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ATRS

Arkansas Teacher Retirement System

Comprehensive Annual Financial Report

A Component Unit of the State of Arkansas

Prepared by the staff of Arkansas Teacher Retirement System

Linda Parsons
Chair–Board of Trustees

Copies of this report are available from:

Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, Arkansas 72201
501.682.1517 or 1.800.666.2877
website: atrs.state.ar.us

Arkansas Teacher Retirement System

2002 Comprehensive Annual Financial Report

A Component Unit of the State of Arkansas

2002

ARKANSAS TEACHER RETIREMENT SYSTEM

Annual Report For Fiscal Year Ended June 30, 2002

INTRODUCTION

Letter of Transmittal

January, 2003

The Honorable Mike Huckabee and
Members of the 84th General Assembly

Dear Governor and members of the General Assembly:

The Arkansas Teacher Retirement System (the 'System' or ATRS) is pleased to submit this 60th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. It provides comprehensive information on the retirement plan that we administer. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and presents fairly the System's financial status and changes in financial status.

The 2002 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on Page 2).

- *Introductory Section:*
  Contains this Transmittal Letter, organization chart and the Board.
- *Financial Section:*
  Provides the System's financial statements, required supplementary information, and supporting schedules with additional information about the System's expenses.
- *Investment Section:*
  Includes the investment consultant's report, investment policies, asset allocation, and investment results.
- *Actuarial Section:*
  Provides the certification letter from the independent actuary, supporting schedules, and a summary of plan provisions.
- *Statistical Section:*
  Presents schedules and tables of comparative data related to the membership, active and retired, of the System.

On March 17, 1937, ATRS was established by Act 266 of 1937. ATRS is a combination contributory/non-contributory retirement system governed by the State's retirement law, Chapter 24 of the Arkansas Code. ATRS is one of five State-supported retirement systems and provides retirement, disability and survivor's benefits to employees of Arkansas public schools and educationally related agencies. The system consists of 428 participating employers (see pages 66 - 68).

Member data drives ATRS during an individual's working years, retirement, and the monthly payment of one's benefit. ATRS, partnering with OptData Inc., is approximately 50% complete in the rollout of a state-of the art membership system. When complete, access to member's data will be much faster and even more secure. By partnering with OptData Inc., ATRS will avoid as much as 60% of the costs associated with outsourcing the entire project.

Many new features are being written into the design, to replace functions that are being calculated manually. It is the intent, when complete to allow members to view information ATRS has accumulated for them. This access will help ensure a smoother transition into retirement by letting members catch a potential problem and resolve it, when it happens and not years later when the member opts to retire.

The Honorable Mike Huckabee and
Members of the 84th General Assembly
Page 2
January, 2003

Investments

As you are well aware, the investment climate has not been kind. Although ATRS posted a loss for the fiscal year, our performance outpaced 55% of our peers. The Board of Trustees (the Board) has worked diligently over the last few years to prepare the System to make it through these difficult times. The diversity of investments has allowed the System to remain strong, even with the unforeseen events of the past twelve months.

The Board, acting on advice from an independent consultant, sets investment policies. These policies are fluid and are reviewed annually, usually at one of the regularly scheduled Board meetings. All decisions are made using 'the prudent investor rule'. In general, it says using all available data, decisions are made in the same fashion as a prudent individual would make at the associated level of risk.

Roughly 95% of the monies under ATRS' custody are invested by professional managers in various sectors of the market. The remaining 5% are Arkansas related and is comprised of first mortgages, raw land, and real estate. Management firms employed by ATRS are monitored monthly to ensure the firms do not stray from the market sectors for which they were selected and that expected performance is achieved.

Investments made directly by ATRS follow a strict set of guidelines and are underwritten by an independent source. The internally managed 5% include first mortgages on businesses, raw land, certificates of deposit, and wholly owned commercial business properties. These investments aid the System by producing positive monthly cash flow.

Additions/Deductions to Plan Net Assets

Employer and employee contributions, along with income from investments, provide the reserves needed to pay all current and future retirement obligations. Details of the result of operations for the year ended June 30, 2002 are in the financial section of this report.

As a result of the events that shook consumer confidence, ATRS investments decreased $693.9 million, or 8.25%. Income was also down while expenses increased as the number of retirees increased. Income was down $17.1 million, or 10.10%, and expenses were up $27.3 million, or 7.21%.

Funding Status

The unfunded accrued actuarial liability of the System at the fiscal year-ends of 2002 and 2001 amounted to $842 million and $395 million, respectively. ATRS remains solid with a funding ratio of 92%. Basically, the System lacks just 8% of the monies required to meet all future obligations. A more detailed analysis and discussion of the System's assets and liabilities are presented in the Actuarial Section of this report.

The Honorable Mike Huckabee and
Members of the 84th General Assembly
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January, 2003

Internal Control

Management, in conjunction with the Board, has created policies to guide ATRS' staff through the completion of the System's primary goal – asset protection. The Board has also realigned the job function of one staff certified public accountant, as Internal Auditor, to ensure the policies are followed.

Looking forward, the Board has completed a new set of policies outlining Board responsibilities, conduct, and self-review. Developed with the assistance of the person who wrote policies for the National Council on Teacher Retirement (NCTR), the completed policies set a new standard for the industry and will serve as a model for other funds in the country.

Professional Services

ATRS employs individual firms, considered experts in their fields, to draw from pools of knowledge while getting additional views on the administration of policies. The System's independent investment consultant is Ennis + Knupp & Associates, headquartered in Chicago, IL, and the independent actuary is Gabriel Roeder Smith & Company, headquartered in Southfield, MI.

Acknowledgments

This report is intended to provide complete and reliable information as a foundation for management decisions, determining compliance with legal provisions, and determining conscientious administration of the System's funds. Compilation of this report represents 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. The cooperation which exists between the System, its' members, and the employer groups is fundamental in the System's overall success.

On behalf of the Board of Trustees and executive management, I would like to express thanks to the staff, advisors, money managers, and everyone who has worked with great diligence to ensure the System's success.

Respectfully submitted:

Linda Parsons

Linda Parsons
Chair – Board of Trustees

Board of Trustees

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

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

Professional Consultants

Actuary
Gabriel Roeder Smith & Co.
1000 Town Center
Suite 1000
Southfield, MI 48075

Auditors
State Legislative Auditors

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

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

Medical Board
Dr. John Gruetter, Chairman
614 North Ash
Little Rock, AR 72205

Dr. Andrew Pringos
29 Pine Manor Drive
Little Rock, AR 72207

Dr. Howard Schwander
5 West Palisades Drive
Little Rock, AR 72207

Investment Consultant
ENNIS KNUPP & Associates
10 South Riverside Plaza, Suite 700
Chicago, IL 60606-3709

Custodian
Domestic and International
State Street Bank
One Enterprise Drive
Quincy, MA 02171

Investment Counsel
AIB Govett
Shackleton House
4 Battle Bridge Lane
London SE12HR
ENGLAND

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

Alliance Capital Management
U.S. Bank Place
602 2nd Ave South, Suite 5000
Minneapolis, MN 55402-4300

Blackstone Mezzanine Partners
345 Park Avenue
New York, NY 10154

Brinson Partners, Inc.
209 South La Salle St
Suite 111
Chicago, IL 60604-1295

Cinven
Pinners Hall
105-108 Old Broad St
London EC2N 1EH
ENGLAND

The Cypress Group
65 East 55th Street
19th Floor
New York, NY 10022

Daruma Asset Management
60 East 42nd Street
Suite 1112
New York, NY 10165

DLJ Real Estate Capital Partners
277 Park Avenue
New York, NY 10172

DLJ Merchant Banking III
DLJ Mezzanine
277 Park Avenue
19th Floor
New York, NY 10172

Doughty Hanson and Company
45 Pall Mall
London SW1Y5JG
ENGLAND

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

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

Hicks Muse Tate & Furst Inc
200 Crescent Court
Suite 1600
Dallas, TX 75201

Hyperion Capital Management, Inc
165 Broadway
36th Floor
New York, NY 10006

ICC Capital Management
145 Montair Court
Danville, CA 94526

Invesco Capital Management Inc
One Midtown Plaza
1360 Peachtree St, NE
Suite 100
Atlanta, GA 30309

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

LJM2 Co-Investment Partners
333 Clay Street
Suite 1203
Houston, TX 77002

Loomis Sayles & Company
227 West Monroe St, 60th Floor
Chicago, IL 60606

Professional Consultants (continued)

Munder Capital Management
480 Pierce Street
Suite 300
Birmingham, MI 48012-3043

Nicholas/Applegate
600 West Broadway
29th Floor
San Diego, CA 92101

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

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

Phoenix Investment Partners
One Sarasota Tower
2 North Tamiana Trail
Suite 306
Sarasota, FL 34236

Regions Capital Management
400 West Capitol
Little Rock, AR 72201

Rothschild Asset Management Inc.
1251 Avenue of the Americas
New York, NY 10020

Scudder Kemper Investments
345 Park Avenue
New York, NY 10154

The TCW Group
865 South Figueroa St
Suite 1800
Los Angeles, CA 90017

The TCW Group
200 Park Avenue
Suite 2200
New York, NY 10166

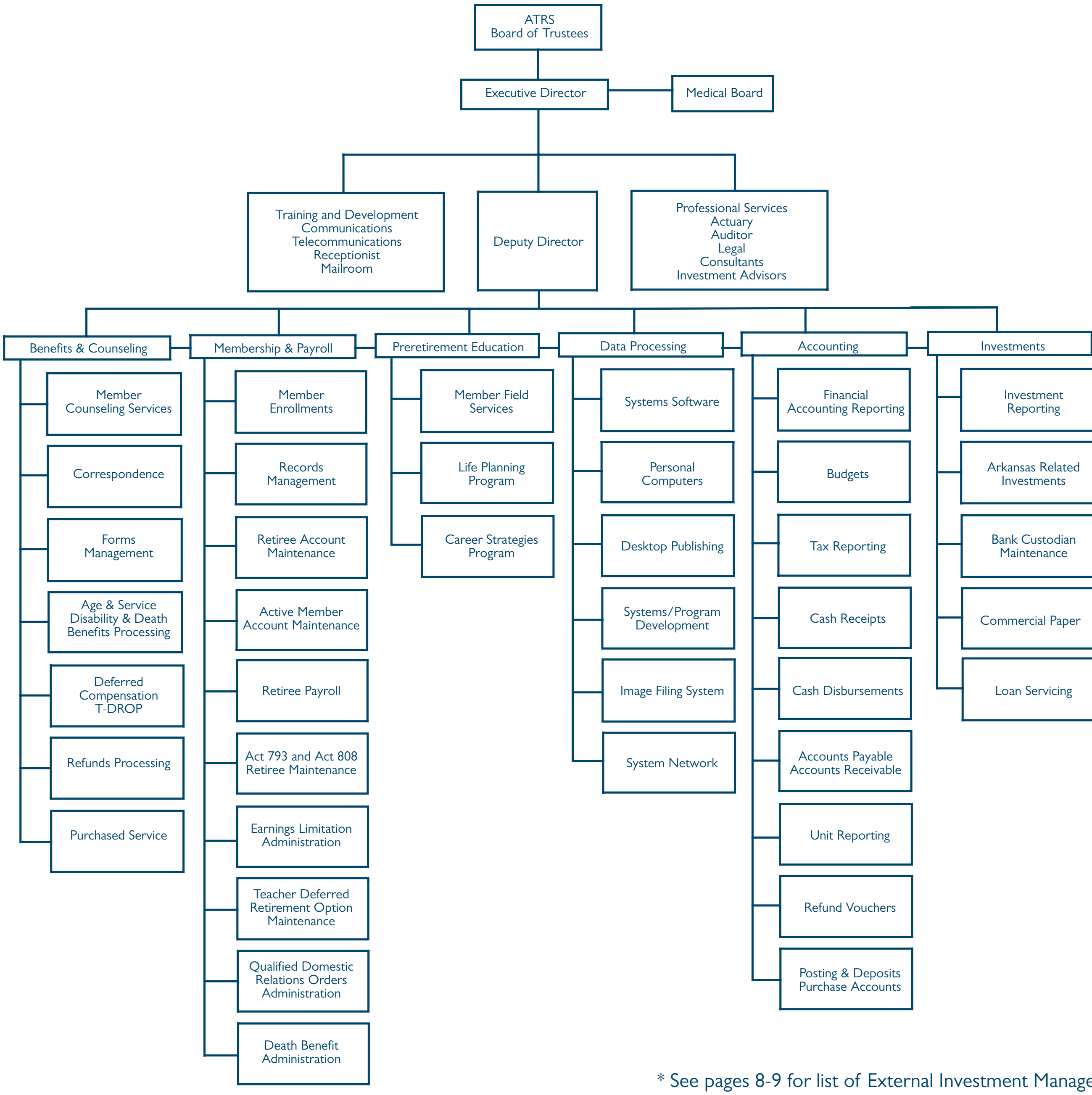
Vanderbilt Capital Advisors, LLC
200 Park Avenue
20th Floor
New York, NY 10166

