
| 50 | 11% | 7% | 3% | 9% |
| 51 | 7% | 6% | 5% | 7% |
| 52 | 7% | 6% | 8% | 7% |
| 53 | 7% | 8% | 9% | 8% |
| 54 | 8% | 8% | 9% | 8% |
| 55 | 9% | 9% | 6% | 10% |
| 56 | 11% | 10% | 10% | 9% |
| 57 | 11% | 12% | 10% | 10% |
| 58 | 11% | 12% | 16% | 14% |
| 59 | 14% | 16% | 16% | 27% |
| 60 | 16% | 16% | 11% | 13% |
| 61 | 15% | 15% | 10% | 14% |
| 62 | 30% | 26% | 29% | 22% |
| 63 | 24% | 22% | 21% | 18% |
| 64 | 22% | 20% | 25% | 20% |
| 65 | 37% | 43% | 46% | 40% |
| 66 | 43% | 41% | 38% | 36% |
| 67 | 35% | 34% | 37% | 35% |
| 68 | 31% | 33% | 39% | 28% |
| 69 | 25% | 33% | 26% | 34% |
| 70 | 37% | 40% | 33% | 34% |
| 71 | 41% | 30% | 34% | 33% |
| 72 | 32% | 34% | 41% | 31% |
| 73 | 44% | 36% | 32% | 34% |
| 74 | 30% | 30% | 29% | 34% |
| 75 | 100% | 100% | 100% | 100% |
| Ref. | 2013 | 2014 | 2015 | 2016 |

# TABLE III

## 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% |
| Ref. | 826 | 825 | 826 | 825 |

## DURATION OF T-DROP FOR MEMBERS

Present T-DROP members are assumed to remain in T-DROP according to the following table:

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

Future retirees are assumed to enter T-DROP at the time that is to their greatest financial advantage, based on the schedule above.

# TABLE IV

## TEACHERS
## SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE AGE AND SERVICE RETIREMENT & INDIVIDUAL PAY INCREASES

| Sample Ages | Service | Percent of Active Members Separating Within Next Year | | | | | |
|---|---|---|---|---|---|---|---|
| | | Death | | Disability | | Other | |
| | | Men | Women | Men | Women | Men | Women |
| | 0 | | | | | 25.30% | 18.00% |
| | 1 | | | | | 13.80% | 11.30% |
| | 2 | | | | | 10.60% | 9.10% |
| | 3 | | | | | 8.40% | 8.40% |
| | 4 | | | | | 5.00% | 6.60% |
| 25 | 5 & Up | 0.01% | 0.01% | 0.05% | 0.05% | 3.50% | 4.00% |
| 30 | | 0.02% | 0.01% | 0.05% | 0.04% | 3.60% | 4.30% |
| 35 | | 0.03% | 0.02% | 0.04% | 0.05% | 2.80% | 2.90% |
| 40 | | 0.04% | 0.02% | 0.08% | 0.09% | 2.30% | 2.10% |
| 45 | | 0.05% | 0.03% | 0.18% | 0.16% | 1.90% | 1.80% |
| 50 | | 0.07% | 0.05% | 0.40% | 0.39% | 2.90% | 2.20% |
| 55 | | 0.11% | 0.10% | 0.73% | 0.69% | 3.60% | 2.60% |
| 60 | | 0.22% | 0.20% | 0.96% | 0.86% | 3.10% | 2.30% |
| 65 | | 0.43% | 0.38% | 1.00% | 0.90% | 2.50% | 1.80% |
| Ref. | | 472 x 0.48 | 473 x 0.44 | 737 x 1 | 738 x 1 | 718<br>1192 | 719<br>1193 |

| Age | Pay Increase Assumptions for an Individual Member | | |
|---|---|---|---|
| | Merit & Seniority | Base (Economic) | Increase Next Year |
| 20 | 5.10% | 3.25% | 8.35% |
| 25 | 4.10% | 3.25% | 7.35% |
| 30 | 3.10% | 3.25% | 6.35% |
| 35 | 2.10% | 3.25% | 5.35% |
| 40 | 1.40% | 3.25% | 4.65% |
| 45 | 0.90% | 3.25% | 4.15% |
| 50 | 0.46% | 3.25% | 3.71% |
| 55 | 0.12% | 3.25% | 3.37% |
| 60 | 0.00% | 3.25% | 3.25% |
| 65 | 0.00% | 3.25% | 3.25% |
| Ref. | 388 | | |

