2010
Comprehensive Annual Financial Report

ARTRS
Arkansas Teacher Retirement System

A Pension Trust Fund of the State of Arkansas

Prepared by the Staff of
Arkansas Teacher Retirement System
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2010
Comprehensive Annual Financial Report

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

Arkansas Teacher Retirement System

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Introduction

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Letter of Transmittal

March 31, 2011

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

The Arkansas Teacher Retirement System (the "System" or ATRS) is pleased to submit this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010, which 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 the financial condition.

The 2010 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on Page 5).

Introductory Section:
Contains this transmittal letter, Board of Trustees, the System's organizational chart and a listing of providers of professional services.

Financial Section:
Provides the System's financial statements, required supplementary information, and supporting schedules.

Investment Section:
Includes the investment consultant's report, the System's investment policies, asset allocation, and investment results.

Actuarial Section:
Provides the certification letter from the independent actuary along with supporting schedules and a summary of actuarial assumptions.

Statistical Section:
Presents schedules and tables of comparative data for the System and a listing of participating employers.

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

Investments

After the devastating markets in 2008 and 2009 due to the financial crisis and worldwide events, the markets have shown strong and positive returns. As always, events worldwide affect the markets such as the European debit crisis, the earthquake in Japan, energy costs, and other international events. Despite any negative news in the world, markets have shown strength and continued momentum, with occasional small corrections.

ATRS has benefited from the strong markets and its allocation in all asset classes and with its global diversification. For instance, on December 31, 2010, ATRS was in the top 10% of 200 large pension plans for the trailing one year, five year period, and ten year period. The equities held by ATRS have done so well that newer investments are now being funded from equity reductions in order to retain proper balance in the ATRS investment holdings. It is difficult to look out too far into the future, however ATRS sees great opportunity for a large diversified pension plan to benefit from the growing worldwide economy and the economic growth that appears to be occurring in the larger and more organized economies.

Additions/Deductions to Plan Net Assets

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

Current year total contributions, $389.3 million employer and $115.9 million employee, covered 72% of the $701.6 million in benefits paid, compared with 74% coverage last year: The change is due to a 5.8% percent increase in retirees receiving benefits while the number of active members increased by only 2.2%. This is a trend that could continue for the next few years as the Baby Boomer generation reaches retirement age and schools continue to consolidate.

Funding Status

The System lost a little ground in pre-funding as a result of the negative market returns. To reduce the impact of wild swings in the financial markets, annual results are spread over a four-year period. This means the 2009 fiscal year's negative results will be felt over the next three years. ATRS remains a stable 73.8% funded. Amortization required to fund the unfunded accrued actuarial liability (UAAL) increased from 45.4 to 52.4 years.

Internal Control

Internal controls are at the heart of safeguarding the System's assets. ATRS has an active internal audit department that is continually reviewing and updating control policies. As the System grows and technology advances, we feel it prudent to continuously monitor internal systems and policies to detect and correct potential errors before they occur.

Professional Services

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

Acknowledgements

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

This report is available on our website, www.artrs.gov and copies will be mailed upon request.

Respectfully submitted,

George Hopkins
Executive Director
501-982-1820
georgeh@artrs.gov

ARTRS
Arkansas Teacher Retirement System

Board of Trustees

MEMBER AND RETIRANT TRUSTEES

Position #1
Member Trustee
1st Congressional District
Robin Nichols
Jonesboro, AR
Term Expires 6/30/2013

Position #2
Member Trustee
2nd Congressional District
Vacant

Position #3
Member Trustee
3rd Congressional District
Janelle Riddle
St. Paul, AR
Term Expires 6/30/2013

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

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

Position #6
Member Trustee
Administrator Trustee
Jeff Stubblefield
Charleston, AR
Term Expires 6/30/2015

Position #7
Member Trustee
Non-Certified Trustee
David Cauldwell
Rogers, AR
Term Expires 6/30/2015

Position #8
Member Trustee
Minority Trustee
Hazel Coleman (Vice Chair)
Helena, AR
Term Expires 6/30/2015

Position #9
Retirant Trustee
Dr. Paul Fair
Little Rock, AR
Term Expires 6/30/2010

Position #10
Retirant Trustee
Bobby Lester
Jacksonville, AR
Term Expires 6/30/2013

Position #11
Retirant Trustee
John Fortenberry
Little Rock, AR
Term Expires 6/30/2012

Ex Officio Trustees

Tom Kimbrell
Commissioner of Education
Little Rock, AR

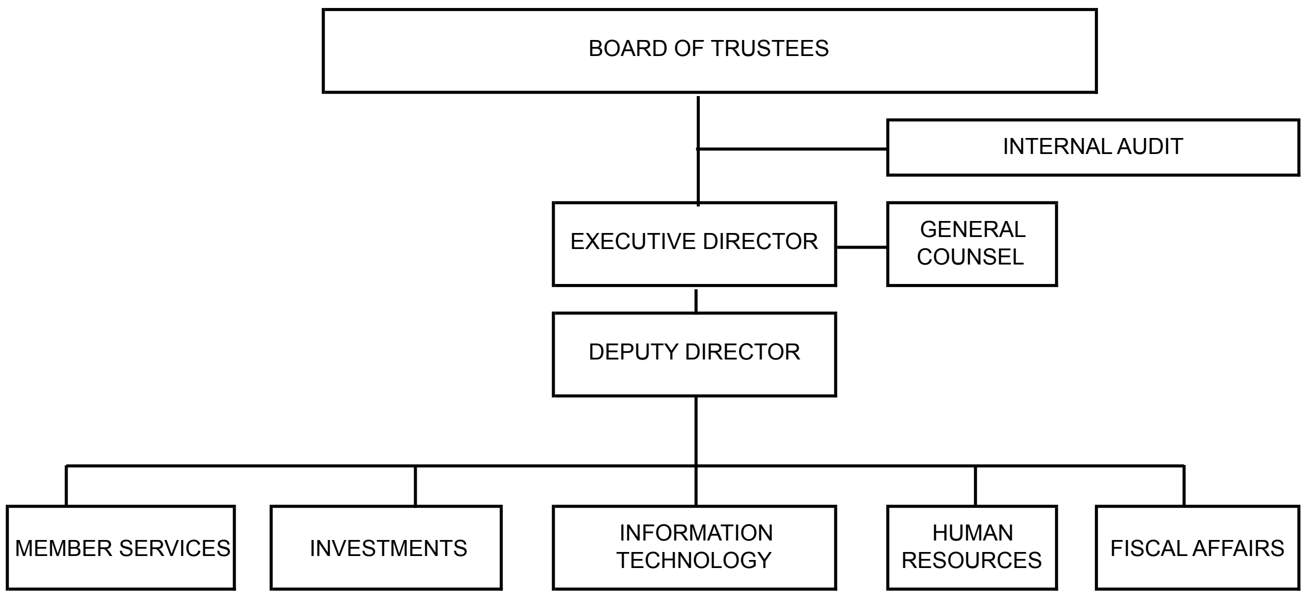
Candace A. Franks
State Bank Commissioner
Little Rock, AR

Jim Wood
Auditor of State
Little Rock, AR

Martha Shoffner
Treasurer of State
Little Rock, AR

Organizational Chart

ARTRS
Arkansas Teacher Retirement System



ADMINISTRATIVE STAFF

George Hopkins
Executive Director

James R. Berry, CPA
Associate Director of Fiscal Affairs

Mullahalli Manjunath
Director of Information Technology

Gail Bolden
Deputy Director

G. Wayne Greathouse
Associate Director of Investments

Michael Ray
Member Services Administrator

Laura Gilson
General Counsel

Vicky Fowler
Interim, Personnel Manager

Brenda West, CPA
Chief of Risk Management
& Internal Audit

Professional Services

ACTUARY

Gabriel Roeder Smith & Company
Southfield, MI

MEDICAL DISABILITY ADVISORS

Dr. William Atkinson
Little Rock, AR

Dr. William Hayden
Little Rock, AR

Dr. John Stotts
Little Rock, AR

LEGAL COUNSEL

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

Kutak Rock, LLP
Scottsdale, AZ

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

Morgan, Lewis & Bockius, LLP
New York, NY

Rose Law Firm, PA
Little Rock, AR

SECURITIES MONITORING COUNSEL

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

Kaplan, Fox & Kilsheimer
New York, NY

Labaton Sucharow, LLP
New York, NY

Nix, Patterson & Roach, LLP
Daingerfield, TX

INVESTMENT CONSULTANT

Hewitt EnnisKnupp, Inc.
Chicago, IL

CUSTODIAN

(Domestic and International)

State Street Public Fund Services
Boston, MA

State Street Fund Services Toronto, Inc.
Toronto, Ontario

INVESTMENTS

Domestic Equity

Daruma Asset Management, Inc.
New York, NY

ICC Capital Management
Danville, CA

ING Management Americas
Prosper, TX

Jacobs Levy Equity Management, Inc.
Florham Park, NJ

Kennedy Capital Management
St. Louis, MO

Pershing Square Capital Management, LP
New York, NY

Oppenheimer Capital
New York, NY

Relational Investors, LLC
San Diego, CA

Stephens Investment Management
Houston, TX

Global Equity

Bedlam Asset Management plc
London, England

Global Equity (cont.)

Capital Guardian Trust Company
Los Angeles, CA

D E Shaw
New York, NY

Knight Vinke Asset Management, LLC
New York, NY

Lazard
New York, NY

Lincoln Vale European Partners Fund
Lincoln, MA

T. Rowe Price Associates, Inc.
Baltimore, MD

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

Wellington Management Co., LLP
Boston, MA

Convertible Bonds

Nicholas/Applegate
New York, NY

Fixed Income Managers

BlackRock
Account Management Group
New York, NY

FIGO Fund
Plainsboro, NJ

Loomis Sayles & Company, LP
Boston, MA

PIMCO/PIMCO PARS II
Newport Beach, CA

Putnam Investments Management
Boston, MA

Western Asset Management Company
Pasadena, CA

ALTERNATIVE AND PRIVATE EQUITY

General Consultant – Private Equity

Franklin Park Associates, LLC
Bala Cynwyd, PA

Individual Partnerships

Blackstone Mezzanine Partners, LP
New York, NY

DLJ Investment Partners II, LP
New York, NY

Insight Mezzanine I, LP
Southlake, TX

Private Equity

21st Century Group I, LP
Dallas, TX

Advent International GPE VI, LP
Boston, MA

Boston Ventures VIII, LP
Boston, MA

Second Cinven Fund, LP
London, England

Credit Suisse Customized Fund Investment Group
New York, NY

The Cypress Group, LLC
New York, NY

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

DLJ Merchant Banking Partners III, LP
New York, NY

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

Franklin Park Venture Fund 2008, LP
Franklin Park Venture Fund 2009, LP
Franklin Park Venture Fund 2010, LP
Bala Cynwyd, PA

Private Equity (cont.)