Wachovia Timberland
Investment Management
Wachovia Bank, N.A.
191 Peachtree Street, GA0201
Atlanta, GA 30303

Wachovia Timberland
Investment Management
100 North Main Street-NC37132
Winston-Salem, NC 27150

Westbrook Partners, LLC
599 Lexington Avenue
Suite 3800
New York, NY 10022

Organizational Chart



* See pages 8-9 for list of External Investment Managers

Administrative Staff

G. Wayne Greathouse
Interim Executive Director

Michael S. Ray
Interim Deputy Director

G. Wayne Greathouse
Associate Director, Investments

George Snyder, CPA
Internal Auditor

Bernice L.G. Smith
Manager, Accounting

Michael S. Ray
Manager, Benefits & Counseling

Gail Blair
Manager, Data Processing

Dena Dixson
Manager, Membership & Payroll

Barbara Waldrop
Manager, Preretirement Education

Annual Report For Fiscal Year Ended June 30, 2002

FINANCIALS

2002

ARKANSAS TEACHER RETIREMENT SYSTEM

Statement of Plan Net Assets
As of June 30, 2002

	2002
Assets:	
Cash held outside the Treasury	$ 6,779,583
Cash in Treasury	1,131,652
	7,911,235
Receivables:	
Other Receivables	52,474
Employer Contributions	5,441,183
Employee Contributions	8,433,069
Investment Principal Unsettled Trades	301,109,025
Interest and Dividends	28,549,766
Total Receivables	343,585,517
Securities Lending-Domestic & International	607,789,389
Total Investments at fair value	7,106,517,829
Net Property and Equipment	973,811
	7,715,281,029
Other Assets:	1,635,482
Total Assets	8,068,413,263
Liabilities:	
Accounts Payable	1,149,430
Accrued Expense-Escrow	84,096
	1,233,526
Investment Principal Payable	375,065,336
Securities Lending Collateral	607,789,389
	982,854,725
Total Liabilities	984,088,251
Net Assets Available for Benefits	$7,084,325,012

Statement of Changes in Plan Net Assets
for the Fiscal Year Ended June 30, 2002

	2002
Additions:	
Contributions:	
Employer	$ 191,352,910
Employee	71,893,349
Total Contributions	263,246,259
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	(646,715,107)
Interest	151,219,917
Dividends	59,177,689
Real Estate Operating Income	6,817,467
From Securities Lending Activities	4,800,357
Other	8,159,553
Less Investment Expense	(40,198,171)
Net Investment Income	(456,738,295)
Total Additions	(193,492,036)
Deductions:	
Annuity Benefits	354,949,683
Refund of Employer Contributions	26,514
Refund of Employee Contributions	2,718,170
Administrative Expenses	7,354,162
Other Deductions	-
Total Deductions	365,048,529
Net Increase (Decrease)	(558,540,565)
Net Assets available for Benefits	
Beginning of year	7,642,865,577
End of year	$7,084,325,012

Notes to Basic Financial Statements

June 30, 2002

1. DESCRIPTION OF PLAN

The following is a brief description of the Arkansas Teacher Retirement System (ATRS or the System). Participants should refer to their Summary Plan description for more complete information.

General Information

ATRS is a cost-sharing multiple-employer, defined benefit pension plan established by authority of the Arkansas General Assembly on March 17, 1937. The General Assembly is responsible for setting benefits and contributions and amending plan provisions. ATRS is a component unit of the State of Arkansas.

Membership

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

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

Part-time employees are not eligible for membership in the System until they have worked thirty (30) days. All part-time employees must be members of ATRS if employed full-time in another covered position.

Unless an alternate retirement plan is selected, full-time employees above grade 17, of the following agencies are required to be members of ATRS:

- Colleges and Universities
- Department of Education (Vocational Division)
- Vocational-Technical Schools

At June 30, 2002, the latest actuarial valuation date, employee membership data was as follows:

Retirees and beneficiaries currently receiving benefits	19,199
Teacher Deferred Retirement Option Plan Participates	3,525
Terminated plan members entitled to but not yet receiving benefits	7,859
Active plan members	62,011
Total	92,594

The number of participating employers was 421.

DESCRIPTION OF PLAN (Continued)

Contributions

Members of ATRS are contributory or non-contributory. Contribution percentages are set by law and may only be amended by an act of the Arkansas General Assembly.

The employee rate for a contributory member is currently six percent of gross earnings, or $7,800, whichever applies. Effective July 1, 1997, all member contributions are tax-deferred. These contributions are deposited in the Member Deposit Account.

Non-contributory members make no contributions to the System. If the member made contributions before July 1, 1986, they are not refundable until the member terminates covered employment. All new members are automatically placed in the contributory plan. Exceptions to this include new members employed on a part-time basis, new members employed without contracts and former active members returning to employment. Other exceptions may occur, however, after July 1, 1999, all full-time new employees will be contributory.

All school districts are members of the System and Act 1194 of 1995 requires local school districts to pay the teacher retirement employer contribution rate for any eligible employee in accordance with the rules and regulations established by the Board. For the year ended June 30, 2002, the employer contribution rate was 12% of gross earnings.

Vesting

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

Retirement, Disability, and Survivor Benefits

The System is a defined benefit pension plan that offers the following types of benefits: Active Membership retirement, Disability retirement, Survivor Benefit, Teacher Deferred Retirement Option Plan and Lump Sum Death benefit.

The retirement benefits are based on age and/or years of credited service and highest average salary. A member earns one year of service credit for 120 days of service; however, no more than one year of service credit may be earned in any fiscal year. Members of the System may retire after 28 years of service at any age, after 5 or more years of service at age 60 or after 25 years of service at any age with a reduced benefit.

The disability benefits are payable to a member who has 5 or more years of credited service who has become or becomes totally and permanently incapacitated to perform the duties of his/her position in Arkansas service while an active member.

The survivor benefits are payable to qualified survivors upon the death of an active member with five or more years of credited service, including service for the year immediately preceding death. If no monthly survivor benefits are payable, a lump sum of the member's contribution plus interest is paid to the designated beneficiary.

The Teacher Deferred Retirement Option Plan (T-DROP) was designed to allow teachers having 30 or more years of service to freeze retirement benefits and continue working in a position covered by this system. Members of any Arkansas reciprocal system may count their combined service in the systems to meet service requirements for benefits under the System's deferred retirement

DESCRIPTION OF PLAN (continued)

option plan. Each month a large portion of the amount the member would have received in a retirement check is placed into a tax-deferred account and accrues interest at 6%. Benefits are reduced 1% for each contributory year of service and 6/10 of 1% for each year of non-contributory service credit. The reduction for years of service above 30 is 0.5% for contributory service and 0.3% for non-contributory service. The remainder goes into a tax-deferred account where it will accrue interest at a rate of 6% compounded annually. The System's actuary determined that this reduction is necessary to keep the plan cost neutral.

Act 1590 of 1999, allows for participation in the T-DROP after 28 years of credited service. An additional reduction of 6% for each year under 30 will be imposed. A member with 28 years would be reduced an additional 12%, while a member with 29 years would be reduced an additional 6%. A decision to enter the plan is irrevocable. Upon retirement, the members' deferred monthly ATRS check will have grown by 3% for each year the member participated in T-DROP resulting from annual cost of living raises. In addition to the member's ATRS retirement check the member will have accumulated money in a T-DROP account. Members may take a lump sum, rollover the money into another tax-deferred account or ATRS will annuitize the lump sum amount and add it monthly to the member's regular ATRS lifetime check.

The System also provides a lump sum death benefit for ATRS active and retired members who have five or more years of credited service. The amount for contributory members will be up to $10,000 and up to $6,667 for non-contributory members. The amount will be prorated according to the relationship between their non-contributory credited service and total credited service for members who have both contributory and non-contributory service. In addition to the benefits noted above, each surviving dependent child will receive a lump sum benefit of $10,000, regardless of the member's option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The management of the System is the responsibility of the Board of Trustees (Board). The Board is comprised of 15 members whose term expires at various times. The Executive Director of the System is appointed by the Board and oversees the administrative operation of the System, aided by a Deputy Director and six department managers. Although separate financial statements are presented for the System as a whole, the System is also considered a component unit of the State of Arkansas Financial Reporting entity.

Reciprocal Service Retirement

A member may combine covered service in the ATRS, Public Employees Retirement System, Highway Employees Retirement System, State Police Retirement System, the Arkansas Judicial Retirement System, an alternate retirement plan for a state supported college or university, the Arkansas Department of Higher Education, a vocational-technical school or the Division of Vocational and Technical Education to qualify for an annuity. (Act 611 of 1975, as amended.)

Basis of Accounting

The financial statements are presented on the accrual basis. Employer and member contributions are recognized when due and the employer has made a formal commitment to provide the contributions. These contributions are considered to be fully collectible; therefore, an allowance for uncollectible receivables was not provided for. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Administrative Expenses

Expenses for the administration of the System are budgeted and approved by the General Assembly and are paid from investment earnings.

Investments

Investments are reported at fair value. Cash and cash equivalents, which have a maturity of three months or less when purchased, are reported at cost which approximates fair value.

Investments other than real estate, commercial mortgages and other loans, and municipal revenue bonds are reported at fair market values determined by the custodial agents. The agent's determination of market values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Commercial mortgages and other loans and municipal revenue bonds have been valued on an amortized cost basis which approximates market or fair value. The current values of the interests in limited partnerships are based on historical costs as adjusted by current appraisals. Real estate mortgages are valued on the basis of future principal and interest payments. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible. The fair value of real estate investments is determined based on third party appraisers. Short-term investments are reported at cost which approximates fair market value. For investments where no readily ascertainable fair market value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

All security transactions are recorded on a settlement date basis.