# TABLE V

## SUPPORT EMPLOYEES
## SEPARATIONS FROM ACTIVE EMPLOYMENT BEFORE AGE AND SERVICE RETIREMENT & INDIVIDUAL PAY INCREASES

| Sample Ages | Service | Percent of Active Members Separating Within Next Year | | | | | |
|---|---|---|---|---|---|---|---|
| | | Death | | Disability | | Other | |
| | | Men | Women | Men | Women | Men | Women |
| | 0 | | | | | 47.50% | 46.80% |
| | 1 | | | | | 27.30% | 24.90% |
| | 2 | | | | | 18.90% | 17.00% |
| | 3 | | | | | 15.30% | 13.20% |
| | 4 | | | | | 10.80% | 10.40% |
| 25 | 5 & Up | 0.01% | 0.01% | 0.05% | 0.04% | 11.10% | 9.50% |
| 30 | | 0.02% | 0.01% | 0.10% | 0.05% | 9.00% | 7.20% |
| 35 | | 0.03% | 0.02% | 0.10% | 0.05% | 6.90% | 5.40% |
| 40 | | 0.04% | 0.02% | 0.12% | 0.07% | 5.40% | 4.90% |
| 45 | | 0.05% | 0.03% | 0.20% | 0.16% | 4.30% | 4.40% |
| 50 | | 0.07% | 0.05% | 0.55% | 0.34% | 3.90% | 3.60% |
| 55 | | 0.11% | 0.10% | 0.88% | 0.59% | 3.50% | 3.00% |
| 60 | | 0.22% | 0.20% | 0.98% | 0.76% | 2.80% | 2.50% |
| 65 | | 0.43% | 0.38% | 1.00% | 0.80% | 2.30% | 2.00% |
| Ref | | 472 x 0.48 | 473 x 0.44 | 739 x 1 | 740 x 1 | 720<br>1194 | 721<br>1195 |

| Age | Pay Increase Assumptions for an Individual Member | | |
|---|---|---|---|
| | Merit & Seniority | Base (Economic) | Increase Next Year |
| 20 | 5.85% | 3.25% | 9.10% |
| 25 | 4.97% | 3.25% | 8.22% |
| 30 | 3.93% | 3.25% | 7.18% |
| 35 | 3.33% | 3.25% | 6.58% |
| 40 | 2.65% | 3.25% | 5.90% |
| 45 | 1.29% | 3.25% | 4.54% |
| 50 | 0.35% | 3.25% | 3.60% |
| 55 | 0.00% | 3.25% | 3.25% |
| 60 | 0.00% | 3.25% | 3.25% |
| 65 | 0.00% | 3.25% | 3.25% |
| Ref. | 389 | | |

# ACTUARIAL GAINS (LOSSES) BY RISK AREA

DURING THE PERIOD JULY 1, 2010 TO JUNE 30, 2011

| Beginning of Year Accrued Liabilities | $14,697.3 | 100.0% |
| --- | --- | --- |
| | Gain(Loss) in Period | |
| **Type of Risk Area** | **$ Millions** | **Percent of Liabilities** |
| **ECONOMIC RISK AREAS** | | |
| **Pay increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. | $136.4 | 0.93% |
| **Gross Investment Return.** If there is greater investment return recognition than assumed, there is a gain. If less return recognition, a loss. | (357.5) | (2.43)% |
| **NON-ECONOMIC RISK AREAS** | | |
| **Retirements.** If members retire at older ages, there is a gain. If younger ages, a loss. | 38.6 | 0.26% |
| **Disability Retirements.** If there are fewer disabilities than assumed, there is a gain. If more, a loss. | 1.8 | 0.01% |
| **Death-in-Service Benefits.** If there are fewer than assumed, there is a gain. If more, a loss. | (0.3) | 0.00% |
| **Withdrawal.** If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss. | 12.7 | 0.09% |
| **Death After Retirement.** If there are more deaths than assumed, there is a gain. If lower mortality, a loss. | (14.0) | (0.10)% |
| **ACTUARIAL GAIN (LOSS) DURING PERIOD** | $(182.3) | (1.24)% |

