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2005

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

A Component Unit of the State of Arkansas



Prepared by the staff of Arkansas Teacher Retirement System

David Malone
Executive Director

Copies of this report are available from:

Arkansas Teacher Retirement System
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Little Rock, Arkansas 72201
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website: atrs.state.ar.us

2005

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



A Pension Trust Fund of the State of Arkansas

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

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INTRODUCTION

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

A **T** Arkansas
R **S** Teacher
Retirement
System



Letter of Transmittal

May, 2006

*The Honorable Mike Huckabee and
Members of the 85th General Assembly*

Dear Governor and members of the General Assembly:

The Arkansas Teacher Retirement System (the 'System' or ATRS) is pleased to submit this 63rd Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. It provides comprehensive information on the retirement plan that we administer. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and presents fairly the System's financial status and changes in financial condition.

The 2005 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on Page 2).

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

On March 17, 1937, ATRS was established by Act 266 of 1937. ATRS is a combination contributory/non-contributory retirement system governed by the State's retirement law, Chapter 24 of the Arkansas Code. ATRS is one of five State-supported retirement systems and provides retirement, disability and survivor benefits to employees of Arkansas public schools and educationally related agencies. The system consists of 349 participating employers (see pages 66 -68).

This year ATRS was presented with the best independent audit report from the Division of Legislative Audit (DLA) in many years, reporting just one finding. The reported item was immaterial to the System as a whole, management was aware of the matter, and it was corrected to the satisfaction of DLA before the final audit report was issued.

*The Honorable Mike Huckabee and
Members of the 85th General Assembly*

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May, 2006

Investments

Economic conditions continued to improve after the deterioration of the technology sector seen in 2000 through 2003, but at a slower pace than during the previous fiscal cycle. The investment philosophy employed by ATRS allowed the System to take full advantage of the improving market conditions while minimizing risks.

In an effort to produce the greatest efficiencies in our investment program, ATRS has implemented a commission recapture program. This allows trading to continue seamlessly, yet returns a portion of the trading costs to ATRS. By starting a recapture program we have reduced costs, thereby increasing returns.

As part of the portfolio realignment, the decision was made to reduce direct ownership in real estate and begin participation into core real estate pools. These pools utilize industry experts, diversify holdings, and spread the risk to a much larger group of investors, thus minimizing the exposure of ATRS.

Additions/Deductions to Plan Net Assets

In a model retirement system, employer and employee contributions, along with investment income, would fund all retirement benefits and operating costs. This scenario leaves the investment nucleus untouched to continue to providing the required investment income for future generations of plan participants.

Current year contributions of \$286.4 million covered 74.1% of the \$386.5 benefits paid, compared with 72.3% coverage last year. The small increase is the result of a 1% employer contribution increase approved during the 2003 legislative session. In addition, employer contributions due the System on members in the Teacher Deferred Retirement Option Plan (T-DROP) are being systematically phased up from 0% to 12% over a 10 year timetable. These changes combined with prudent investing and liability management keep the System strong and well funded.

Funding Status

Positive returns were achieved by the System but effects of the worst market economy in recent memory are still being experienced. ATRS is a healthy 81% funded, down only slightly from 84% the end of last year. Amortization required to fund the unfunded accrued actuarial liability (UAAL) increased to 38 years from 31 last year. However, these statistics remain comparable to other systems with similar size and membership as ATRS.

*The Honorable Mike Huckabee and
Members of the 85th General Assembly*

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May, 2006

Internal Control

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

Completion of the internal control review and realignment process is expected to take several months but should be complete by the end of the current fiscal year. Once complete, it is our goal to reexamine the controls annually and adjust as necessary, thus preventing the need for a major analysis and overhaul in the future.

Professional Services

The ATRS Board employs professional firms to assist in the operation of the System. The System's independent investment consultant is Ennis + Knupp & Associates, headquartered in Chicago, IL, and the independent actuary is Gabriel Roeder Smith & Company, headquartered in Southfield, MI. The system also utilizes the services of local and national legal and accounting firms for various projects.

Acknowledgments

This report is intended to provide complete and reliable information. Compilation of this report symbolizes the collective efforts of the staff, under the direction of the Board of Trustees.

Copies of this report are available to all members of the System via request and is available on our web-site. Respectfully submitted:

David R. Malone
Executive Director

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Board of Trustees

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

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

Position #1

Member Trustee

1st Congressional District

Robin Nichols
(Jonesboro)
Term Expires 6/30/2007

Position #2

Member Trustee

2nd Congressional District

*Linda Parsons, Chair
(Conway)
Term Expires 6/30/2010

Position #3

Member Trustee

3rd Congressional District

Lawrence Colston (Fayetteville)
Term Expires 6/30/2007

Position #4

Member Trustee

4th Congressional District

Betty McGuire (Malvern)
Term Expires 6/30/2005

Position #5

Member Trustee

Superintendent

Charles Dyer (Alma)
Term Expires 6/30/2006

Position #6

Member Trustee

Administrator

Monty Betts
(Searcy)
Term Expires 6/30/2009

Position #7

Member Trustee

Non-certified

Ellen Terry
(Ft. Smith)
Term Expires 6/30/2009

Position #8

Member Trustee

Minority

Hazel Coleman (Helena)
Term Expires 6/30/2009

Position #9

Retirant Trustee

*Dr. Paul Fair (Little Rock)
Term Expires 6/30/2010

Position #10

Retirant Trustee

*Winfred Clardy (Maumelle)
Term Expires 6/30/2005

Position #11

Retirant Trustee

John Fortenberry (Little Rock)
Term Expires 6/30/2006

Ex Officio Trustees

Robert H. "Bunny" Adcock, Jr.
State Bank Commissioner

Ken James, Director
State Department of Education

Gus Wingfield
State Treasurer

Jim Wood
State Auditor

* Members of the Arkansas Teacher Retirement System Investment Committee

Professional Consultants

Actuary

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

Auditors & External Accountants

State Legislative Auditors
Thomas & Thomas CPAs

Data Processing

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

Legal Counsel

Dover Dixon Horne, PLLC
425 West Capitol, Suite 3700
Little Rock, AR 72201

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

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

Medical Committee

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

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

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

Investment Consultant

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

Custodian

Domestic and International

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

Investment Counsel

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

Blackstone Mezzanine Partners
345 Park Avenue
New York, NY 10154

Blackrock
40 East 52nd Street
New York, NY 10022

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

Cinven
Warwick Court
Paternoster Square
London EC4M 7AG
ENGLAND

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

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

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

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

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

Doughty Hanson and Company
45 Pall Mall
London SW1Y5JG
ENGLAND

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

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

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

ICC Capital Management
145 Montair Court
Danville, CA 94526

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

Professional Consultants (continued)

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

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

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

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

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

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

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

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

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

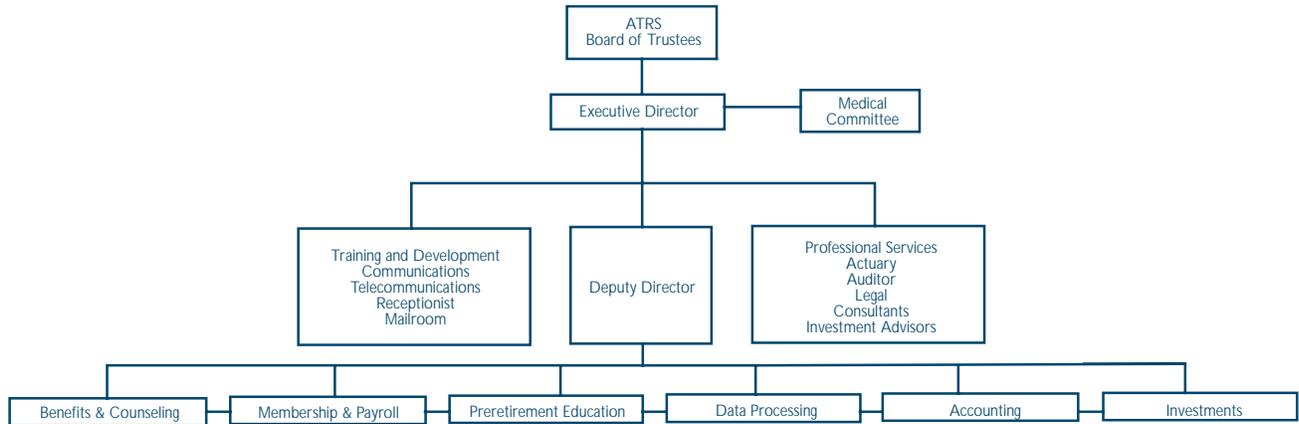
UBS Global Asset Management
UBS Tower
One Wacker Drive
Chicago, IL 60606

