GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL ACTUARIAL VALUATION OF ACTIVE AND INACTIVE MEMBERS

JUNE 30, 2009

REPORT OF THE JUNE 30, 2009 ACTUARIAL VALUATION
OUTLINE OF CONTENTS

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

December 11, 2009

Board of Trustees
Arkansas Teacher Retirement System
Little Rock, Arkansas

The results of the annual actuarial valuation of non-retired members as of June 30, 2009 are presented in this report. This valuation is based upon the Arkansas Teacher Retirement System laws, as described in Section C of this report.

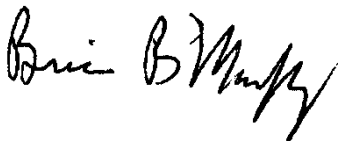
The census and financial operations data necessary for the actuarial valuation were furnished by the Retirement System. Preparation of this data requires considerable staff time. The helpful cooperation of the Arkansas Teacher Retirement System staff in furnishing the data is acknowledged with appreciation.

Liabilities covering Retirees and Beneficiaries. The June 30th annual valuation of retired lives receiving monthly benefits indicates the liabilities for future benefit payments to existing retirees. These liabilities are covered in a separate report.

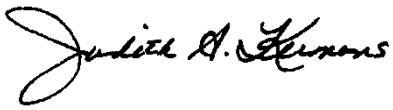
The actuarial assumptions used in the actuarial valuation are summarized in Section G of this report. These assumptions reflect experience during the period July 1, 1997 to June 30, 2002.

The valuation was completed using generally accepted actuarial principles and in accordance with standards of practice prescribed by the Actuarial Standards Board. To the best of our knowledge, this report is complete and accurate and the methods and assumptions produced results which are reasonable. The actuaries submitting this report are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Brian B. Murphy, FSA, EA, MAAA



Judith A. Kermans, EA, MAAA

BBM/JAK:lr

SECTION A

EXECUTIVE SUMMARY

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, 2009 actuarial valuations, ***ATRS is satisfying the financial objective of level-contribution-percent financing.***

This report contains the results of the June 30, 2009 valuation. The table below shows a summary of the data used in the valuation. This data was the basis for determining valuation results and recommended employer contribution rates.

	Number	Average	Type of Average
Active not in TDROP	70,655	$32,804	Pay
Active in TDROP	4,631	59,165	Pay
Deferred Vested	11,766	4,509	Annual Projected Benefit
Retired	28,818	19,591	Annual Current Benefit
Total Members	**115,870**		

Also included in the 2009 valuation were 3,500 reemployed retirees with total earnings of $87.5 million. ATRS receives 14% employer contributions on these individuals per State Code Section 24-7-708.

The June 30, 2009 valuation results are used to determine the contribution rate for the plan year ending June 30, 2011.

Employer Contribution Rates for Fiscal Years Ending June 30, 2011 and 2010 (Prior Year)

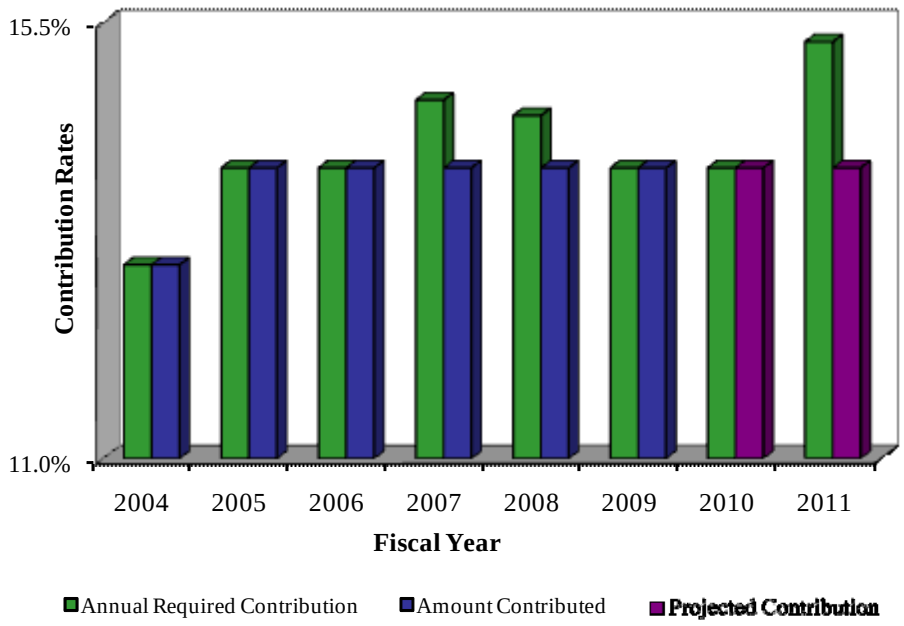
Computed Contributions for	Percents of Active Member Full Payroll			
	Teachers	Support	Combined	Prior Year
Normal Cost	13.49%	11.53%	**12.90%**	12.87%
Average Member Contributions	4.99%	3.74%	**4.62%**	4.54%
Net Employer Normal Cost	8.50%	7.79%	**8.28%**	8.33%
Unfunded Actuarial Accrued Liabilities			**5.72%**	5.67%
Employer Contribution Rate			**14.00%**	14.00%
Amortization Years			**45.4**	21.0
Funded Ratio			**75.7%**	84.9%
Illustrative $			$ 360,962,079	$349,730,093

The amortization period this year is 45 years, an increase from last year's 21-year period. The increase occurred primarily because investment experience for the year ending June 30, 2009 was very unfavorable. The annual market rate of return was (18.29)% compared to an assumed rate of 8.0%. The loss was substantial enough for the 20% corridor to affect the results. Investment gains and losses that occur each year are smoothed in over a 4-year period. Although there were carryover gains from prior years that were recognized this year, the unfavorable experience this year more than offset those gains. As of June 30, 2009, the actuarial value of assets exceeds the market value of assets by $1.8 billion. Given the loss this year and prior years' loss, it is very likely that the amortization period will increase significantly in the next valuation.

There were no changes in benefit provisions since the previous actuarial valuation.

The Arkansas Teacher Retirement System remains stable with a 75.7% funded position as of June 30, 2009. However without sustained investment gains over the next few years, it is not likely that the 14% employee rate can return ATRS to a 30 year amortization period.

The following graph shows a history of the amounts contributed vs. the annual required contributions (ARC) and a projection of the amounts that are expected to be contributed in FY10 and FY11.



Since the amortization period exceeded 30 years in the 2005, 2006 and 2009 valuations, the amount contributed is less than the ARC in FY 2007, FY 2008 and FY 2011. In FY 2009 (June 30, 2007 valuation) and FY 2010 (June 30, 2008 valuation), the amount contributed equals the ARC.

Recommendations: The last comprehensive study of plan experience in the ATRS was completed after the June 30, 2001 valuation. We recommend that a similar study be undertaken for the 5 year period ending June 30, 2009. Based on discussions with ATRS staff, who wishes to have the most up to date information for the 2011 legislative session, the study should be performed in the near future so that it can be incorporated into the June 30, 2010 valuation.

SECTION B

VALUATION RESULTS

EMPLOYER CONTRIBUTION RATE COMPUTED AS OF JUNE 30, 2009 FOR THE FISCAL YEAR ENDING JULY 1, 2011

Computed Contributions for	Percents of Active Member Payroll			
	Teachers	Support	Combined	Prior Year
Normal Cost				
Age & Service Annuities	10.90%	8.45%	**10.17%**	10.13%
Deferred Annuities	1.30%	1.60%	**1.39%**	1.38%
Survivor Benefits	0.28%	0.22%	**0.26%**	0.29%
Disability Benefits	0.63%	0.53%	**0.60%**	0.59%
Refunds of Member Contributions	0.38%	0.73%	**0.48%**	0.48%
Total	13.49%	11.53%	**12.90%**	12.87%
Average Member Contributions	4.99%	3.74%	**4.62%**	4.54%
Net Employer Normal Cost	8.50%	7.79%	**8.28%**	8.33%
Unfunded Actuarial Accrued Liabilities			**5.72%**	5.67%
Employer Contribution Rate			**14.00%**	14.00%
Amortization Years			**45.4**	21.0

The amortization period is the number of years it will take to pay off the unfunded liability of $3.4 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. Given the investment loss that occurred during fiscal years 2008 and 2009, it is very likely that the amortization period will increase significantly in the next valuation.

COMPUTED EMPLOYER CONTRIBUTION RATES
10-YEAR COMPARATIVE STATEMENT

Valuation Date June 30	Active Members in Valuation		Average Annual Pay		Consumer Price (Inflation) Index		Employer Contributions	
	Number	Annual Payroll	Amount	% Change	Value	% Change	Computed Financing Period	Total Employer Rate
2000#!	60,147	$1,485	$24,696	2.8 %	172.4	3.7 %	30	12.0 %
2001	61,389	1,557	25,365	2.7 %	178.0	3.2 %	125	12.0 %
2002&*	62,011	1,628	26,254	3.5 %	179.9	1.1 %	38	12.0 %
2003#	62,432	1,683	26,963	2.7 %	183.7	2.1 %	36	13.0 %
2004#	63,185	1,748	27,660	2.6 %	189.7	3.3 %	31	14.0 %
2005	65,793	1,962	29,826	7.8 %	194.5	2.5 %	38	14.0 %
2006	67,710	2,080	30,714	3.0 %	202.9	4.3 %	36	14.0 %
2007#	69,226	2,191	31,645	3.0 %	208.4	2.7 %	19	14.0 %
2008#	70,172	2,268	32,319	2.1 %	218.8	5.0 %	21	14.0 %
2009	70,655	2,318	32,804	1.5 %	215.7	(1.4)%	45	14.0 %

* *Revised financial assumptions.*

\# *Legislated benefit or contribution rate changes.*

& *Revised decrement assumptions.*

! *Including benefit increases proposed for 2001 and assuming 8% investment return for fiscal year ended 6/30/2001.*

COMPUTED ACTUARIAL LIABILITIES
AS OF JUNE 30, 2009

Actuarial Present Value of	(1) Total Present Value	Entry Age Actuarial Cost Method	
		(2) Portion Covered by Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1)-(2)
Age and service retirement allowances based on total service likely to be rendered by present active members.	$ 7,400,645,283	$2,311,967,139	$ 5,088,678,144
Age and service retirement allowances based on total service likely to be rendered by present T-DROP members.	2,303,145,925	47,929,323	2,255,216,602
Vested Deferred Benefits likely to be paid present active and inactive members.	857,416,900	321,432,231	535,984,669
Survivor benefits expected to be paid on behalf of present active members.	144,138,605	59,498,695	84,639,910
Disability Benefits expected to be paid on behalf of present active members.	232,339,198	132,699,065	99,640,133
Refunds of Member contributions expected to be paid on behalf of present active members.	17,137,389	103,762,710	(86,625,321)
Benefits payable to present retirees and beneficiaries.	5,962,746,516	0	5,962,746,516
Lump Sum Death benefits payable to present retirees and beneficiaries.	78,669,299	0	78,669,299
Total	$16,996,239,115	$2,977,289,163	$14,018,949,952
Applicable Assets	10,616,711,074	0	10,616,711,074
Liabilities to be Covered by Future Contributions	$ 6,379,528,041	$2,977,289,163	$ 3,402,238,878