# 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, 2011, actuarial valuations, ***ATRS is satisfying the financial objective of level-contribution-percent financing.***

The amortization period this year is 66 years, an increase from last year's 52-year period. The increase occurred primarily due to recognition of prior investment losses since the annual market rate of return was 22.61%# compared to an assumed rate of 8.0%. Investment gains and losses that occur each year are smoothed in over a 4-year period. Although there were carryover gains from prior years and a new gain this year that were recognized, the losses in prior years more than offset those gains. As of June 30, 2011, the market value of assets exceeds the actuarial value of assets by $0.7 billion. Unless there is a substantial investment gain in FY 2012, the amortization period is likely to increase significantly next year.

The ATRS Board has enacted substantial legislation in 2011 to reduce costs. A few of the legislative changes produced immediate results and impacted the amortization period in the June 30, 2011, valuation, specifically:

- Act 69 – All service purchases will be at full actuarial cost.
- Act 977 – Members with 15 or more years of contributory service will receive the full $10,000 lump sum death benefit.

The effects of the following changes will emerge gradually over the next several years.

- Acts 41 and 45 – Definitions and technical corrections
- Act 66 – National Guard service
- Act 136 – Interest on contributions stop after death
- Act 137 – Codifying of disability and survivor benefit practices
- Act 138 – Limit look back period to 5 years
- Act 162 – TDROP reduction includes reciprocal service
- Act 163 – Contract buyout
- Act 224 – Rescission of retirement
- Act 225 – Anti-spiking
- Act 513 – Eliminate stacking of community college wages
- Act 557 – Selection of option beneficiaries
- Act 565 – Define "terminate"
- Act 973 – Strengthen disability requirements
- Act 974 – Increase to 160 days
- Act 976 – Refund cancels non-contributory service

The Arkansas Teacher Retirement System remains stable with a 71.8% funded position as of June 30, 2011. However without sustained investment gains over the next few years or an increase in contributions, it is likely that the amortization period will increase next year.

#This return figure was calculated by the actuary and may not exactly match your investment consultant's figure.

Arkansas Teacher Retirement System

# Statistical

2011 Comprehensive Annual Financial Report

# SCHEDULE OF REVENUE BY SOURCE

| Year Ending June 30, | Employer Contributions: Employer Contributions | Employer Contributions: % of Annual Covered Payroll | Member Contributions | Investment and Miscellaneous Income | Total |
|---|---|---|---|---|---|
| 2002 | $191,352,910 | 11.8% | $ 71,893,349 | $ (461,538,652) | $ (198,292,393) |
| 2003 | 200,455,916 | 11.9% | 76,734,478 | 72,259,296 | 349,449,690 |
| 2004 | 224,184,274 | 12.8% | 77,772,019 | 1,195,341,063 | 1,497,297,356 |
| 2005 | 286,442,709 | 14.5% | 86,102,842 | 779,443,553 | 1,151,989,104 |
| 2006 | 311,713,735 | 15.0% | 92,005,600 | 1,173,286,760 | 1,577,006,095 |
| 2007 | 331,891,210 | 14.1% | 100,093,372 | 1,892,393,365 | 2,324,377,947 |
| 2008 | 350,319,504 | 15.4% | 108,872,293 | (477,579,443) | (18,387,646) |
| 2009 | 359,061,671 | 15.5% | 111,654,256 | (1,996,871,185) | (1,526,155,258) |
| 2010 | 389,296,432 | 16.4% | 115,931,733 | 1,291,307,143 | 1,796,535,308 |
| 2011 | 400,330,902 | 14.7% | 139,460,601 | 2,219,833,337 | 2,759,624,840 |