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

Insight Equity II, LP
Southlake, TX

KPS Supplemental III, LP
New York, NY

LLR Equity Partners III, LP
Philadelphia, PA

Natural Gas Partners IX, LP
Irving, TX

Oak Hill Capital Partners, LP
New York, NY

Riverside IV, LP
Boston, MA

TA XI, LP
Boston, MA

VISTA Equity Partners, LLC
San Francisco, CA

REAL ESTATE

Real Estate General Consultant

Hewitt EnnisKnupp, Inc.
Chicago, IL

Real Estate Limited Partnerships

CB Richard Ellis Strategic Partners, LP
Los Angeles, CA

DLJ Real Estate II, LP
New York, NY

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

Fidelity Real Estate Growth Fund III, LP
Smithfield, RI

Heitman Capital Management, LLC
Chicago, IL

ING Clarion Debt Opportunity Fund II, GP, LLC
ING Clarion Debt Opportunity Fund III, LLC
New York, NY

Landmark IV, LLC
Simsbury, CT

New Boston Fund VII, LP
Boston, MA

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

Olympus Real Estate Corporation, LP
Addison, TX

RMK Timberland Group
Atlanta, GA

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

Westbrook Partners, LLC
New York, NY

Open-End Funds

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

Prudential Financial Investment Management, LLC
Parsippany, NJ

UBS
Hartford, CT

Direct Real Estate Partnerships

CRI – Cooper Real Estate Investment
Rogers, AR

Lindsey Management Co., Inc.
Fayetteville, AR

SECURITIES LENDING AGENT

State Street
Boston, MA

Financial

2010 Comprehensive Annual Financial Report

Arkansas Teacher Retirement System

STATEMENT OF PLAN NET ASSETS

As Of June 30, 2010

ASSETS	
Cash and cash equivalents	$ 163,056,774
Receivables	
Employer contributions	47,603,035
Member contributions	13,322,861
Investment principal	117,258,790
Interest and dividends	18,297,963
Other	355,154
Total Receivables	196,837,803
Investments, at fair value	
U.S. Government and agency obligations	119,361,250
International equities	635,882,526
Global corporate bonds	47,512,249
Forward currency contracts	(50,162)
Domestic corporate bonds	358,181,239
Domestic equities	2,094,811,529
Domestic convertible bonds	361,588,889
Collateralized mortgage obligations	64,814,013
Certificates of deposit	3,125,000
Mortgages	44,079,038
Department of Education revolving credit notes	5,181,494
Asset-backed securities	37,735,017
Domestic fixed-income commingled funds	1,028,745,630
Domestic equity commingled funds	411,610,773
Global fixed-income commingled funds	823,359,583
Global equity commingled funds	1,733,831,030
Municipal bonds	6,825,711
Partnerships	47,373,151
Real estate	95,516,585
Alternative investments	1,785,137,499
Total Investments	9,704,622,044
Securities lending invested cash collateral	775,718,032
Capital assets, net of accumulated depreciation	285,358
Prepaid expenses	113,680
Total Assets	10,840,633,692
LIABILITIES	
Accrued expenses and other liabilities	8,337,282
Investment principal payable	163,439,822
Securities lending obligations	784,028,190
Compensated absences payable	339,069
Post employment benefit liability	915,330
Total Liabilities	957,059,693
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 9,883,573,998

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

ARTRS
Arkansas Teacher Retirement System

STATEMENT OF CHANGES IN PLAN NET ASSETS

For The Year Ended June 30, 2010

ADDITIONS	
Contributions	
Employer	$ 389,296,433
Member	115,931,733
Total Contributions	505,228,166
Investment income	
From investing activities:	
Net appreciation (depreciation) in fair value of investments	1,187,284,231
Interest	69,936,507
Dividends	57,916,141
Real estate operating income net real estate expense	4,273,914
Other income	5,609,138
Total investment income	1,325,019,931
Less investment expenses	(28,837,090)
Total income from investing activities	1,296,182,841
From securities lending activities	
Securities lending income	4,772,717
Securities lending expense	
Borrower rebates	(894,467)
Bank fees	(698,075)
Unrealized loss on invested cash collateral	(8,310,159)
Total income from securities lending activities	(5,129,984)
Total net investment income	1,291,052,857
Miscellaneous income	254,286
Total additions (losses)	1,796,535,309
DEDUCTIONS	
Benefits	701,562,784
Refunds of employer contributions	254,579
Refunds of member contributions	6,901,775
Administrative expenses	7,229,398
Total deductions	715,948,536
Net increase (decrease)	1,080,586,773
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	8,802,987,225
End of year	$ 9,883,573,998

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY/HISTORY

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

B. PLAN DESCRIPTION

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

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

JUNE 30, 2010

On June 30, 2010, the number of participating employers was:

Public Schools	262
State Colleges and Universities	40
State Agencies	10
Other/Privatized	31
Total	343

On June 30, 2010, the System's membership was as follows:

Retirees or beneficiaries receiving annuity benefits	30,587
T-DROP participants	4,608
Inactive plan members (not receiving benefits)	11,924
Active members:	
Fully vested	46,636
Non-vested	25,572
Total	119,327

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

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

Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of his/her position while in active employment. The disability annuity is computed in the same manner as the age & service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible survivors receive a survivor annuity that is based on the member's years of service credit prior to his/her death. ATRS also provides a lump sum death benefit for ATRS active and retired members with 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for non-contributory members.

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

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

C. BASIS OF ACCOUNTING

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

Administrative Expenses

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

Method Used to Value Investments

Investments are reported at fair value. Cash and cash equivalents having a maturity of three months or less when purchased are reported at cost. Fair market is determined using pricing services, when available, historical costs adjusted for market trends, independent third-party appraisals, and independent brokers and industry experts. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued based on a good faith determination of the General Partner. Given the inherent nature of investments it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

New Accounting Pronouncements

GASB Statement 51

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

GASB Statement 53

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

II. CAPITAL ASSETS

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

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fiduciary activities:				
Equipment	$ 2,041,988	$ –	$ 6,295	$ 2,035,693
Less accumulated depreciation for:				
Equipment	1,718,630	38,000	6,295	1,750,335
Fiduciary activities, net	$ 323,358	$ (38,000)	$ –	$ 285,358

III. DEPOSITS AND INVESTMENTS

A. DEPOSITS

Deposits are carried at cost and are included in "Cash and Cash Equivalents." Cash and cash equivalents include demand accounts, imprest accounts, cash in state treasury and short term investment funds (STIF). The STIF accounts are excess cash that is swept daily by the System's custodial bank into bank sponsored commingled funds that are invested in U.S. Government and Agency securities and other short term investments. State Treasury Management Law governs the management of funds held in the State Treasury and it is the responsibility of the Treasurer of State to ensure these funds are adequately insured and collateralized. Cash and cash equivalents totaled $163,056,774 at June 30, 2010. The total consisted of cash deposits with financial institutions of $11,442,244, STIF accounts in the amount of $148,781,073, cash in state treasury of $2,833,382 and a petty cash fund of $75.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, ATRS will not be able to recover deposits or collateral securities. ATRS maintains accounts in trust for the benefit of its members and is granted insurance coverage per participant in the System by the Federal Deposit Insurance Corporation (FDIC). On June 30, 2010, $5,971,249 of the System's bank balance of $11,500,855 was held in foreign banks and was exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

B. INVESTMENTS

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

The fair values of investments held at June 30, 2010, are as follows:

Investment Type	Fair Value
U.S. Government and agency obligations	$ 119,361,250
STIF accounts	148,781,073
International equities	635,882,526
Global corporate bonds	47,512,249
Forward currency contracts	(50,162)
Domestic corporate bonds	358,181,239
Domestic stocks	2,094,811,529
Domestic convertible bonds	361,588,889
Collateralized mortgage obligations	64,814,013
Certificates of deposit	3,125,000
Mortgages	44,079,038
Department of Education revolving credit notes	5,181,494
Asset-backed securities	37,735,017
Commingled funds - fixed	1,852,105,213
Commingled funds - equities	2,145,441,803
Municipal bonds	6,825,711
Partnerships	47,373,151
Real estate	95,516,585
Alternative investments	1,785,137,499
Total investments	9,853,403,117
Securities Lending Invested Cash Collateral	
Quality D short term investment pool	775,718,032*
Total	$10,629,121,149

* Cash collateral received totaled $784,028,190. The amount reported in the GASB No. 40 footnote above is the market value of the cash collateral invested at June 30, 2010.

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. The System does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. As of June 30, 2010, the interest rate risk of debt investments using the weighted average maturity is as follows:

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 -10**	**More than 10**
U.S.Treasuries	$ 47,694,925		$ 16,817,256	$ 7,753,704	$ 23,123,965
U.S. Government agency	71,666,325		1,069,432	9,365,295	61,231,598
Global corporate bonds	47,512,248	$ 1,250,737	33,370,981	1,106,134	11,784,396
Domestic corporate bonds	358,181,239	4,939,508	155,457,169	106,567,704	91,216,858
Domestic convertible bonds	361,588,889		190,664,720	27,891,925	143,032,244
Mortgage backed securities	64,814,012	1,670,000	5,639,042	9,203,405	48,301,565
Asset backed securities	37,735,018	407,005	19,459,460	7,772,568	10,095,985
Mortgages	44,079,038		18,178,120	745,509	25,155,409
Department of Education note	5,181,494		5,181,494		
Certificates of deposit	3,125,000	3,125,000			
Commingled funds	1,852,105,214	74,304,150	149,303,069	889,684,641	738,813,354
Municipal bonds	6,825,711				6,825,711
STIF balances	148,781,073	148,781,073	–	–	–
Totals	$3,049,290,186	$ 234,477,473	$ 595,140,743	$1,060,090,885	$ 1,159,581,085

Securities Lending Invested Cash Collateral		
Quality D Investment Fund	$ 775,718,031	$ 775,718,031

Mortgage-Backed Securities

As of June 30, 2010, the System held mortgage-backed securities with a fair value of $64,814,012. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the System will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties. At June 30, 2010, the System held no mortgage-backed securities that were considered as highly sensitive to changes in interest rates.

NOTES TO FINANCIAL STATEMENTS *(continued)*

JUNE 30, 2010

Asset-Backed Securities

As of June 30, 2010, the System held asset-backed securities with a fair value of $37,735,017. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets. At June 30, 2010, the System held no asset-backed securities that were considered as highly sensitive to changes in interest rates.

Derivatives

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

The System's investment derivatives included equity options, rights and warrants, forward contracts on mortgage-backed securities classified as to-be-announced ("TBA") securities, and forward currency contracts. All derivatives are considered investments and are reported on the Statement of Plan Net assets at fair value. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year were as follows:

	Changes in Fair Value		Fair Value at June 30, 2010		
Investment Derivatives	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Equity Options Written	Investment Revenue	$ (97,499)	Options	$ -	$ -
FX Forwards	Investment Revenue	11,756,221	Long Term Instruments	(35,497)	-
Index Futures Long	Investment Revenue	11,957,859	Futures	-	-
Index Futures Short	Investment Revenue	(377,197)	Futures	-	-
Rights	Investment Revenue	922,543	Common Stock	-	-
TBA Transactions Long	Investment Revenue	2,670,461	Long Term Instruments	209,742	48,100,000
TBA Transactions Short	Investment Revenue	(35,270)	Long Term Instruments	(33,582)	(8,500,000)
Warrants	Investment Revenue	(290,188)	Common Stock	3,147,210	193,021
Totals		$ 26,506,929		$ 3,287,872	$ 39,793,021

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

Credit Risk

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. The System does not have a formal investment policy for credit risk. The System's exposure to credit risk as rated by Standard & Poor's (S&P) and Moody's Investors Service as of June 30, 2010, is as follows:

Standard and Poor's		**Moody's Investors Service**	
Rating	Fair Value	Rating	Fair Value
AAA	$ 144,934,511	Aaa	$ 126,545,672
AA	46,713,074	Aa	53,771,489
A	89,133,984	A	52,413,469
BBB	126,408,611	Baa	102,194,741
BB	134,500,032	Ba	100,962,095
B	147,918,237	B	100,694,758
CCC or below	53,532,669	C or below	32,019,794
Not Rated	2,246,301,962	Not Rated	2,420,841,062
Total	$2,989,443,080	Total	$2,989,443,080
Securities Lending Invested Cash Collateral			
Not Rated	$ 775,718,031	Not Rated	$ 775,718,031

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. The System does not have a formal investment policy for custodial credit risk. At June 30, 2010, none of the System's investments was exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer (not including investments issued of guaranteed by the U.S. Government, investments in mutual funds or external investment pools). The System does not have a formal investment policy for concentration of credit risk. At June 30, 2010, none of the System's investments in any one issuer, other than those issued or guaranteed by the U.S. Government, represented more than five percent of the total investments.