Wellington Management Company
75 State Street
Boston, MA 02109

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

Western Asset Management
385 East Colorado Boulevard
Pasadena, CA 91101

Organizational Chart



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

Administrative Staff

David R. Malone
Executive Director

George Snyder, CPA
Internal Controller

Judy Brown
Manager, Payroll

Julie M. Cabe
Deputy Director

Michael S. Ray
Manager, Benefits & Counseling

Carolyn Abbott
Manager, Preretirement Education

G. Wayne Greathouse
Deputy Director, Investments

Gail Blair Bolden
Manager, Data Processing

Statement of Plan Net Assets

As of June 30, 2005

	2005
Assets:	
Cash Held Outside the Treasury	\$ 28,626,575
Cash in Treasury	1,125,850
	29,752,425
Receivables:	
Other Receivables	165,671
Employer Contributions	40,129,325
Employee Contributions	10,542,780
Investment Principal Unsettled Trades	351,621,100
Interest and Dividends	17,499,341
Total Receivables	419,958,217
Securities Lending-Domestic & International	796,917,310
Total Investments at Fair Value	8,791,860,572
Net Property and Equipment	325,776
	9,589,103,658
Other Assets:	59,934
Total Assets	10,038,874,234
Liabilities:	
Accounts Payable	1,941,999
Accrued Expense	20,655
	1,962,654
Investment Principal Payable	428,847,517
Securities Lending Collateral	796,917,310
	1,225,764,827
Total Liabilities	1,227,727,481
Net Assets Available for Benefits	\$8,811,146,753

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Statement of Changes in Plan Net Assets for the Fiscal Year Ended June 30, 2005

	2005
Additions:	
Contributions:	
Employer	\$ 286,442,709
Employee	86,102,842
Total Contributions	372,545,551
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	599,941,643
Interest	129,390,977
Dividends	78,681,946
Real Estate Operating Income	7,727,203
Other	246,930
From Securities Lending Activities:	
Lending Income	19,068,203
Less Rebate & Fees	(16,159,302)
Less Investment Expense	(39,454,047)
Net Investment Income	779,443,553
 Total Additions	 1,151,989,104
 Deductions:	
Annuity Benefits	451,978,547
Refund of Employer Contributions	99,836
Refund of Employee Contributions	4,313,241
Administrative Expenses	6,454,762
 Total Deductions	 462,846,386
 Net Increase (Decrease)	 689,142,718
 Net Assets available for Benefits	
Beginning of year	8,122,004,035
End of year	\$8,811,146,753

Notes to Basic Financial Statements

June 30, 2005

1. DESCRIPTION OF PLAN

The following is a description of the Arkansas Teacher Retirement System (ATRS). Members should refer to the Summary Plan description for complete information regarding specific plan provisions.

General Information

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

ATRS plan provisions are established by the General Assembly. The governing statutes for the plan are codified at Arkansas Code § 24-7-101 –1409 (Lexis 2005). ATRS provides age and service retirement annuities, disability retirement benefits, survivor benefits, and lump sum death benefits for public school employees and other education-related employees. The ATRS plan also includes a Teacher Deferred Retirement Option Plan (T-DROP) for eligible employees.

Membership

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

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

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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

DESCRIPTION OF PLAN (Continued)

At June 30, 2005, the latest actuarial valuation date, the total membership was as follows:

The total number of participating employers was 349.

The number of participating employees included	
Retirees or beneficiaries receiving annuity benefits	23,858
T-DROP participants	4,251
Inactive plan members (not receiving benefits)	9,498
Active plan members (not retired)	68,770
Total	106,377

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

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

Vesting

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

Retirement, Disability, and Survivor Benefits

ATRS is a defined benefit pension plan that offers the following types of benefits: age and service retirement annuities, disability retirement annuities, survivor annuities, and lump sum death benefits. The retirement benefits are based on a member's years of credited service and the highest 3 years average salaries. ATRS members may currently retire after 28 years of service or after age 60 if vested.

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

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

ATRS also provides a lump sum death benefit for ATRS active and retired members with 5 years of credited service. The amount for contributory members is up to \$10,000 for contributory members and up to \$6,667 for non-contributory members. In addition, if the member has a dependent child at the time of his/her death, an additional lump sum death benefit of \$10,000 is paid to each surviving, dependent child.

DESCRIPTION OF PLAN (continued)

Teacher Deferred Retirement Option Plan (T-DROP)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The management of the System is the responsibility of the fifteen member Board of Trustees (Board). The Executive Director of the System is appointed by the Board and oversees the day to day administration with the assistance of a Deputy Director and other senior level staff.

Basis of Accounting

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

Administrative Expenses

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

Investments

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

Derivatives

ATRS does not employ an active investing policy utilizing derivatives. Various managers are permitted to use foreign currency futures selectively to hedge risks in the markets caused by timing differences. As of June 30, 2005, ATRS had 85 open forward exchange contracts with an unrealized loss of approximately \$553,892.

Equipment

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

Tax Status

The System is classified as a Section 401(a) pension trust under the Internal Revenue Code (the "Code"). ATRS qualified under Section 501(a) of the Code and was exempt from federal income taxes for the year ended June 30, 2005.

3. DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk

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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

3. DEPOSITS AND INVESTMENTS (continued)

The following is a reconciliation of the carrying value of cash and investments at June 30, 2005.

As presented in Statement of Plan Net Assets:

Cash and cash equivalents	\$ 29,752,425
Investments	<u>8,791,860,572</u>
Total	<u>\$8,821,612,997</u>

As presented below:

Deposits	\$ 17,636,219
Investments	<u>8,803,976,778</u>
Total	<u>\$8,821,612,997</u>

Below is a summary of deposits as of June 30, 2005.

Carrying amount	\$ 17,636,219
Bank balance	<u>\$ 17,874,472</u>
Amount insured or collateralized (Category 1)	<u>\$ 17,874,472</u>
Amount uninsured	<u>\$ 0</u>

Credit Risk

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

Concentration of credit risk is the risk of loss attributable to the magnitude of ATRS' investment in a single user. There was no concentration of credit risk at June 30, 2005.

Following is a table classifying the credit risk exposure at June 30, 2005, as rated by Standard and Pools.

Rating	<u>Fair Value</u>
AAA	\$ 366,750,576
AA	33,873,920
A	59,878,105
BBB	105,097,258
BB	94,404,749
B	76,332,835
CCC	18,799,314
Not Rated	102,246,591

The following table presents the System's investments as of June 30, 2005, categorized to give an indication of the level of risk assumed. ATRS invests in mortgages, asset backed securities (ABS), and collateralized mortgage obligations (CMO) as part of the overall strategy. Market value of these investments is heavily tied to interest rates. At June 30, 2005, ATRS had approximately \$278 million invested in these securities.