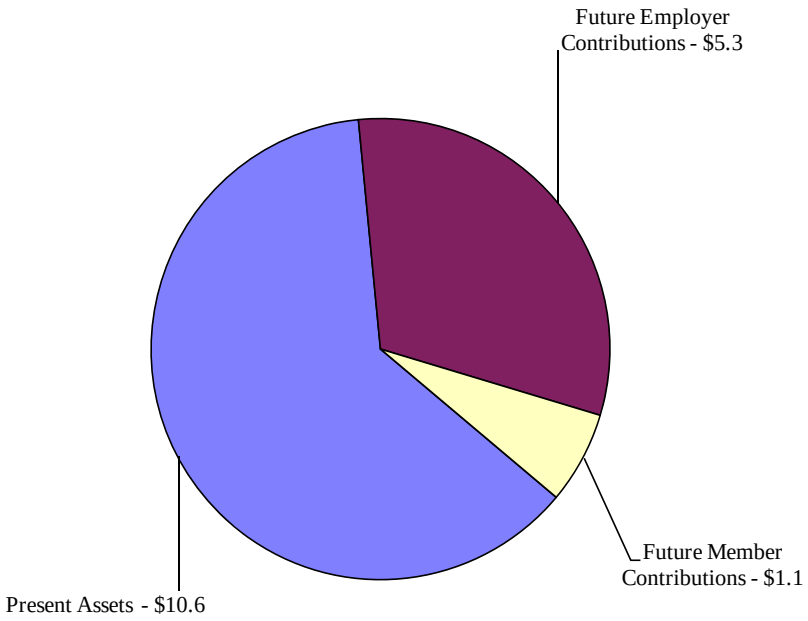
LIABILITIES FOR ANNUITIES BEING PAID JULY 1, 2009
TABULATED BY TYPE OF ANNUITY BEING PAID

Type of Annuity	Liabilities July 1, 2009*		
	Men	Women	Totals
RETIREMENT RESERVE ACCOUNT			
Age & Service Annuities			
Option 1 (Straight Life)	$ 822,317,616	$ 3,176,355,306	$ 3,998,672,922
Option A (100% Joint & Survivor)	434,029,963	298,595,264	732,625,227
Option B (50% Joint & Survivor)	248,680,092	267,793,957	516,474,049
Option C (10 Years Certain & Life)	46,695,401	117,055,207	163,750,608
Beneficiaries	22,385,315	78,667,121	101,052,436
Total Age & Service	1,574,108,387	3,938,466,855	5,512,575,242
Disability Annuities			
Option 1	36,233,416	197,968,812	234,202,228
Option A	19,582,185	24,856,788	44,438,973
Option B	5,553,668	7,447,935	13,001,603
Option C	1,166,836	6,839,649	8,006,485
Beneficiaries	16,055,731	20,437,727	36,493,458
Total Disability	78,591,836	257,550,911	336,142,747
Act 793	11,319,871	5,589,040	16,908,911
Total Retirement Reserve Account			5,865,626,900
SURVIVORS' BENEFIT ACCOUNT			
Beneficiaries of Deceased Members	$ 27,735,977	$ 43,121,184	$ 70,857,161
OTHER LIABILITIES			
Act 808	$ 18,856,077	$ 7,406,378	$ 26,262,455
RETIREMENT SYSTEM TOTALS			
Total Annuity Liabilities			$ 5,962,746,516

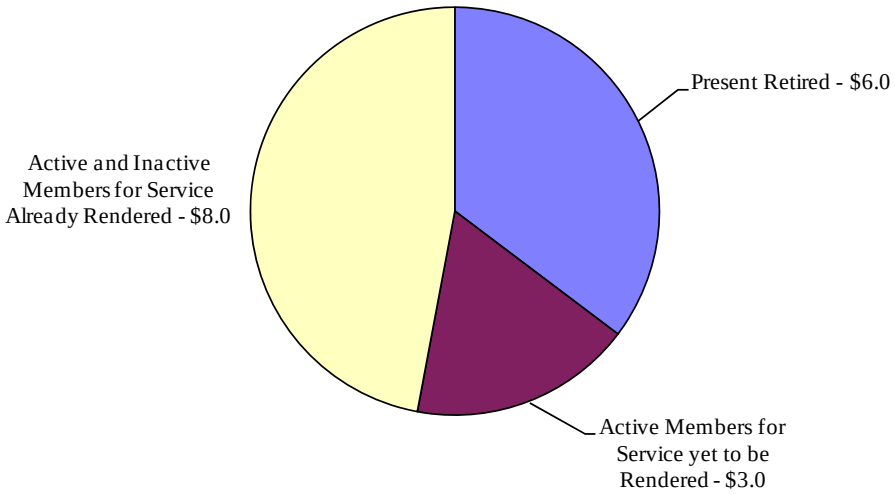
* *Does not include liabilities associated with lump sum death benefit.*

FINANCING $17.0 BILLION* OF BENEFIT PROMISES FOR PRESENT ACTIVE AND RETIRED MEMBERS JUNE 30, 2009

Sources of Funds



Uses of Funds



* *Present value of future benefits. All amounts are in billions.*

SHORT CONDITION TEST

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.

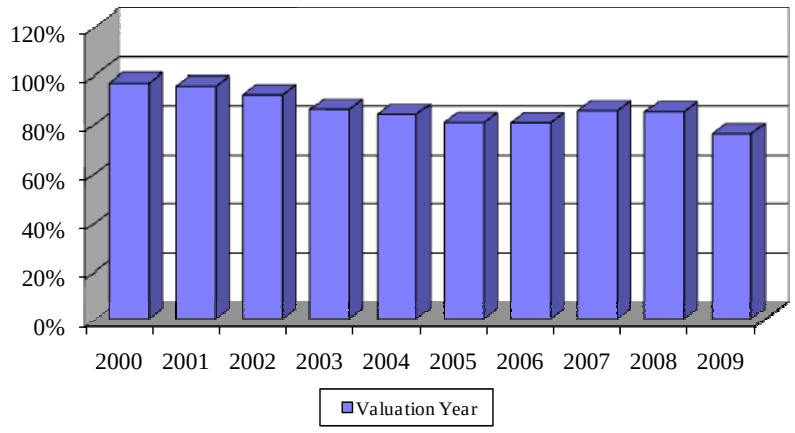
The schedule below illustrates the history of liability 3 of the System and is indicative of the ATRS objective of following the discipline of level percent-of-payroll financing.

Val. Date June 30	(1) Member Contrb.	(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----------							
2000#	$454	$2,888	$4,537	$7,620	100%	100%	94%	97%
2001#	470	3,200	4,891	8,166	100%	100%	92%	95%
2002*	490	3,441	5,131	8,328	100%	100%	86%	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%

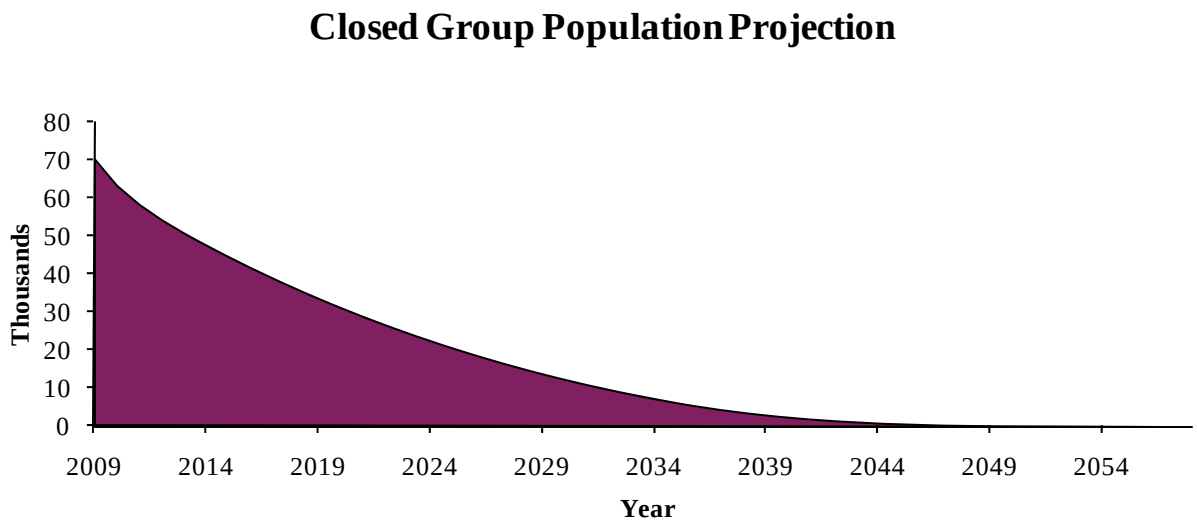
* *Revised actuarial assumptions or methods.*

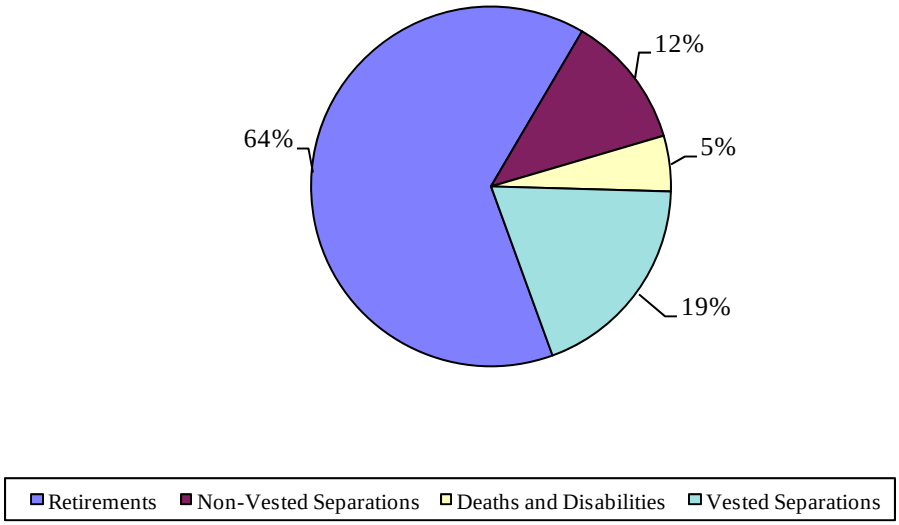
\# *Legislated benefit or contribution rate change.*

Actuarial Value of Assets as Percents of Accrued Liabilities (Funded Ratio)



EXPECTED DEVELOPMENT OF PRESENT POPULATION
JUNE 30, 2009





The charts show the expected future development of the present population in simplified terms. The retirement system presently covers 70,655 active members. Eventually, 12% of the population is expected to terminate covered employment prior to retirement and forfeit eligibility for an employer provided benefit. Approximately 83% of the present population is expected to receive monthly retirement benefits. Approximately 5% of the present population is expected to become eligible for death-in-service or disability benefits. Within 10 years, over half of the covered membership is expected to consist of new hires.

SECTION C

SUMMARY OF BENEFITS

SUMMARY OF PROVISIONS
JUNE 30, 2009

1. **Voluntary Retirement.** A member may retire at age 60 with 5 or more years of credited service, or after 28 years of credited service regardless of age.