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. ATRS does not have a formal investment policy for foreign currency risk. The exposure to foreign currency risk for investments and deposits at June 30, 2010, is as follows:

Currency	Fair Value	Fixed Income	Equities	Forward Contracts	Cash
Australian Dollar	$ 13,519,839	$ 3,869,787	$ 20,205,161	$ (6,688,167)	$ 2,845
Brazilian Real	9,066,896		8,357,246	688,585	21,065
Canadian Dollar	13,105,289	10,355,545	16,245,630	(3,179,365)	39,024
Swiss Franc	42,065,479		24,057,260	17,259,196	749,023
Danish Krone	3,326,807		1,669,096	1,656,270	1,441
Euro Currency	95,083,619		138,741,003	(45,078,469)	1,421,085
British Pound Sterling	154,724,090		173,507,036	(20,676,227)	1,893,281
Hong Kong Dollar	84,002,731		90,905,134	(7,128,549)	226,146
Hungarian Forint	229				229
India Rupee	724,301	7,368,576			724,301
Indonesian Rupiah	12,417,471	4,193,646	12,417,471		
Israeli Shekel	4,118,525		4,118,525		
Japanese Yen	67,626,670	5,400,215	73,573,096	(6,375,546)	429,120
South Korean Won	9,817,817	4,941,549	9,817,806		11
Malaysia Ringgit	10,293,808	1,348,927	10,293,808		
Mexican Peso	10,509,564	5,672,146	3,540,512	6,762,863	206,189
Norwegian Krone	5,971,970		9,920,834	(3,949,343)	479
New Zealand Dollar	2,790	3,923,301			2,790
Swedish Krona	29,256,047		13,858,042	15,397,976	29
Singapore Dollar	15,653,977	438,557	3,728,257	11,922,186	3,534
South African Rand	2,868,719		5,103,408	(2,235,075)	386
New Taiwan Dollar	6,466,755		6,216,484		250,271
Thailand Baht	2,857,055		6,369,682	(3,512,627)	
Turkish Lira	2,074,922		2,074,922		
Totals	$595,555,370	$47,512,249	$634,720,413	$(45,136,292)	$5,971,249

Note – For Foreign Currency Forward Contracts, a positive number represents the value of contracts to purchase that currency in excess of the value of contracts to sell that currency. A negative number therefore represents the value of contracts to sell foreign currency in excess of contracts to purchase that currency. There was a net purchase of $6,195,658 of foreign currency by spot trades included under Forward Contracts. Spot trades are the purchase or sale of foreign currency that normally settle immediately but the above transactions' trade and settlement dates overlapped the fiscal year end therefore they are included as Forward Contracts.

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

Forward Currency Contracts

The Agency enters into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U. S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates and the changes in value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net appreciation (depreciation) in fair value of investments in the statement of changes in plan net assets. At June 30, 2010, the Agency had outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of $98,024,371. Market values of these outstanding contracts were $99,463,792 resulting in a net gain of $1,439,421. The Agency also had outstanding forward currency contracts to sell foreign currencies with contract amounts of $143,110,501 at June 30, 2010. Market values of these contracts were $144,600,084 resulting in a net loss of $1,489,583.

Securities Lending Transactions

Arkansas Code Annotated and Board of Trustees policies permit the System to participate in a securities lending program, whereby securities are loaned to broker-dealers or other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There were no restrictions on the amount of security loans that could be made. The System's securities lending program is administered by State Street Bank and Trust Company (the "custodian"). The legal and contractual authorization for the securities lending program is contained in the Securities Lending Discretionary Agency Agreement between the System and the Custodian. For the year ended June 30, 2010, there were no violations of the Agency Agreement. The Custodian provides for full indemnification to the System's funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the trust funds for income of the securities while on loan. Collateral must be provided that is equal to at least 100% of the market value of the loaned securities at the time of transfer. At year-end, the System had no exposure to credit risk to borrowers due to the Custodian's indemnification. Securities on loan (Underlying Securities) to participating brokers at year-end include U. S. Government securities, corporate securities and international securities. Brokers who borrow the securities provide collateral in the form of cash and cash equivalents, U. S. Treasury or Government securities, sovereign debt rated A or better, Canadian provincial debt, convertible bonds or letters of credit (for the marginal percent collateralization only). The System cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral received is invested in the System's name; accordingly investments made with cash collateral appear as an asset on the Statement of Plan Net Assets. A corresponding liability is recorded, as the System must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2010, the amount owed to borrowers was $8,310,159 more than the fair value of the cash collateral invested. The loan maturity dates generally do not match the maturity dates of the investments made with the cash collateral received. The cash collateral investments had an average weighted maturity of 30 days on June 30, 2010, whereas the average loan maturity was one day.

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

IV. CONTRIBUTIONS AND RESERVES

A. CONTRIBUTIONS

Arkansas Teacher Retirement System's (ATRS) funding policy provides for periodic employer contributions at statutorily established rates, with a fundamental financial objective of having rates of contribution which remain relatively level from generation to generation of Arkansas citizens. All participating employers pay the employer contribution rate for eligible employees in accordance with ATRS laws and regulations. Ark. Code Ann. 24-7-401 states for the fiscal years ending June 30, 2008 and June 30, 2010, and each fiscal year thereafter, the employer contribution rate shall not exceed 14%. The employer contribution rate was 14% for the fiscal year ending June 30, 2010. To test the adequacy of the statutory rates and assess the extent to which the fundamental financial objective is being achieved, the system has actuarial valuations prepared annually. The entry age normal cost actuarial method was used to determine normal cost and actuarial accrued liabilities using the difference between the statutory rate and the normal cost as the amortization rate.

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

B. RESERVES

In accordance with the provisions of Ark. Code Ann. 24-7-405 and 24-7-1307, Arkansas Teacher Retirement System must maintain reserve accounts showing net assets available for benefits. At June 30, 2010, the reserve accounts were funded at a level, which complied with the code provisions. The reserve balances at June 30, 2010, are as follows:

	Total
Members' deposit account reserve	$5,076,953,517
Employers' accumulation account reserve	(2,159,220,193)
Retirement reserve	6,319,475,484
Teacher Deferred Retirement Option Plan account reserve	565,048,989
Survivor benefit account reserve	73,945,474
Income - expense account reserve	7,370,727
Total	$9,883,573,998

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2010

V. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLANS

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in millions):

Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
$10,845	$14,697	$3,852	73.8%	$2,381	161.8%

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

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	52.4 years
Asset valuation method	4-year smoothed market 80%/120% corridor (1)
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.00 - 10.10%
Inflation rate	4.00%
Post retirement cost-of-living adjustments	3.00% - simple
Mortality table	1983 Group Annuity Mortality Table

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

VI. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), requires that OPEB expense of fiduciary funds should be recognized on the accrual basis in the fund financial statements. The 2010 charge of $335,605 is a prorated amount from the Department of Finance and Administration based on a State-wide actuarial study. The amount charged to ATRS is based on budgeted employees of the Agency and is composed of: (1) the annual required contribution (ARC) which is the normal cost and 1/30 of the unfunded actuarial accrued liability (UAAL), (2) one-year's interest on the net OPEB, (3) adjustments to the ARC to offset the effect of actuarial amortization of past under or over contributions, and (4) minus actual contributions. The State of Arkansas 2010 CAFR will contain the complete OPEB footnote required by GASB 45.

NOTES TO FINANCIAL STATEMENTS *(continued)*

JUNE 30, 2010

VII. COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, ATRS was committed to purchase investments and return securities lending collateral at an aggregate cost of approximately $1.9 billion.

VIII. REQUIRED SUPPLEMENTARY SCHEDULES

The historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information. Required supplementary information is included immediately following the notes to the financial statements.

SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS

(DOLLAR AMOUNTS IN MILLIONS)

Valuation Date June 30	(1) Actuarial Value of Assets	(2) Entry Age AAL	(3) UAAL (2)-(1)	(4) Funding Ratio (1)/(2)	(5) Annual Payroll	(6) UAAL as % of Payroll (3)/(5)
1991+*	$ 2,434	$ 2,762	$ 328	88.1%	$ 909	36.1%
1992+	2,729	3,329	600	82.0%	1,077	55.7%
1993+	3,051	3,712	661	82.2%	1,120	59.0%
1994	3,307	3,960	653	83.5%	1,167	56.0%
1995*	3,626	4,257	631	85.2%	1,234	51.1%
1996	4,186	4,635	449	90.3%	1,260	35.6%
1997+	4,956	5.403	447	91.7%	1,302	34.3%
1998+*	5,815	6,188	373	94.0%	1,368	27.3%
1999+	6,740	6,834	94	98.6%	1,429	6.6%
2000+	7,620	7,879	259	96.7%	1,485	17.4%
2001+	8,166	8,561	395	95.4%	1,557	25.4%
2002*	8,328	9,062	734	91.9%	1,628	45.1%
2003+	8,113	9,445	1,332	85.9%	1,683	79.1%
2004	8,424	10,050	1,626	83.8%	1,748	93.0%
2005	8,817	10,973	2,156	80.4%	1,962	109.9%
2006	9,332	11,623	2,291	80.3%	2,080	110.1%
2007+	10,519	12,329	1,810	85.3%	2,191	82.6%
2008+	11,319	13,334	2,015	84.9%	2,268	88.8%
2009	10,617	14,019	3,402	75.7%	2,318	146.8%
2010	10,845	14,702	3,857	73.8%	2,381	162.0%
2010+	10,845	14,697	3,852	73.8%	2,381	161.8%

+ *Legislated benefit or contribution rate change.*

* *Revised actuarial assumptions or methods.*

REQUIRED SUPPLEMENTARY SCHEDULES *(continued)*

SCHEDULE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS

(DOLLAR AMOUNTS IN MILLIONS)

Fiscal Year Ended June 30	Estimated Payroll	Annual Required Contribution Rate	(A) Annual Required Contribution*	(B) Actual Contributions	(B) (A) Percent Contributed
1995	$1,167	12.0%	$140.04	$139.80	99.8%
1996	1,234	12.0%	148.08	132.60	89.5%
1997	1,260	12.0%	151.20	153.50	101.5%
1998	1,302	12.0%	156.24	159.00	101.8%
1999	1,368	12.0%	164.16	166.80	101.6%
2000	1,429	12.0%	171.48	175.70	102.5%
2001	1,485	12.0%	178.20	181.10	101.6%
2002	1,557	12.0%	186.84	191.35	102.4%
2003	1,628	12.0%	195.36	200.46	102.6%
2004	1,683	13.0%	218.79	224.18	102.5%
2005	1,748	14.0%	244.72	286.44	117.0%
2006	1,962	14.0%	285.64	311.71	109.1%
2007	2,080	14.7%	321.66	331.89	103.2%
2008	2,191	14.5%	343.99	350.32	101.8%
2009	2,268	14.0%	344.03	359.06	104.4%
2010	2,592	14.0%	362.85	389.30	107.3%