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

3. DEPOSITS AND INVESTMENTS (continued)

The categories of risk are:

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

	ATRS Securities		
	Of Record	Loaned	Net
Category 1			
Domestic equities	\$2,054,282,282	\$382,060,331	\$1,672,221,951
International equities	1,582,746,384	230,298,377	1,352,448,007
Commingled funds	2,834,103,030	-	2,834,103,030
Corporate bonds	214,201,272	46,724,558	167,476,714
Revenue bonds	365,000	-	365,000
Government securities 1	117,140,688	118,554,219	(1,413,531)
Cash equivalents – STIF	164,582,936	-	164,582,936
Convertible corporate bonds	283,568,886	-	283,568,886
Mortgage back/ABS/CMO	277,915,917	-	277,915,917
FX contracts	3,322,690	-	3,322,690
Not subject to classification			
Limited partnerships	1,044,203,328	-	1,044,203,328
Real estate	80,735,617	-	80,735,617
Mortgage loans	81,523,917	-	81,523,917
Other investments	53,168,625	-	53,168,625
Cash	12,116,206	-	12,116,206
	<u>8,803,976,778</u>	<u>\$777,637,485</u>	<u>8,026,339,293</u>
Collateral for lent securities			
Government securities – cash	-	\$120,859,280	120,859,280
Domestic equities – securities	-	390,770,983	390,770,983
Corporate bonds – cash	-	48,012,483	48,012,483
Corporate bonds – securities	-	3,148,740	3,148,740
International equities – cash	-	237,274,565	237,274,565
International – securities	-	8,408,224	8,408,224
Net trust assets	<u>\$8,803,976,778</u>	<u>\$808,474,274</u>	<u>\$8,834,813,568</u>

¹ – The negative net value for this asset class is the result of a difference in the classification of certain assets between ATRS internally and its lending agent State Street Bank and Trust.

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

3. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. As of June 30, 2005, ATRS had the following debt investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)		
		1 to 5	6 to 10	> 10
US Government agencies	\$ 134,497,968	\$ 1,048,736	\$ 3,283,090	\$ 130,166,140
Government issues	117,140,688	77,616,638	12,787,194	26,736,856
Mortgages	81,523,917	65,422,822	16,101,095	-
Corporate Issue, Asset Backed & Convertibles	641,553,108	189,087,194	100,859,952	351,606,063

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, 2005, is as follows:

Currency	Fair Value	Equities	Contracts	Cash
Australian dollar	\$ 34,094,866	\$ 40,826,666	(\$ 6,757,713)	\$ 25,913
Brazilian real	507	-	-	507
Canadian dollar	74,378,415	68,395,948	5,927,656	54,811
Swiss franc	177,419,538	135,238,520	42,114,778	66,240
Danish krone	11,031,675	6,338,416	4,401,241	292,018
Euro currency	462,883,307	473,500,000	(18,842,620)	8,225,927
Pound sterling	217,499,781	275,981,966	(59,177,073)	694,888
Hong Kong dollar	26,047,799	29,949,770	(4,152,111)	250,140
Indian rupee	698,175	-	-	698,175
Japanese yen	314,617,013	304,978,588	8,326,302	1,312,123
South Korean wan	45,911,225	45,910,997	-	228
Mexican peso	3,667,197	-	3,667,197	-
Norwegian krone	4,791,227	4,704,304	-	86,923
New Zealand dollar	1,764	-	-	1,764
Swedish krona	81,108,098	36,314,875	44,696,752	96,471
Singapore dollar	28,150,446	7,484,272	20,655,292	882
New Taiwan dollar	3,205,286	3,205,137	-	149
South African rand	15,628,133	16,207,482	(580,852)	1,503
Thailand baht	16,013,797	-	16,013,797	-

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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

4. SECURITIES LENDING ARRANGEMENTS

The System participates in a securities lending program administered by State Street Bank and Trust Company (State Street or 'custodian'). Securities lending involves the transfer of investment securities to an independent broker, or dealer, in exchange for collateral equal to 102% of the market value at the time of transfer. Market values of the collateral and transferred securities as of June 30, 2005, were \$808,474,274 and \$777,637,485, respectively.

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

The carrying amounts and fair value of securities lending collateral, by type held, is presented in the Table of Note 3 (Page 19).

5. RELATED PARTY TRANSACTIONS

State of Arkansas Department of Education had a loan outstanding from ATRS with a balance of \$15,100,008 as of June 30, 2005. During the fiscal year ATRS paid the Department of Information Services approximately \$528,452 for data processing services.

6. LEGALLY REQUIRED RESERVES

State law requires the net assets held in trust for pension benefits to be recorded in the five (5) accounts listed below. As of June 30, 2005, the accounts had the following balances:

Members' deposit account	\$ 5,685,628,838
Employers' accumulation account	(1,072,792,625)
Retirement reserve account	4,121,579,272
Survivor benefit account	57,540,639
Income-expense account	19,190,629
Net assets held in trust for pension benefits	8,811,146,753

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2005, ATRS was committed to purchase investments and return securities lending collateral at an aggregate cost of approximately \$1.226 billion.

Required Supplementary Information

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

UAAL as of Actuarial Valuation Date June 30	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (AAL) (b-a)	Funding Ratio (a/b)	Annual Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
1995*	3,626	4,257	631	85.2%	1,234	51.1%
1996	4,186	4,635	449	90.3%	1,260	35.6%
1997+*	4,956	5,403	447	91.7%	1,302	34.3%
1998+*	5,815	6,188	373	94.0%	1,368	27.3%
1999+	6,740	6,834	94	98.6%	1,429	6.6%
2000	7,620	7,580	(40)	100.5%	1,485	-
2000+	7,620	7,879	259	96.7%	1,485	17.4%
2001	8,166	8,469	303	96.4%	1,557	19.5%
2001+	8,166	8,561	395	95.4%	1,557	25.4%
2002	8,328	9,170	842	90.8%	1,628	51.7%
2002*	8,328	9,062	734	91.9%	1,628	45.1%
2003	8,263	9,672	1,409	85.4%	1,683	83.7%
2003*	8,113	9,445	1,332	85.9%	1,683	79.1%
2004	8,424	10,050	1,626	83.8%	1,863	87.3%
2005	8,817	10,973	2,156	80.4%	1,962	109.9%

+ Legislated benefit increase.

* Revised actuarial assumptions.

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Required Supplementary Information (continued)

Schedule 2 - Schedule of Employer Contributions

(\$ Millions)

Year Ended June 30	(A) Covered Payroll BOY	(B) Rate	(C)=BxA Annual Required Contribution	(D) Actual Contributions	(D)/(C) Percent Contributed
1995	\$1,167	12%	\$140.04	\$139.80	99.4%
1996	1,234	12%	148.08	132.60	89.5%
1997	1,260	12%	151.20	153.50	101.5%
1998	1,302	12%	156.24	159.00	101.8%
1999	1,368	12%	164.16	166.80	101.6%
2000	1,429	12%	171.48	175.70	102.5%
2001	1,485	12%	178.20	181.10	101.6%
2002	1,557	12%	186.84	191.35	102.4%
2003	1,628	12%	195.36	200.46	102.6%
2004	1,677	13%	218.04	224.18	102.4%
2005	1,748	14%	244.72	286.44	117.0%

Required Supplementary Information (continued)

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

Schedule 3 - Notes to Trend Data

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	4-year smoothed market 80%/120% Corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Cost-of-living adjustments	3.0% Simple
Projected Salary Increases*	4.0% to 10.1%
*Includes inflation at	4.0%

SUPPORTING SCHEDULES

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

A	T	Arkansas Teacher Retirement System
R	S	

A B C D E F G
H I J K L M N
O P Q R S T
U V W X Y Z

Schedule 4 - Schedule of Administrative Expenses

Fiscal Year ended June 30, 2005

Personnel Services:	
Staff Salaries	\$ 2,200,288
Employee Benefits	<u>661,809</u>
Total Personnel Services	<u>2,862,097</u>
Professional Services:	
Actuary	\$ 125,800
Data Processing	1,957,419
Other Professional Services and Fees	<u>110,381</u>
Total Professional Services	<u>2,193,600</u>
Miscellaneous:	
Equipment	\$ 44,790
Other Operating Expenses	<u>1,354,275</u>
Total Miscellaneous	<u>1,399,065</u>
Total Administrative Expenses	<u><u>\$ 6,454,762</u></u>