2. **Early Retirement.** A member who has more than 25 but less than 28 years of credited service and has not attained age 60 years may retire and receive an immediate early retirement annuity. The early annuity is an age & service annuity reduced by the lesser of (i) and (ii) below:

   (i) 5/12 of 1% multiplied by the number of months by which early retirement precedes completion of 28 years of service or

   (ii) 5/12 of 1% multiplied by the number of months by which early retirement precedes the attainment of age 60 years.

3. **Deferred Retirement.** An inactive member who has 5 or more years of credited service will be entitled to an age & service annuity beginning at age 60, provided accumulated contributions are left on deposit with the retirement system.

4. **Disability Retirement.** An active member, with 5 or more years of credited service, who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age & service annuity.

5. **Final Average Salary (FAS).** A member's final average salary is the average of the annual salaries paid during the period of 3 years of credited service producing the highest annual average. Beginning 7/1/05, no salary paid in any year which is utilized in the computation of the members' final average salary, shall exceed 110% of the salary earned in the preceding year.

6. **Age & Service Annuity and Disability Annuity.** The annuity payable will not be less than the total of: years of contributory service times 2.15% of FAS; plus years of non-contributory service times 1.39% of FAS; plus $900 for all members with 5 or more years of ATRS credited service. For a member who elected to contribute on only the first $7,800 of each annual salary after June 30, 1969, each annual salary used in computing FAS is limited to a maximum of $7,800.

7. **Minimum Straight Life Annuity.** If a contributory member has 5 or more years of credited service, the straight life annuity will not be less than $100 per month. The minimum benefit for a non-contributory member is $64 per month. If a contributory member has 10 or more years of credited service, the straight life annuity will not be less than $150 per month. The minimum benefit for a non-contributory member is $94 per month.

8. **T-DROP.** A member with 28 or more years of service may participate in the Teacher Deferred Retirement Option Plan (T-DROP, Act 1096 of 1995). An amount equal to the amount that would have been paid had the member retired, reduced by 1% for each year of contributory and 6/10% for each year of non-contributory service, is deposited into a T-DROP account. Members who enter T-DROP with less than 30 years of service are subject to an additional 6% reduction for each year less than 30 years. The annual addition to the T-DROP account is increased each year by 3% of the member's annuity at the initial participation date and the account is credited with 2% less than the system's rate of return (but not less than 2%, nor greater than 6% interest on the mean balance) each year. Deposits and interest to T-DROP cease at the earlier of 10 years of T-DROP participation or separation from service. T-DROP participants may continue in covered employment after 10 years of participation, but do not accumulate additional service credit or make member contributions. Upon actual retirement, the member may receive the T-DROP account balance in the form of a lump sum or as an additional annuity.

9. **Post-Retirement Increases.** Each July 1, annuities are adjusted to be equal to the base annuity times 100% plus 3% for each full year in the period from the effective date of the base annuity to the current July 1. The base annuity is the amount of the member's annuity on the later of July 1, 2001 or the effective date of retirement, as re-determined by Acts 396 of 1999 and 992 of 1997. *The July 1, 2009 cost of living adjustment for retirees was compounded. The annuity was adjusted by multiplying 3% times the June 30, 2009 retirement benefit amount. After it was calculated on July 1, 2009, the base amount was reset to be the July 1, 2009 benefit amount. Future cost of living raises will be established by the new updated base amount. Future cost of living adjustments will be evaluated on an annual basis to determine if a simple or compound cost of living increase will be given, depending on the financial condition of the System.*

10. **Survivor Benefits.** Upon the death of an active member, who has 5 or more years of credited service (which includes the year immediately preceding his death), the following annuities are payable:

    (a) The surviving spouse receives an annuity computed in the same manner as if the member had (i) retired the date of his death with entitlement to an annuity, (ii) elected Option A - 100% Survivor Annuity, and (iii) nominated the spouse as joint beneficiary. If the member has attained age 60 and has acquired 5 years of credited service or has acquired 20 years of credited service regardless of age, the annuity begins immediately; or, if the member has acquired 15 years of credited service but has not attained age 60, the annuity begins when the spouse is 50; otherwise the annuity begins at age 62. The spouse's annuity cannot be less than the greater of (i) 10% of the deceased member's covered salary at time of death or (ii) $50 monthly. Under certain circumstances, a lump sum distribution may be made to the beneficiary(ies) of the deceased member.

    (b) Each dependent child receives an annuity of the greater of (i) 10% of covered salary at the time of death or (ii) $50 monthly; provided, that if there are 3 or more dependent children, each receives an annuity of an equal share of the greater of (i) 25% of covered salary at time of death or (ii) $125 monthly. A child is dependent until the child's death, marriage, or attainment of age 18 (age 23 if the child is a full-time student).

    (c) If there is neither a spouse nor a dependent child at the time of the member's death, each dependent parent receives an allowance of the greater of (i) 10% of covered salary or (ii) $50 monthly.

    (d) Survivor benefits based on both contributory and non-contributory service will be prorated between contributory benefits and non-contributory benefits.

11. **Lump Sum Death Benefit.** Beneficiaries of deceased active members or retirees with 10 or more years of ATRS credited service are eligible to receive a lump sum death benefit of up to $10,000 ($6,667 for non-contributory service-benefit is prorated).

12. **Members' Contributions.** Members contribute 6% of their salaries (by individual election, members who became members before July 1, 1971 could contribute on only the first $7,800 of their annual salaries). If a member leaves service prior to becoming eligible to retire, the accumulated contributions are returned upon request. No interest is credited to a member's contributions for the first year of membership; after 1 year, interest credits are 6% annually. Effective July 1, 1986, a non-contributory plan was created. Effective July 1, 1993, all new members including any former active members were automatically non-contributory members. By individual election, members could choose to contribute. The benefit accrual rate for non-contributory members is reduced. Effective July 1, 1999 the default choice for new members is contributory. All current members had until July 1, 2000 to make a final election. Effective July 1, 1997, all future member contributions are tax-deferred in accordance with §414(h) of the Internal Revenue Code of the United States. Effective July 1, 2005, all non-contributory members whose status changes from support to teacher (contracted for more than 181 days), will become contributory. Effective July 1, 2006 and each July 1 thereafter, members who previously elected to be non-contributory may elect to change to contributory status under Act 385 of 2005. Effective July 1, 2007, all noncontributory members may elect to change to contributory status. The election is irrevocable.

13. **Act 808 Retirement.** Any employee of a state agency who was an active member of the Arkansas Teacher Retirement System on April 8, 1987, and who qualified for retirement before January 1, 1988, could become a member of the Arkansas Public Employees Retirement System and retire from that system. All credited service was transferred to that system but the member's contributions were retained by the Arkansas Teacher Retirement System and the benefit amount is transferred monthly to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).

14. **Act 793 Retirement.** Any employee who was a member of the rehabilitation services in 1977 was permitted to become a member of the Arkansas Public Employees Retirement System. Liabilities associated with prior service earned through 6/30/1978 remain in the Arkansas Teacher Retirement System. Future service is allocated to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).

15. **Retiree Health Stipend.** Each retired member as of June 30, 2008, with 5 or more years of ATRS credited service receives $75 per month toward retiree health care premiums. Members in T-DROP do not receive the $75 per month until actual retirement. For all members retiring on or after July 1, 2008, a minimum of 10 years of ATRS credited service is required to receive the $75 per month stipend.

16. **Optional Forms of Benefits:**

Option 1 ***(Straight Life Annuity)***

A member will receive the maximum monthly benefit for which he/she qualifies, throughout his/her lifetime. No monthly benefits will be paid to his/her beneficiary after the member's death. Should a member die before he/she has drawn in benefits an amount equal to his/her contributions plus earned interest, the balance will be paid to a designated beneficiary. The designated beneficiary may be anyone chosen by the member.

Option A ***(100% Survivor Annuity)***

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary will receive the same annuity for the balance of his/her lifetime.

Option B ***(50% Survivor Annuity)***

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary will receive one-half (1/2) of this annuity for the balance of his/her lifetime.

Option C ***(Annuity for Ten Years Certain and Life Thereafter)***

A reduced monthly benefit payable for 120 months. After that time, a member's monthly allowance will revert to the amount he/she would have received under the regular plan and continue for life. If the member dies before receiving 120 payments, the designated beneficiary will receive a monthly benefit in the same amount until monthly benefits to both the member and the beneficiary equal 120 monthly payments. No further benefits are then payable to the beneficiary.

Option Factors are based upon an 8.0% interest rate and the 1971 Group Annuity Mortality Table projected to 1984, with a 75% unisex mix.

SAMPLE BENEFIT COMPUTATIONS FOR A MEMBER RETIRING JUNE 30, 2009

The data for the Example member is shown below.

A.	$35,000	Final Average Compensation
B.	32	Total Service Credit
C.	27	Contributory Service Credit
D.	60	Age of Retiree
E.	55	Age of Spouse
F.	100%	Percentage of Retirement Allowance to Continue to Spouse after Retiree's Death (Retiree Chooses this Percentage)

The computations that would be made for this case are:

	Annual
G. Non-Contributory Base: 0.0139 x A x B	$15,568
H. Extra for Contributory: 0.00760 x A x C	7,182
I. Subtotal Benefit: G + H	22,750
J. Health Stipend	900
K. Total Benefit: I + J	23,650
L. Adjustment for Line F election: (1 - 0.83037) x I	3,859
M. Annual Amount Payable	$19,791

Projected Benefits, taking into account increases after retirement would be:

Year Ended June 30	Annual Amount
2010	$19,791
2011	20,385
2012	20,979
2013	21,573
2014	22,167

Thereafter, the amount would increase by $594 annually for life.

SAMPLE T-DROP BENEFIT COMPUTATIONS FOR A MEMBER ENTERING T-DROP JUNE 30, 2009

The data for the Example member is shown below.

A.	$35,000	Final Average Compensation
B.	28	Total Service Credit
C.	28	Contributory Service Credit
D.	55	Age of Retiree

The computations that would be made for this case are:

		Annual Amount
E.	Non-Contributory Base: 0.0139 x A x B	$13,622
F.	Extra for Contributory: 0.00760 x A x C	7,448
G.	Reduction for T-DROP Plan: (1% for each year of contributory service) 0.28 x (E+F)	5,900
H.	Reduction for Entering T-DROP with less than 30 years of service (6% for each year less than 30): 0.12 x (E + F - G)	1,820
I.	Annual Amount Payable E + F – G – H	$13,350

Projected Deposits, taking into account increases after DROP, and 5 years duration would be:

Year Ended June 30	Amount Deposited
2010	$13,350
2011	13,751
2012	14,151
2013	14,552
2014	14,952
Total	70,756

The total amount deposited, together with credited interest can be paid as a lump sum or as an annuity.

SECTION D

FINANCIAL INFORMATION AND GASB REPORTING

This information is presented in draft form for review by the System's auditor. Please let us know if there are any items the auditor changes so that we may maintain consistency with the System's financial statements.

ASSET VALUATION METHOD

An essential step in the valuation process is comparing valuation assets with computed liabilities. Valuation assets are those assets that are recognized for funding purposes.