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

SUPPORTING SCHEDULES

SCHEDULE 3 - SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30, 2010

Personnel Services	
Staff Salaries	$ 3,717,359
Employee Benefits	1,562,189
Total Personnel Services	5,279,548
Professional Services	
Actuary	166,700
Data Processing	541,874
Legal Counsel	2,509
Medical Board	5,400
Accounting	9,211
Other Professional Services and Fees	7,026
Total Professional Services	723,509
Miscellaneous	
Rent Expense	608,998
Communication Expenses	244,412
Travel Expense	85,504
Equipment Expense	101,208
Other Operating Expense	186,219
Total Miscellaneous	1,226,341
Total Administrative Expenses	$ 7,229,398

SUPPORTING SCHEDULES *(continued)*

SCHEDULE 4 - SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2010

Investment Counsel	$ 1,786,237
Professional Services	
Domestic Money Managers	6,497,577
International / Global Money Managers	12,423,453
Alternative Investment Managers	7,225,507
Custodian Fees	570,137
Total Professional Services	26,716,674
Other Investment Expenses	
Real Estate Expense	2,683,390
Security Lending	1,592,542
International Withholding Tax	317,959
Miscellaeous Investment Expense	16,220
Total Other Investment Expenses	4,610,111
Total Investment Expense	$ 33,113,022

Investments

2010 Comprehensive Annual Financial Report

ARTRS
Arkansas Teacher Retirement System

Hewitt ennisknupp
An Aon Company

February 2011

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

Market Overview
Major capital markets worldwide posted gains during fiscal year 2010, partially offsetting the losses experienced during the prior year. 2010 started off on a positive note as markets continued to rally from their lows in March 2009. Government stimulus programs, higher than expected corporate earnings, improved investor optimism, and a renewed appetite for risk-taking contributed to a broad economic rebound and supported market gains. The fiscal year, however, ended on a less optimistic note as the looming debt crisis in Europe, continued high unemployment, fear of a double-dip recession, and uncertainty relating to the final provisions of the Wall Street reform bill (that passed subsequent to the end of the fiscal year) weighed on investor sentiment.

The Federal Open Markets Committee dropped the Federal Funds Target Range to an all time low of 0.00% - 0.25% in December 2008, with a goal to stimulating a rebound in economic growth. The Federal Funds Rate remained at that level at the end of the fiscal year 2010. In light of the Federal Reserve's policy stance, the market's expectations for interest rate hikes and an increase in inflation expectations remained modest for the foreseeable future.

The decline across the real estate markets abated towards the end of the fiscal year. While transaction activity remained below normal levels, the pace of real estate transactions ticked up marginally towards the end of the fiscal year, resulting in improved valuation across the more conservative segments of the real estate market.

The broad U.S. equity markets gained 16.1% during the fiscal year, outpacing developed non-U.S. equity markets, which posted a 5.9% gain. The dollar rallied significantly against the Euro with the onset of the European debt crisis, which impacted returns of developed non-U.S. equity markets. Emerging markets, however, continued to post healthy gains as most developing economies emerged relatively unscathed by the crisis that impacted the developed world. Emerging markets gained 23.2% during the fiscal year. The steady decline in interest rates bode well for the broad U.S. bond market, which gained 9.5% over the fiscal year. Riskier segments of the fixed income markets performed even better as spreads declined materially. U.S. high yield bonds gained 26.8% during the fiscal year.

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

During the fiscal year 2009, an asset liability study was conducted and the findings supported a mix of equities and alternative investments of eighty percent and a twenty percent allocation to fixed income. In fiscal year 2010, the Plan continued to shift the asset allocation toward the 30% global equity allocation target as well as the 10% targets to private equity and real estate. Both real estate and private equity have provided strong returns over time. Various changes to guidelines and initiatives were executed on during the fiscal year and managers were added and terminated. These changes and updates are detailed below.

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ARTRS
Arkansas Teacher Retirement System

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- To further build out the global equity platform, global mandates from T. Rowe Price, Lazard, and D.E. Shaw were added in August 2009.
- The SSGA Bond Index Fund, which tracks the Barclays Capital Aggregate Bond Index, was placed into the fixed income lineup to provide liquidity and low fees in May 2010.
- The PIMCO PARS II investment was redeemed in March 2010 due to the departure of a key portfolio manager.
- Bedlam's guidelines were updated and amended to allow greater flexibility in investing in emerging markets in May 2010.
- PIMCO's Total Return mandate was amended to include an additional short-term sector fund to its highly successful Total Return investment product.

ATRS PERFORMANCE OVERVIEW

	1 Year Ending 6/30/10		3 Year Ending 6/30/10		5 Year Ending 6/30/10	
	Return	Rank	Return	Rank	Return	Rank
Total Fund	**13.5%**	**44**	**-3.6%**	**45**	**3.7%**	**15**
Performance Benchmark	13.1	52	-4.2	59	2.6	46
Total U.S. Equity	**23.2**	**4**	**-5.5**	**7**	**2.8**	**4**
DJ U.S. Total Stock Market Index	16.1	45	-9.2	40	-0.2	41
Total Non-U.S. Equity	**12.2**	**40**	**-9.6**	**28**	**3.2**	**22**
MSCI ACWI ex-U.S. Index	11.8	42	-10.3	38	3.6	19
Total Global Equity	**12.2**	**40**	**–**	**–**	**–**	**–**
MSCI ACW Index	11.8	42	–	–	–	–
Total Fixed Income	**17.4**	**16**	**7.6**	**43**	**5.8**	**42**
Performance Benchmark	10.6	73	7.2	52	5.6	47
Total Private Equity	**4.7**	**–**	**1.0**	**–**	**12.4**	**–**
Private Equity Policy	N/A	–	-1.8	–	4.7	–
Total Real Estate	**-11.4**	**58**	**-9.3**	**21**	**3.7**	**4**
NCREIF NPI	-9.6	50	-4.2	2	4.3	1
Total Alternatives	**3.8**	**–**	**4.1**	**–**	**6.0**	**–**
South Timberland Index	-3.6	–	6.1	–	9.8	–

During the fiscal year 2010, the System's 13.5% return outperformed the 13.1% return of the Performance Benchmark, and ranked above the median of the BNY Mellon Performance & Risk Analytics Public Fund Universe. This universe is comprised of 125 public pension funds with aggregate assets of $920.0 billion. Longer-term performance was also favorable as the System's return exceeded that of the Performance Benchmark over the three- and five-year periods and ranked 45th and 15th, respectively, in the Public Fund Universe.

The U.S. equity asset class outperformed its benchmark over the one-, three-, and five-year periods and ranked at or near the top decile of plans in the BNY Mellon Performance & Risk Analytic's Public Fund U.S. equity asset class universe. This near-term outperformance was driven by ICC Capital, Daruma, Kennedy, and Pershing Square as each added considerable value during the fiscal year.

The global equity asset class outperformed for the year and ranked above the median peer plan for the asset class. Global Equity was converted over from the legacy non-U.S. equity asset class in fiscal year 2008 to provide additional latitude to the investment managers and capture cross-border opportunities. Therefore, in return summary tables, the non-U.S. equity class is still shown to exhibit the international asset class's longer-term returns which are favorable for the trailing three-year period but trailed the five-year benchmark. The longer-term returns do, however, rank favorably in the peer universe. UBS, Wellington Opportunistic, Lazard, and D.E. Shaw added value for the global equity portfolio for the fiscal year.

Hewitt ennisknupp
An Aon Company

The fixed income asset class outperformed the performance benchmark during the one-, three- and five-year periods due to substantial gains in fiscal year 2010. The fixed income asset class includes several core-plus and opportunistic strategies that were well positioned to take advantage of the market dislocation that resulted from the 2008 financial crisis. As liquidity continued to return to the market and the overall economy improved, the System's active fixed income managers fared well as each outperformed by significant margins for the year.

The System's private equity investments posted a positive absolute return during FISCAL YEAR 2010. Due to the long-term nature of private equity, performance benchmark returns are not shown for periods less than three-years. As shown, the private equity portfolio has added significant value over public equity market equivalents over the 3-, and 5-year periods.

Total real estate underperformed the NCREIF Property Index during the one-, three-, and five-year periods due to near-term difficulties in the real estate markets and the J-Curve effect from its relatively recent closed end fund commitments. The System's real estate portfolio did, however, surpass 98% and 99% of all active managers for the trailing three- and five-year time periods, respectively.

Total alternatives, which currently consists of timberland investments only, outperformed the South Timberland Index during the one-year time period, but underperformed during the three- and five-year periods. Looking forward, the Fund will be adding agricultural investments and other active alternative strategies to this asset class to improve the risk/return characteristics of the System's investments

Sincerely,

Patrick J. Kelly, CFA

Principal

PJK:cm

INVESTMENT POLICIES AND PROCEDURES

STATEMENT OF INVESTMENT POLICY

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

The Board has arrived at this policy through careful study of the rates of return and risks associated with various investment strategies in relation to the current and projected liabilities of the Arkansas Teacher Retirement System, hereinafter, "the System". This policy has been chosen as the most appropriate for achieving the financial objectives of the System. The policy will be reviewed periodically as circumstances dictate.

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

To achieve the overall investment goal of the System, one or more investment consultants may be retained by the Board as investment advisors. The scope of duties, together with the terms and conditions of engagement, of any investment consultant will be set forth in a contract approved by the Board. Throughout this document, investment advisors are referred to as investment consultants.

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

Standard of Care

The standard of care for the Board and Executive Director of the assets of the System is: when investing and reinvesting trust assets and in acquiring, retaining, managing and disposing of investments of the trust assets, there shall be exercised the reasonable care, skill, and caution that a prudent investor would use after considering the purposes, terms, distribution requirements, and other circumstances of the trust. Investment and management decisions respecting individual assets shall be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust. The investments of the trust shall be diversified unless the Board reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying. The trust assets shall be invested and managed solely in the interest of the members and benefit recipients of the trust. The trust assets shall be invested in a manner to only incur costs that are appropriate and reasonable in relation to the assets and purposes of the investment. Compliance with the standard of care is determined in light of facts and circumstances at the time of action, not in hindsight.

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

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

INVESTMENT POLICIES AND PROCEDURES *(continued)*

Asset Allocation

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

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

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

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

Rebalancing

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

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

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

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

INVESTMENT POLICIES AND PROCEDURES *(continued)*

Investment Manager Selection

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

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

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

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

Goals

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

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

Domestic Equity

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

Global Equity

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

INVESTMENT POLICIES AND PROCEDURES *(continued)*

Total Equity

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

Fixed Income

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

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

Alternative Investments

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

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

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

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

Real Estate

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

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

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

INVESTMENT POLICIES AND PROCEDURES *(continued)*

Private Equity

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

The System's goal for private equity investments is to achieve a total rate of return that will exceed, net of all costs and fees, the return of the public equity markets, as measured by the Dow Jones U.S. Total Stock Market Index, plus a liquidity premium of 2.0% per year over a full market cycle for private equity (approximately ten years).

Cash Equivalents

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

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

Arkansas-Related Investments

The System may initiate Arkansas-related mortgage loans, promissory notes, direct real estate investments, or purchase insured certificates of deposit or short term securities of Arkansas financial institutions to meet the goals of the mandated requirements. Arkansas-related investments are categorized according to the appropriate asset class for each investment. In addition, Arkansas related investments include, but are not limited to, investments managed by an Arkansas related manager, Arkansas related investments held by other fund managers, Arkansas timberland, partnerships based in Arkansas, and partnerships holding Arkansas properties.