Schedule 5 - Schedule of Investment Expenses

Fiscal Year Ended June 30, 2005

Investment Counsel and Consulting	\$ 1,028,392
 Professional Services:	
International	6,034,868
Alternative Investment	16,369,679
Domestic Equity	12,342,497
Custodian Fee	729,089
Real Estate Expense	3,156,340
Security Lending	15,430,213
Commission Recapture	522,271
Total Professional Services	54,584,957
Total Investment Expense	\$ 55,613,349

Schedule 6 - Schedule of Payments To Consultants

Fiscal Year Ended June 30, 2005

Individual or Firm Professional Services:	Commission/Fee
Data Processing	
Optdata	\$ 1,362,500
Department of Information Services	375,427
Princeton Financial	104,807
Other supplies/services	114,685
	1,957,419
Actuary	
Gabriel, Roeder, Smith & Company	125,800
Other	-
	125,800
Other Professional Services and Fees	
Rose Law Firm	53,469
Thomas and Thomas	17,581
Voice Retrieval	17,143
Gabriel, Roeder, Smith & Company	9,300
Johanson Group	8,250
Other	4,638
	110,381
Total	\$ 2,193,600

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H I J K L M N
O P Q R S T
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INVESTMENTS

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

ENNISKNUPP

January 30, 2006

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

Market Overview-

The beginning of the fiscal year was tainted by uncertainty surrounding the November 2004 presidential elections. However, a quick and definitive outcome to the elections as well as strong economic growth aided both U.S. and non-U.S. markets. U.S. real GDP growth was a positive factor for the fiscal year as the economy grew at an annual rate of 3.6%. At the end of fiscal year 2005, consumer confidence as reported by the Conference Board continued to increase, and at the end of June it reached its highest level in three years. A strong second fiscal quarter helped to fuel returns for the year as the U.S. and non-U.S. equity markets returned 10.2% and 15.4%, respectively, during that period.

The U.S. equity market returned 8.2% for the fiscal year with value stocks leading their growth stock counterparts by a wide margin. The Russell 3000 Value Index, which represents small- and large-capitalization value-oriented stocks, outperformed the Russell 3000 Growth Index by a margin of 12.2 percentage points (14.1% vs. 1.9%). On a capitalization basis, small stocks (9.5%) outperformed large cap (7.9%) during the year. The energy sector was the major driver of returns advancing 40% for the fiscal year. The weakest performing sectors included technology (1%) and consumer durables (2%).

Non-U.S. equity markets were strong during the fiscal year as the MSCI All Country World Ex-U.S. index advanced 16.5%. However, all of the value added occurred in the first 6 months of the fiscal year as the market had a flat return for the second half of the year. Emerging markets posted strong gains for the fiscal year returning 34.4%. Regionally, the best performers were Latin America (58%), South Africa (31%) and Canada (29%). Japan, which returned -1.5% for the period, was the largest detracting factor from fiscal year results.

The fixed income market rebounded from its poor performance during the previous fiscal year and returned 7.4% as measured by the Lehman Brothers Universal Index. In September, the Federal Reserve increased the Federal Funds rate to 1.75%, the highest level since late 2001. The Federal Funds rate continued to rise during the fiscal year and was 3.25% at fiscal year-end. Corporate securities was the best performing sector for the period posting a return of 8.1%. All other sectors posted returns over 5% with the exception of asset backed securities (4.2%).

Overview of Fund Structure

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

During the fiscal year 2005, some minor changes were made in manager structure. At the end of the fiscal year, a large cap growth index fund managed by State Street Global Advisors was added to the U.S. equity portfolio to help mitigate a value bias in the portfolio and serve as a temporary parking place for the former Alliance large cap growth portfolio. Three new alternative investment managers were also added to the portfolio in the 2005 fiscal year. Credit Suisse was hired as a private equity fund of funds manager and Prudential and UBS were hired to manage core real estate allocations. UBS had not been funded as of the end of the fiscal year.

ATRS Performance Overview

The fiscal year of 2005 saw strong absolute performance for the ATRS portfolio as the Total Fund advanced 9.4%, but failed to keep pace with the 10.1% return of the Performance Benchmark and the 10.6% return of the Russell/Mellon Public Fund Index. The Russell/Mellon Public Fund Universe represented 69 funds with an aggregate market value of \$796.4 billion. Longer-term performance was mixed as the Total Fund return trailed that of the Performance Benchmark for the three-year period but surpassed it for the five-year period.

During the year, the U.S. equity component of the portfolio produced below-benchmark results when compared with the broad U.S. stock market. Underperformance by Alliance Capital Management, Oppenheimer Capital Management and Eubel, Brady and Suttman had the largest negative impact on results. Strong performance by ICC Capital Management and Kennedy Capital Management and a bias towards small cap value stocks helped mitigate some of these losses.

The non-U.S. equity managers produced an aggregate return of 15.1% during the fiscal year of 2005. While strong on an absolute basis, this return trailed that of the broad non-U.S. equity market. Two of the three non-U.S. equity managers underperformed for the fiscal year, which led to underperformance of the asset class.

The active fixed income managers performed well during fiscal year 2005 as each outperformed the Lehman Brothers Universal Index. The overall fixed income component outperformed the benchmark by 50 basis points for the year.

The ATRS alternative investments - which include real estate and private partnerships - added to Total Fund performance as they advanced 15.1%. The alternative investments outperformed the performance benchmark by 5.0 percentage points.

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

Sincerely,



Stephen Cummings, CFA
Principal

STC:smw

Investment Policies and Procedures

STATEMENT OF INVESTMENT POLICY

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

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

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

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

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

Standard of Care

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

Investment and management functions may be delegated to an agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, Trustees shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the agent's performance and compliance with the terms of the delegation. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

The standard of care set forth herein shall be applied by each party serving in a fiduciary capacity for the trust.

INVESTMENT POLICIES AND PROCEDURES (continued)

Asset Allocation

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

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

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

Rebalancing

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

Goals

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

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

Domestic Equity

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

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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

INVESTMENT POLICIES AND PROCEDURES (continued)

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

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

International Equity

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

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

Fixed Income

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

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

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

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

Alternative Investments

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

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

Real Estate

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

INVESTMENT POLICIES AND PROCEDURES (continued)

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

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

Timberland

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

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

Arkansas-Related Investments

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

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

Cash Equivalents

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

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

Commingled or Mutual Funds

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

Derivatives

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

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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

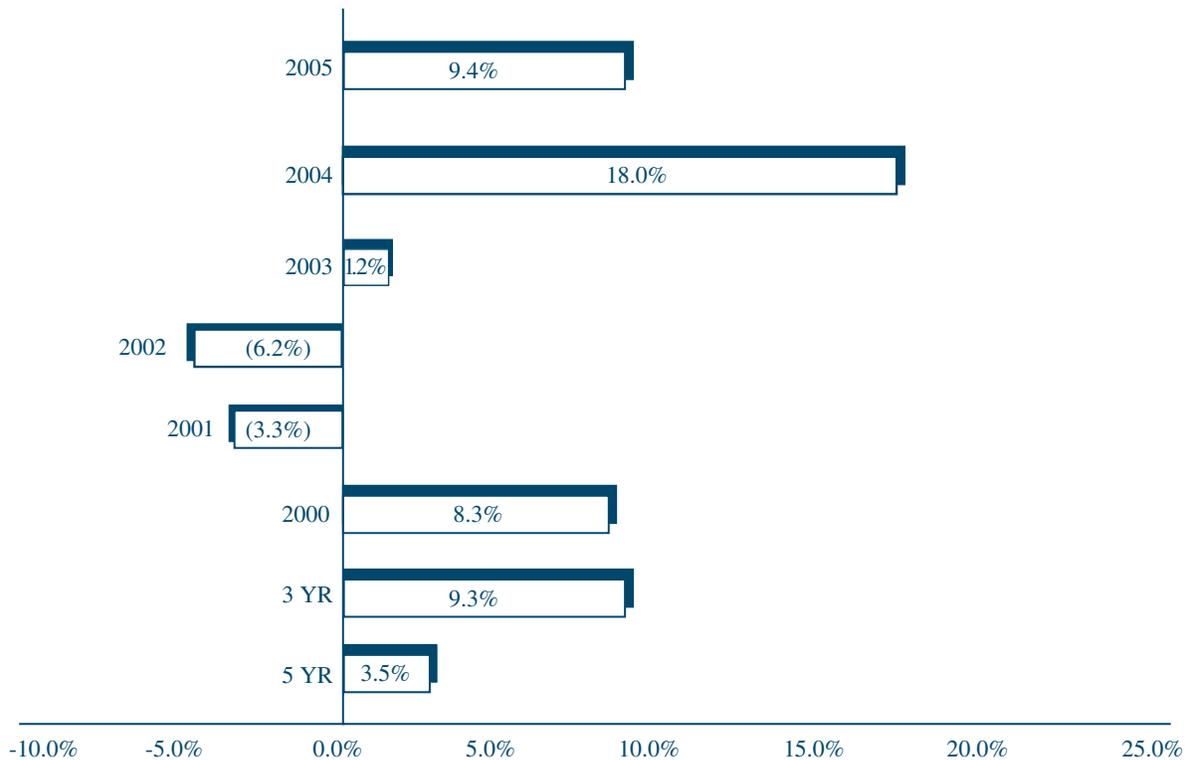
INVESTMENT POLICIES AND PROCEDURES (continued)