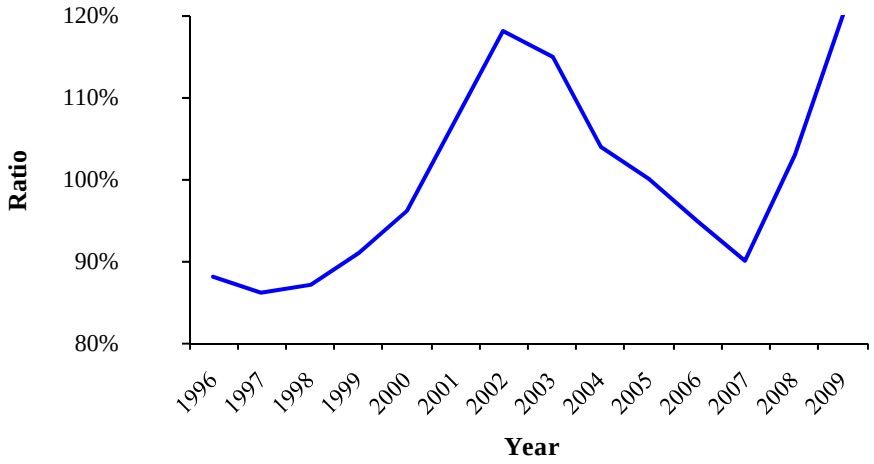
Asset valuation methods are distinguished by the timing of the recognition of investment income. Total investment income is the sum of ordinary income and capital value changes. Under a pure market value approach, ordinary investment income and all capital value changes would be recognized immediately. Because of market volatility, use of pure market values in retirement funding can result in volatile contribution rates and unstable financial ratios, contrary to ATRS objectives.

Under the ATRS asset valuation method (see page D-3), assumed investment return is recognized fully each year. Differences between actual and assumed investment return are phased in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, the funding value will tend to be less than the market value. Conversely, during periods when investment performance is less than the assumed rate, funding value will tend to be greater than market value. If assumed rates are exactly realized for 3 consecutive years, funding value will become equal to market value.

A multi-year comparison of market value to funding (actuarial) value is on the following page.

Valuation Date June 30	Market Value of Assets (1)	Actuarial Value of Assets (2)	Ratio of AV to MV (2) / (1)
1996	$ 4,750	$ 4,186	88%
1997	5,747	4,956	86%
1998	6,656	5,815	87%
1999	7,403	6,740	91%
2000	7,978	7,620	96%
2001	7,643	8,166	107%
2002	7,084	8,328	118%
2003	7,050	8,113	115%
2004	8,122	8,424	104%
2005	8,811	8,817	100%
2006	9,868	9,332	95%
2007	11,637	10,519	90%
2008	11,018	11,319	103%
2009	8,847	10,617	120%

Ratio of Actuarial Value to Market Value



This year, the loss was substantial enough for the corridor to affect the results, therefore, the actuarial value of assets exceeds the market value by exactly 20%. To prevent unreasonably large differences between market value and funding value, there is a requirement that the recognized assets must always be between 80% and 120% of the market value (See page D-3).

DEVELOPMENT OF FUNDING VALUE OF ASSETS

Year Ended June 30:	2007	2008	2009	2010	2011	2012
A. Funding Value Beginning of Year	$ 9,331,667,789	$ 10,519,229,198	$ 11,319,195,490			
B. Market Value End of Year	11,636,934,713	11,018,088,336	8,847,259,228			
C. Market Value Beginning of Year	9,868,311,510	11,636,934,713	11,018,088,336			
D. Non-Investment Net Cash Flow	(118,415,605)	(134,590,267)	(171,572,047)			
E. Investment Return						
E1. Market Total: B - C - D	1,887,038,808	(484,256,110)	(1,999,257,061)			
E2. Amount for Immediate Recognition (8%)	741,796,799	836,154,725	898,672,757			
E3. Amount for Phased-In Recognition: E1-E2	1,145,242,009	(1,320,410,835)	(2,897,929,818)			
F. Phased-In Recognition of Investment Return						
F1. Current Year: 0.25 x E3	286,310,502	(330,102,709)	(724,482,455)	Unknown	Unknown	Unknown
F2. First Prior Year	116,579,968	286,310,502	(330,102,709)	$ (465,185,644)	Unknown	Unknown
F3. Second Prior Year	25,614,073	116,579,968	286,310,502	(330,102,709)	$ (465,185,644)	Unknown
F4. Third Prior Year	135,675,672	25,614,073	116,579,966	286,310,504	(330,102,708)	$ (465,185,645)
F5. Accelerated Market Value Recognition						
F6. Total Recognized Investment Gain	**564,180,215**	**98,401,834**	**(651,694,696)**	**(508,977,849)**	**(795,288,352)**	**(465,185,645)**
G. Funding Value End of Year:						
G1. Preliminary Funding Value End of Year: A+D+E2+F6	**10,519,229,198**	**11,319,195,490**	**11,394,601,504**			
G2. Upper Corridor Limit: 120% x B	**13,964,321,656**	**13,221,706,003**	**10,616,711,074**			
G3. Lower Corridor Limit: 80% x B	**9,309,547,770**	**8,814,470,669**	**7,077,807,382**			
G4. Funding Value End of Year	**10,519,229,198**	**11,319,195,490**	**10,616,711,074**			
H. Actual/Projected Difference between Market and Funding Value	1,117,705,515	(301,107,154)	(1,769,451,846)	(1,260,473,997)	(465,185,645)	-
I. Market Rate of Return	19.24 %	(4.19)%	(18.29)%			
J. Funding Rate of Return	14.08 %	8.94 %	(4.73)%			
K. Ratio of Funding Value to Market Value	90.40 %	102.73 %	120.00 %			

The Funding Value of Assets recognizes assumed investment return (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. ***The Funding Value of Assets is unbiased with respect to Market Value***. At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for 3 consecutive years, it will become equal to Market Value.

The assets of the Retirement System, as of June 30, 2009, were reported to your actuary to be $8,847,259,228. This amount, together with a market value adjustment of $1,769,451,846, is used to finance the Retirement System liability.

Accounts	Assets at June 30	
	2009	2008
Regular Accounts		
Members' Deposit Accounts		
Contributions	$ 769,787,257	$ 711,499,206
Interest	3,541,529,568	6,012,051,839
Total	4,311,316,825	6,723,551,045
T-Drop Member Deposit Accounts		
Contributions	20,602,391	20,850,383
Interest	64,226,147	64,742,365
Total	84,828,538	85,592,748
Employer's Accumulation Account	(1,866,469,236)	(1,472,122,558)
Retirement Reserve Account	5,726,880,072	5,097,871,823
Act 808 Retirement Reserve Account	26,350,804	28,177,492
T-Lump Payable	487,136,927	476,444,313
Survivors Benefit Account	69,620,082	64,084,144
Total Regular Accounts	8,839,664,012	11,003,599,007
Other Accounts		
Income Expense Account	7,595,216	14,489,329
Other Special Reserves	-	-
Miscellaneous	-	-
Total Other Accounts	7,595,216	14,489,329
Total Accounting Value of Assets	8,847,259,228	11,018,088,336
Market Value Adjustment	1,769,451,846	301,107,154
Funding Value of Assets	$10,616,711,074	$11,319,195,490

MARKET VALUE OF ASSETS

The net market value of assets at year end was $8,847,259,228 and was invested as shown below.

	Market Value at June 30	
	2009	2008
Cash	$ 13,846,156	$ 8,230,219
Receivables		
Unsettled Trades and Accrued Return	293,024,645	186,215,560
Member Contributions	14,555,931	15,887,767
Employer Contributions	49,295,159	55,162,876
Other	13,007	31,569
Total Receivables	356,888,742	257,297,772
Investments		
Short Term	172,383,447	538,538,274
Common and Preferred	2,022,361,915	2,851,567,040
International	452,300,848	549,223,816
Corporate Bonds	615,149,637	454,377,023
Alternative Investments	1,659,620,234	1,258,069,330
Market Valuation	(1,080,476,757)	274,126,204
Real Estate	115,489,741	114,267,213
Mortgage Loans	55,565,482	50,306,600
Revenue Bonds	1,478,806	-
Government Securities	118,235,212	270,154,162
Other Investments	4,492,272,174	4,699,314,721
Repurchase Agreements	-	-
Total Investments	8,624,380,739	11,059,944,383
Invested Securities Lending	825,589,698	741,151,400
Net Equipment	408,426	415,142
Total Assets	9,821,113,761	12,067,038,916
Liabilities		
Escrow Payables	-	-
Other Payables	1,285,978	1,197,137
Securities Related Payables	146,978,857	306,602,043
Securities Lending Collateral	825,589,698	741,151,400
Total Liabilities	973,854,533	1,048,950,580
Net Market Value	$ 8,847,259,228	$ 11,018,088,336
Change from Prior Year	(2,170,829,108)	(618,846,377)

MARKET VALUE RECONCILIATION

Market value reconciliation assets during the year developed as follows:

	Year Ended June 30	
	2009	2008
Net Market Value July 1	$ 11,018,088,336	$ 11,636,934,713
Additions		
Employer Contributions	359,061,671	350,319,504
Employee Contributions	111,654,256	108,872,293
Appreciation	(2,132,503,915)	(1,839,498,538)
Interest	105,003,660	545,881,170
Dividends	59,755,175	842,213,226
Real Estate	6,644,194	6,455,808
Other	477,418	249,329
Securities Lending Activity	18,117,339	50,597,153
Total Additions	(1,471,790,202)	65,089,945
Deductions		
Age & Service Benefits	494,967,987	459,079,932
Disability Benefits	27,437,418	26,073,257
Option Benefits	14,812,631	13,613,226
Survivor Benefits	6,856,877	6,684,337
Reciprocal Service	22,046,165	19,588,246
Act 808	4,169,812	4,282,709
Refunds	6,409,016	6,462,122
Active Member Death	303,905	381,089
T-DROP Benefits	65,284,163	57,617,146
Investment Expense	49,837,067	83,498,400
Administrative Expense	6,913,865	6,655,858
Total Deductions	699,038,906	683,936,322
Miscellaneous	-	-
Net Market Value June 30	$ 8,847,259,228	$ 11,018,088,336

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%

+ Legislated benefit or contribution rate change.
** Revised actuarial assumptions.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Valuation Date June 30	Estimated Covered Payroll	Annual Required Contribution	(A) Annual Required Contribution*	(B) Actual Contributions Dollars	(B)/(A) Percent Contributed
1995	1993	$1,167,358,783	12.0%	$140,083,054	$139,795,997	99.8%
1996	1994	1,233,547,775	12.0%	148,025,733	132,609,965	89.6%
1997	1995	1,260,191,925	12.0%	151,223,031	153,546,224	101.5%
1998	1996	1,302,185,875	12.0%	156,262,305	158,962,714	101.7%
1999	1997	1,368,394,225	12.0%	164,207,307	166,785,926	101.6%
2000	1998	1,429,104,358	12.0%	171,492,523	175,686,958	102.4%
2001	1999	1,485,415,583	12.0%	178,249,870	181,115,569	101.6%
2002	2000	1,557,116,642	12.0%	186,853,997	191,352,911	102.4%
2003	2001	1,628,005,867	12.0%	195,360,704	200,455,916	102.6%
2004	2002	1,683,364,754	13.0%	218,837,418	224,184,274	102.4%
2005	2003	1,747,706,248	14.0%	244,678,875	286,442,709	117.1%
2006	2004	1,962,360,535	14.0%	285,635,385	311,713,735	109.1%
2007	2005	2,079,642,601	14.7%	321,663,706	331,891,210	103.2%
2008	2006	2,190,658,242	14.5%	343,985,637	350,319,504	101.8%
2009	2007	2,267,883,313	14.0%	344,033,405	359,061,671	104.4%