There were no investments in excess of 5% of net assets held in trust for pension benefits as of June 30, 2002.

Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels or currency exchange rates. Only a few selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are spelled out in manager contracts and are monitored on an ongoing basis; so-called "exotic" derivatives and leverage are never employed. Managers authorized to use derivatives do so to reduce foreign exchange risk and minimize transaction costs. Managers may only use derivatives as part of an overall strategy to enhance returns.

ATRS enters into foreign exchange forward contracts to sell or purchase certain foreign currencies at specified rates at stated dates and to hedge currency risk of investments denominated in foreign currencies such as foreign equity securities, bonds issued by foreign entities and foreign short-term investments and money market funds. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offset in the forward markets. At June 30, 2002, the System had 38 open forward exchange contracts in various foreign currencies at varying rates and dates. At June 30, 2002, the aggregate unrealized gain on such open contracts was $74,172.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized by the System typically have no greater market risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the "other party" to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomic.

Equipment

Equipment with a cost of $2,500 or more is capitalized at the original cost and depreciation is recognized in administration expenses. Depreciation is computed based on the life of asset as stipulated by the Arkansas Administrative Statewide Information System and the method used is the straight life method of depreciation.

Payables and Liabilities

Payables and liabilities consists of securities related payables and bills received after the year end. These liabilities are recorded on the financial statement. The liability on securities lending transactions are reported on the financial statement for reporting purposes.

Compensated Absences

The agency employees are permitted to accumulate earned but unused vacation and sick pay benefits. Accumulation rate varies according to employee length of service with the State. Upon separation of service, in good standing, employees will be paid for a maximum of thirty unused vacation leave days. Employees do not accumulate sick leave, therefore no liability is reported.

Tax Status

During the fiscal year ended June 30, 2002, the System qualified under Section 501(a) of the Internal Revenue Code and was exempt from federal income taxes.

3. DEPOSITS AND INVESTMENTS

The following is a reconciliation of the carrying amounts of cash and investments at June 30, 2002.

As presented in Statement of Plan Net Assets:	
Cash and cash equivalents	$ 7,911,235
Investments	7,106,517,829
Total	$7,114,429,064
As presented below:	
Deposits	$ 2,088,521
Investments	7,112,340,543
Total	$7,114,429,064

DEPOSITS AND INVESTMENTS (continued)

Listed below is a summary of the deposit and investment portfolio as of June 30, 2002. Investing is governed by the prudent investor rule in accordance with Statutes of the State of Arkansas. All investments of the System are considered to have been made in accordance with these governing statutes.

(a) Deposits
A summary of deposits, including certificates of deposits, at June 30, 2002, is as follows:

Carrying amount	$ 2,088,521
Bank balance	2,633,421
Amount insured or collateralized (Category 1)	2,633,421
Amount uninsured	0

Credit Risk

The following table presents the System's investments as of June 30, 2002, categorized to give an indication of the level of risk assumed by the System. The categories of investment risk are:

1. Insured or registered investments, or securities held by the System or its agent in the System's name.

2. Uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the System's name.

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

A security, for purposes of classification in the various categories, is a transferable financial instrument that evidences ownership or creditorship. Investments not evidenced by securities are not categorized to credit risk.

Category 1 Classification	Fair Value
Domestic Equities	$ 2,766,375,423
International Equities	884,905,534
Corporate Bonds	523,320,218
Revenue Bonds	1,285,000
Government Securities	509,015,963
Repurchase Agreements/Cash Equivalents	289,009,007
Convertible Corporate Bonds	144,473,408
Mortgage Back/ABS/CMO	534,090,125
FX Contracts	(2,529,969)
Amounts Not Subject to Classification	
Limited Partnerships	1,009,419,985
Real Estate	142,719,513
Mortgage Loans	243,651,832
Other Investments	60,781,790
Cash	5,822,714
	7,112,340,543
Investments Held By Broker Dealers Under Securities Loans With Cash Collateral:	
Government Securities	319,522,276
Corporate Bonds	192,338,386
International Equities	95,928,727
	$ 7,720,129,932

4. SECURITIES LENDING ARRANGEMENTS

The System participates in a securities lending program, as authorized by Arkansas Code Annotated Title 24, Chapter 3, Subchapter 4, Section 12 (the Code) whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents or other securities guaranteed by the United States Government or an agency thereof equal to at least 100% of the full market value of the security lent. The program is administered by a custodial agent bank. The Code does not specify certain types of securities that may be lent; accordingly, ATRS has on loan at June 30, 2002, common and preferred stock, government securities, corporate bonds and international securities. State Street Bank and Trust Company (State Street) does not have the ability to pledge or sell collateral securities delivered absent a borrower default. There are no restrictions on the amount of securities that can be lent at one time. In the total amount of $590,882,257, ATRS has minimized its exposure to credit risk due to borrower default by having the custodial banks determine daily that the required collateral meets at least 100% of the market value of securities on loan. A net earning of $3.6 million was earned on securities lending activities as shown on the Statement of Changes in Plan Net Assets. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. There were no violations of the security lending provisions that occurred during the year ended June 30, 2002.

ATRS invested the cash collateral in short-term securities, short term investment funds maintained by State Street, and many market mutual funds. ATRS authorizes State Street to purchase or sell investments of cash collateral to or from other accounts held by State Street or its affiliates. Investments purchased with cash collateral are held by State Street in separate collateral accounts. The contract with State Street requires it to indemnify ATRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent). The risks involved in a security lending program generally include borrower bankruptcy, collateral deficiencies, problems with settlements, corporate actions, and dividends and interest. ATRS had no losses on securities lending transactions resulting from the default of a borrower or the lending agents for the year ended June 30, 2002.

Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the lent securities. The collateral held and the market value of securities on loan for ATRS as of June 30, 2002, were $607,789,359 and $590,882,257, respectively.

The carrying amounts and fair value of securities lending collateral by type of investment due is as follows:

	Cash Collateral	Securities Collateral
U.S. Government and Agency	$319,522,276	$ -
U.S. Corporate	192,338,356	-
International Equity	95,928,727	113,513
Total Values	$607,789,359	$113,513

5. RELATED PARTY TRANSACTIONS

As of June 30, 2002, the System loaned $19,461,209 to the State of Arkansas Department of Education for purposes of acquiring a computer network. During the fiscal year ended June 30, 2002, ATRS paid the Department of Information Services approximately $797,662 for data processing services.

6. LEGALLY REQUIRED RESERVES

Arkansas Code Annotated 24-7-405 requires that the net assets held in trust for pension benefits be recorded in five accounts, namely, the members' deposit account, the employer's accumulation account, the retirement reserve account, the survivor benefit account and the income-expense account. At June 30, 2002, the balances of each of these accounts are as follows:

Members' deposit account	$ 4,346,119,805
Employers' accumulation account	(182,362,214)
Retirement reserve account	2,858,261,528
Survivor benefit account	40,558,294
Income-expense account	21,747,599
Net assets held in trust for pension benefits	$ 7,084,325,012

7. COMMITMENTS AND CONTINGENCIES

At June 30, 2002, the System was committed to purchase investments at an aggregate cost of approximately $982.8 million.

Required Supplementary Information

Schedule 1 - Schedule of Funding Progress
(Dollar Amounts in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (AAL) (b-a)	Funding Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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	7,580	(40)	100.5%	1,485	-
2000+	7,620	7,879	259	96.7%	1,485	17.4%
2001	8,166	8,469	303	96.4%	1,557	19.5%
2001+	8,166	8,561	395	95.4%	1,557	25.4%
2002	8,328	9,170	842	90.8%	1,628	51.7%
2002*	8,328	9,062	734	91.9%	1,628	45.1%

+ Legislated benefit increase.
* Revised actuarial assumptions.

Required Supplementary Information (continued)

Schedule 2 - Schedule of Employer Contributions

($ Millions)

Year Ended June 30	(A) Covered Payroll BOY	(B)=(A)x12% Annual Required Contribution	(C) Actual Contributions	(C)/(B) Percent Contributed
1995	$1,167	$140.04	$139.80	99.4%
1996	1,234	148.08	132.60	89.5%
1997	1,260	151.20	153.50	101.5%
1998	1,302	156.24	159.00	101.8%
1999	1,368	164.16	166.80	101.6%
2000	1,429	171.48	175.70	102.5%
2001	1,485	178.20	181.10	101.6%
2002	1,557	186.84	191.35	102.4%

Required Supplementary Information (continued)

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

Schedule 3 - Notes to Trend Data

Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Remaining Amortization Period	38 years
Asset Valuation Method	4-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Cost-of-living adjustments	3.0% Simple
Projected Salary Increases	4.0% to 9.0%
*Includes inflation at	4.5%

SUPPORTING SCHEDULES

2002

Annual Report For Fiscal Year Ended June 30, 2002

ARKANSAS TEACHER RETIREMENT SYSTEM

Schedule 4 - Schedule of Administrative Expenses

Fiscal Year ended June 30, 2002

Personnel Services:	
Staff Salaries	$ 1,976,398
Employee Benefits	528,659
Total Personnel Services	2,505,057
Professional Services:	
Actuary	$ 119,100
Data Processing	2,868,714
Other Professional Services and Fees	104,555
Total Professional Services	3,092,369
Miscellaneous:	
Equipment	$ 35,095
Other Operating Expenses	1,223,464
Total Miscellaneous	1,258,559
Total Administrative Expenses	$6,855,985

Schedule 5 - Schedule of Investment Expenses

Fiscal Year Ended June 30, 2002

Investment Counsel	$ 498,178
Professional Services:	
International	3,981,414
Alternative Investment	20,739,732
Domestic	11,871,808
Custodian Fee	729,725
Real Estate Expense	2,875,492
Total Professional Services	40,198,171
Total Investment Expense	$ 40,696,349

Schedule 6 - Schedule of Payments To Consultants

Fiscal Year Ended June 30, 2002

Individual or Firm	Commission/Fee
Actuary	
Gabriel, Roeder, Smith & Company	119,100
	119,100
Data Processing	
Department of Information Services	$ 909,847
Optdata	1,493,956
Other supplies/services	464,911
	2,868,714
Other Professional Services and Fees	
Heathcott Associates	53,626
Watson, Wyatt	25,300
G. Robert Bowers	20,749
Other	4,880
	104,555
Total	$3,092,369

2002

INVESTMENTS

Annual Report For Fiscal Year Ended June 30, 2002

ARKANSAS TEACHER RETIREMENT SYSTEM

ENNISKNUPP

January 15, 2003
Board of Trustees
Arkansas Teacher Retirement System
1400 West Third Avenue
Little Rock, AR 72201

Market Overview
The fiscal year ended June 30, 2002 represented a troubling and volatile period for investors. The tragic events of September 11, 2001, coupled with numerous accounting scandals, bankruptcies, economic uncertainty and political instability shook the core of the global capital markets. Despite these strong headwinds and a short-lived recession in the first fiscal quarter, the Gross Domestic Product (GDP) managed to grow at an average rate of 2.1 % for the year. A majority of this growth stemmed from increased consumer spending as government expenditures and corporate investments were down. The slowing economy led to some of the lowest inflation rates seen in recent history as the Consumer Price Index (CPI) increased only 1.1% for the fiscal year 2002. The Federal Open Market Committee (FOMC) continued to aggressively cut interest rates in an attempt to thwart further economic retraction and promote stability in the wake of September 11th. The federal funds rate was reduced a total of five times during the year from 3.5% at June 30, 2001, to only 1.75% at June 30, 2002. This represents the lowest rates seen in four decades.