Commingled or Mutual Funds

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

Derivatives

Derivatives may be used to reduce the risk in a portfolio and provide desired market and security level positions as an alternative to purchasing cash securities. Excessive leverage shall not be created through the use of derivatives in a manner that substantially increases the System's portfolio risk. Each investment manager's derivative usage shall be specified in the investment management agreement or specific guidelines.

The use of futures and options shall be matched by cash or cash equivalent securities, and all short futures positions shall be matched by equivalent long security positions, unless otherwise stated in the investment manager guidelines or authorizing fund documents.

Loaning of Securities

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

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

INVESTMENT POLICIES AND PROCEDURES *(continued)*

Securities Lending Reinvestment Guidelines

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

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

Investment Manager Reporting

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

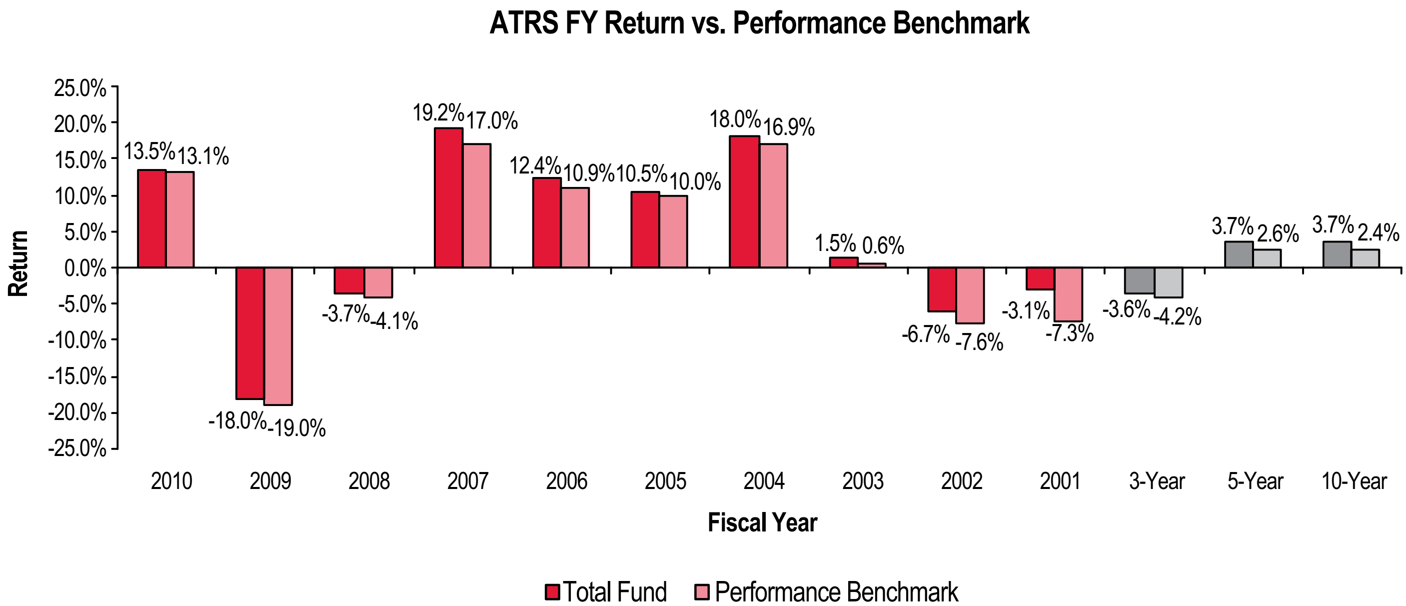
Roles

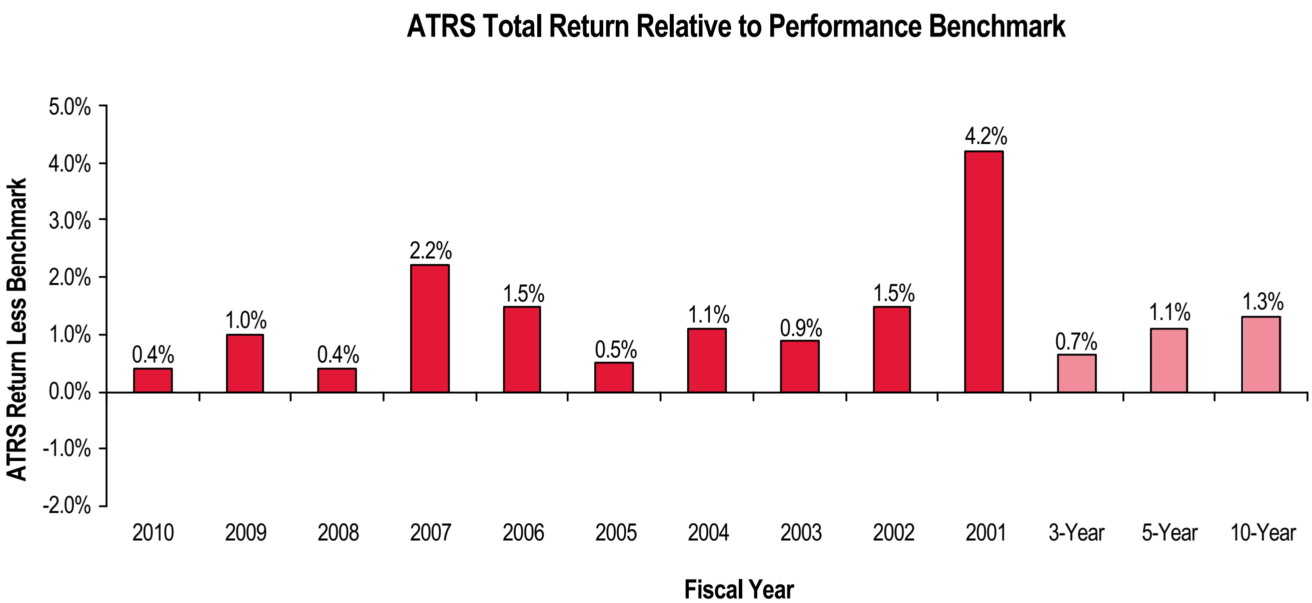
The Executive Director and investment consultant are jointly responsible for the initial selection of investment managers and any increase or decrease in an investment manager’s funding. The Executive Director and investment consultant are jointly responsible for monitoring existing investment managers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

Proxies

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

ATRS TOTAL RETURN BY FISCAL YEAR





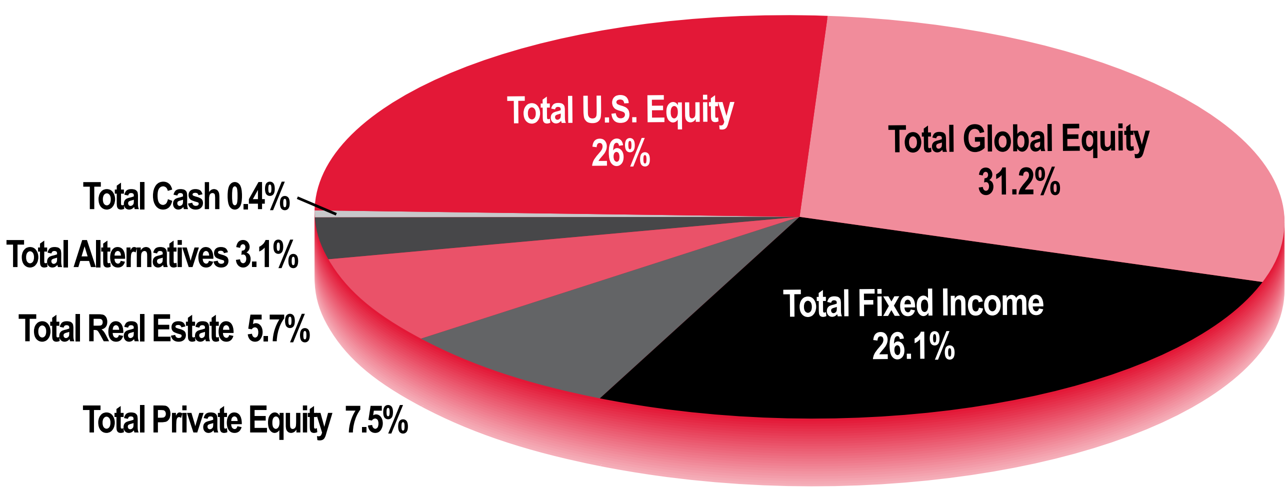
ASSET ALLOCATION ANALYSIS

As of June 30, 2010

Asset Class	Market Value ($ in thousands)	Current %
Total U.S. Equity	$2,530,167,035	26%
Total Global Equity	3,040,720,802	31.2%
Total Fixed Income	2,548,202,635	26.1%
Total Private Equity	734,398,062	7.5%
Total Real Estate	556,306,734	5.7%
Total Alternatives	302,812,340	3.1%
Total Cash	39,199,943	0.4%
	$9,751,807,550	**100.0%**

CURRENT ALLOCATION BY ASSET CLASS

As of June 30, 2010



TRADITIONAL ASSETS *Schedule of Investment Results*

RETURNS FOR PERIOD ENDING JUNE 30, 2010

The table below details the rates of return for the System's Investment managers over various time periods ending June 30, 2010. The Appendix at the end of this document provides a description of the benchmarks used for each manager as of the end of the fiscal year.

	1 Year	3 Years	5 Years
TOTAL FUND			
Total Fund	13.5%	-3.6%	3.7%
Performance Benchmark	13.1	-4.2	2.6
LARGE CAP EQUITY			
Oppenheimer Structured Alpha	17.0	--	--
Russell 1000 Value Index	14.4	--	--
SMALL CAP VALUE EQUITY			
Kennedy Capital Management	34.5%	-3.7%	5.6%
Daruma Asset Management	28.6	-5.0	3.9
Russell 2000 Value Index	25.1	-9.8	-0.5
SMALL CAP GROWTH EQUITY			
Stephens	18.9%	-5.5%	--
ING Investment Management	23.6	-4.9	3.7%
Russell 2000 Growth Index	18.0	-7.5	1.1
ALL CAP DOMESTIC EQUITY			
ICC Capital Management	26.5%	-0.4%	9.7%
Performance Benchmark	15.7	-9.3	-0.4
Jacobs Levy	19.0	-9.4	--
Performance Benchmark	15.7	-7.9	--
Jacobs Levy 130/30	15.2	--	--
Russell 3000 Index	15.7	--	--
Pershing Square	31.6	--	--
DJ Total Stock Market Index	16.1	--	--
Relational Investors	13.8	--	--
S&P 500 Index	14.4	--	--
ING Absolute Return	14.9	--	--
S&P 500 Index	14.4	--	--

TRADITIONAL ASSETS *Schedule of Investment Results* (continued)

Returns for Period Ended June 30, 2010

The table that follows details the rates of return for the System's investment managers over various time periods ending June 30, 2010. Note that T. Rowe Price's current mandate as well as Lazard and D.E. Shaw did not yet experience a full fiscal year of results.