***** *Actual contributions will be based on pay actually paid throughout the year which may be different from the payroll used in this calculation. Beginning in Fiscal Year ending 2009, ARC is adjusted to include contributions expected on behalf of TDROP participants.*

SECTION E

COVERED MEMBER DATA

TOTAL ACTIVE MEMBERS IN VALUATION JUNE 30, 2009
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	87							87	$ 427,020
20-24	1,683	23						1,706	29,469,891
25-29	4,869	1,144	7					6,020	179,634,547
30-34	3,627	3,035	659	6				7,327	231,161,475
35-39	3,538	2,556	2,615	550	1			9,260	305,812,618
40-44	3,077	2,381	1,852	1,867	494			9,671	319,187,637
45-49	2,640	2,227	2,011	1,584	1,892	568	2	10,924	380,015,367
50-54	1,931	1,817	1,832	1,773	1,374	1,331	130	10,188	372,238,129
55-59	1,730	1,467	1,303	1,509	1,376	729	93	8,207	291,815,057
60	311	250	203	218	291	125	17	1,415	48,293,286
61	292	232	178	195	202	114	20	1,233	42,228,760
62	242	237	146	168	198	106	9	1,106	36,660,092
63	227	156	105	130	147	80	5	850	26,586,907
64	175	130	71	74	81	37	4	572	16,143,019
65	167	117	59	45	48	33	6	475	12,533,721
66	172	76	28	22	22	6	3	329	7,199,862
67	132	53	10	11	10	4	2	222	3,845,446
68	112	48	9	7	4			180	2,972,733
69	105	42	9		4	2	1	163	2,260,932
70 & Up	371	240	75	18	13	2	1	720	9,308,639
Totals	**25,488**	**16,231**	**11,172**	**8,177**	**6,157**	**3,137**	**293**	**70,655**	**$2,317,795,138**

This schedule does not include T-DROP members.

Group Averages:

Age: 44.7 years

Service: 9.5 years

WOMEN ACTIVE MEMBERS IN VALUATION JUNE 30, 2009
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	50							50	$ 247,929
20-24	1,251	12						1,263	22,207,480
25-29	3,799	909	4					4,712	139,028,072
30-34	2,883	2,416	508	3				5,810	174,303,276
35-39	2,941	2,111	2,034	445	1			7,532	234,557,460
40-44	2,481	2,018	1,490	1,473	413			7,875	247,280,723
45-49	2,047	1,870	1,703	1,272	1,471	464	1	8,828	291,386,316
50-54	1,455	1,428	1,508	1,523	1,159	1,026	99	8,198	287,589,460
55-59	1,196	1,069	1,034	1,283	1,190	605	67	6,444	223,700,547
60	207	167	161	177	255	108	13	1,088	36,532,703
61	200	158	136	157	180	102	15	948	32,088,151
62	165	164	108	126	177	86	8	834	27,014,772
63	149	107	71	100	123	71	4	625	19,063,674
64	104	83	53	52	73	33	3	401	11,177,336
65	100	81	44	33	41	27	6	332	8,804,277
66	97	55	22	17	18	5	3	217	4,521,647
67	67	33	5	6	10	3	2	126	2,199,385
68	79	27	7	6	4			123	1,796,529
69	62	22	4		4	2	1	95	1,244,960
70 & Up	209	129	41	10	10	1	1	401	4,807,843
Totals	**19,542**	**12,859**	**8,933**	**6,683**	**5,129**	**2,533**	**223**	**55,902**	**$1,769,552,540**

This schedule does not include T-DROP members.

Group Averages:

Age: 44.5 years
Service: 9.7 years

MEN ACTIVE MEMBERS IN VALUATION JUNE 30, 2009
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	37							37	$ 179,091
20-24	432	11						443	7,262,411
25-29	1,070	235	3					1,308	40,606,475
30-34	744	619	151	3				1,517	56,858,199
35-39	597	445	581	105				1,728	71,255,158
40-44	596	363	362	394	81			1,796	71,906,914
45-49	593	357	308	312	421	104	1	2,096	88,629,051
50-54	476	389	324	250	215	305	31	1,990	84,648,669
55-59	534	398	269	226	186	124	26	1,763	68,114,510
60	104	83	42	41	36	17	4	327	11,760,583
61	92	74	42	38	22	12	5	285	10,140,609
62	77	73	38	42	21	20	1	272	9,645,320
63	78	49	34	30	24	9	1	225	7,523,233
64	71	47	18	22	8	4	1	171	4,965,683
65	67	36	15	12	7	6		143	3,729,444
66	75	21	6	5	4	1		112	2,678,215
67	65	20	5	5		1		96	1,646,061
68	33	21	2	1				57	1,176,204
69	43	20	5					68	1,015,972
70 & Up	162	111	34	8	3	1		319	4,500,796
Totals	**5,946**	**3,372**	**2,239**	**1,494**	**1,028**	**604**	**70**	**14,753**	**$548,242,598**

This schedule does not include T-DROP members.

Group Averages:

Age: 45.5 years

Service: 8.8 years

SUMMARY OF ACTIVE MEMBERS (EXCLUDES T-DROP)

	Teachers		Support		Total Active Members	
	No.	Payroll	No.	Payroll	No.	Payroll
Women	27,468	$1,238,647,397	28,434	$ 530,905,143	55,902	$1,769,552,540
Men	7,240	375,406,179	7,513	172,836,419	14,753	548,242,598
All	34,708	$1,614,053,576	35,947	$ 703,741,562	70,655	$2,317,795,138

	Teachers	Support	Total
Members Contributing Now	29,208	17,250	46,458
Members Not Contributing	5,500	18,697	24,197
All	34,708	35,947	70,655

June 30	Number	Group Averages			Active Member Payroll ($ Millions)
		Age	Service	Annual Earnings	
1997	56,997	43.2	9.8	$22,847	$1,302
1998	58,528	43.4	9.7	23,380	1,368
1999	59,499	43.5	9.8	24,019	1,429
2000	60,147	43.6	9.6	24,696	1,485
2001	61,389	43.7	9.5	25,365	1,557
2002	62,011	43.8	9.4	26,254	1,628
2003	62,432	44.0	9.5	26,963	1,683
2004	63,185	44.2	9.5	27,660	1,748
2005	65,793	44.2	9.4	29,826	1,962
2006	67,710	44.3	9.3	30,714	2,080
2007	69,226	44.4	9.3	31,645	2,191
2008	70,172	44.5	9.4	32,319	2,268
2009	70,655	44.7	9.5	32,804	2,318

The figures on this historical schedule are affected by the inclusion of new non-teaching employees beginning July 1, 1989.

DEFERRED VESTED MEMBERS AT JUNE 30, 2009
BY ATTAINED AGE

Age	Number	Estimated Annual Benefits	Contribution Balance
Below 40	1,755	$ 7,638,235	$ 11,599,589
40	290	1,291,796	1,501,353
41	334	1,395,244	1,236,705
42	369	1,516,038	1,645,774
43	377	1,607,958	1,628,888
44	440	1,808,737	1,609,786
45	490	1,891,760	2,045,259
46	462	1,815,531	2,010,460
47	507	2,212,008	2,539,963
48	499	2,061,589	2,418,188
49	448	1,898,880	2,405,930
50	514	2,384,678	3,215,584
51	452	1,970,775	2,873,404
52	517	2,427,145	3,864,628
53	486	2,304,840	3,317,783
54	499	2,555,010	4,505,230
55	470	2,373,516	3,991,921
56	456	2,354,844	4,358,402
57	469	2,513,683	4,400,371
58	422	2,217,700	4,150,384
59	461	2,553,570	5,816,205
60 & Up	1,010	4,127,915	7,410,846
Future Beneficiaries #	39	127,823	0
Totals	**11,766**	**$53,049,275**	**$78,546,653**

 # This valuation also includes 41 beneficiaries of deceased retirees who are eligible for a pension at age 62.

An inactive member is no longer actively working and has sufficient service credit to qualify for a monthly benefit at retirement age.

ALL MEMBERS PARTICIPATING IN T-DROP AT JUNE 30, 2009
BY ATTAINED AGE

Age	Number	Current T-DROP Contribution	Original T-DROP Contribution	T-DROP Account Balance	Pay
47	4	$ 38,889	$ 36,614	$ 53,230	$ 149,556
48	2	39,939	38,222	38,636	106,681
49	11	194,303	188,190	206,625	540,723
50	38	734,947	683,692	844,403	2,109,579
51	122	2,583,442	2,449,352	3,584,715	7,058,794
52	249	5,050,916	4,783,876	9,784,191	14,262,764
53	299	6,238,210	5,739,424	15,813,922	17,424,580
54	335	6,995,930	6,425,623	21,121,467	19,428,271
55	434	9,014,619	8,098,052	34,309,897	25,609,631
56	422	8,510,769	7,541,375	37,021,211	24,259,043
57	430	8,981,187	7,845,806	44,615,230	25,783,217
58	418	8,648,181	7,523,806	49,655,781	24,788,870
59	413	8,490,690	7,303,469	53,106,666	24,245,137
60	411	8,587,669	7,242,661	59,311,793	24,807,966
61	371	7,816,982	6,646,594	55,328,101	22,290,078
62	270	5,715,158	4,790,805	40,380,720	16,398,001
63	125	2,685,558	2,266,743	19,225,897	7,759,525
64	97	2,041,180	1,696,054	14,098,359	5,622,753
65	75	2,379,159	1,534,154	13,537,705	5,226,344
66	44	1,177,726	756,841	6,898,507	2,509,114
67	26	669,328	410,420	4,427,633	1,499,707
68	13	288,066	194,494	2,029,142	810,401
69	11	295,751	168,086	2,128,879	632,136
70	3	94,319	52,025	840,450	200,720
71	3	45,656	42,823	282,666	152,912
72	1	24,567	12,462	258,616	41,319
73	1	36,078	18,221	320,255	66,765
74	2	76,485	49,231	733,483	154,238
75	1	27,858	17,096	342,658	52,104
Totals	**4,631**	**$97,483,562**	**$84,556,211**	**$490,300,838**	**$ 273,990,929**

A T-DROP member continues to work, but does not accrue retirement benefits. A reduced benefit is paid into the T-DROP account (see page C-2) during T-DROP participation.