# SCHEDULE OF EXPENSE BY TYPE

| Year Ending June 30, | Benefit Payments | Refunds | Administrative and Other Expenses | Total |
|---|---|---|---|---|
| 2002 | $354,949,683 | $2,744,684 | $7,354,162 | $365,048,529 |
| 2003 | 383,071,936 | 3,585,188 | 7,973,933 | 394,631,057 |
| 2004 | 413,433,516 | 4,017,884 | 8,197,465 | 425,648,865 |
| 2005 | 451,978,547 | 4,413,077 | 6,454,762 | 462,846,386 |
| 2006 | 507,641,961 | 6,207,622 | 5,991,755 | 519,841,338 |
| 2007 | 545,220,337 | 5,179,850 | 5,854,557 | 556,254,744 |
| 2008 | 587,319,942 | 6,462,122 | 6,676,667 | 600,458,731 |
| 2009 | 635,878,958 | 6,409,016 | 6,913,865 | 649,201,839 |
| 2010 | 701,562,784 | 7,156,354 | 7,229,398 | 715,948,536 |
| 2011 | 731,866,100 | 8,906,441 | 7,548,959 | 748,321,500 |

# SCHEDULE OF BENEFIT EXPENSES BY TYPE

| | For the Year Ending June 30, | | | | |
|---|---|---|---|---|---|
| Type of Benefit | 2011 | 2010 | 2009 | 2008 | 2007 |
| Age and Service | $584,859,307 | $543,347,733 | $494,967,987 | $459,079,932 | $426,379,481 |
| Disablility | 30,034,768 | 28,795,197 | 27,437,418 | 26,073,257 | 24,531,282 |
| Option | 16,873,271 | 15,896,678 | 14,812,631 | 13,613,226 | 12,388,887 |
| Survivor | 7,793,789 | 7,433,950 | 6,856,877 | 6,684,337 | 6,545,304 |
| Reciprocity | 27,854,621 | 25,041,796 | 22,046,165 | 19,588,246 | 16,732,846 |
| Active Members Death Benefits | 410,871 | 499,993 | 303,905 | 381,089 | 950,829 |
| T-DROP | 59,949,242 | 76,416,162 | 65,284,163 | 57,617,146 | 53,462,931 |
| Act 808 | 4,090,231 | 4,131,275 | 4,169,812 | 4,282,709 | 4,228,777 |
| Total | $731,866,100 | $701,562,784 | $635,878,958 | $587,319,942 | $545,220,337 |

# SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

| Monthly Benefit | No. of Retirants | Type of Retirement* | | | | | Option Selected # | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | Life | Opt. A | Opt. B | Opt. C |
| $1-250 | 3,713 | 3,222 | 92 | 122 | 260 | 17 | 3,045 | 509 | 35 | 124 |
| 251-500 | 3,761 | 3,099 | 71 | 151 | 396 | 44 | 3,090 | 494 | 73 | 104 |
| 501-750 | 2,394 | 1,967 | 53 | 58 | 270 | 46 | 1,923 | 315 | 78 | 78 |
| 751-1,000 | 1,741 | 1,382 | 73 | 26 | 219 | 41 | 1,336 | 244 | 98 | 63 |
| 1,001-1,250 | 1,585 | 1,238 | 62 | 37 | 215 | 33 | 1,221 | 225 | 95 | 44 |
| 1,251-1,500 | 1,539 | 1,229 | 52 | 29 | 202 | 27 | 1,184 | 218 | 102 | 35 |
| 1,501-1,750 | 1,660 | 1,385 | 45 | 34 | 172 | 24 | 1,265 | 233 | 120 | 42 |
| 1,751-2,000 | 1,801 | 1,550 | 38 | 31 | 160 | 22 | 1,287 | 297 | 157 | 60 |
| Over $2,000 | 13,597 | 12,856 | 243 | 113 | 348 | 37 | 10,162 | 1,809 | 1,325 | 301 |
| **Total** | **31,791** | **27,928** | **729** | **601** | **2,242** | **291** | **24,513** | **4,344** | **2,083** | **851** |

** 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*
*Opt. A - 100% survivor annuity*
*Opt. B - 50% survivor annuity*
*Opt. C - annuity for 10 years certain and life thereafter*

Excludes Act 793 and Act 808 retirees.