The U.S. stock market posted a sharp decline of 16.6% during fiscal year 2002. This marked the first time since June 1974 that the U.S. stock market had suffered two consecutive negative annual returns. The technology (-33%), utilities (-32%) and capital goods (-28%) sectors led the sell off as reduced corporate spending and the fallout of the Enron and WorldCom debacles hit these areas of the market especially hard. Although all sectors of the stock market produced negative returns, the finance and transportation sectors produced the best returns at -5.0% and -2.7%, respectively. Similar to fiscal year 2001, value-oriented stocks continued to produce better results than their growth-oriented counterparts. In a similar fashion, small capitalization stocks posted markedly better returns than large capitalization stocks. Through this tumultuous period, the small capitalization and medium capitalization value indices managed to post positive returns of 8.5% and 1.9%, respectively.

The aggregate non-U.S. stock markets suffered a negative return for the fiscal year (-8.4%); but to a lesser degree than the U.S. stock market. The continued decline of the technology, media and telecommunications sectors reached far outside the borders of the U.S. as these areas posted large negative returns on a global basis as well. Non-U.S. stock returns were, however, buoyed by a depreciating dollar that resulted in strong dollar-based returns compared with those based in local currencies. Japan's economic woes continued during the period leading to a -16.8% return, The remainder of the Asia/Pacific region fared well, however, posting positive results overall. Finland posted the lowest return among the developed countries as shares in Nokia, which comprises a large portion of this country's equity market, declined steeply along with other global telecommunications stocks. The United Kingdom, the largest market in the non-U.S. Index, posted a return of - 6.9%, modestly better than the overall Index return. Despite economic turmoil in several Latin American countries, the return of the emerging markets was a bright spot in the global equity markets as they, in aggregate, produced a positive return of 1.1% during the fiscal year.

The bond market fueled by falling interest rates, produced a strong return of 8.6% for the fiscal year 2002. The bond market was, however, much more volatile than the return would indicate. Accounting scandals, fraud and bankruptcies among large borrowers of capital such as Enron and WorldCom wreaked havoc with many fixed income investors. These factors, coupled with concerns over falling equity markets, led to the corporate bond sector lagging all other areas of the bond market with a return of 7.5%. Below investment-grade bonds were especially hard hit as they lost -3.6% for the fiscal year. Investors clearly preferred safety above higher yields as the Government (+8.8%), mortgage (+9.0%) and asset backed (+9.8%) sectors produced favorable results.

Overview of Fund Structure

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

ATRS Performance Overview

Given the poor general performance of the capital markets, the ATRS portfolio performed well on a relative basis versus its performance benchmark and the Russell/Mellon Public Fund Universe, which represents the returns of 46 funds with aggregate assets of $380.7 billion. The ATRS portfolio returned -6.2% versus the benchmark return of -7.9% and ranked slightly above the median in the Public Fund Universe. The portfolio's longer-term performance was also favorable as the three- and five-year returns exceeded those of the benchmark by 1.5 and 0.6 percentage points, respectively. The ATRS did not, however, achieve its long-term goal of earning an 8.0% over these periods. We believe the current structure of the portfolio, while susceptible to short-term market volatility, is appropriate for a fund of this nature.

During the year, the U.S. equity component of the portfolio produced above-benchmark results when compared with the broad U.S. stock market. The portfolios' emphasis of smaller-capitalization and value-oriented stocks proved beneficial as these were the best performing areas of the market during the year. Impressively, several managers within these areas produced double-digit returns despite the sharp fall in the broad market.

The portfolio's diversification into non-U.S. equity benefited total fund performance during the year as the ATRS investments in this area suffered about only one-third the losses sustained by the broad U.S. market. Furthermore, manager performance was favorable within this area of the portfolio as each outperformed their designated performance benchmark.

The return of the fixed income component aided absolute results as this asset class produced positive returns during the year. This return did, however, fall short of its performance objective. Allocations to convertible bonds and high-yield bonds hurt returns of the bond portfolio as these securities, which are correlated with equities, produced negative returns for the year. Overall, the conservative nature of the remaining portion of the portfolio proved a strong diversifier amid the turmoil of the equity markets.

The ATRS alternative investments - which include Arkansas related investments, real estate and private partnerships - held up, as a whole, relatively well during the year as they declined in value by just 2.5%. Within this area, the real estate oriented investments proved to be the best performing while the private equity partnerships fell generally in response to the poor performance of their public market counterparts.

It has been our pleasure serving the ATRS during the first year of our relationship and we look forward to many more.

Sincerely,

Stephen Cummings, CFA
Principal

STC:smw

Investment Policies and Procedures

STATEMENT OF INVESTMENT POLICY

The PURPOSE of the ATRS is: to provide an orderly means whereby employees of the participating employers who have attained retirement age may be retired from active service, to enable such employees to accumulate reserves for themselves and their dependents and to provide for old age, death and termination of employment.

Monies of the System are invested to achieve the investment OBJECTIVE which is to make the monies as productive as possible.

THE STANDARD OF INVESTMENT for the Director and Board of Trustees of the assets of the fund is: investing and reinvesting monies in the fund and in acquiring, retaining, managing and disposing of investments of the fund there shall be exercised "the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

With the preceding purpose, objective, and standards in mind, investment GOALS were established to guide the Director, and investment counsel. Goals are directed at achieving, over a period of years, the actuarial interest assumption rate of the System, with due consideration being given to preservation of capital and its purchasing power, and to maintaining the element of risk at a prudent level.

Available funds are invested to achieve a total return level necessary to maintain the fiscal soundness of the fund and to achieve the actuarial reserve requirements within the standards set forth above.

In order for the Board of Trustees to achieve the purpose, objective, standards and goals of the Fund, Investment Counsel (Investment Managers) and an Investment Consultant or Consultants have been retained. Investment Counsel provides general economic information, as well as recommendations, on specific investments. Investment Counsel is at all times responsible for the development and articulation of investment strategy, which is a topic in each of its quarterly reports to the Board of Trustees. The Board's acceptance of the quarterly report of Investment Counsel constitutes Board approval of investment strategy for the next quarter. In each of its follow-up letters on specific investment recommendations, Investment Counsel justifies each specific recommendation and its relationship to investment strategy approved by the Board of Trustees at the prior quarterly meeting. The Investment Consultant or Consultants provide advice on investment results of the Fund using such techniques as market valuation, time weighted rates of return, comparison with capital market indices and/or other relevant measures.

At the time of issuing the Statement of Investment Policy, the actuarial interest rate assumption utilized by the System was 8%. It is the desire of the Board of Trustees that the investment of the funds of the System will achieve a total return that will exceed the interest rate assumption, preserve the purchasing power of the assets and, in addition, produce earnings that may reduce the cost of the Retirement System to the participating employers or provide additional funds so that improvements in the System benefits may be adequately funded. While there can be no assurance that these desires can be achieved, the intent of the Board of Trustees is that by careful selection of individual securities and by constant supervision of the investment portfolio, the long-term value of the funds of the System will be enhanced and the stated goals will be achieved.

The Board of Trustees is sensitive to its responsibility to see that funds of the System are invested wisely, prudently and at a rate of return that will support the financial objectives of the System. However, the Board realizes that it would be impractical, if not impossible, for it to make all the investment decisions that are necessary in the management of a large trust fund.

INVESTMENT POLICIES AND PROCEDURES (continued)

Therefore, the Board, pursuant to authority vested in it by Section 3.04(c) of Act 427 of 1973 as amended, delegated to the Executive Director the authority to purchase, hold, assign, transfer or sell common and preferred stock, government bonds or notes, federal agency securities, corporate bonds or other securities permitted under Section 1 of Act 412 of 1985 as amended. The Board by resolution dated January 16, 2001, delegated to the Associate Director-Investments, the Chief Fiscal Officer and the Deputy Director in the absence of the Executive Director, the authority to purchase sell, assign and endorse for transfer securities held in the name of the system. Investments in mortgages or in bank capital notes shall have specific approval by the Board before the investments are made. The Board delegated to the Executive Director authority to make short-term investments that are consistent with strategy adopted by the Board and with the general recommendations of Investment Counsel.

Through written and oral reports by Investment Counsel, the Investment Consultant or Consultants and by either the Executive Director or Associate Director-Investments, the Board insures that all investments made under this delegation of authority are in conformity with Section 1 of Act 412 of 1985 as amended and with the investment policies and procedures of the System.

Investment Counsel observes the following limitations and guidelines subject to the Prudent Investor Rule as amended by Act 412 and Act 1009 of 1985:

PRUDENT INVESTOR RULE. The prudent investor rule, as interpreted and defined by the Federal Employee Retirement Income Security Act (ERISA) of 1974, as amended, and regulations promulgated pursuant thereto, shall be applied by each party serving in a fiduciary capacity for the respective retirement systems. The prudent investor rule means that in making investments the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

ASSET ALLOCATION POLICY

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

Asset Category	Minimum	Target	Maximum
Domestic Equity	35%	40.0%	60%
International Equity	0%	17.5%	25%
Domestic Fixed Income	10%	25.0%	40%
Alternatives*	0%	10.0%	17%
Timberland	0%	1.5%	3%
Arkansas Related	5%	5.0%	10%
Cash Equivalents	0%	1.0%	10%

*In determining the asset allocation for Alternatives, the actual invested amount not the commitments, is applicable; however, in no case, without Board approval will the commitments exceed the maximum.

Goals and Guidelines

The overall goal is directed at achieving, over a period of years, the actuarial interest assumption rate of the System with due consideration being given to preservation of capital and its purchasing power and to maintaining the element of risk at a prudent investor level.

INVESTMENT POLICIES AND PROCEDURES (continued)

Goal for Equity and Aggregate Equity Investment

The goal for the investment of the System's funds invested in the equity segment of the capital markets is to achieve a total rate of return which will exceed the rate of inflation and substantially outperform pertinent indices and peer groups over a full market cycle (approximately 5 years). The concern of the Trustees is maintaining the growth of purchasing power of assets allocated to the market sector.

Equity Investment Strategy and Implementation

In accordance with prudent investment practice, the ATRS has adopted a multiple manager equity investment philosophy to increase diversification and enhance total rate of return. The success of the goals for each manager and the aggregate portfolio will be measured against the investment objectives described in *Goals for Aggregate Equity Investment*.

The ATRS Trustees will be responsible for an annual allocation of assets between the different investment styles of Investment Counsel, to maintain a prudent level of risk and volatility and allow for future growth. An annual asset allocation study will be provided by the Investment Consultant or Consultants.

Goal for Individual Equity Managers

The goal for large cap value oriented investment managers is to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 1000 Index and exceed the median manager from comparative equity Large Cap Value Style Universes over a full market cycle (approximately 5 years).

The goal for the growth oriented investment managers is to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 1000 Growth Index and exceed the median manager from comparative equity Large Cap Growth Style Universes over a full market cycle (approximately 5 years).