MEMBERS PARTICIPATING IN T-DROP AT JUNE 30, 2009
BY ATTAINED AGE
ENTERING T-DROP BEFORE SEPTEMBER 2003

Age	Number	Current T-DROP Contribution	Original T-DROP Contribution	T-DROP Account Balance	Pay
52	1	$ 14,668	$ 12,690	$ 107,754	$ 72,492
53	2	32,932	29,766	212,626	122,597
54	14	235,981	202,050	1,509,391	799,532
55	79	1,524,179	1,290,144	9,826,657	4,745,502
56	131	2,521,464	2,148,949	16,880,131	7,419,806
57	200	4,103,402	3,475,542	29,733,932	12,382,363
58	236	4,877,595	4,089,401	38,515,057	14,289,392
59	247	5,108,996	4,238,225	42,632,188	14,712,509
60	260	5,652,464	4,592,247	50,328,797	16,397,680
61	235	5,157,620	4,190,057	48,059,886	14,668,611
62	167	3,724,261	2,983,493	34,733,496	10,485,088
63	79	1,742,528	1,409,688	16,252,457	5,080,956
64	53	1,248,363	996,678	11,554,694	3,353,233
65	47	1,820,100	1,016,820	11,659,058	3,522,992
66	29	899,947	505,756	5,897,324	1,717,113
67	19	561,438	310,405	4,003,518	1,126,318
68	8	210,890	123,278	1,742,432	548,561
69	10	286,957	160,463	2,084,089	603,731
70	3	94,319	52,025	840,450	200,720
71	2	25,644	21,650	158,264	87,289
72	1	24,567	12,462	258,616	41,319
73	1	36,078	18,221	320,255	66,765
74	2	76,485	49,231	733,483	154,238
75	1	27,858	17,096	342,658	52,104
Totals	**1,827**	**$ 40,008,736**	**$ 31,946,337**	**$ 328,387,213**	**$ 112,650,911**

A full employer contribution is made to ATRS on behalf of these individuals in accordance with Act 992 of 2003 beginning with fiscal year 2010.

MEMBERS PARTICIPATING IN T-DROP AT JUNE 30, 2009
BY ATTAINED AGE
ENTERING T-DROP AFTER AUGUST 2003

Age	Number	Current T-DROP Contribution	Original T-DROP Contribution	T-DROP Account Balance	Pay
47	4	$ 38,889	$ 36,614	$ 53,230	$ 149,556
48	2	39,939	38,222	38,636	106,681
49	11	194,303	188,190	206,625	540,723
50	38	734,947	683,692	844,403	2,109,579
51	122	2,583,442	2,449,352	3,584,715	7,058,794
52	248	5,036,248	4,771,186	9,676,437	14,190,272
53	297	6,205,278	5,709,658	15,601,296	17,301,983
54	321	6,759,949	6,223,573	19,612,076	18,628,739
55	355	7,490,440	6,807,908	24,483,240	20,864,129
56	291	5,989,305	5,392,426	20,141,080	16,839,237
57	230	4,877,785	4,370,264	14,881,298	13,400,854
58	182	3,770,586	3,434,405	11,140,724	10,499,478
59	166	3,381,694	3,065,244	10,474,478	9,532,628
60	151	2,935,205	2,650,414	8,982,996	8,410,286
61	136	2,659,362	2,456,537	7,268,215	7,621,467
62	103	1,990,897	1,807,312	5,647,224	5,912,913
63	46	943,030	857,055	2,973,440	2,678,569
64	44	792,817	699,376	2,543,665	2,269,520
65	28	559,059	517,334	1,878,647	1,703,352
66	15	277,779	251,085	1,001,183	792,001
67	7	107,890	100,015	424,115	373,389
68	5	77,176	71,216	286,710	261,840
69	1	8,794	7,623	44,790	28,405
70	-	-	-	-	-
71	1	20,012	21,173	124,402	65,623
Totals	**2,804**	**$ 57,474,826**	**$ 52,609,874**	**$ 161,913,625**	**$ 161,340,018**

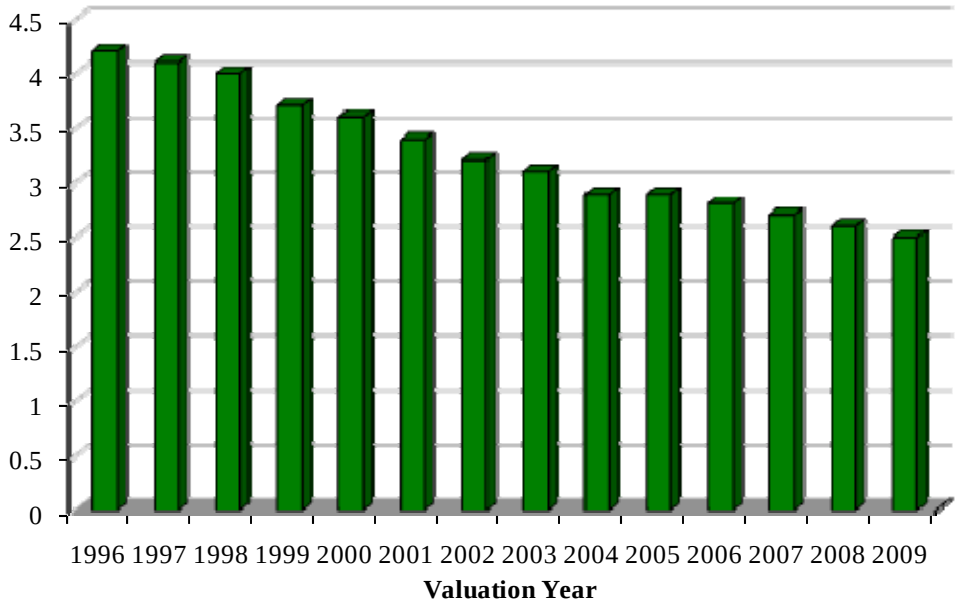
A full employer contribution is made to ATRS on behalf of these individuals in accordance with Act 992 of 2003.

ANNUITIES BEING PAID RETIREES AND BENEFICIARIES JULY 1, 2009
BY TYPE OF ANNUITY BEING PAID

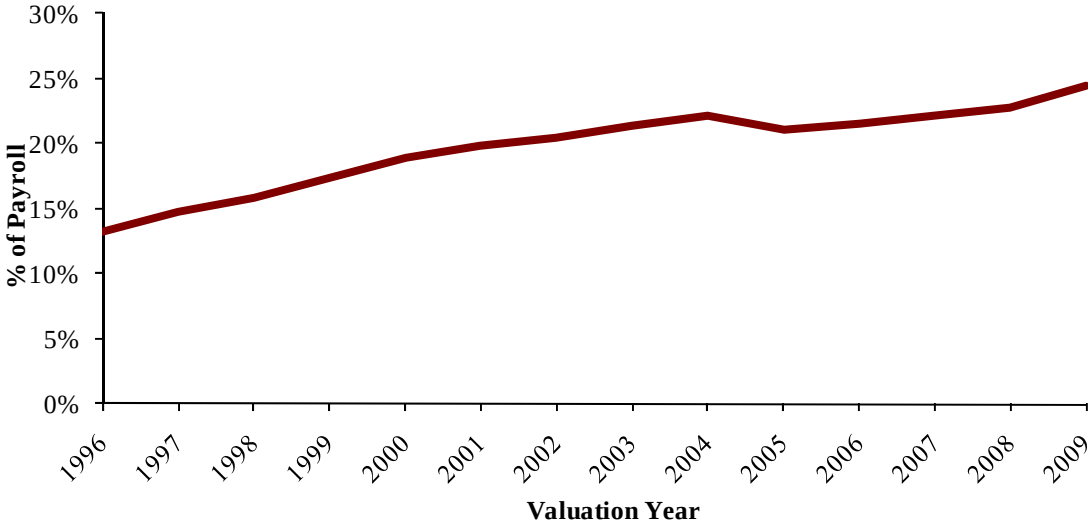
Type of Annuity	No.	Annual Amounts		
		Original Annuities	Base Annuities	Current Annuities
RETIREMENT RESERVE ACCOUNT				
Age & Service				
Option 1 (Basic single life)	19,904	$ 259,671,438	$ 395,309,501	$ 395,309,501
Option A (Joint & 100% Survivor)	2,688	41,195,343	55,599,347	55,599,347
Option B (Joint & 50% Survivor)	1,545	31,256,477	44,719,356	44,719,356
Option C (10 year certain)	700	10,784,071	13,188,126	13,188,126
Beneficiaries	666	9,003,220	11,717,863	11,717,863
Totals	25,503	351,910,549	520,534,193	520,534,193
Disability				
Option 1	1,761	14,906,607	22,569,497	22,569,497
Option A	259	2,477,957	3,250,206	3,250,206
Option B	66	801,328	1,101,762	1,101,762
Option C	60	570,346	636,458	636,458
Beneficiaries	285	2,448,815	3,712,441	3,712,441
Totals	2,431	21,205,053	31,270,364	31,270,364
Act 793	191	1,176,380	1,992,823	1,992,823
Totals	28,125	374,291,982	553,797,380	553,797,380
SURVIVOR'S BENEFIT ACCOUNT				
Beneficiaries of Deceased Members	590	4,399,107	6,761,034	6,761,034
ACT 808				
Act 808	103	1,761,942	4,026,970	4,026,970
RETIREMENT SYSTEM TOTALS				
Total Annuities Being Paid	28,818	$ 380,453,031	$ 564,585,384	$ 564,585,384

The Original Annuity is the annuity at the date of retirement.
The Base Annuity is the amount from which the 3.0% COLA is calculated.
The Current Annuity is the annuity payable at July 1, 2009.

Active Members Per Retired Life



Retirement Benefits Being Paid as a Percent of Member Payroll



BENEFIT CHANGES DURING RECENT YEARS OF RETIREMENT & RELATED CHANGES IN PURCHASING POWER (1980 $)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				1980 $	% of 1980
1980	- - - -	$ 5,000	- - - -	$ 5,000	100%
1981	$ 75	5,075	(9.6)%	4,632	93%
1982	152	5,227	(7.1)%	4,456	89%
1983	152	5,379	(2.6)%	4,471	89%
1984	431	5,810	(4.2)%	4,633	93%
1985	438	6,248	(3.7)%	4,802	96%
1986	509	6,757	(1.7)%	5,103	102%
1987	197	6,954	(3.7)%	5,067	101%
1988	400	7,354	(3.9)%	5,154	103%
1989	503	7,857	(5.1)%	5,236	105%
1990	497	8,354	(4.7)%	5,319	106%
1991	230	8,584	(4.7)%	5,220	104%
1992	762	9,346	(3.1)%	5,513	110%
1993	792	10,138	(3.0)%	5,806	116%
1994	820	10,958	(2.5)%	6,123	122%
1995	303	11,261	(3.0)%	6,107	122%
1996	303	11,564	(2.8)%	6,103	122%
1997	1,657	13,221	(2.3)%	6,821	136%
1998	1,214	14,435	(1.7)%	7,324	146%
1999	323	14,758	(2.0)%	7,344	147%
2000	1,039	15,797	(3.7)%	7,583	152%
2001	1,220	17,017	(3.2)%	7,907	158%
2002	672	17,689	(1.1)%	8,132	163%
2003	468	18,157	(2.1)%	8,174	163%
2004	468	18,625	(3.3)%	8,120	162%
2005	468	19,093	(2.5)%	8,118	162%
2006	468	19,561	(4.3)%	7,973	159%
2007	468	20,029	(2.7)%	7,950	159%
2008	468	20,497	(5.0)%	7,747	155%
2009	468	20,965	1.4 %	8,038	161%
2010	629	21,594			

* *The $5,000 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount would show a smaller purchasing power loss in percent loss.*

\# *Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).*

BENEFIT CHANGES DURING RECENT YEARS OF RETIREMENT & RELATED CHANGES IN PURCHASING POWER (1990 $)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power At Year End	
				1990 $	% of 1990
1990	- - - -	$ 5,000	- - - -	$ 5,000	100%
1991	$ 150	5,150	(4.7)%	4,919	98%
1992	457	5,607	(3.1)%	5,195	104%
1993	475	6,082	(3.0)%	5,471	109%
1994	492	6,574	(2.5)%	5,770	115%
1995	182	6,756	(3.0)%	5,755	115%
1996	182	6,938	(2.8)%	5,751	115%
1997	330	7,268	(2.3)%	5,889	118%
1998	667	7,935	(1.7)%	6,324	126%
1999	177	8,112	(2.0)%	6,340	127%
2000	849	8,961	(3.7)%	6,756	135%
2001	826	9,787	(3.2)%	7,143	143%
2002	387	10,174	(1.1)%	7,346	147%
2003	270	10,444	(2.1)%	7,385	148%
2004	270	10,714	(3.3)%	7,337	147%
2005	270	10,984	(2.5)%	7,336	147%
2006	270	11,254	(4.3)%	7,205	144%
2007	270	11,524	(2.7)%	7,185	144%
2008	270	11,794	(5.0)%	7,002	140%
2009	270	12,064	1.4 %	7,265	145%
2010	362	12,426			

* *The $5,000 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount would show a smaller purchasing power loss in percent loss.*

\# *Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).*

SECTION F

FINANCIAL PRINCIPLES

FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES

Promises Made and To Be Paid For. As each year is completed, the System, in effect, hands an "IOU" to each member then acquiring a year of service credit. The "IOU" says: "The Arkansas Teacher Retirement System owes you one year's worth of retirement benefits, payments in cash commencing when you qualify for retirement."