	1 Year	3 Years	5 Years
CONVERTIBLES			
Nicholas Applegate	18.6%	0.7%	6.6%
Performance Benchmark	22.6	-2.4	2.9
GLOBAL EQUITY MANAGERS			
Bedlam	7.7%	--	--
Lazard	–	–	–
D.E. Shaw	–	–	–
Capital Guardian	10.4	--	--
Wellington Opportunistic	15.1	--	--
T. Rowe Price	–	–	–
UBS Global Asset Management	15.7	--	--
Lincoln Vale	8.4	--	--
MSCI ACWI Index	11.8	--	--
Knight Vinke	-15.1	--	--
FTSE Europe Index	2.1	--	--
Wellington Global Perspectives	20.1	--	--
MSCI ACW Mid/Small Cap Index	20.6	--	--
SSgA Global Index	13.4	--	--
MSCI ACWI IMI Index	13.1	--	--
FIXED INCOME MANAGERS			
BlackRock	13.7%	7.5%	5.7%
PIMCO	15.3	10.0	7.1
Western	23.7	7.3	5.7
Loomis Sayles	26.0	--	--
Performance Benchmark	15.5	–	–
Putnam	16.9	--	--
Blackrock FIGO	20.2	--	--
Western Absolute Return	21.5	--	--
LIBOR	0.4	--	--
ALTERNATIVE INVESTMENTS			
Total Real Estate	-11.4%	-9.3%	3.7%
NCREIF NPI	-9.6	-4.2	4.3
Total Private Equity	4.7	1.0	12.4
Private Equity Policy	N/A	-1.8	4.7
Total Alternatives	3.8	4.1	6.0
South Timberland Index	-3.6	6.1	9.8

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

RETURNS FOR PERIOD ENDED JUNE 30, 2010

The table that follows details the rates of return for the System's investment managers for the period ending June 30, 2010.

	Inception Date	Annualized Internal Rate of Return
INDIVIDUAL PARTNERSHIPS		
Mezzanine		
Audax Mezzanine III	2010	N/A
Blackstone Mezzanine I	11/30/1999	10.7%
DLJ Investment Partners II	10/31/1999	10.4
Insight Mezzanine I	2009	-11.5
PRIVATE EQUITY		
21st Century Group Equity Fund	4/30/2000	-0.4%
Advent GPE VI-A	3/12/2008	0.3
Boston Ventures VII	12/14/2007	2.0
CSFB-ATRS 2005-1 Series	5/1/2005	1.2
CSFB-ATRS 2006-1 Series	8/1/2006	-6.4
Cypress MBP II	6/18/1999	-5.1
DH Tech I	1/12/2000	-16.7
Diamond State	4/15/2000	5.6
Diamond State II	1/4/2007	-5.3
DLJ MBP III	7/19/2000	18.6
Doughty Hanson III	10/20/1997	15.1
FP Venture 2008	1/18/2008	-2.7
FP Venture 2009	1/16/2009	-16.6
FP Venture 2010	2010	N/A
Hicks Muse Tate & Furst Fund III	2/28/1997	0.2
Hicks Muse Tate & Furst Fund IV	7/31/1998	-8.5
Hicks Muse Tate & Furst Fund V	11/31/2000	17.2
Mason Wells III	2010	N/A
LLR III	5/9/2008	-12.6
NGP IX	2/27/2008	-4.1
Oak Hill Capital Partners	3/31/1999	10.2
Second Cinven	4/30/1998	9.2
Riverside IV	2009	-41.2
TA XI	2010	N/A
KPS Supplemental III	2009	19.4
Insight Equtiy II	2009	N/A
Vista Equity III	7/11/2008	26.9

REAL ESTATE *Schedule of Investment Results* *(continued)*

RETURNS FOR PERIOD ENDED JUNE 30, 2010

The table that follows details the rates of return for the System's investment managers for the period ending June 30, 2010.

	Inception Date	Annualized Internal Rate of Return
LIMITED PARTNERSHIPS		
Real Estate		
Doughty-Hanson-Euro real estate	6/30/1999	28.7%
Westbrook Fund II	4/30/1997	13.4
Westbrook Fund III	8/31/1998	9.0
Westbrook IV	4/30/2001	19.9
Olympus	7/31/2000	-5.7
Fidelity RE Growth Fund III	3/31/2008	N/A
Heitman European Property Partners IV	10/6/2008	N/A
ING Clarion DOF II	12/31/2007	N/A
ING Clarion DOF III	12/12/2008	N/A
New Boston Fund VII	10/9/2008	N/A
Rothschild FARS V	3/31/2008	N/A
CBRE SP U.S. Opportunity V	3/31/2008	N/A
DLJ Real Estate Capital Partners	9/30/1999	19.4
O'Connor NAPP II	3/31/2008	N/A
OPEN-END FUNDS		
PRISA	6/30/2005	-4.4
UBS	3/31/2006	-1.7
JP Morgan Strategic Property	3/31/2007	-6.7
JP Morgan Special Situation Property	3/31/2007	-14.6

DESCRIPTION OF BENCHMARKS

Total Fund - The Performance Benchmark for the Total Fund from October 2007 to June 2010 represents the performance of the asset class benchmarks as a weighted average of the previous month's ending market values. The historical components of the benchmark are shown in the table below. Returns prior to September 30, 1996, consist of the actual allocations to the seven different asset classes included in the Arkansas Teacher Retirement System over time.

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

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

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

Global Equity - The MSCI All Country World Index.

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

Real Estate - The NCREIF Property Index.

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

Alternatives - The South Timberland NCREIF Index.

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

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[1] *The Alternative Policy is comprised of the weighted averages of the Real Estate, Private Equity, and Alternatives policy benchmarks. The current targets for each component of the Alternative Policy are calculated as the weighted average of the previous month's ending market values. Prior to July 31, 2003 the alternative benchmark consisted of 57.0% of the Russell 3000 + a 2% Premium per year, 8.5% of the NCREIF Southeast Timberland Index, 28.5% of the Real Estate Index, 6% of the EnnisKnupp STIF Index. After this date, real estate and private equity benchmarks started to report on a one-quarter lag to align with the returns of their asset classes.*

DESCRIPTION OF BENCHMARKS

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

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

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

Barclays Capital Mortgage Index - A market value-weighted index consisting of the mortgage pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

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

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

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

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

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

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

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

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

Capital Guardian Performance Benchmark - On November 1, 2007, the portfolio benchmark was changed to the MSCI All Country World Index. Prior to November 1, 2007, the benchmark was the MSCI EAFE Index.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DESCRIPTION OF UNIVERSES

Total Fund - The Total Fund and its benchmark are ranked in our Public Fund Universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 124 funds with an aggregate market value of $1,060.5 billion.

Total Domestic Equity - The total domestic equity component and its benchmark are ranked in our domestic equity component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 501 funds with an aggregate market value of $550.8 billion.

Total Global Equity - The total global equity component and its benchmark are ranked in our global equity component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 61 global equity portfolios with an aggregate market value of $144.2 billion.

Total Fixed Income - The total fixed income component and its benchmark are ranked in our fixed income component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 449 funds with an aggregate market value of $431.9 billion.

Total Real Estate - The total real estate component and its benchmark are ranked in our real estate component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 59 funds with an aggregate market value of $31.3 billion.

TEN LARGEST HOLDINGS

(By Market Value)
As of June 30, 2010

Fixed Income

Security Name	Market Value
WESTERN ASSET CORE	$ 311,168,487
PUTNAM ABSOLUTE RETURN FIXED INCOME FUND	281,400,000
WESTERN ABSOLUTE RETURN	271,300,996
BLACKROCK FIGO FUND	265,705,944
US AGGREGATE BOND INDEX FUND NON-SL	261,723,378
PIMCO FUND PAC INVT MGMT SER	90,910,808
PIMCO FUND PAC INVT MGMT SER	75,467,134
PIMCO FUNDS	74,300,000
PIMCO FUND PAC INVT MGMT SER	64,794,559
PIMCO FDS INVT MGMT SER	29,512,923

TEN LARGEST HOLDINGS

(By Market Value)
As of June 30, 2010

Domestic Equities

Security Name	Market Value
WORLD ALPHA EXTENSION FUND	$ 280,471,332
OPCAP ENHANCED INDEX	254,919,409
PERSHING SQUARE LP	127,774,627
RELATIONAL INVESTORS	92,767,261
ING ABSOLUTE ALPHA	88,165,573
JACOBS LEVY 130/30	84,863,592
BARRICK GOLD	80,972,842
GOLDCORP INC	55,814,473
LILLY ELI & CO	47,293,625
AMR CORP	38,333,791

TEN LARGEST HOLDINGS

(By Market Value)

As of June 30, 2010

International Investments

Security Name	Market Value
KNIGHT VINKE INST PARTNERS	$ 33,706,666
CHINA EVERBRIGHT LTD	16,704,992
FIRST PACIFIC	12,466,569
ROLLS ROYCE GROUP	11,766,025
VODAFONE GROUP	9,652,599
SCOTTISH MORTGAGE INVESTMENT	9,409,808
INVESTOR AB B SHS	9,078,656
PERNOD RICARD SA	8,800,068
TEMPLTN ENERG MKTS	8,506,866
INTESA SANPAOLO	8,365,116

TEN LARGEST HOLDINGS

(By Market Value)
As of June 30, 2010

Real Estate

Security Name	Market Value
LINDSEY (PARTNERSHIP)	$ 42,428,103
WOODLAND HEIGHTS	35,221,720
THE PEABODY HOTEL (MORTGAGE)	25,155,409
THE VICTORY BUILDING	21,811,023
SOUTHCENTER SHOPPING CENTER	13,700,000
RETIREMENT VILLAGE PROPERTIES	8,500,000
ARKANSAS DEPT OF EDUCATION (MORTGAGE)	5,181,494
AMERICAN CENTER 1 & 2 (PARTNERSHIP)	4,945,048
ARKANSAS INSURANCE DEPARTMENT BUILDING	4,100,000
ARKANSAS TEACHERS RETIREMENT BUILDING	3,701,676

Actuarial

2010 Comprehensive Annual Financial Report

ARTRS

Arkansas Teacher Retirement System

ACTUARY'S CERTIFICATION LETTER

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
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February 17, 2011

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

Dear Board Members:

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

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

The progress being made toward the realization of the financing objectives of the System through June 30, 2010, 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, 2010.

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

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

Computed Actuarial Liabilities
Employer Contribution Rate Computed as of June 30, 2010
Active Members in Valuation Data
Retirees and Beneficiaries added to and removed from rolls
Short Condition Test
Summary of Actuarial Assumptions and Methods
Single Life Retirement Values

ARTRS
Arkansas Teacher Retirement System

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Board of Trustees
February 17, 2011
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Probabilities of Retirement for Members
Assumed Duration in T-DROP for Members
Teachers Separations and Individual Pay Increases
Support Employees Separations and Individual Pay Increases
Analysis of Financial Experience
Comments
Schedule of Funding Progress
Schedule of Employer Contributions
Schedule of Retired Members by Benefit Type
Schedule of Average Benefit Payments

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

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2010, valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1997-2002 period.

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

The Arkansas Teacher Retirement System remains stable with a 73.8% funded position as of June 30, 2010. The amortization period as of June 30, 2010 is 52.4 years. In the absence of an increase in the contribution rate or an extended period of significant investment gains, it is likely that the amortization period will remain above 30 years for an extended period.

Based upon the results of the June 30, 2010, valuations, we are pleased to report to the Board of Trustees that the Arkansas Teacher Retirement System is meeting its basic financial objective and is operating in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

Judith A. Kermans, E.A., M.A.A.A., F.C.A.   Brian B. Murphy, F.S.A., M.A.A.A., F.C.A.