Loaning of Securities

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

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

INVESTMENT RETURN HISTORY



ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Asset Allocation Analysis

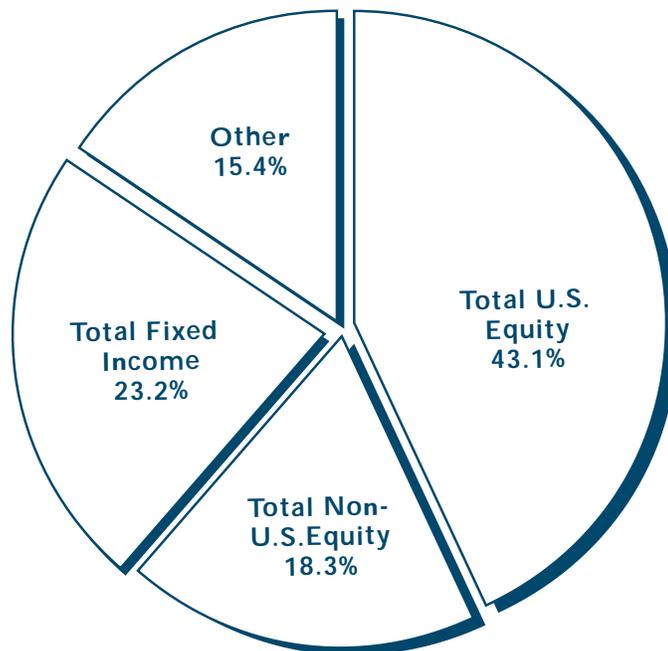
As of June 30, 2005

Asset Class	Market Value (\$ in thousands)	Current %
Total U.S. Equity	\$3,790,808	43.1%
Total Non-U.S. Equity	1,610,952	18.3%
Total Fixed Income	2,042,534	23.2%
Total Mezzanine	39,478	0.4%
Total Domestic Private Equity	360,592	4.1%
Total Foreign Private Equity	139,291	1.6%
Total Real Estate	474,709	5.4%
Arkansas Related	304,760	3.5%
Total Cash	35,327	0.4%
	<u>\$8,798,451</u>	<u>100.0%</u>

Total U.S. Equity	43.1%
Total Non-U.S. Equity	18.3%
Total Fixed Income	23.2%
Other	15.4%

Current Allocation by Asset Class

As of June 30, 2005



ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Investment Results

Returns for Period Ended June 30, 2005

The table below details the rates of return for the System's Investment managers over various time periods ended June 30, 2005.

	1 Year	3 Years	5 Years
Total Fund	9.4%	9.3%	3.5%
Performance Benchmark	10.1	9.7	2.5
LARGE CAP GROWTH EQUITY			
SSgA Russell 1000 Growth Index	--	--	--
Russell 1000 Growth Index	--	--	--
Capital Guardian	0.7	--	--
Russell 1000 Growth Index	1.7	--	--
LARGE CAP VALUE EQUITY			
Oppenheimer	7.0	8.7	3.9
Russell 1000 Value Index	14.0	11.0	6.6
ICC Capital	9.6	10.2	5.7
Russell 1000 Index	7.9	9.2	-1.9
MID CAP VALUE EQUITY			
Eubel Brady & Suttman	13.0	13.7	19.8
Russell Mid Cap Value	21.8	16.5	14.9
SMALL CAP VALUE EQUITY			
Kennedy Capital Management	16.9	18.4	21.0
Daruma Asset Management	12.8	10.7	--
Russell 2000 Value Index	14.4	14.2	16.1
SMALL CAP DOMESTIC EQUITY			
ING Investment Management	3.5	8.4	-2.4
The TCW Group	-0.6	8.5	-18.8
Russell 2000 Growth Index	4.3	11.4	-4.5
ALL CAP PASSIVE DOMESTIC EQUITY			
SSgA Wilshire 5000 Fund	8.0	--	--
DJ Wilshire 5000 Index	8.2	--	--
CONVERTIBLES			
Nicholas Applegate	7.2	11.1	0.9
Performance Benchmark ¹	0.2	10.3	1.1
INTERNATIONAL EQUITY MANAGERS			
Capital Guardian	11.4	--	--
MSCI EAFE Index	13.7	--	--
UBS Global Asset Management	15.4	11.2	2.9
Performance Benchmark ²	16.5	12.9	-0.2
Wellington	17.9	--	--
MSCI All Country World ex-U.S.	16.5	--	--

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

SCHEDULE OF INVESTMENT RESULTS (continued)

Returns for Period Ended June 30, 2005

The table below details the rates of return for the System's investment managers over various time periods ended June 30, 2005.

	1 Year	3 Years	5 Years
FIXED INCOME MANAGERS			
Western Asset Management	8.7	--	--
Performance Benchmark ³	7.4	--	--
SSgA Bond Market Index	6.8	--	--
Lehman Brothers Bond Index	6.8	--	--
BlackRock	7.6	--	--
PIMCO	8.7	--	--
Total Fixed Income	7.9	6.0	6.7
Performance Benchmark ⁴	7.4	6.0	7.5

ALTERNATIVE INVESTMENTS

Arkansas Related	2.4	4.1	4.2
Real Estate			
Real Estate Partnerships	-11.7	-0.7	2.7
Total Real Estate	-11.7	-0.7	2.7
Private Equity			
Domestic Private Equity	23.7	15.5	1.5
International Private Equity	65.7	28.3	14.4
Total Private Equity	31.6	18.3	4.4
Total Alternative Investments	15.1	10.5	3.2

INDIVIDUAL PARTNERSHIPS

	Inception Date	Annualized Internal Rate of Return
Mezzanine		
Blackstone mezzanine Partners	11/30/1999	2.9
DLJ Mezzanine	10/31/1999	4.8
Domestic Private Equity		
Hicks Muse Tate & Furst Fund III	2/28/1997	(13.5)
Hicks Muse Tate & Furst Fund IV	7/31/1998	(17.3)
Hicks Muse Tate & Furst Fund V	11/31/2000	19.1
Oakhill Capital Partners	3/31/1999	0.6
Cypress	5/31/1999	15.9
Diamond State ventures	3/31/2000	18.2
DLJ Merchant III	8/31/2000	16.5
Hicks Muse Tate & Furst- Century Fund	4/30/2000	12.7
CSFB Fund of Funds	6/30/2005	--
Foreign Private Equity		
Doughty Hanson-Fund III	10/31/1997	3.9
Doughty-Hanson Tech I	10/31/2000	(16.4)
Cinven Funds	7/31/1998	1.7

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

SCHEDULE OF INVESTMENT RESULTS (continued)

Returns for Period Ended June 30, 2005

The table below details the rates of return for the System's investment managers over various time periods ended June 30, 2005.