The goal for mid cap oriented investment managers is to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell Mid Cap Value or Growth Index and exceed the median manager from comparative equity Value or Growth Style Universes over a full market cycle (approximately 5 years).

The goal for small cap oriented investment managers is to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 2000 Index and exceed the median manager from comparative equity Value or Growth Style Universes over a full market cycle (approximately 5 years).

The goal for fully diversified international investment managers is to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the EAFE Market Cap Index and exceed the median manager from comparative equity International Style Universes over a full market cycle (approximately 5 years).

The goal for emerging markets international investment managers is to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the MSCI Emerging Markets Free Index and exceed the median manager from comparative equity International Style Universes over a full market cycle (approximately 5 years).

INVESTMENT POLICIES AND PROCEDURES (continued)

Guidelines for Equity Investments

The statutes (Section 1 of Act 412 of 1985 as amended) are the guidelines for the equity investment; however, it is the responsibility of each investment manager to manage his exposure of assets to the equity market on an ongoing basis. It is not the intent of the ATRS to evaluate a manager on his ability to time the equity market but only to evaluate the use of cash as a vehicle to enhance long-term returns. Ability to manage the asset allocation between equities and cash equivalent investments will be evaluated over a full market cycle (approximately 5 years).

Goal for Fixed Income Investments

The goal for fixed income investments is to maintain a high degree of consistency of total investment return. It is the further goal of the Trustees to reduce the volatility of the principal value of the fixed income investments while maintaining a total investment rate of return which is consistent with the stated objectives of the entire System's Fund.

Guidelines for Fixed Income Investments

The Arkansas statutes are the guidelines for the fixed income investments. The Trustees wish to maintain high quality fixed income investments in the following fixed income investments:

1) U.S. Government and Agency obligations or their proxies,
2) Debt obligations of U.S. corporations including but not limited to marketable bonds, debentures, medium-term notes, commercial paper, private placements for which there is an active secondary market,
3) Mortgage-backed securities and collateralized mortgage obligations,
4) Asset backed securities,
5) Yankee bonds,
6) Limited partnerships investing in debt instruments, including mezzanine finance, and
7) Other such debt instruments deemed prudent by the investment manager, the Investment Committee and the Board. Investments in collateralized mortgage obligations shall not be leveraged investment vehicles, interest only strips, principal strips, inverse floaters, super floaters, jump Z bonds or other illiquid mortgage obligations.

Fixed Income Investment Strategy and Implementation

The strategy of the Fixed Income Investment Manager is to provide the System with high total return (income plus capital appreciation) from fixed income investments within the fixed income guidelines stated previously.

Fixed income securities are to be selected and managed to assure an appropriate balance in qualities and maturities consistent with current domestic and international market and economic conditions.

The investment manager may use duration at their discretion (consistent with the type for which they were hired) in order to take advantage of fixed income opportunities that may exist in order to provide additional return from declining interest rates and protection during raising interest rates.

Principal and coupon payments are to be reinvested at the current interest rate so that over the life of the fixed income portfolio a consistency of total investment return will be achieved.

INVESTMENT POLICIES AND PROCEDURES (continued)

All fixed income investments are to be limited to instruments of companies and institutions that are credit worthy in the opinion of the investment manager. Ratings generated by the credit rating agencies are not to be taken for granted. Intensive financial analyses should be performed on all investments prior to committing the assets of the fund and frequent reviews should be undertaken after the instrument is contained in the portfolio.

It is the responsibility of the investment manager, other than the convertible bond manager(s), to maintain the quality at the average rating of A or better and to advise the sale of any security which in the investment manager's judgement is in jeopardy of being downgraded. Securities rated below B- or B3 may not be held in the portfolio.

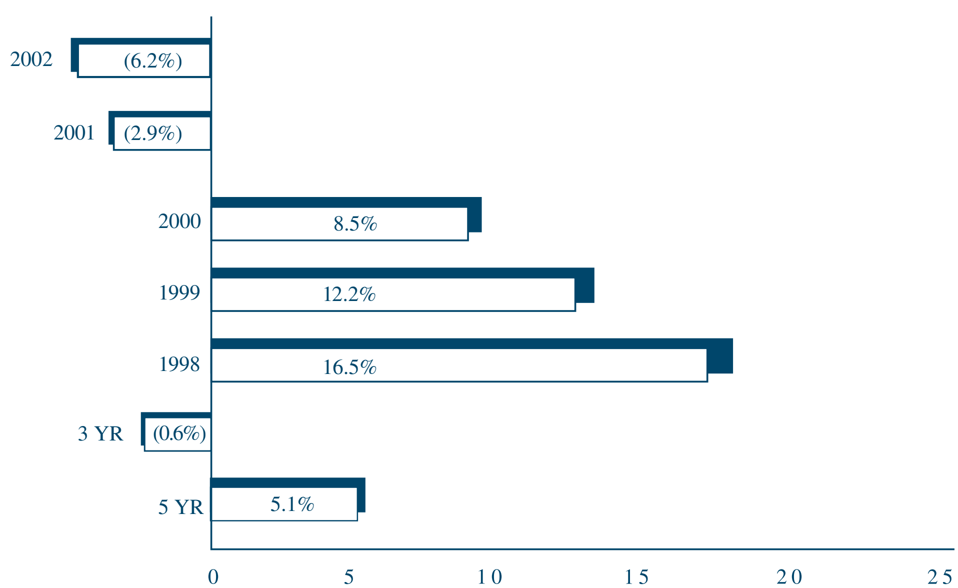
The investment manager(s), subject to the restriction of the paragraph above may invest up to 20% of their portfolios in securities which are non-rated or rated below the four highest rating classifications by a nationally recognized rating service.

The investment manager may also invest in sectors that offer attractive yield spreads versus other sectors of the fixed income market, i.e. which sector (U.S. Government, corporate, mortgages and others) offers the best value at the time of purchase.

Act 412 of 1985

In 1985, the State enacted Act 412 which (1) requires state retirement systems to "seek to invest" not less than five percent (5%) nor more than 10 percent (10%) of their assets in Arkansas related investments and (2) repeals a rather restrictive list of permissible investments and substitutes therefore a "Prudent Investor Rule" as interpreted and defined by the Federal Employee Retirement Income Security Act of 1974. As of June 30, 2002, the System had approximately $500.4 million or 7.1% of its assets in Arkansas related investments.

Performance Summary
Annualized Percent Return
For the Periods Ended June 30, 2002



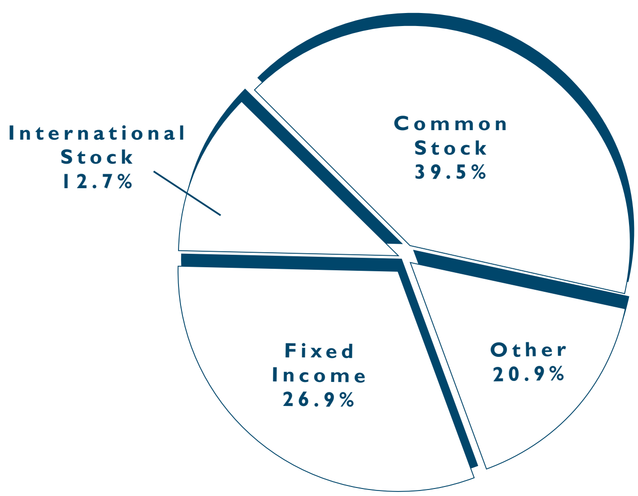
Asset Allocation Analysis

As of June 30, 2002

Asset Class	Market Value	Current %
Common Stock	$2,766,810	39.5%
International Stock	886,523	12.7%
Convertibles	296,856	4.2%
Bonds	1,586,155	22.7%
Mortgages	500,377	7.1%
Real Estate	492,839	7.0%
Private Equity & Mezzanine Debt	432,357	6.2%
Cash	44,131	.6%
Total Fund	$7,006,048	100.0%

Current Allocation by Asset Class

As of June 30, 2002



Schedule of Investment Results

Returns for Period Ended June 30, 2002

The table below details the rates of return for the System's investment managers over various time periods ended June 30, 2002.

	1 Year	3 Years	5 Years
Total Fund	(6.2%)	(0.6%)	5.1%
Bench Mark	(7.9%)	(2.1%)	4.5%
LARGE CAP GROWTH EQUITY			
Alliance Capital	(29.1%)	(17.2%)	2.1%
Munder	(21.9%)	(11.5%)	(0.5%)
Russell 1000 Growth Index	(26.5%)	(16.1%)	(0.3%)
S&P 500 Index	(18.0%)	(9.2%)	3.7%
LARGE CAP VALUE EQUITY			
Oppenheimer	(21.5%)	(5.2%)	4.1%
Invesco	(9.5%)	(6.0%)	3.8%
ICC Capital	(13.1%)	0.1%	9.4%
Russell 1000 Value Index	(9.0%)	(2.9%)	6.5%
S&P 500 Index	(18.0%)	(9.2%)	3.7%
MID CAP VALUE EQUITY			
Eubel Brady	15.4%	-	-
Rothschild	3.3%	-	-
Russell Mid Cap Value	1.9%	5.2%	9.1%
SMALL CAP VALUE EQUITY			
Kennedy Capital	13.2%	23.9%	13.5%
Daruma	(1.9%)	-	-
Phoenix	(1.3%)	-	-
Russell 2000 Value Index	8.5%	12.0%	9.7%
SMALL CAP DOMESTIC EQUITIES			
Aeltus	(15.0%)	(0.3%)	-
TCW	(49.4%)	(21.1%)	-
Russell 2000 Growth	(25.0%)	(9.6%)	(2.0%)
INTERNATIONAL EQUITY MANAGERS			
Brinson Partners	(2.1%)	(1.5%)	1.5%
Zurich Scudder	(9.1%)	(7.0%)	(1.5%)
MSCI EAFE Index	(9.5%)	(6.8%)	(1.6%)
AIB Govett	(0.2%)	(7.1%)	(10.9%)
MSCI Emerging Markets Free	1.1%	(6.5%)	(8.6%)

Schedule of Investment Results (continued)

Returns for Period Ended June 30, 2002

The table below details the rates of return for the System's investment managers over various time periods ended June 30, 2002.