# SCHEDULE OF AVERAGE BENEFIT PAYMENTS

| Retirement Effective Date July 1, 2001 to June 30, 2011 | | Service at Retirement | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 0-4# | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ |
| 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 | $44,736 | $43,192 |
| | Number of Active Retirees | 31 | 447 | 251 | 215 | 157 | 665 | 251 |
| 07/01/07 - 06/30/08 | Average Monthly Benefit | $ 299 | $ 290 | $ 526 | $ 954 | $ 1,440 | $ 2,303 | $ 2,778 |
| | Average Final Salary | $25,406 | $20,153 | $25,808 | $36,169 | $41,295 | $45,077 | $42,414 |
| | Number of Active Retirees | 12 | 402 | 187 | 187 | 180 | 518 | 217 |
| 07/01/08 - 06/30/09 | Average Monthly Benefit | $ 162 | $ 248 | $ 532 | $ 902 | $ 1,378 | $ 2,399 | $ 2,949 |
| | Average Final Salary | $24,871 | $22,873 | $26,844 | $33,190 | $40,876 | $47,821 | $46,900 |
| | Number of Active Retirees | 47 | 360 | 265 | 235 | 235 | 654 | 245 |
| 07/01/09 - 06/30/10 | Average Monthly Benefit | $ 169 | $ 234 | $ 545 | $ 939 | $ 1,519 | $ 2,473 | $ 3,115 |
| | Average Final Salary | $31,970 | $21,380 | $29,941 | $34,607 | $44,270 | $47,853 | $49,724 |
| | Number of Active Retirees | 54 | 415 | 335 | 252 | 249 | 827 | 192 |
| 07/01/10 - 6/30/2011* | Average Monthly Benefit | $ 157 | $ 274 | $ 568 | $ 1,019 | $ 1,584 | $ 2,543 | $ 3,031 |
| | Average Final Salary | $29,025 | $25,410 | $28,010 | $37,744 | $45,054 | $49,358 | $50,203 |
| | Number of Active Retirees | 47 | 471 | 295 | 246 | 248 | 764 | 135 |

*# May include cases where the service was not reported. * May not match page 64. Page 64 also includes new retirees with retirement dates prior to July 1, 2010.*

The figures in this chart are figures that are relevant to one specific year of retirement. They have not been updated for certain changes in COLAs that occurred after retirement.