INDIVIDUAL PARTNERSHIPS (continued)	Inception Date	Annualized Internal Rate of Return
Real Estate		
Doughty-Hanson-Euro real estate	6/30/1999	20.4
DLJ Real Estate Capital III	8/31/1999	11.8
Westbrook Fund II	4/30/1997	14.7
Westbrook Fund III	8/31/1998	0.4
Westbrook IV	4/30/2001	9.5
Westbrook SHP	10/31/1999	(24.4)
Olympus	7/31/2000	(15.6)
PRISA	6/30/2005	--
Wachovia Timberland	1/31/1998	6.3
Wachovia Timberland II	10/31/1999	7.9

¹ Nicholas Applegate Performance Benchmark is the CSFB Convertible Securities Index as of May 1, 2004. Prior to this, the benchmark comprised 90% CSFB Convertible Securities Index and 10% Salomon High Yield Index.

² UBS Performance Benchmark- as of March 1, 2004 the benchmark was changed to the MSCI All-country World ex-U.S. Index. Until March 1, 2004 the benchmark was the MSCI World ex-U.S. Index.

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

⁴ PIMCO Performance benchmark and Fixed Income Performance Benchmark- As of March 1, 2004 the benchmark was the Lehman brothers Universal Bond Index. Prior to March 1, 2004 it consisted of the Lehman Brothers Aggregate Bond Index.

Ten Largest Holdings

(By Market Value)

As of June 30, 2005

Fixed Income

Par	Security Name	Market Value
40,522,582	Western Asset Core	\$ 448,139,239
17,118,987	Bond Market Index SL	311,788,112
20,078,007	PIMCO FDS PAC INVT MGMT SER US GOVT Sector Portfolio	220,255,741
18,911,638	PIMCO FDS PAC INVT MGMT SER MTG Portfolio	199,706,899
6,292,791	PIMCO FDS PAC INVT MGMT SER Private Int'l Sector Portfolio	36,938,686
3,543,191	LM INSTL FD Advisors 1 Inc Western Asset High Yield	36,778,328
34,850,000	United States Treasury Notes 3.375% due 2/28/2007	34,700,253
1,653,888	Western Asset Opport Non Dollar	34,680,378
2,981,982	PIMCO FDS PAC INVT MGMT SER Emerging Markets Portfolio	34,531,351
29,000,000	FNMA TBA AUG 30 Year Single Fam 6%	29,702,345
		\$1,387,221,332

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

Ten Largest Holdings (continued)

(By Market Value)
As of June 30, 2005

Domestic Equities

Shares	Security Name	Market Value
47,892,124	US Total Market Index	\$ 885,860,617
18,891,750	SSGA Russell 1000 Growth	495,965,123
3,454,500	AMR	41,833,995
461,000	Boeing Co	30,426,000
484,000	Conocophillips	27,825,160
496,000	Chevron	27,758,688
374,000	Ashland	26,879,380
1,325,600	Williams Cos Inc	25,186,400
690,800	Great Lakes Chemical Corp	21,739,476
317,300	American Intl Group Inc	18,435,130
		<u>\$1,601,909,969</u>

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

Ten Largest Holdings (continued)

(By Market Value)

As of June 30, 2005

International Equities

Shares	Security Name	Market Value
16,175,657	Vodafone Group	\$ 39,431,890
1,208,465	Royal Bank Scotland Grp	36,520,642
345,735	Sanofi Aventis	28,420,486
276,754	E on AG	24,686,635
99,417	Total SA	23,385,778
550,351	Credit Suisse Grp	21,715,903
3,743,943	Tesco	21,390,758
816,402	ABN AMRO Hldgs NV	20,113,463
1,906,074	BP PLC	19,850,097
149,941	Roche Holdings AG	18,984,022
		\$ 254,499,674

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

Ten Largest Holdings (continued)

(By Market Value)

As of June 30, 2005

Arkansas Related Investments

Security Name	Market Value
Dillard's Building	\$ 50,000,000
Lindsey Partnerships	42,428,103
The Peabody Hotel-Mortgage Loan	26,679,190
Victory Building	20,952,332
American Center	16,367,816
Crescent Center/Forum 1-Memphis, TN	14,891,289
Southcenter Shopping Center	12,735,489
ATRS Retirement Village	10,438,214
The Station Apartments-Mortgage Loans	5,210,149
Centennial Valley Apartments-Mortgage Loans	4,537,871
	<u>\$204,240,453</u>

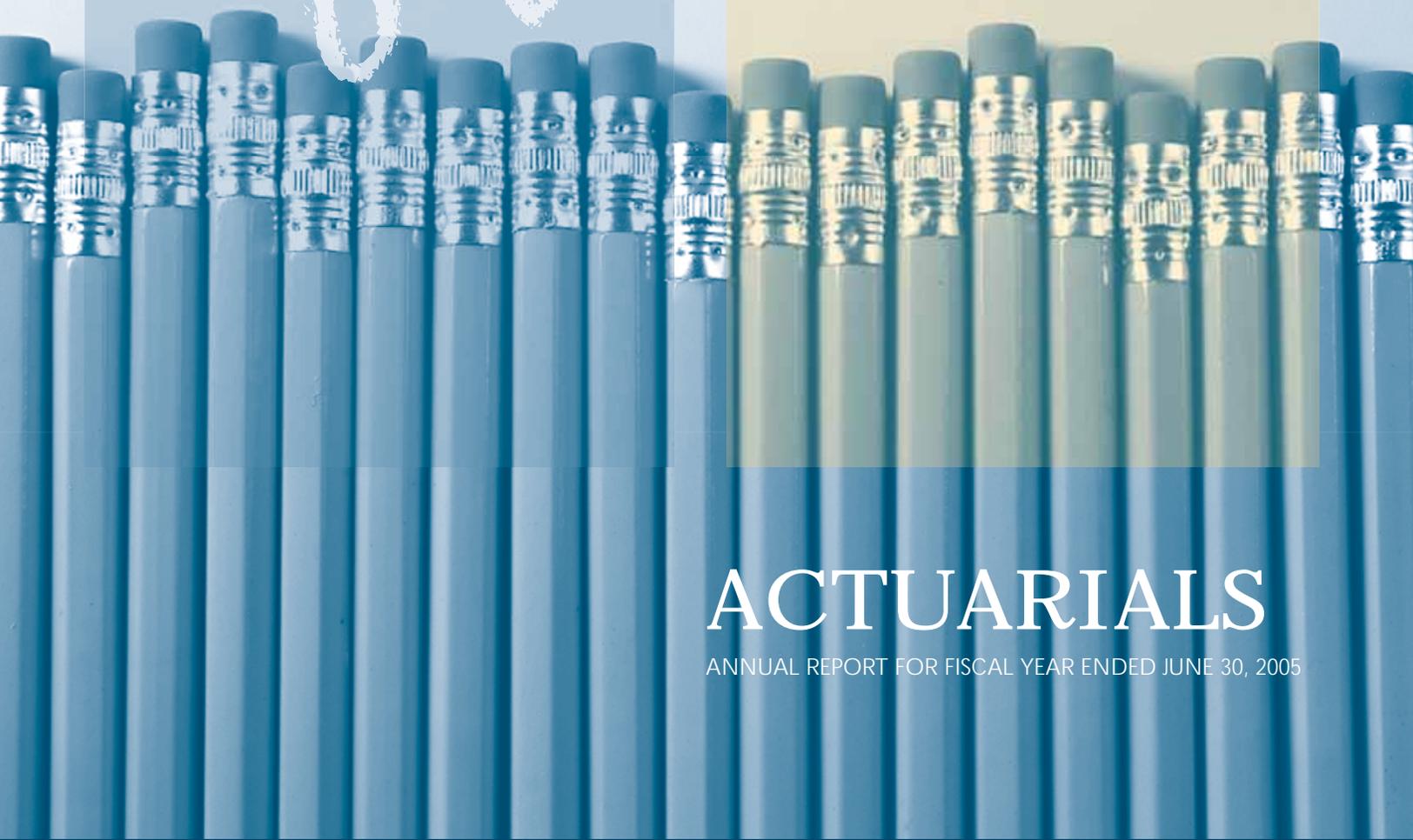
(A complete listing of portfolio holdings is available upon request.)