The related ***key financial questions*** are:
Which generation of taxpayers contributes the money to cover the IOU?
The present taxpayers, who receive the benefit of the member's present year of service?
Or the future taxpayers, who happen to be in Arkansas at the time the IOU becomes a cash demand?

The financial objective of the ATRS is that this year's taxpayers contribute the money to cover the IOUs being handed out this year so that ***the employer contribution rate will remain approximately level from generation to generation*** -- our children and our grandchildren will not have to contribute greater percents of pay than we contribute now. This objective was set forth in Act 793 of 1977.

(There are systems which have ***a design for deferring contributions to future taxpayers***, lured by a lower contribution rate now and putting aside the fact that the contribution rate must then relentlessly grow much greater over decades of time -- consume now, and let your children face higher contribution rates after you retire.)

An inevitable byproduct of the level-cost design is the accumulation of reserve assets for decades and the income produced when the assets are invested. ***Investment income*** becomes the ***third and largest contributor*** for benefits to employees, and is interlocked with the contribution amounts required from employees and employers.

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

> Normal Cost (the cost of members' service being rendered this year)
> … plus …
> Interest on Unfunded Actuarial Accrued Liabilities (unfunded accrued liabilities are the difference between (i) liabilities for service already rendered and (ii) the accrued assets of the plan).

Computing Contributions to Support System Benefits. From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of ***an actuarial valuation***. An actuarial valuation has a number of ingredients such as: the rate of investment income which plan assets will earn; the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit; the rates of mortality; the rates of disability; the rates of pay increases; and the assumed age or ages at actual retirement. In an actuarial valuation, assumptions must be made as to what the above rates will be, for the next year and for decades in the future. Only the subsequent actual experience of the System can indicate the degree of accuracy of the assumptions.

Reconciling Differences Between Assumed Experience and Actual Experience. Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the accuracy of the various financial assumptions or the skill of the actuary and the precision of the calculations made. The System copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continual adjustments in financial position.

THE ACTUARIAL VALUATION PROCESS

The financing diagram on the next page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program), and is thus an ***increasing contribution method***; and the ***level contribution method*** which equalizes contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

A. ***Census Data***, furnished by plan administrator
   Retired lives now receiving benefits
   Former employees with vested benefits not yet payable
   Active employees

B. + ***Asset data*** (cash & investments), furnished by plan administrator

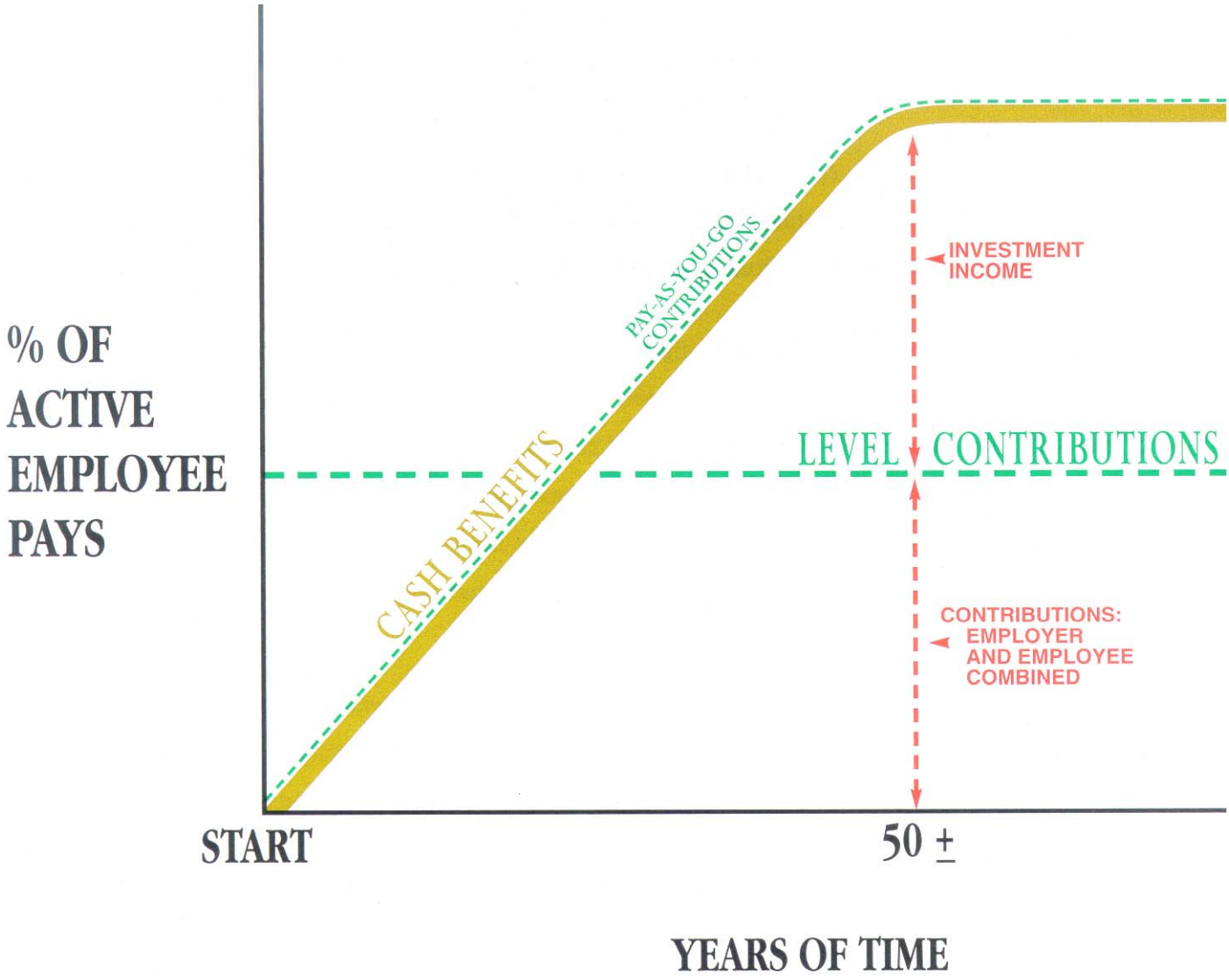
C. + **Benefit provisions** that establish eligibility and amounts of payments to members

D. + ***Assumptions concerning future financial experiences in various risk areas***, which assumptions are established by the Board of Trustees after consulting with the actuary.

E. + ***The funding method*** for employer contributions (the long-term planned pattern for employer contributions)

F. + ***Mathematically combining the assumptions, the funding method, and the data***

G. = Determination of:
   Plan financial position, and/or
   New Employer Contribution Rate



CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

Economic Risk Areas
- Rates of investment return
- Rates of pay increase
- Changes in active member group size

Non-Economic Risk Areas
- Ages at actual retirement
- Rates of mortality
- Rates of withdrawal of active members (turnover)
- Rates of disability

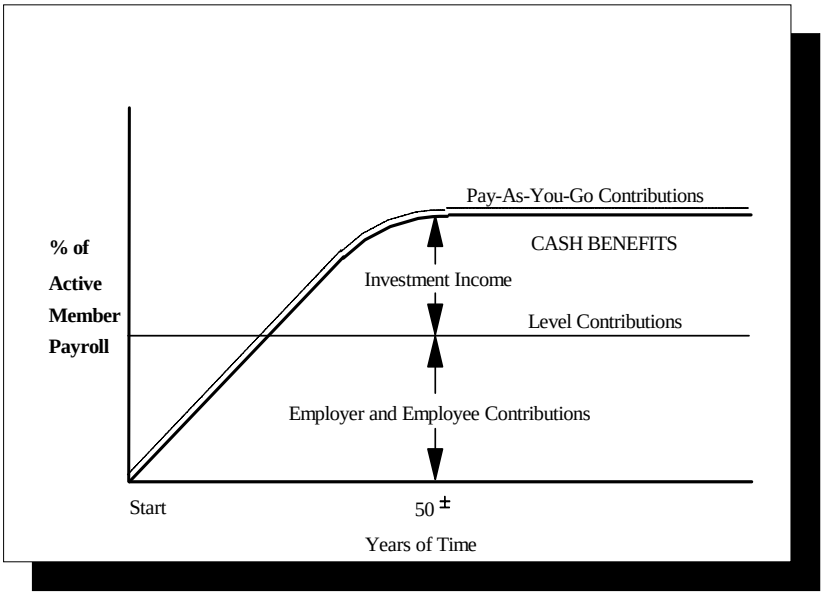
SECTION G

ACTUARIAL ASSUMPTIONS

SELECTION OF ASSUMPTIONS USED IN ACTUARIAL VALUATIONS

Economic Assumptions

Investment return
Pay increases to individual employees:
  the portion for economic changes
Active member group size and
  total payroll growth



Demographic Assumptions

Actual ages at service retirement
Pay increases to individual members:
  the portion for merit & seniority
Disability while actively employed
Separations before retirement
Mortality after retirement
Mortality before retirement

RELATIONSHIP BETWEEN PLAN GOVERNING BODY AND THE ACTUARY

The actuary should have the primary responsibility for choosing the ***demographic*** assumptions used in the actuarial valuation, making use of specialized training and experience.

The actuary and other professionals can provide guidance concerning the choice of suitable economic assumptions, but the basis of the economic assumptions is the assumed rate of ***inflation***, a quantity which defies accurate prediction. Given an assumed rate of future inflation, it is very important that this rate be applied in a consistent manner in deriving the assumed rate of investment return, the economic portion of the assumption on pay increases to individual employees, and the assumed rate of growth of active member payroll. Consistent application of assumptions is an area in which the actuary has specialized training.

A sound procedure is that the actuary suggests reasonable alternatives for economic assumptions, followed by discussion involving the actuary, the Plan Governing Body, and other professionals, and the Plan Governing Body then makes a final choice from the various alternatives.