	1 Year	3 Years	5 Years
FIXED INCOME MANAGERS			
Regions Capital Management	8.2%	7.5%	6.9%
Hyperion	8.9%	8.2%	6.3%
ARM	7.5%	3.7%	-
Loomis Sayles	1.4%	4.7%	5.5%
Nicholas Applegate	(10.7%)	3.0%	-
Mezzanie Partnerships	5.1%	-	-
Lehman Brothers Intermediate Gov't/Credit	8.2%	7.8%	7.2%
Lehman Brothers Gov't/Credit	8.3%	7.9%	7.5%
Lehman Brothers Aggregate	8.6%	8.1%	7.6%
Lehman Brothers Mortgage-Backed	9.0%	8.4%	7.6%
First Boston Convertibles	(11.7%)	0.8%	5.5%
ALTERNATIVE INVESTMENTS			
Arkansas Related	7.4%	2.7%	
Real Estate			
Real Estate Partnerships	1.0%	15.2%	
Total Real Estate	5.2%	7.4%	
Private Equity			
Domestic Private Equity	(10.1%)	(0.3%)	
International Private Equity	(8.0%)	(3.9%)	
Total Private Equity	(9.8%)	(0.6%)	
Total Alternative Investments	(2.5%)	3.2%	

INDIVIDUAL PARTNERSHIPS	Inception Date	Annualized Internal Rate of Return
Mezzanine		
Blackstone Mezzanine	11/30/1999	(2.3%)
DLJ Mezzanine	10/31/1999	5.6%
Domestic Private Equity		
Hicks Muse Tate & Furst Fund III	2/28/1997	(2.2%)
Hicks Muse Tate & Furst Fund IV	7/31/1998	(12.0%)
Hicks Muse Tate & Furst Fund V	11/31/2000	(24.2%)
Oakhill Capital Partners	3/31/1999	(5.6%)
Cypress	5/31/1999	(11.9%)
Diamond State Ventures	3/31/2000	(4.2%)
LJM2 Co-Investment	4/30/2000	-
DLJ Merchant III	8/31/2000	(2.2%)
Hicks Muse Tate & Furst-Century Fund	4/30/2000	(6.3%)
Foreign Private Equity		
Doughty Hanson-Fund III	10/31/1997	6.6%
Doughty Hanson-Tech I	10/31/2000	(30.8%)
Cinven Funds	7/31/1998	10.6%
Real Estate		
Doughty Hanson-Euro Real Estate	6/30/1999	(3.5%)
DLJ Real Estate Capital II	8/31/1999	(4.5%)
Westbrook Fund II	4/30/1997	14.4%
Westbrook Fund III	8/31/1998	8.5%
Westbrook Fund IV	4/30/2001	(10.5%)
Westbrook SHP	10/31/1999	9.0%
Olympus	7/31/2000	5.3%
Wachovia Timberland	1/31/1998	8.3%
Wachovia Timberland II	10/31/1999	8.1%

Note: All returns are shown net of all fees.

Ten Largest Holdings

(By Market Value)
As of June 30, 2002

Fixed Income

Par	Security Name	Market Value
40,000,000	Federal National Mtg Association 5% due 1/15/2007	$ 41,087,600
25,000,000	United States Treasury Notes 6.5% due 8/15/2005	27,226,500
22,400,000	FNMA TBA Aug 30 Single Family 7% due 12/31/2099	23,128,000
22,500,000	United States Treasury Notes 2.75% due 10/31/2003	22,626,675
21,723,528	FNMA Pool 254263 6.50% due 4/1/2003	22,144,313
20,274,290	FNMA Pool 545622 7.5% due 4/1/2017	21,421,003
20,000,000	United States Treasury Notes 5.875% due 2/15/2004	21,043,800
20,000,000	United States Treasury Notes 5.75% due 8/15/2003	20,800,000
20,000,000	Federal Home Loan Banks 4.875% due 11/15/2006	20,543,800
20,000,000	Federal Home Loan Banks 3.875% due 12/15/2004	20,237,600
		$ 240,259,291

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

Ten Largest Holdings (continued)

(By Market Value)
As of June 30, 2002

Domestic Equities

Shares	Security Name	Market Value
738,600	Federal Home Loan Mortgage Corp.	$ 45,202,320
1,018,760	Citigroup, Inc.	39,476,950
721,200	Wells Fargo Co New	36,103,272
398,387	Chevron Texaco Corp	35,257,250
551,800	Microsoft	30,183,460
909,500	Fleetboston Financial Corp.	29,422,325
415,121	American Intl Group Inc	28,323,706
613,200	Boeing Co	27,594,000
751,000	J P Morgan Chase & Co	25,473,920
828,200	SBC Communications, Inc.	25,260,100
		$ 322,297,303

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

Ten Largest Holdings (continued)

(By Market Value)
As of June 30, 2002

International Equities

Shares	Security Name	Market Value
169,464	Total Fina Elf	$ 27,515,117
471,021	Novartis AG	20,715,760
2,279,886	BP PLC	19,148,514
13,434,284	Vodafone Group	18,430,087
616,797	Royal Bank Scotland Grp	17,487,412
241,304	Aventis SA	17,099,308
1,025,431	ENI	16,305,136
791,820	Glaxosmithkline	15,558,599
2,046,707	Shell Transport & Trading	15,442,984
60,427	Nestle	14,090,015
		$ 181,792,932

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

Ten Largest Holdings (continued)

(By Market Value)
As of June 30, 2002

Arkansas Related Investments

Security Name	Market Value
Dillard's Building	$ 50,000,000
Donaghey Foundation	42,044,085
The Peabody Hotel	27,841,042
Arkansas Department of Education	19,461,209
American Center-Nashville, TN	16,954,446
Conservative Development Corporation	16,733,907
Crescent Center/Forum 1-Memphis, TN	14,398,966
Southcenter Shopping Center-Hot Springs, AR	12,720,955
Cooper Financial, LLL	8,369,573
The Greens at Owasso, ALP	8,324,318
	$216,848,501

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

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ARKANSAS TEACHER RETIREMENT SYSTEM

ACTUARIALS 2002

Annual Report For Fiscal Year Ended June 30, 2002

Actuary's Certification Letter

GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

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

January 28, 2003

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

Dear Board Members:

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

- When expressed in terms of the percentage of active member payroll will remain approximately level from generation to generation, and

- When combined with present assets and future investment return will be sufficient to meet the financial obligations of ATRS to present and future retirees and beneficiaries.

The progress being made toward the realization of the financing objectives of the System through June 30, 2002, 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, 2002.

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, 2002
Active Members in Valuation Data
Retirees and Beneficiaries Added to and Removed From Rolls

Board of Trustees
January 28, 2003
Page 2

Solvency Test
Summary of Actuarial Assumptions and Methods
Single Life Retirement Values
Probabilities of Retirement for Members
Probabilities of T-DROP for Members
Teachers Separations and Individual Pay Increases
Non-Teachers Separations and Individual Pay Increases
Analysis of Financial Experience
Comments and Conclusion

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. These assumptions are adopted by the Board 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, 2002 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1997-2002 period.

ATRS is 92% funded as of June 30, 2002, indicating a strong financial position. Unfortunately, recent poor investment results (a phenomenon that is affecting most retirement systems in the country) have affected ATRS negatively in recent years. The Arkansas Teacher Retirement System must earn well above the assumed rate during the next several years in order to maintain a stable amortization period. We recommend that the Board review alternatives to the present fixed 12% employer contribution rate.

Based upon the results of the June 30, 2002 valuations, we are pleased to report to the Board of Trustees that the Arkansas Teacher Retirement System is meeting its basic financial objective and is in sound condition in accordance with actuarial principles of level percent of payroll financing. A return to more normal investment markets is important for ATRS as well as for virtually every retirement system in the country.

Respectfully Submitted,
GABRIEL, ROEDER, SMITH & COMPANY

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

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

Exhibit I
Computed Actuarial Liabilities

As of June 30, 2002

		Entry Age Actuarial Cost Method	
Actuarial Present Value of	(1) Total Present Value	(2) Portion Covered By Future Normal Cost Contributions	(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	$6,654,857,218	$1,445,607,407	$5,209,249,811
Vested Deferred Benefits likely to be paid present active and inactive members	555,166,478	224,333,913	330,832,565
Survivor benefits expected to be paid on behalf of present active members	70,232,263	31,741,596	38,490,667
Disability Benefits expected to be paid on behalf of present active members	169,620,755	88,208,836	81,411,919
Refunds of Member contributions expected to be paid on behalf of Present active members	10,448,618	49,665,268	(39,216,650)
Benefits payable to present retirees and beneficiaries	3,440,732,010	0	3,440,732,010
Total	$10,901,057,342	$1,839,557,020	$9,061,500,322
Applicable Assets	8,328,451,257	0	8,328,451,257
Liabilities to be Covered by Future Contributions	$ 2,572,606,085	$1,839,557,020	$ 733,049,065

Exhibit 2
Employer Contribution Rate
Computed as of June 30, 2002

	Percents of Active Member Full Payroll			
Computed Contributions for	Teachers	Support	Combined	Prior Year
Normal Cost				
Age & Service Annuities	11.26%	9.52%	**10.83%**	12.42%
Deferred Annuities	1.49%	2.00%	**1.62%**	1.51%
Survivor Benefits	0.24%	0.24%	**0.24%**	0.52%
Disability Benefits	0.66%	0.59%	**0.64%**	0.37%
Refunds of Member Contributions	0.32%	0.54%	**0.37%**	0.33%
Total	13.97%	12.89%	**13.70%**	15.15%
Average Member Contributions	4.24%	2.80%	**3.88%**	3.98%
Net Employer Normal Cost	9.73%	10.09%	**9.82%**	11.17%
Unfunded Actuarial Accrued Liabilities			**2.18%**	0.83%
Employer Contribution Rate			**12.00%**	12.00%
Amortization Years			**38.0**	125.0

The length of an amortization period is a matter of judgment, not a matter of solving an algebraic equation. No one amortization period is "correct" --- there is a range of reasonable judgment. In its pursuit of level-percent contributions, the Teacher Retirement System has used a variety of amortization periods from time to time, extending to 40 years on occasions. This year's result is not directly comparable with the prior years' due to a change in assumptions. Experience was poor this year for ATRS, as it was for most plans in the country. As unrealized investment losses flow into the valuation over the next several years, the amortization period is likely to increase rapidly. **Based on the current investment outlook, an increase in the contribution rate to the 14% area or higher will almost certainly be needed to maintain the funding program. The employer rate was close to 14% in the mid 1980s.**

Schedule of Active Member Valuation Data

Valuation Date June 30	Active Members in Valuation Number	Annual Payroll	Average Annual Pay Amount	% Change
2002&	62,011	1,628	26,254	3.5%
2001	61,389	1,557	25,365	2.7%
2000#!	60,147	1,485	24,696	2.8%
2000#	60,147	1,485	24,696	2.8%
1999#	59,499	1,429	24,019	2.7%
1998#*&	58,528	1,368	23,380	2.3%
1997#	56,997	1,302	22,847	1.7%
1996	56,100	1,260	22,463	7.2%

** Revised financial assumptions.*

 # Legislated benefit increases.

& Revised decrement assumptions.

! Benefit increases proposed for 2001 and assuming 8% investment return for Fiscal Year Ended 6/30/2002.