A T Arkansas
R S Teacher
Retirement
System

A B C D
E F G
H I J K
L M N
O P Q

R S T
U V W X Y Z

V W X Y Z



ACTUARIALS

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Actuary's Certification Letter

GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

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

December 9, 2005

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

Dear Board Members:

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

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

The progress being made toward the realization of the financing objectives of the System through June 30, 2005, 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, 2005.

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, 2005
- Active Members in Valuation Data
- Retirees and Beneficiaries added to and removed from rolls
- Solvency Test
- Summary of Actuarial Assumptions and Methods
- Single Life Retirement Values
- Probabilities of Retirement for Members

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Board of Trustees
December 9, 2005
Page 2

Assumed Duration in TDROP for Members
Teachers Separations and Individual Pay Increases
Non-Teachers Separations and Individual Pay Increases
Analysis of Financial Experience
Comments and Conclusion
Schedule of Funding Progress
Schedule of Employer Contributions
Notes to Trend Data
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, 2005 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1997-2002 period.

ATRS is 80.4% funded as of June 30, 2005, indicating a solid financial position and significant progress in recovering from the disappointing 2000 – 2002 investment markets. In response to those markets, the Board increased the employer contribution rate to 14% of payroll for the period beginning July 1, 2004, and other adjustments were made including certain benefit changes. However, the amortization period remains outside the 30 year limit, and consequently, an additional contribution rate increase for the fiscal year beginning July 1, 2006 is needed.

Based upon the results of the June 30, 2005 valuations, we are pleased to report to the Board of Trustees that the Arkansas Teacher Retirement System is meeting its basic financial objective and is in sound condition in accordance with actuarial principles of level percent of payroll financing. Continuation of the recovery in the investment markets is important for ATRS as well as for virtually every retirement system in the country.

Respectfully Submitted,

GABRIEL, ROEDER, SMITH & COMPANY



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



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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 1 Computed Actuarial Liabilities

As of June 30, 2005

	(1) Total Present Value	Entry Age Actuarial (2) Portion Covered By Future Normal Cost Contributions	Cost Method (3) Actuarial Accrued Liabilities (1)-(2)
Actuarial Present Value of Age and service retirement and T-DROP allowances based on Total service likely to be rendered by present active and T-DROP members	\$8,085,985,721	\$1,881,340,052	\$6,204,645,669
Vested Deferred Benefits likely to be paid present active and inactive members	670,812,394	279,204,732	391,607,662
Survivor benefits expected to be paid on behalf of present active members	128,067,337	54,603,068	73,464,269
Disability Benefits expected to be paid on behalf of present active members	199,529,630	113,970,993	85,558,637
Refunds of Member contributions expected to be paid on behalf of Present active members	13,365,374	71,757,946	(58,392,572)
Benefits payable to present retirees and beneficiaries	4,204,344,761	0	4,204,344,761
Lump Sum Death benefits payable to present retirees and beneficiaries	71,315,303	0	71,315,303
Total	\$13,373,420,520	\$2,400,876,791	\$10,972,543,729
Applicable Assets	8,817,254,313	0	8,817,254,313
Liabilities to be Covered by Future Contributions	\$ 4,556,166,207	\$ 2,400,876,791	\$ 2,155,289,416

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 2 **Employer Contribution Rate**

Computed as of June 30, 2005

Computed Contributions for	Percents of Active Member Full Payroll			Prior Year
	Teachers	Support	Combined	
Normal Cost				
Age & Service Annuities	10.53%	8.68%	10.02%	10.05%
Deferred Annuities	1.32%	1.75%	1.44%	1.62%
Survivor Benefits	0.30%	0.27%	0.29%	0.24%
Disability Benefits	0.63%	0.56%	0.61%	0.64%
Refunds of Member Contributions	0.32%	0.58%	0.39%	0.40%
Total	13.10%	11.84%	12.75%	12.95%
Average Member Contributions	4.36%	3.03%	3.99%	3.93%
Net Employer Normal Cost	8.74%	8.81%	8.76%	9.02%
Unfunded Actuarial Accrued Liabilities			5.94%	4.98%
Employer Contribution Rate			14.70%	14.00%
Amortization Years			30.0	31.0

Accounting Standards require the Annual Required Contribution to be based upon an amortization period not exceeding 30 years for employer fiscal years beginning after June 15, 2006. This happened for the first time in the June 30, 2005 valuation, because before that time, the Governmental Accounting Standards Board permitted a 40-Year period for determination of the Annual Required Contribution. This means that for the year ended June 30, 2007, contributions required will exceed contributions made, unless the employer contribution rate is raised to at least 14.70%, and preferably to 15%.

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Active Member Valuation Data

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

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

Year	Estimated Number		Total Retirees	Annual Allowances (Millions)	% Increase in Annual Allowances	Average Annual Allowances
	Added	Removed				
2005	1,822	570	22,680	\$415.04	7.5%	\$18,300
2004	1,692	535	21,428	386.23	7.3%	18,025
2003	1,621	548	20,272	360	7.7%	17,759
2002	1,989	568	19,199	334.15	8.1%	17,404
2001	1,571	450	17,778	309.03	10.3%	17,383
2000	1,249	479	16,657	280.14	12.6%	16,818
1999	1,582	497	15,887	248.75	12.9%	15,658
1998	809	240	14,802	220.38	13.1%	14,888
1997	1,049	475	14,233	194.90	14.3%	13,694
1996	1,107	654	13,659	170.59	8.9%	12,489

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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Solvency Test

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

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

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

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

* Revised actuarial assumptions or methods.

Legislated benefit or contribution rate change.

Summary of Actuarial Assumptions and Methods

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age
Amortized Method	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	4-year smoothed market 80%/120% corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increase	4.0% to 10.10%
Cost-of-living Adjustments	3% Simple
Includes wage inflation at	4%

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

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

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

The actuarial assumptions used in producing the valuation fall into two broad classes: economic assumptions, and demographic assumptions. Economic assumptions refer to long term rates of investment return, wage growth, covered population growth, and inflation. Demographic assumptions refer to retirement rates, turnover rates, disability rates, merit and seniority pay increases, and mortality rates. The current assumptions are based upon 1987-2002 experience of the ATRS. The assumptions are reviewed from time to time to keep them reasonably current with expected experience.

Economic Assumptions

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

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

Summary of Actuarial Assumptions and Methods (continued)

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

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

Non-Economic Assumptions

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

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

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

The 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.).

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Table I
Single Life Retirement Values

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

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

Table II
Probabilities of Retirement for Members

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

Probabilities of Reduced Retirement for Members

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

Table III
Probabilities of T-DROP for Members

Ages	Percent of Eligible Active Members Entering T-DROP Within Next Year Education		Support	
	Male	Female	Male	Female
50	40%	45%	30%	20%
51	35%	45%	30%	30%
52	50%	45%	55%	45%
53	50%	45%	55%	50%
54	45%	45%	55%	50%
55	45%	45%	45%	50%
56	45%	40%	45%	50%
57	45%	40%	45%	50%
58	45%	40%	50%	50%
59	45%	40%	50%	50%
60	45%	35%	50%	40%
61	45%	35%	50%	30%
62	40%	35%	50%	30%
63	30%	35%	50%	30%
64	40%	40%	50%	40%
65	50%	50%	50%	50%
66	50%	50%	50%	50%
67	50%	50%	50%	50%
68	50%	50%	50%	50%
69	50%	50%	50%	50%
70	50%	50%	50%	50%
71	50%	50%	50%	50%
72	50%	50%	50%	50%
73	50%	50%	50%	50%
74	50%	50%	50%	50%
75	50%	50%	50%	50%
76	50%	50%	50%	50%
77	50%	50%	50%	50%
78	50%	50%	50%	50%
79	50%	50%	50%	50%