# Schedule of Participating Employers

Arkansas Teacher Retirement System

As of June 30, 2011

Academics Plus Charter Sch
Alma School Dist
Alpena School Dist
Ar Association Edu Admin
Ar Dept Of Economic Dev
Ar Dept Of Education
Ar Dept Of Higher Ed
Ar Dept of Workforce Educ
Ar Educational TV
Ar Northeastern College
Ar Rehabilitation Services
Ar River Ed Srvs Coop
Ar Sch Brds Ins Trust
Ar School For The Blind
Ar School For The Deaf
Ar State Univ
Ar State Univ, Mtn Home
Ar State Univ, Beebe
Ar State Univ, Newport
Ar Teacher Ret Sys
Ar Tech University
Arch Ford Coop
Area Career And Tech Ctr
Ark Correctional Sch
Ark Easter Seals
Ark Virtual Acad
Arkadelphia Sch Dist
Arkansas Activities
Armorel School District
Ashdown School Dist
Atkins School Dist
Augusta School Dist
Bald Knob Sch Dist
Barton-Lexa Sch Dist
Batesville Sch Dist
Bauxite School Dist
Bay School Dist
Bearden School Dist
Beebe School Dist
Benton Co Sch Of Arts
Benton School Dist
Bentonville Sch Dist
Bergman School Dist
Berryville Sch Dist
Bismarck School Dist
Black River Technical Col
Blevins School Dist
Blytheville Sch Dist
Booneville Sch Dist
Boston Mts Ed Coop
Bradford School Dist
Bradley School Dist
Brinkley School Dist
Brookland Sch Dist
Bryant School Dist
Buffalo Island Central
Cabot School Dist
Caddo Hills Sch Dist
Calico Rock Sch Dist
Camden-Fairview Sch Dist
Carlisle Sch Dist
Cave City Sch Dist
Cedar Ridge Sch Dist
Cedarville Sch Dist
Centerpoint Sch Dist
Charleston Sch Dist
Clarendon Sch Dist
Clarksville Sch Dist
Cleveland Co Sch Dist
Clinton School Dist
Concord School Dist
Conway School Dist
Conway Voc Ctr
Corning School Dist
Cossatot RIver School Dist
Cotter School Dist
County Line Sch Dist
Covenant Keepers College Prep
Craighead Co Sd Exe Cncl
Cross Co Sch Dist
Crossett School Dist
Crowleys Ridge Coop
Crowleys Ridge Tech Inst
Cutter Morning Star
Danville School Dist
Dardanelle Sch Dist
Dawson Educ Service Coop
Decatur School Dist
Deer/Mt. Judea School Dist
Dequeen School Dist
Dequeen-Mena Ed Co-Op
Dermott School Dist
Des Arc School Dist
Dewitt School Dist
Dierks School Dist
Dollarway Sch Dist
Dover School Dist
Dreamland Academy
Drew Central Sch Dist
Dumas School Dist
Earle School Dist
East Ar Comm College
East End School Dist
East Poinsett Sch Dist
El Dorado Sch Dist
Elkins School Dist
Emerson - Taylor Sch Dist
England School Dist
E-Stem Elementary P.C.S.
E-Stem High P.C.S.
E-Stem Middle P.C.S.
Eureka Springs Sch
Farmington Sch Dist
Fayetteville Schools
First Student
Flippin School Dist
Fordyce School Dist
Foreman School Dist
Forrest City Sch Dist
Fort Smith Sch Dist
Fouke School Dist
Fountain Lake Sch
Genoa Central Sch Dist
Gentry School Dist
Glen Rose Sch Dist
Gosnell School Dist
Gravette School Dist
Great Rivers Ed Coop
Green Forest Sch
Greenbrier Sch Dist
Greene Co Tech Sch
Greenland Sch Dist
Greenwood Sch Dist
Gurdon School Dist
Guy-Perkins Sch Dist
Haas Hall Academy
Hackett School Dist
Hamburg School Dist
Hampton School Dist
Harmony Grove Sch-Benton
Harmony Grove Sch-Camden
Harrisburg Schools
Harrison School Dist
Hartford School Dist
Hazen School Dist
Heber Springs Sch
Hector School Dist
Helena-West Helena
Henderson State Univ
Hermitage Sch Dist
Highland School Dist
Hillcrest School District
Hope School Dist
Horatio School Dist
Hot Springs Sch Dist
Hoxie School Dist
Hughes School Dist
Huntsville Sch Dist
Imboden Area Charter Sch
Izard Co Cons School
Jackson County Sch Dist
Jacksonville Lighthouse Charter
Jasper School Dist
Jessieville Sch Dist
Jonesboro Sch Dist
Jonesboro Voc Ctr
Junction City Sch
Kipp Delta College Prep
Kirby School Dist
Lafayette Co Sch Dist
Lake Hamilton Sch
Lakeside Sch-Hot Springs