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

Year	Estimated Number Added	Removed	Total Retirees	Annual Allowances (Millions)	% Increase in Annual Allowances	Average Annual Allowances
2002	1,989	568	19,199	334.15	8.1%	17,404
2001	1,571	450	17,778	309.03	10.3%	17,383
2000	1,249	479	16,657	280.14	12.6%	16,818
1999	1,582	497	15,887	248.75	12.9%	15,658
1998	809	240	14,802	220.38	13.1%	14,888
1997	1,049	475	14,233	194.90	14.3%	13,694
1996	1,107	654	13,659	170.59	8.9%	12,489

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

Solvency Test

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

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

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

Val. Date June 30	(1) Member Contrib.	(2) Retirees and Benef.	(3) Active and Inactive Members (Employer Financed Portion)	Present Valuation Assets	Portion of Present Values Covered by Present Assets (1)	(2)	(3)	Total
		$ Millions						
1991#*	$344	$ 985	$1,433	$2,434	100%	100%	77%	88%
1992#	367	1,077	1,885	2,729	100%	100%	68%	82%
1993#	388	1,207	2,117	3,051	100%	100%	69%	82%
1994	403	1,334	2,223	3,307	100%	100%	71%	84%
1995*	415	1,488	2,354	3,626	100%	100%	73%	85%
1996	424	1,634	2,577	4,186	100%	100%	83%	90%
1997#	426	1,918	3,059	4,956	100%	100%	85%	92%
1998#	435	2,173	3,553	5,815	100%	100%	90%	94%
1999#	447	2,566	3,821	6,740	100%	100%	98%	99%
2000	454	2,804	4,322	7,620	100%	100%	101%	101%
2000#	454	2,888	4,537	7,620	100%	100%	94%	97%
2001#	470	3,200	4,891	8,166	100%	100%	92%	95%
2002	490	3,464	5,216	8,328	100%	100%	84%	91%
2002*	$490	$3,441	$5,131	$8,328	100%	100%	86%	92%

** Revised actuarial assumptions or methods.*

 # Legislated benefit increase.

Summary of Actuarial Assumptions and Methods

Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age
Amortized Method	Level percent of payroll
Remaining Amortization Period	38 years
Asset Valuation Method	80%/120% corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increase	4.0% to 10.10%
Cost-of-living Adjustments	3% Simple
Includes inflation at	4%

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

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

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.

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 1987-2002 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 is the portion of investment return which is more than the inflation rate. Considering inflation recognition of 4.0%, the 8.0% rate translates to an assumed real rate of return of 4.0%. This rate was first used for the **June 30, 2002** valuation.

Pay increase assumptions for individual active members are shown on Tables IV and V. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.0% recognizes inflation. These rates were first used for the **June 30, 2002** valuation. Price inflation is assumed to persist at a level sufficient to produce a 3% COLA.

Summary of Actuarial Assumptions and Methods (continued)

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

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

Non-Economic Assumptions

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

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

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

The 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 percent of payroll contributions.

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

Asset Valuation Method. A market value related asset 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.

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

Non-teacher members were evaluated using non-economic assumptions shown on the following pages. Effective July 1, 1989 non-teacher employees who are newly hired by public schools become members of ATRS.

Table I
Single Life Retirement Values

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

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

Table II
Probabilities of Retirement for Members

Retirement Ages	% of Active Participants Retiring with Unreduced Benefits: Education Male	Education Female	Support Male	Support Female
48	50%	40%	40%	30%
49	50%	40%	40%	30%
50	10%	10%	7%	10%
51	10%	10%	7%	10%
52	10%	10%	14%	12%
53	13%	13%	16%	15%
54	14%	14%	18%	20%
55	15%	16%	20%	22%
56	15%	16%	22%	22%
57	15%	19%	25%	22%
58	15%	20%	27%	27%
59	20%	25%	35%	40%
60	15%	15%	16%	16%
61	20%	20%	25%	20%
62	30%	25%	35%	30%
63	20%	25%	25%	25%
64	20%	20%	25%	25%
65	35%	35%	35%	40%
66	30%	35%	30%	30%
67	30%	30%	30%	30%
68	30%	30%	30%	30%
69	30%	30%	30%	30%
70	30%	30%	30%	30%
71	30%	30%	30%	30%
72	30%	30%	30%	30%
73	30%	30%	30%	30%
74	30%	30%	30%	30%
75	100%	100%	100%	100%

Probabilities of Reduced Retirement for Members

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

Table III
Probabilities of T-DROP for Members

Percent of Eligible Active Members Entering T-DROP Within Next Year

	Education		Support	
Ages	Male	Female	Male	Female
50	40%	45%	30%	20%
51	35%	45%	30%	30%
52	50%	45%	55%	45%
53	50%	45%	55%	50%
54	45%	45%	55%	50%
55	45%	45%	45%	50%
56	45%	40%	45%	50%
57	45%	40%	45%	50%
58	45%	40%	50%	50%
59	45%	40%	50%	50%
60	45%	35%	50%	40%
61	45%	35%	50%	30%
62	40%	35%	50%	30%
63	30%	35%	50%	30%
64	40%	40%	50%	40%
65	50%	50%	50%	50%
66	50%	50%	50%	50%
67	50%	50%	50%	50%
68	50%	50%	50%	50%
69	50%	50%	50%	50%
70	50%	50%	50%	50%
71	50%	50%	50%	50%
72	50%	50%	50%	50%
73	50%	50%	50%	50%
74	50%	50%	50%	50%
75	50%	50%	50%	50%
76	50%	50%	50%	50%
77	50%	50%	50%	50%
78	50%	50%	50%	50%
79	50%	50%	50%	50%

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

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

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

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

Pay Increase Assumptions For an Individual Member

Age	Merit & Seniority	Base (Economic)	Increase Next Year
20	5.4%	4.0%	9.4%
25	4.4%	4.0%	8.4%
30	3.4%	4.0%	7.4%
35	2.4%	4.0%	6.4%
40	1.7%	4.0%	5.7%
45	1.2%	4.0%	5.2%
50	0.8%	4.0%	4.8%
55	0.4%	4.0%	4.4%
60	0.3%	4.0%	4.3%
65	0.0%	4.0%	4.0%

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

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

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

Analysis of Financial Experience

	Gain (Loss) For Year Ended ($ Millions)				
Type of Risk Area	1998	1999	2000	2001	2002
ECONOMIC RISK AREAS					
Pay increases. ***If there are smaller pay increases*** than assumed, there is a gain. If greater increases, a loss.	$ 12.6	$ 5.9	$(28.6)	$7.7	$19.3
Gross Investment Return. ***If there is greater investment*** return than assumed, there is a gain. If less return, a loss.	475.2	490.4	399.1	16.5	(392.9)
NON-ECONOMIC RISK AREAS					
Retirements and T-Drop. ***If members retire at*** older ages, there is a gain. If younger ages, a loss.	10.8	10.5	13.4	7.4	7.0
Disability Retirements. ***If there are fewer disabilities*** than assumed, there is a gain. If more, a loss.	4.3	4.8	0.3	(0.2)	(0.6)
Death-in-Service Benefits. ***If there are fewer claims*** than assumed, there is a gain. If more, a loss.	1.2	0.7	1.5	1.6	1.4
Withdrawal. ***If more liabilities are released by other*** separations than assumed, there is a gain. If smaller releases, a loss.	(1.4)	4.9	(5.8)	(1.6)	(0.9)
Death After Retirement. ***If there is higher mortality*** than assumed, there is a gain. If lower mortality, a loss.	9.1	(6.3)	(2.4)	(6.1)	4.8
TOTAL	**$511.8**	**$510.9**	**$ 377.5**	**$25.3**	**$(361.9)**

Comments

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

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

Teacher Retirement System Status. Based upon the results of June 30, 2002 actuarial valuations, ***TRS is satisfying the financial objective of level-contribution-percent financing.***

There were no benefit changes reflected in this valuation. This valuation incorporates the results of a 5 year Experience Study for the 1997-2002 period.

The amortization period this year is 38 years, a decrease from last year's 125-year period. The amortization period of 38 years is the net of very unfavorable investment experience and a change in assumptions as a result of the 1997-2002 Experience Study. Investment experience for ATRS, and for most retirement systems in the United States, was unfavorable during the past year. The market value of assets actually dropped during the year. The asset valuation method phases in gains and losses over the current year and three future years. This means that ATRS must earn well above the assumed rate during each of the next three years in order to sustain the 30 year amortization period, based upon the present assumptions. An alternative is an increase in the contribution rates, which, in our judgment, deserves careful consideration at this time.

The funding value of assets now exceeds the market value by 17%. Present market conditions can lead to a situation where the recognized assets might deviate greatly from the market value. To prevent this, we recommended adding a requirement that the recognized assets must always be between 80% and 120% of the market value.

The Arkansas Teacher Retirement System is 92% funded as of this valuation date, indicating a solid financial position even in the face of weak investment markets.

ARKANSAS TEACHER RETIREMENT SYSTEM

STATISTICS

2002

Annual Report For Fiscal Year Ended June 30, 2002

Schedule of Revenue By Source

		Employer Contributions			
Year Ending June 30	Member Contributions	Employer Contributions	% of Annual Covered Payroll	Investment Income	Total
2002	$71,893,349	$191,352,910	11.8%	(461,538,652)	(198,292,393)
2001	68,717,889	181,115,569	11.6%	(254,206,596)	(4,373,138)
2000	55,633,069	175,686,958	11.8%	638,534,760	869,854,787
1999	50,842,231	166,785,926	11.7%	781,034,414	998,662,571
1998	48,329,053	158,962,714	11.6%	921,429,638	1,128,721,405
1997	40,214,965	153,546,224	11.7%	1,000,201,271	1,193,962,460
1996	39,980,286	15,702,633	1.2%	760,334,327	923,914,613

Schedule of Expenses By Type

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Total
2002	$354,949,683	$7,354,162	$2,744,684	$365,048,529
2001	323,392,426	8,254,731	2,975,138	334,622,295
2000	284,356,092	9,729,999	3,317,881	297,403,972
1999	243,710,242	4,344,055	3,405,210	251,459,507
1998	215,573,711	4,375,104	3,373,945	223,322,760
1997	191,717,604	3,705,351	3,933,212	199,356,167
1996	169,650,232	3,248,364	3,560,555	176,459,151

Schedule of Benefit Expenses By Type

Year Ending June 30	2002	2001	2000	1999	1998	1997
Age and Service	$291,969,589	$ 265,279,449	$ 237,039,361	$ 207,331,239	$ 184,758,216	$ 169,916,478
Disability	18,965,804	18,097,625	16,270,465	14,133,718	12,652,960	11,317,926
Option	7,947,966	6,877,850	6,007,193	5,074,249	4,412,313	3,933,013
Survivor	5,306,397	4,837,322	4,376,641	3,686,637	3,358,483	3,132,287
Reciprocity	8,878,504	7,524,324	5,983,136	4,610,128	3,945,093	3,417,901
Active Members Death Benefit	580,689	688,447	695,623	329,678	302,275	-
T-DROP	17,038,780	15,934,672	9,474,689	4,916,716	2,211,362	-
Act 808	4,261,953	4,152,737	4,544,286	3,627,877	3,933,009	-
Total	$354,949,682	$ 323,392,426	$ 284,391,394	$ 243,710,242	$ 215,573,711	$ 191,717,605

Schedule of Retired Members By Type of Benefit

Monthly Benefit	Number of Retirants	Type of Retirement* 1	2	3	4	5	Option Selected # Life	Opt. A	Opt. B	Opt. C
$1-250	1,792	1,495	23	104	159	11	1,548	184	11	49
251-500	1,832	1,416	45	172	165	34	1,544	207	45	36
501 - 750	1,702	1,355	55	32	216	44	1,425	180	67	30
751 - 1000	1,494	1,123	58	37	220	56	1,215	170	84	25
1001 - 1250	1,549	1,246	35	49	188	31	1,260	167	87	35
1251 - 1500	1,749	1,454	37	39	193	26	1,478	135	107	29
1501 - 1750	1,888	1,678	25	20	150	15	1,565	165	124	34
1751 - 2000	1,865	1,705	30	28	96	6	1,529	150	141	45
Over $2000	4,997	4,775	71	35	104	12	3,877	499	477	144
Totals	18,868	16,247	379	516	1,491	235	15,441	1,857	1,143	427

* 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

Excludes Act 793 and Act 808 retirees.