EXHIBIT 1
COMPUTED ACTUARIAL LIABILITIES
AS OF JUNE 30, 2010

Actuarial Present Value of	(1) Total Present Value	Entry Age Actuarial Cost Method (2) Portion Covered By Future Normal Cost Contributions	Entry Age Actuarial Cost Method (3) Actuarial Accrued Liabilities (1)-(2)
Age and service retirement and T-DROP allowances based on total service likely to be rendered by present active and T-DROP members.	$ 9,940,423,219	$2,415,241,664	$ 7,525,181,555
Vested deferred benefits likely to be paid present active and inactive members.	880,531,031	329,710,207	550,820,824
Survivor benefits expected to be paid on behalf of present active members.	160,007,002	66,100,016	93,906,986
Disability benefits expected to be paid on behalf of present active members.	237,709,475	135,937,507	101,771,968
Refunds of member contributions expected to be paid on behalf of present active members.	15,973,746	106,177,085	(90,203,339)
Benefits payable to present retirees and beneficiaries.	6,433,151,118	0	6,433,151,118
Lump sum death benefits payable to present retirees and beneficiaries.	82,675,031	0	82,675,031
Total	$17,750,470,622	$3,053,166,479	$14,697,304,143
Applicable assets	10,845,091,623	0	10,845,091,623
Liabilities to be covered by future contributions	$ 6,905,378,999	$3,053,166,479	$ 3,852,212,520

EXHIBIT 2
EMPLOYER CONTRIBUTION RATE COMPUTED AS OF JUNE 30, 2010 FOR THE FISCAL YEAR BEGINNING JULY 1, 2011

Computed Contributions for	Percents of Active Member Payroll			
	Teachers	Support	Combined	Prior Year
Normal Cost				
Age & Service Annuities	10.92%	8.38%	**10.14%**	10.17%
Deferred Annuties	1.29%	1.62%	**1.39%**	1.39%
Survivor Benefits	0.30%	0.25%	**0.28%**	0.26%
Disability Benefits	0.63%	0.53%	**0.60%**	0.60%
Refunds of Member Contributions	0.38%	0.72%	**0.48%**	0.48%
Total	13.52%	11.50%	**12.89%**	12.90%
Average Member Contributions	5.07%	3.78%	**4.68%**	4.62%
Net Employer Normal Cost	8.45%	7.72%	**8.21%**	8.28%
Unfunded Actuarial Accrued Liabilities			**5.79%**	5.72%
Employer Contribution Rate			**14.00%**	14.00%
Amortization Years			**52.4**	45.4

The amortization period is the number of years it will take to pay off the unfunded liability of $3.9 billion assuming that the employer contribution rate remains at the 14% of payroll level. Since 2000, the period has varied from a low of 19 years to a high of 125 years. Given the investment losses that occurred during recent years, it is very likely that the amortization period will increase significantly in the next valuation.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

	Active Members in Valuation		Average Annual Pay	
Valuation Date June 30	Number	Annual Payroll (Millions)	Amount	% Change
2010	**72,208**	**$2,3781**	**$32,980**	**0.5%**
2009	70,655	2,318	32,804	1.5%
2008	70,172	2,268	32,319	2.1%
2007	69,226	2,191	31,645	3.0%
2006	67,710	2,080	30,714	3.0%
2005	65,793	1,962	29,826	7.8%
2004	63,185	1,748	27,660	2.6%
2003	64,432	1,683	26,963	2.7%
2002	62,011	1,628	26,254	3.5%
2001	61,389	1,557	25,365	2.7%

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Estimated Number					
Year	Added	Removed	Total Retirees	Annual Allowances (Millions)	% Increase in Annual Allowances	Average Annual Allowances
2010	**2,588**	**819**	**30,587**	**$612.77**	**8.5%**	**$20,034**
2009	2,721	704	28,818	564.59	9.5%	19,591
2008	1,703	513	26,801	515.56	6.4%	19,237
2007	2,017	559	25,611	484.55	7.7%	18,920
2006	1,958	485	24,153	449.77	8.4%	18,622
2005	1,822	570	22,680	415.04	7.5%	18,300
2004	1,692	535	21,428	386.23	7.3%	18,025
2003	1,621	548	20,271	360.00	7.7%	17,759
2002	1,989	568	19,199	334.15	8.1%	17,404
2001	1,571	450	17,778	309.03	10.3%	17,383

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

SHORT CONDITION TEST

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

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

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

Val. Date June 30	(1) Member Contrib.	(2) Retirees and Benef.	(3) Active and Inactive Members (Employer Financed Portion)	Present Valuation Assets	Portion of Present Values Covered by Present Assets			
					(1)	(2)	(3)	Total
		$ Millions						
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	2,888	4,537	7,620	100%	100%	94%	97%
2001#	470	3,200	4,891	8,166	100%	100%	92%	95%
2002*	490	3,464	5,216	8,328	100%	100%	84%	91%
2003#	521	3,706	5,218	8,113	100%	100%	74%	86%
2004#	547	3,985	5,518	8,424	100%	100%	71%	84%
2005	586	4,276	6,111	8,817	100%	100%	65%	80%
2006	630	4,617	6,376	9,332	100%	100%	64%	80%
2007#	679	4,960	6,690	10,519	100%	100%	73%	85%
2008#	732	5,544	7,058	11,319	100%	100%	71%	85%
2009	790	6,041	7,188	10,617	100%	100%	53%	76%
2010	848	6,516	7,338	10,845	100%	100%	47%	74%
2010#	848	6,516	7,338	10,845	100%	100%	47%	74%

* *Revised actuarial assumptions or methods.*

\# *Legislated benefit or contribution rate change.*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Remaining Amortization Period	52.4 years
Asset Valuation Method	4-year smoothing 80%/120% corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increase	4.0% to 10.10%
Cost-of-Living Adjustments	3% Simple
Includes Wage Inflation at	4%

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

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

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

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

Economic Assumptions

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (*CONTINUED*)

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

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

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

Non-Economic Assumptions

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

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

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

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

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

TABLE I

SINGLE LIFE RETIREMENT VALUES

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

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	$100.00	100%	100%
65	115.00	94%	97%
70	130.00	85%	93%
75	145.00	72%	86%
80	160.00	54%	73%
Ref.		30	31

TABLE II

PROBABILITIES OF RETIREMENT FOR MEMBERS

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

TABLE III

PROBABILITIES OF REDUCED RETIREMENT FOR MEMBERS

Retirement Ages	% of Active Participants Retiring with Reduced Benefits			
	Education		Support	
	Male	Female	Male	Female
50	2%	2%	2%	2%
51	2%	2%	2%	2%
52	3%	3%	3%	3%
53	4%	4%	4%	4%
54	4%	4%	4%	4%
55	6%	6%	6%	6%
56	9%	5%	9%	5%
57	9%	5%	9%	5%
58	9%	5%	9%	5%
59	9%	5%	9%	5%
Ref	826	825	826	825

DURATION OF T-DROP FOR MEMBERS

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

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

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

TABLE IV

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

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

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

TABLE V

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

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

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

ACTUARIAL GAINS (LOSSES) BY RISK AREA

DURING THE PERIOD JULY 1, 2009 TO JUNE 30, 2010

Beginning of Year Accrued Liabilities	$14,018.9	100.0%
	Gain(Loss) in Period	
Type of Risk Area	**$ Millions**	**Percent of Liabilities**
ECONOMIC RISK AREAS		
Pay increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	$140.6	1.0%
Gross Investment Return. If there is greater investment return recognition than assumed, there is a gain. If less return recognition, a loss.	(409.3)	(2.9)%
NON-ECONOMIC RISK AREAS		
Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	0.2	0.0%
Disability Retirements. If there are fewer disabilities than assumed, there is a gain. If more, a loss.	1.4	0.0%
Death-in-Service Benefits. If there are fewer claims than assumed, there is a gain. If more, a loss.	0.2	0.0%
Withdrawal. If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(20.3)	(0.1)%
Death After Retirement. If there is higher mortality than assumed, there is a gain. If lower mortality, a loss.	(10.2)	(0.1)%
ACTUARIAL GAIN (LOSS) DURING PERIOD	$(297.4)	(2.1)%

COMMENTS

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

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

Arkansas Teacher Retirement System Status: Based upon the results of June 30, 2010, actuarial valuations, ***ATRS is satisfying the financial objective of level-contribution-percent financing.***

The amortization period this year is 52 years, an increase from last year's 45-year period. The increase occurred primarily due to recognition of prior losses. The annual market rate of return was 14.18% compared to an assumed rate of 8.0%. Investment gains and losses that occur each year are smoothed in over a 4-year period. Although there was a mix of carryover gains and losses from prior years and a new gain this year was recognized, the unfavorable losses in prior years more than offset these gains. As of June 30, 2010, the actuarial value of assets exceeds the market value of assets by $1.0 billion. Given the prior years' losses that have not yet been recognized, it is very likely that the amortization period will increase significantly in the next valuation.

There were changes in benefit provisions since the previous actuarial valuation.

- Beginning July 1, 2010, members who remain in T-DROP for more than 10 years get interest on T-DROP balances. The 10-year plus T-DROP interest rate that will be credited to an active members' T-DROP account must be no less than 4% and no greater than 6% as determined by the Board of Trustees.
- The survivor benefit has been changed such that if the member has attained age 60 and has acquired 5 years of credited service or has acquired 25 years of credited service regardless of age, the annuity begins immediately; otherwise the annuity begins the month following the date the member would have attained age 60. Each dependent child receives an annuity in an amount equal to 20% (formerly 10%) of the highest salary received in covered employment (including the year of death). If there are 3 or more dependent children, the aggregate amount of the dependent children's annuity shall not exceed 60% (formerly 25%) of the member's highest salary received in covered employment and shall be divided equally among the dependent children. A dependent parent is no longer eligible to receive a survivor benefit.
- Effective June 30, 2010, the annual interest rate credited to member contributions is 2%.

The Arkansas Teacher Retirement System remains stable with a 73.8% funded position as of June 30, 2010. However without sustained investment gains over the next few years or an increase in contributions, it is likely that the amortization period will continue on an upward trend.