SUMMARY OF ASSUMPTIONS USED IN ACTUARIAL VALUATIONS FOR THE ARKANSAS TEACHER RETIREMENT SYSTEM ASSUMPTIONS ADOPTED BY BOARD OF TRUSTEES AFTER CONSULTING WITH ACTUARY

Economic Assumptions

The investment return rate used in making the valuation was 8% 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 in this valuation is defined to be the portion of investment return which is more than the wage inflation rate. Considering wage inflation recognition of 4%, the 8% rate translates to an assumed real rate of return over wage inflation of 4%. This rate was first used for the ***June 30, 2002*** valuation. The assumed real rate of return over price inflation would be higher – on the order of 4.5% to 5%.

Pay increase assumptions for individual active members are shown on pages G-7 and G-8. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4% recognizes wage inflation. These rates were first used for the ***June 30, 2002*** valuation.

No specific ***Price Inflation*** is needed for this valuation. However, the wage inflation and interest rate assumptions would be compatible with a price inflation assumption of 3.0% or 3.5%. It is assumed that the 3% COLA will always be paid.

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

Total active member payroll is assumed to increase 4% a year, which is the portion of the individual pay increase assumptions attributable to wage inflation. This rate was first used for the ***June 30, 2002*** valuation.

Non-Economic Assumptions

The mortality table used to measure retired life mortality was the 1983 Group Annuity Mortality Table. Related values are shown on page G-4. This table was first used for the ***June 30, 1998*** valuation. For disabled lives, the mortality table is 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 page G-5 and G-6. The rates for full retirement were first used in the ***June 30, 2005*** valuation. The rates for reduced retirement were first used in the ***June 30, 2002*** valuation.

The probabilities of withdrawal from service, ***death-in-service*** and ***disability*** are shown for sample ages on pages G-7 and G-8. The withdrawal and disability rates were first used in the ***June 30, 2002*** valuation. The death-in-service rates were first used in the ***June 30, 2002*** valuation.

The entry age actuarial cost method of valuation was used in determining accrued liabilities and normal cost.

Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of actuarial accrued liabilities.

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (the total of principal & interest) which are level percents of payroll contributions.

These cost methods were first used in the June 30, 1986 valuation.

Asset Valuation Method. A market value related asset method is used as described on page D-1. This method was first used in the June 30, 1995 valuation. It was modified following the 1997-2002 Experience Study to include an 80% - 120% market value corridor.

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. Members whose salaries were not supplied and that entered T-DROP before September 2003 were assumed to have the group average pay of $61,659. Those that entered after were assumed to have the group average pay of $57,539.

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

SINGLE LIFE RETIREMENT VALUES

Sample Attained Ages	Present Value of $1.00 Monthly for Life		Present Value of $1 Monthly for Life Increasing 3.0% Annually		Future Life Expectancy (years)		Percent Dying within Next Year	
	Men	Women	Men	Women	Men	Women	Men	Women
40	$142.98	$147.82	$184.74	$193.70	38.46	44.52	0.12 %	0.07 %
45	138.18	144.67	176.24	187.61	33.74	39.69	0.22 %	0.10 %
50	132.10	140.42	165.94	179.79	29.18	34.92	0.39 %	0.16 %
55	124.57	134.74	153.75	169.90	24.82	30.24	0.61 %	0.25 %
60	115.04	127.24	139.16	157.58	20.64	25.67	0.92 %	0.42 %
65	103.26	117.61	122.19	142.67	16.69	21.29	1.56 %	0.71 %
70	90.18	105.53	104.27	125.11	13.18	17.13	2.75 %	1.24 %
75	76.40	91.57	86.27	105.96	10.15	13.37	4.46 %	2.40 %
80	62.65	77.16	69.17	87.10	7.64	10.20	7.41 %	4.29 %
85	50.59	62.99	54.72	69.36	5.73	7.58	11.48 %	6.99 %
Ref:	30 x 1.00	31 x 1.00	30 x 1.00	31 x 1.00				

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	94%	97%
70	130.00	85%	93%
75	145.00	72%	86%
80	160.00	54%	73%
Ref		30	31

PROBABILITIES OF RETIREMENT FOR MEMBERS

Retirement Ages	% of Active Participants Retiring with Unreduced Benefits			
	Education		Support	
	Male	Female	Male	Female
48	50%	40%	50%	30%
49	50%	40%	50%	30%
50	13%	8%	5%	9%
51	10%	8%	5%	9%
52	9%	8%	12%	8%
53	9%	9%	13%	12%
54	9%	9%	8%	10%
55	9%	11%	8%	12%
56	12%	11%	9%	11%
57	10%	13%	14%	9%
58	11%	13%	15%	16%
59	14%	18%	11%	28%
60	14%	17%	9%	14%
61	14%	15%	10%	14%
62	28%	25%	28%	21%
63	17%	18%	20%	17%
64	17%	17%	20%	16%
65	27%	38%	30%	30%
66	30%	30%	30%	30%
67	30%	30%	30%	30%
68	30%	30%	30%	30%
69	30%	30%	30%	30%
70	30%	30%	30%	30%
71	30%	30%	30%	30%
72	30%	30%	30%	30%
73	30%	30%	30%	30%
74	30%	30%	30%	30%
75	100%	100%	100%	100%
Ref	1016	1017	1018	1019

These rates are based upon data presented in the 1997-2002 experience study and were first used in the 2005 valuation.

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 have entered T-DROP at the time that is to their greatest financial advantage based on the schedule above.

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

Sample Ages	Service	Percent of Active Members Separating Within the Next Year					
		Death		Disability		Other	
		Men	Women	Men	Women	Men	Women
	0					32.00%	25.00%
	1					15.00%	12.00%
	2					11.00%	9.00%
	3					7.50%	9.00%
	4					5.00%	7.00%
25	5 & Up	0.02%	0.01%	0.10%	0.09%	4.60%	4.84%
30		0.03%	0.02%	0.08%	0.07%	3.94%	4.40%
35		0.04%	0.02%	0.08%	0.07%	3.20%	3.10%
40		0.06%	0.03%	0.14%	0.13%	2.70%	2.20%
45		0.11%	0.05%	0.24%	0.22%	2.08%	2.00%
50		0.20%	0.08%	0.53%	0.47%	1.62%	1.70%
55		0.31%	0.13%	0.88%	0.79%	1.50%	1.50%
60		0.46%	0.21%	1.00%	0.90%	1.50%	1.50%
65		0.78%	0.35%	1.00%	0.90%	1.50%	1.50%
Ref:		30 x 0.5	31 x 0.5	135 x 1	135 x 0.9	136 556	272 558

Age	Pay Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year
20	5.4%	4.0%	9.4%
25	4.4%	4.0%	8.4%
30	3.4%	4.0%	7.4%
35	2.4%	4.0%	6.4%
40	1.7%	4.0%	5.7%
45	1.2%	4.0%	5.2%
50	0.8%	4.0%	4.8%
55	0.4%	4.0%	4.4%
60	0.3%	4.0%	4.3%
65	0.3%	4.0%	4.3%
Ref:	197		

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

Sample Ages	Service	Percent of Active Members Separating Within the Next Year					
		Death		Disability		Other	
		Men	Women	Men	Women	Men	Women
	0					40.00%	40.00%
	1					30.00%	25.00%
	2					22.00%	18.00%
	3					18.00%	14.00%
	4					13.00%	11.00%
25	5 & Up	0.02%	0.01%	0.10%	0.08%	12.00%	11.00%
30		0.03%	0.02%	0.08%	0.07%	10.80%	7.60%
35		0.04%	0.02%	0.08%	0.07%	8.20%	5.40%
40		0.06%	0.03%	0.14%	0.12%	5.80%	4.70%
45		0.11%	0.05%	0.24%	0.19%	4.10%	4.20%
50		0.20%	0.08%	0.53%	0.42%	2.90%	2.80%
55		0.31%	0.13%	0.88%	0.70%	1.90%	1.70%
60		0.46%	0.21%	1.00%	0.80%	1.50%	1.50%
65		0.78%	0.35%	1.00%	0.80%	1.50%	1.50%
Ref:		30 x 0.5	31 x 0.5	135 x 1	135 x 0.8	273 560	274 559

Age	Pay Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year
20	6.1%	4.0%	10.1%
25	5.2%	4.0%	9.2%
30	4.2%	4.0%	8.2%
35	3.6%	4.0%	7.6%
40	2.9%	4.0%	6.9%
45	1.5%	4.0%	5.5%
50	0.6%	4.0%	4.6%
55	0.2%	4.0%	4.2%
60	0.0%	4.0%	4.0%
65	0.0%	4.0%	4.0%
Ref:	198		

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS
JUNE 30, 2009

Marriage Assumption: 100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.

Pay Increase Timing: Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

Decrement Timing: Decrements are assumed to occur mid-year, with the exception of normal and early retirement which are assumed to occur at the beginning of the year.

Eligibility Testing: Eligibility for benefits is determined based upon the age nearest birthday and the service nearest whole year on the date of the valuation.

Decrement Relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

Decrement Operation: Disability does not operate during the first 5 years of service. Disability and turnover do not operate during retirement eligibility.

Normal Form of Benefit: The assumed normal form of benefit is the straight life form.

Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. The payroll used for this purpose is payroll for all active members plus payroll for members who entered T-DROP on or after September 2003.

Approximations: Adjustments were made to liabilities for T-DROP to allow for interest accumulation at 2% below the assumed rate of return and to reflect partial employer contributions for people who entered T-DROP prior to September 2003.

Loads: A 1.0% load was included to account for subsidized Options, Service Purchases, etc. Age and Service liabilities were loaded by 2.0% to account for fluctuations in data submission.

SECTION H

GLOSSARY

GLOSSARY

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Accumulated Benefit Obligation. The actuarial present value of vested and non-vested benefits based on service to date and past and current salary levels.

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Actuarial Present Value of Credited Projected Benefits or Pension Benefit Obligation. The present value of future benefits based on service to date and the effect projected salary increases.

Actuary. A person who is trained in the applications of probability and compound interest to solve problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events. Most actuaries in the United States are Members of the American Academy of Actuaries. The Society of Actuaries is an international research, education and membership organization for actuaries in the life and health insurance, employee benefits, and pension fields. It administers a series of examinations leading initially to Associateship and the designation A.S.A. and ultimately to Fellowship with the designation F.S.A. The federal government certifies actuaries to practice under ERISA with the designation of E.A.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Experience Gain (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Plan Termination Liability. The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for future service and salary. The termination liability will generally be less than the liabilities computed on a "going concern" basis and is not normally determined in a routine actuarial valuation.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes. Generally based on book value plus a portion of unrealized appreciation or depreciation.

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

December 11, 2009

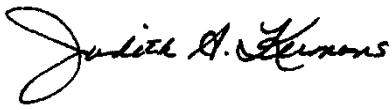
Mr. George Hopkins
Executive Director
Arkansas Teacher Retirement System
1400 West Third
Little Rock, Arkansas 72201

Re: Report of June 30, 2009 Actuarial Valuation of Active and Inactive Members

Dear Mr. Hopkins:

Enclosed are 15 copies of the report. If you need anything else, please call.

Sincerely,



Judith A. Kermans

JAK:mrb
Enclosures