Option selected

Life - Straight life annuity

Option A - 100% survivor annuity

Option B - 50% survivor annuity

Option C - Annuity for 10 years certain and life thereafter

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1997 to June 30, 2002		5-9	10-14	15-19	20-24	25-29	30+
7/01/97-6/30/98	Average Monthly Benefit	$199	$297	$712	$1,117	$1,584	$2,096
	Average Final Salary	$21,528	$16,808	$24,491	$28,474	$33,396	$36,007
	Number of Active Retirants	46	152	107	142	268	272
7/01/98-6/30/99	Average Monthly Benefit	$174	$369	$777	$1,197	$1,636	$2,149
	Average Final Salary	$13,734	$19,411	$26,758	$32,278	$35,179	$36,306
	Number of Active Retirants	492	187	119	114	317	301
7/01/99-6/30/00	Average Monthly Benefit	$204	$362	$860	$1,226	$1,743	$2,361
	Average Final Salary	$13,612	$17,288	$28,523	$30,543	$36,513	$37,919
	Number of Active Retirants	219	138	102	137	308	318
7/01/00-6/30/01	Average Monthly Benefit	$210	$422	$920	$1,333	$1,887	$2,459
	Average Final Salary	$14,772	$19,899	$31,531	$33,529	$39,490	$39,512
	Number of Active Retirants	315	229	125	132	387	333
7/01/01-6/30/02	Average Monthly Benefit	$207	$363	$797	$1,348	$1,919	$2,528
	Average Final Salary	$14,505	$17,606	$27,482	$34,586	$39,489	$40,211
	Number of Active Retirants	505	376	195	171	424	269

Schedule of Participating Employers

As of June 30, 2002

PUBLIC SCHOOLS

Acorn School District
Alma School District
Alpena School District
Alread School District
Altheimer Unified School District
Altus-Denning School District
Arkadelphia School District
Arkansas City School District
Armorel School District
Ashdown School District
Atkins School District
Augusta School District
Bald Knob School District
Barton-Lexa School District
Batesville School District
Bauxite School District
Bay School District
Bearden School District
Beebe School District
Benton School District
Bentonville School District
Bergman School District
Berryville School District
Biggers-Reyno School District
Bismark School District
Black Rock School District
Blevins School District
Blytheville School District
Booneville School District
Bradford School District
Bradley School District
Bright Star School District
Brinkley School District
Brookland School District
Bryant School District
Buffalo Island Central School District
Cabot School District
Caddo Hills School District
Calico Rock School District
Camden-Fairview School District
Carlisle School District
Carthage School District
Cave City School District
Cedarville School District
Centerpoint School District
Charleston School District
Clarendon School District
Clarksville School District
Clay County Central School District
Clinton School District
Concord School District
Conway School District
Cord-Charlotte School District
Corning School District
Cotter School District
Cotton Plant School District
County Line School District
Crawfordsville School District
Cross County School District
Crossett School District
Cushman School District
Cutter-Morning Star School District
Danville School District
Dardanelle School District
Decatur School District
Deer School District
Delaphaine School District
Delight School District
Delta Special School District
DeQueen School District
Dermott School District
Des Arc School District
DeValls Bluff School District
DeWitt School District
Dierks School District
Dollarway School District
Dover School District
Drew Central School District
Dumas School District
Earle School District
East End School District
East Poinsett Cty School District
El Dorado School District
Elaine School District
Elkins School District
Emerson School District
Emmet School District
England School District
Eudora School District
Eureka Springs School District
Evening Shade School District
Farmington School District
Fayetteville School District
Flippin School District
Fordyce School District
Foreman School District
Forrest City School District
Fort Smith School District
Fouke School District
Fountain Hill School District
Fountain Lake School District
Fourche Valley School District
Genoa-Central School District
Gentry School District
Gillett School District
Glen Rose School District
Gosnell School District
Gould School District
Grady School District
Gravette School District
Green Forest School District
Greenbrier School District
Greene County Technical
Greenland School District
Greenwood School District
Gurdon School District
Guy-Perkins School District
Hackett School District
Hamburg School District
Hampton School District
Harmony Grove School District
Harmony Grove School District
Harrisburg School District
Harrison School District
Hartford School District
Hatfield School District
Hazen School District
Heber Springs School District
Hector School District
Helena-West Helena School District
Hermitage School District
Highland School District
Holly Grove School District
Hope School District
Horatio School District
Hot Springs School District
Hoxie School District
Hughes School District
Humphrey School District
Huntsville School District
Huttig School District
Izard County School District
Jackson County School District
Jasper School District
Jessieville School District
Jonesboro School District
Junction City School District
Kingsland School District
Kingston School District
Kirby School District
Lake Hamilton School District
Lakeside School District (Hot Springs)

Schedule of Participating Employers (continued)

As of June 30, 2002

PUBLIC SCHOOLS

Lakeside School District (Lake Village)
Lakeview School District
Lamar School District
Lavaca School District
Lead Hill School District
Lee County School District
Leslie School District
Lewisville School District
Lincoln School District
Little Rock School District
Locksburg School District
Lonoke School District
Lynn School District
Magazine School District
Magnet Cove School District
Magnolia School District
Malvern School District
Mammoth Spring School District
Manila School District
Mansfield School District
Marion School District
Marion County School District
Marked Tree School District
Marmaduke School District
Marshall School District
Marvell School District
Mayflower School District
Maynard School District
McCrory School District
McGehee School District
McNeil School District
McRae School District
Melbourne School District
Mena School District
Midland School District
Mineral Springs School District
Monticello School District
Mount Holly School District
Mount Ida School District
Mount Judea School District
Mount Pleasant School District
Mount Vernon-Enola School District
Mountain Home School District
Mountain Pine School District
Mountain View School District
Mountainburg School District
Mulberry School District
Murfreesboro School District
Nashville School District
Nemo Vista School District
Nettleton School District
Nevada County School District
Newark School District
Newport School District
Norfork School District
Norphlet School District
North Little Rock School District
Oark School District
Oden School District
Ola School District
Omaha School District
Osceloa School District
Ouachita School District
Ozark School District
Palestine-Wheatley School District
Pangburn School District
Paragould School District
Paris School District
Parkers Chapel School District
Parkin School District
Paron School District
Pea Ridge School District
Perry-Casa School District
Perryville School District
Piggott School District
Pine Bluff School District
Plainview-Rover School District
Pleasant View School District
Pocahontas School District
Pottsville School District
Poyen School District
Prairie Grove School District
Prescott School District
Pulaski County School District
Quitman School District
Randolph County School District
Rison School District
River Valley School District
Riverside School District
Riverview School District
Rogers School District
Rosebud School District
Rural Special School District
Russellville School District
Saint Joe School District
Saint Paul School District
Salem School District
Saratoga School District
Scotland School District
Scranton School District
Searcy School District
Sheridan School District
Shirley School District
Siloam Springs School District
Sloan-Hendrix School District
Smackover School District
South Conway Cty School District
So. Mississippi Cty. School District
Southside School District
Southside School District
Sparkman School District
Spring Hill School District
Springdale School District
Stamps School District
Star City School District
Stephens School District
Stone County School District
Strong School District
Stuttgart School District
Sulphur Rock School District
Swifton School District
Taylor School District
Texarkana School District
Trumann School District
Turrell School District
Umpire School District
Union County School District
Valley Springs School District
Valley View School District
Van Buren School District
Van-Cove School District
Vilonia School District
Viola School District
Waldo School District
Waldron School District
Walker School District
Walnut Ridge School District
Warren School District
Watson Chapel School District
Weiner School District
West Fork School District
West Memphis School District
West Side School District

Schedule of Participating Employers (continued)

As of June 30, 2002

Western Grove School District
Western Yell Cty. School District
Westside-Craighead School District
Westside-Johnson School District
White Cty. Central School District
White Hall School District
Wickes School District
Wilburn School District
Williford School District
Winslow School District
Witts Springs School District
Wonderview School District
Woodlawn School District
Wynne School District
Yellville-Summitt School District

BOARD OF EDUCATION

Craighead Cty Board of Education
Hot Springs Cty Board of Education
Logan County Board of Education
Phillips County Board of Education
White County Board of Education

ED COOPERATIVES

Arch Ford Education Service Coop
AR River Education Cooperative
Boston Mountain Education Coop
CADDO Special Education Coop
Crowley's Ridge Educational Coop
Dawson Education Service Coop
DeQueen/Mena Educational Coop
Great Rivers Cooperative
North Central AR Ed Service Center
Northeast AR Educational Coop
Northwest AR Education Ser Coop
Ozarks Unlimited Resources Coop
South Central Service Coop
Southeast AR Education Ser Coop
Southwest AR Educational Coop
Western AR Migrant Ed Coop
Wilbur D. Mills Ed Service Coop

VOCATIONAL CENTERS

Camden Vocational Center
Conway Vocational Center
Fayetteville Vocational Center
Jefferson County Vocational Center
Jonesboro Vocational Center
Metropolitan Vocational Center
Monticello Vocational Center
North Central Vocational Center
River Valley Technical Center
Russellville Vocational Center
Texarkana Vocational Center
Warren Vocational Center

STATE COLLEGES

AR State University-Jonesboro
AR State University-Beebe
AR State University-Mt. Home
AR State University-Newport
AR Tech University
Black River Technical College
Cossatot Community College U of A
East Arkansas Community College
Garland County Community College
Henderson State University
Mid-South Community College
Mississippi Cty Community College
North AR Community/Tech College
North West AR Community College
Ouachita Technical College
Ozarka Technical College
Petit Jean Technical College
Phillips Com. College-DeWitt
Phillips Com. College U of A
Pulaski Technical College
Rich Mountain Community College
South AR Com. College-El Dorado
South AR University Tech-Camden
Southeast AR Technical College
Southern AR University-Magnolia
University of Arkansas-Batesville
University of Arkansas-Fayetteville
University of Arkansas-Fort Smith
University of Arkansas-Hope
University of Arkansas-Little Rock
University of Arkansas-Monticello
University of Arkansas-Morrilton

STATE COLLEGES (cont.)

University of Arkansas-Pine Bluff
University of Central Arkansas

STATE AGENCIES

Arkansas Valley Technical Institute
AR Activities Association
AR Association Education Admin
AR Dept of Ed-General Education
AR Department of Workforce Ed
AR Dept of Economic Development
AR Education Television Network
AR Rehabilitation Services
AR School Boards Trust
AR School for the Blind
AR School for the Deaf
AR Teacher Retirement System
AR Workforce Investment Board
Cotton Boll Technical Institute
Crowley's Ridge Technical Institute
Department of Corrections
Florence Crittenden Home
Foothills Technical Institute
Forest Echoes Technical Institute
Great Rivers Vocational Tech School
Laidlaw Transportation
North West Technical Institute
Quapaw Technical Institute
Riverside Vocational Tech School

OTHER

Ashley County Adult Education
Arkansas Easter Seal Society
Literacy Council of Lonoke

PRIVATIZED

Academics Plus Charter School
Benton County School of Arts
Southern AR Developmental Center

A T R S

Arkansas
Teacher
Retirement
System

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