# Schedule of Participating Employers

As of June 30, 2011

Lakeside Sch-Lake Village
Lamar School Dist
Lavaca School Dist
Lawrence Co School Dist
Lead Hill Sch Dist
Lee County Schools
Lincoln School Dist
Lisa Academy
Lisa Academy-North Little Rock
Little Rock Prep Academy
Little Rock Sch Dist
Little Rock Urban Coll Charter
Lonoke School Dist
Magazine School Dist
Magnet Cove Sch Dist
Magnolia School Dist
Malvern School Dist
Mammoth Spring Sch
Manila School Dist
Mansfield Sch Dist
Marion School Dist
Marked Tree Sch Dist
Marmaduke Sch Dist
Marvell School Dist
Mayflower Sch Dist
Maynard School Dist
Mccrory School Dist
Mcgehee School Dist
Melbourne Sch Dist
Mena School Dist
Metropolitan Voc Ctr
Midland School Dist #19
Mid-So Comm Tech Col
Mineral Springs
Monticello Sch Dist
Monticello Voc Ctr
Mount Ida Sch Dist
Mountain Home Sch
Mountain Pine Sch
Mountain View Sch
Mountainburg Sch Dist
Mt Vernon-Enola Sch Dist
Mulberry School Dist
Nashville Sch Dist
Natl Park Com Coll
Nemo Vista Sch Dist
Nettleton Sch Dist
Nevada School Dist #1
Newport School Dist
Norfork School Dist
Norphlet School Dist
North Arkansas College
North Central Career Ctr
North Central Educ Coop
North Little Rock Sch Dist
Northeast Ar Educ Coop
Northwest Ar Comm Coll
Northwest Ar Ed Svc Coop
Northwest Tech Inst
Omaha School Dist
Osceola Communication, Arts
Osceola School Dist
Ouachita River Sch  Dist
Ouachita School Dist
Ouachita Technical  Col
Ozark Mountain Sch Dist
Ozark School Dist
Ozark Unlimited Res Coop
Ozarka College
Palestine-Wheatley Sd
Pangburn School Dist
Paragould Sch-Dist
Paris School Dist
Parkers Chapel Sch
Pea Ridge Sch Dist
Perryville Sch Dist
Phillips Com Col-Dewitt
Phillips Comm Col-Ua
Piggott School Dist
Pine Bluff Sch Dist
Pocahontas Sch Dist
Pottsville Sch Dist
Poyen School Dist
Prairie Grove Sch
Prescott School Dist
Pulaski Co Sch Dist
Pulaski Technical Col
Quitman School Dist
Rector School Dist #1
Rich Mtn Comm College
River Valley Tech (Voc) Ctr
Riverside School Dist
Riverside Vo-Tech School
Riverview School Dist
Rogers School Dist
Rose Bud School Dist
Russellville Sch Dist
Salem School Dist
Scranton School Dist
Searcy County Sch Dist
Searcy School Dist
Sheridan School Dist
Shirley School Dist
Siloam Springs Sch
Sloan-Hendrix Sch Dist
Smackover Sch Dist
So Ar Developmental Ctr
South Ar Comm Coll
South Ar Univ-East Camden
South Ar Univ-Magnolia
South Central Svc Coop
South Conway Co Sch Dist
South Mississippi Co
South Pike County School Dist
Southeast Ark Ed Coop
Southeast Ark Tech Col
Southside Sch Dist
Southside School Dist
Southwest Ark Ed Coop
Spring Hill Sch Dist
Springdale Sch Dist
Star City Sch Dist
Stephens School Dist
Strong School Dist
Stuttgart Sch Dist
Texarkana Sch Dist
Texarkana Voc Ctr
Trumann School Dist
Two Rivers Sch Dist
U Of Ar-Little Rock
U Of Ar-Fort Smith
U Of Ar-Com Col, Batesville
U Of Ar-Com Col, Morrilton
U Of Ar-Comm Col, Hope
U Of Ar-Cooperative Extension
U Of Ar-Cossatot Com Col
U Of Ar-Medical Sciences
U Of Ar-Sch Math, Science
U Of Ar-Monticello
U Of Ar-Pine Bluff
U Of Ar-Fayetteville
Univ Of Central Ar
Valley Springs Sch
Valley View Sch Dist
Van Buren Sch Dist
Vilonia School Dist
Viola School Dist
Waldron School Dist
Warren School Dist
Warren Voc Ctr
Watson Chapel Schools
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 Hall Sch Dist
Wilbur D Mills Ed Svs
Wonderview Sch Dist
Woodlawn School Dist
Wynne School Dist
Yellville-Summit Sch

ARTRS
Arkansas Teacher Retirement System