Statistical

2010 Comprehensive Annual Financial Report

ARTRS
Arkansas Teacher Retirement System

SCHEDULE OF REVENUE BY SOURCE

Year Ending June 30,	Member Contributions	Employer Contributions: Employer Contributions	Employer Contributions: % of Annual Covered Payroll	Investment and Miscellaneous Income	Total
2001	$ 68,717,889	$181,115,569	11.6%	$ (254,206,596)	$ (4,373,138)
2002	71,893,349	191,352,910	11.8%	(461,538,652)	(198,292,393)
2003	76,734,478	200,455,916	11.9%	72,259,296	349,449,690
2004	77,772,019	224,184,274	12.8%	1,195,341,063	1,497,297,356
2005	86,102,842	286,442,709	14.5%	779,443,553	1,151,989,104
2006	92,005,600	311,713,735	15.0%	1,173,286,760	1,577,006,095
2007	100,093,372	331,891,210	14.1%	1,892,393,365	2,324,377,947
2008	108,872,293	350,319,504	15.4%	(477,579,443)	(18,387,646)
2009	111,654,256	359,061,671	15.5%	(1,996,871,185)	(1,526,155,258)
2010	115,931,733	389,296,432	16.4%	1,291,307,143	1,796,535,308

SCHEDULE OF EXPENSE BY TYPE

Year Ending June 30,	Benefit Payments	Refunds	Administrative and Other Expenses	Total
2001	$323,392,426	$2,975,138	$8,254,731	$334,622,295
2002	354,949,683	2,744,684	7,354,162	365,048,529
2003	383,071,936	3,585,188	7,973,933	394,631,057
2004	413,433,516	4,017,884	8,197,465	425,648,865
2005	451,978,547	4,413,077	6,454,762	462,846,386
2006	507,641,961	6,207,622	5,991,755	519,841,338
2007	545,220,337	5,179,850	5,854,557	556,254,744
2008	587,319,942	6,462,122	6,676,667	600,458,731
2009	635,878,958	6,409,016	6,913,865	649,201,839
2010	701,562,784	7,156,354	7,229,398	715,948,536

SCHEDULE OF BENEFIT EXPENSES BY TYPE

Type of Benefit	For the Year Ending June 30, 2010	2009	2008	2007	2006
Age and Service	$543,347,733	$494,967,987	$459,079,932	$426,379,481	$395,446,232
Disablility	28,795,197	27,437,418	26,073,257	24,531,282	23,489,045
Option	15,896,678	14,812,631	13,613,226	12,388,887	11,081,484
Survivor	7,433,950	6,856,877	6,684,337	6,545,304	5,925,441
Reciprocity	25,041,796	22,046,165	19,588,246	16,732,846	14,726,557
Active Members Death Benefits	499,993	303,905	381,089	950,829	658,633
T-DROP	76,416,162	65,284,163	57,617,146	53,462,931	51,961,787
Act 808	4,131,275	4,169,812	4,282,709	4,228,777	4,278,617
Total	$701,562,784	$635,878,958	$587,319,942	$545,220,337	$507,567,796

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

Monthly Benefit	No. of Retirants	Type of Retirement*					Option Selected #			
		1	2	3	4	5	Life	Opt. A	Opt. B	Opt. C
$1-250	3,596	3,081	85	138	277	15	2,937	497	32	130
251-500	3,532	2,865	69	166	387	45	2,911	450	67	104
501-750	2,268	1,841	55	59	266	47	1,814	298	77	79
751-1,000	1,734	1,351	79	25	238	41	1,324	249	97	64
1,001-1,250	1,547	1,216	59	36	206	30	1,204	209	91	43
1,251-1,500	1,562	1,254	53	32	195	28	1,200	219	111	32
1,501-1,750	1,652	1,365	44	34	181	28	1,261	226	123	42
1,751-2,000	1,951	1,710	33	26	162	20	1,419	294	165	73
Over $2,000	12,433	11,775	213	102	315	28	9,335	1,599	1,205	294
Total	**30,275**	**26,458**	**690**	**618**	**2,227**	**282**	**23,405**	**4,041**	**1,968**	**861**

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

 # Option Selected at Retirement
Life - Straight life annuity
Opt. A - 100% survivor annuity
Opt. B - 50% survivor annuity
Opt. C - annuity for 10 years certain and life thereafter

Excludes Act 793 and Act 808 retirees.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Retirement Effective Date July 1, 2000 to June 30, 2010		Service at Retirement						
		0-4#	5-9	10-14	15-19	20-24	25-29	30+
07/01/00 – 06/30/01	Average Monthly Benefit	$ 194	$ 210	$ 422	$ 920	$ 1,333	$ 1,887	$ 2,459
	Average Final Salary	$21,910	$14,772	$19,899	$31,531	$33,529	$39,490	$39,512
	Number of Active Retirees	50	315	229	125	132	387	333
07/01/01 – 06/30/02	Average Monthly Benefit	$ 173	$ 209	$ 363	$ 797	$ 1,348	$ 1,920	$ 2,528
	Average Final Salary	$31,558	$13,507	$17,606	$27,482	$34,586	$39,498	$40,211
	Number of Active Retirees	78	477	376	195	171	423	269
07/01/02 – 06/30/03	Average Monthly Benefit	$ 131	$ 213	$ 439	$ 824	$ 1,321	$ 1,982	$ 2,530
	Average Final Salary	$25,178	$16,577	$21,197	$28,856	$34,031	$40,871	$39,797
	Number of Active Retirees	48	304	225	155	151	473	265
07/01/03 – 06/30/04	Average Monthly Benefit	$ 200	$ 252	$ 456	$ 804	$ 1,396	$ 2,044	$ 2,602
	Average Final Salary	$26,511	$17,293	$21,690	$29,722	$37,471	$41,637	$41,256
	Number of Active Retirees	46	333	254	185	163	486	225
07/01/04 – 06/30/05	Average Monthly Benefit	$ 117	$ 245	$ 451	$ 851	$ 1,413	$ 2,085	$ 2,561
	Average Final Salary	$21,778	$17,230	$21,509	$31,146	$38,529	$42,106	$39,786
	Number of Active Retirees	44	384	239	215	136	562	242
07/01/05 – 06/30/06	Average Monthly Benefit	$ 178	$ 249	$ 486	$ 796	$ 1,472	$ 2,146	$ 2,860
	Average Final Salary	$23,915	$17,531	$24,252	$29,291	$39,726	$43,432	$42,735
	Number of Active Retirees	44	371	263	207	150	633	290
07/01/06 - 06/30/07	Average Monthly Benefit	$ 193	$ 269	$ 489	$ 810	$ 1,470	$ 2,168	$ 2,791
	Average Final Salary	$30,693	$19,693	$24,448	$29,479	$40,437	$44,736	$43,192
	Number of Active Retirees	31	447	251	215	157	665	251
07/01/07 - 06/30/08	Average Monthly Benefit	$ 299	$ 290	$ 526	$ 954	$ 1,440	$ 2,303	$ 2,778
	Average Final Salary	$25,406	$20,153	$25,808	$36,169	$41,295	$45,077	$42,414
	Number of Active Retirees	12	402	187	187	180	518	217
07/01/08 - 06/30/09	Average Monthly Benefit	$ 162	$ 248	$ 532	$ 902	$ 1,378	$ 2,399	$ 2,949
	Average Final Salary	$24,871	$22,873	$26,844	$33,190	$40,876	$47,821	$46,900
	Number of Active Retirees	47	360	265	235	235	654	245
07/01/09 – 06/30/10	Average Monthly Benefit	$ 169	$ 234	$ 545	$ 939	$ 1,519	$ 2,473	$ 3,115
	Average Final Salary	$31,970	$21,380	$29,941	$34,607	$44,270	$47,853	$49,724
	Number of Active Retirees	54	415	335	252	249	827	192

 # May include cases where the service was not reported.

Schedule of Participating Employers

As of June 30, 2010

ARTRS
Arkansas Teacher Retirement System

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

Schedule of Participating Employers

As of June 30, 2010

Lakeside Sch-Hot Springs
Lakeside Sch-Lake Village
Lamar School Dist
Lavaca School Dist
Lawrence Co School Dist
Lead Hill Sch Dist
Lee County Schools
Lincoln School Dist
Lisa Academy
Lisa Academy-North Little Rock
Little Rock Prep Academy
Little Rock Sch Dist
Lonoke School Dist
Magazine School Dist
Magnet Cove Sch Dist
Magnolia School Dist
Malvern School Dist
Mammoth Spring Sch
Manila School Dist
Mansfield Sch Dist
Marion School Dist
Marked Tree Sch Dist
Marmaduke Sch Dist
Marvell School Dist
Mayflower Sch Dist
Maynard School Dist
Mccrory School Dist
Mcgehee School Dist
Melbourne Sch Dist
Mena School Dist
Metropolitan Voc Ctr
Midland School Dist #19
Mid-So Comm Tech Col
Mineral Springs
Monticello Sch Dist
Monticello Voc Ctr
Mount Ida Sch Dist
Mountain Home Sch
Mountain Pine Sch
Mountain View Sch
Mountainburg Sch Dist
Mt Vernon-Enola Sch Dist
Mulberry School Dist
Murfreesboro Sch Dist
Nashville Sch Dist
Natl Park Comm Coll
Nemo Vista Sch Dist
Nettleton Sch Dist
Nevada School Dist #1
Newport School Dist
Norfork School Dist
Norphlet School Dist
North Arkansas College
North Central Career Ctr
North Central Educ Coop
North Little Rock Sch Dist
Northeast Ar Educ Coop
Northwest Ar Comm Coll
Northwest Ar Ed Svc Coop
Northwest Tech Inst
Omaha School Dist
Osceola Communication, Arts
Osceola School Dist
Ouachita River Sch Dist
Ouachita School Dist
Ouachita Technical Col
Ozark Mountain Sch Dist
Ozark School Dist
Ozark Unlimited Res Coop
Ozarka College
Palestine-Wheatley Sd
Pangburn School Dist
Paragould Sch-Dist
Paris School Dist
Parkers Chapel Sch
Pea Ridge Sch Dist
Perryville Sch Dist
Phillips Com Col-Dewitt
Phillips Comm Col-Ua
Piggott School Dist
Pine Bluff Sch Dist
Pocahontas Sch Dist
Pottsville Sch Dist
Poyen School Dist
Prairie Grove Sch
Prescott School Dist
Pulaski Co Sch Dist
Pulaski Technical Col
Quitman School Dist
Rector School Dist #1
Rich Mtn Comm College
River Valley Tech (Voc) Ctr
Riverside School Dist
Riverside Vo-Tech School
Riverview School Dist
Rogers School Dist
Rose Bud School Dist
Russellville Sch Dist
Salem School Dist
School Of Excellence
Scranton School Dist
Searcy County Sch Dist
Searcy School Dist
Sheridan School Dist
Shirley School Dist
Siloam Springs Sch
Sloan-Hendrix Sch Dist
Smackover Sch Dist
So Ar Developmental Ctr
South Ar Comm Coll
South Ar Univ-East Camden
South Ar Univ-Magnolia
South Central Svc Coop
South Conway Co Sch Dist
South Mississippi Co
Southeast Ark Ed Coop
Southeast Ark Tech Col
Southside Sch Dist
Southside School Dist
Southwest Ark Ed Coop
Spring Hill Sch Dist
Springdale Sch Dist
Star City Sch Dist
Stephens School Dist
Strong School Dist
Stuttgart Sch Dist
Texarkana Sch Dist
Texarkana Voc Ctr
Trumann School Dist
Turrell School Dist
Twin Rivers Sch Dist
Two Rivers Sch Dist
U Of Ar-Little Rock
U Of Ar-Fort Smith
U Of Ar-Com Col At Batesville
U Of Ar-Com Col Morrilton
U Of Ar-Comm Col, Hope
U Of Ar-Cooperative Extension
U Of Ar-Cossatot Com Col
U Of Ar-Medical Sciences
U Of Ar-Sch Math, Science
U Of Ar-Monticello
U Of Ar-Pine Bluff
U Of Ar-Fayetteville
Univ Of Central Ar
Valley Springs Sch
Valley View Sch Dist
Van Buren Sch Dist
Van-Cove School Dist
Vilonia School Dist
Viola School Dist
Waldron School Dist
Warren School Dist
Warren Voc Ctr
Watson Chapel Schools
Weiner School Dist
West Fork Sch Dist
West Memphis Sch Dist
West Side Sch Dist
Western Ar Educ Coop
Western Yell Co #9
Westside School Dist
Westside School Dist #40
White Co Central Sch Dist
White Hall Sch Dist
Wickes School Dist
Wilbur D Mills Ed Svs
Wonderview Sch Dist
Woodlawn School Dist
Wynne School Dist
Yellville-Summit Sch

Arkansas Teacher Retirement System

ARTRS
Arkansas Teacher Retirement System