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

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

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

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

Pay Increase Assumptions For an Individual Member

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

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

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

Pay Increase Assumptions For an Individual Member

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

Analysis of Financial Experience

Type of Risk Area	2001	Gain (Loss) For Year Ended (\$ Millions)			
		2002	2003	2004	2005
ECONOMIC RISK AREAS					
Pay increases. <i>If there are smaller pay increases</i> than assumed, there is a gain. If greater increases, a loss.	\$7.7	\$19.3	\$12.9	\$27.7	\$(173.5)
Gross Investment Return. <i>If there is greater investment</i> return than assumed, there is a gain. If less return, a loss.	16.5	(392.9)	(767.6)	(218.6)	(193.0)
NON-ECONOMIC RISK AREAS					
Retirements and T-Drop. <i>If members retire at</i> older ages, there is a gain. If younger ages, a loss.	7.4	7.0	6.9	6.1	(0.4)
Disability Retirements. <i>If there are fewer disabilities</i> than assumed, there is a gain. If more, a loss.	(0.2)	(0.6)	0.0	(1.6)	0.5
Death-in-Service Benefits. <i>If there are fewer claims</i> than assumed, there is a gain. If more, a loss.	1.6	1.4	0.8	1.1	0.5
Withdrawal. <i>If more liabilities are released by other</i> separations than assumed, there is a gain. If smaller releases, a loss.	(1.6)	(0.9)	(1.7)	(5.9)	(11.1)
Death After Retirement. <i>If there is higher mortality</i> than assumed, there is a gain. If lower mortality, a loss.	(6.1)	4.8	7.5	(2.6)	(0.7)
TOTAL	\$25.3	\$(361.9)	\$(741.2)	\$(193.8)	\$(377.7)

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, 2004 actuarial valuations, ATRS is satisfying the financial objective of level-contribution-percent financing

Market investment experience for the year end June 30, 2005 was favorable. The amortization period this year is 38 years, an increase from last year's 31-year period, however, the increase to 38 years is actually a smaller increase than had been expected, based upon information that was known last year. Consequently, we view the result as favorable.

The Arkansas Teacher Retirement System is 80.4% funded as of June 30, 2005, indicating a solid financial position and significant progress in recovering from one of the worst investment markets since the Great Depression. Unfortunately, ATRS still does not have the assets it would have had if the investment markets had performed better in the 2000 to 2003 period. An increase in the employer contribution rate to the 15% of payroll area will be needed to return the amortization period to 30 years.

A B C D E F G
H I J K L M N
O P Q R S T
U V W X Y Z

A T Arkansas
R S Teacher
Retirement
System

STATISTICS

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Revenue By Source

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

Schedule of Expenses By Type

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

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Benefit Expenses By Type

Year Ending	2005	2004	2003	2002	2001	2000
June 30						
Age and Service	\$363,872,024	\$338,817,041	\$315,456,745	\$291,969,589	\$ 265,279,449	\$ 237,039,361
Disability	22,637,834	20,968,493	19,836,787	18,965,804	18,097,625	16,270,465
Option	10,188,011	9,524,367	8,847,041	7,947,966	6,877,850	6,007,193
Survivor	5,677,528	5,585,284	5,503,873	5,306,397	4,837,322	4,376,641
Reciprocity	13,027,579	11,551,771	10,245,385	8,878,504	7,524,324	5,983,136
Active Members Death Benefit	831,792	575,813	713,094	580,689	688,447	695,623
T-DROP	31,457,198	22,950,458	18,600,700	17,038,780	15,934,672	9,474,689
Act 808	4,286,580	4,294,802	4,272,018	4,261,953	4,152,737	4,544,286
Total	\$451,978,546	\$414,268,026	\$383,475,643	\$354,949,682	\$ 323,392,426	\$ 284,391,394

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Retired Members By Type of Benefit

Monthly Benefit	Number of Retirants	Type of Retirement*					Life	Option Selected #		
		1	2	3	4	5		Opt. A	Opt. B	Opt. C
\$1-250	2,481	2,071	49	121	227	13	2,098	290	20	73
251-500	2,326	1,828	42	158	261	37	1,959	254	52	61
501 - 750	1,773	1,413	61	35	219	45	1,438	219	69	47
751 - 1000	1,530	1,161	64	29	229	47	1,229	186	84	31
1001 - 1250	1,469	1,118	57	42	213	39	1,167	177	99	26
1251 - 1500	1,629	1,322	38	33	209	27	1,320	177	94	38
1501 - 1750	1,777	1,533	27	28	167	22	1,424	189	120	44
1751 - 2000	2,085	1,891	29	29	124	12	1,653	212	169	51
Over \$2000	7,273	6,923	113	58	167	12	5,596	765	706	206
Totals	22,343	19,260	480	533	1,816	254	17,884	2,469	1,413	577

* Type of Retirement

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

Excludes Act 793 and Act 808 retirees.

Option selected at retirement

Life - Straight life annuity

Option A - 100% survivor annuity

Option B - 50% survivor annuity

Option C - Annuity for 10 years certain and life thereafter

ARKANSAS TEACHER RETIREMENT SYSTEM

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Average Benefit Payments

Retirement Effective Dates		5-9	10-14	15-19	20-24	25-29	30+
July 1, 1995 to June 30, 2005							
7/01/95-6/30/96	Average Monthly Benefit	\$162	\$330	\$670	\$954	\$1,353	\$1,920
	Average Final Salary	\$19,056	\$16,972	\$23,793	\$25,654	\$31,508	\$33,883
	Number of Active Retirants	38	105	112	124	198	361
7/01/96-6/30/97	Average Monthly Benefit	\$149	\$344	\$721	\$1,006	\$1,344	\$1,986
	Average Final Salary	\$16,565	\$18,811	\$26,730	\$27,576	\$31,526	\$35,744
	Number of Active Retirants	61	115	99	103	203	284
7/01/97-6/30/98	Average Monthly Benefit	\$199	\$297	\$712	\$1,117	\$1,584	\$2,096
	Average Final Salary	\$21,528	\$16,808	\$24,491	\$28,474	\$33,396	\$36,007
	Number of Active Retirants	46	152	107	142	268	272
7/01/98-6/30/99	Average Monthly Benefit	\$174	\$369	\$777	\$1,197	\$1,636	\$2,149
	Average Final Salary	\$13,734	\$19,411	\$26,758	\$32,278	\$35,179	\$36,306
	Number of Active Retirants	492	187	119	114	317	301
7/01/99-6/30/00	Average Monthly Benefit	\$204	\$362	\$860	\$1,226	\$1,743	\$2,361
	Average Final Salary	\$13,612	\$17,288	\$28,523	\$30,543	\$36,513	\$37,919
	Number of Active Retirants	219	138	102	137	308	318
7/01/00-6/30/01	Average Monthly Benefit	\$210	\$422	\$920	\$1,333	\$1,887	\$2,459
	Average Final Salary	\$14,772	\$19,899	\$31,531	\$33,529	\$39,490	\$39,512
	Number of Active Retirants	315	229	125	132	387	333
7/01/01-6/30/02	Average Monthly Benefit	\$207	\$363	\$797	\$1,348	\$1,919	\$2,528
	Average Final Salary	\$13,507	\$17,606	\$27,482	\$34,586	\$39,489	\$40,211
	Number of Active Retirants	477	376	195	171	423	269
7/01/02-6/30/03	Average Monthly Benefit	\$213	\$439	\$824	\$1,321	\$1,982	\$2,530
	Average Final Salary	\$16,577	\$21,197	\$28,856	\$34,031	\$40,871	\$39,797
	Number of Active Retirants	304	225	155	151	473	265
7/01/03-6/30/04	Average Monthly Benefit	\$249	\$456	\$802	\$1,396	\$2,044	\$2,602
	Average Final Salary	\$17,121	\$21,690	\$29,657	\$37,471	\$41,637	\$41,256
	Number of Active Retirants	331	254	184	163	486	225
7/01/04-6/30/05	Average Monthly Benefit	\$245	\$451	\$851	\$1,413	\$2,085	\$2,561
	Average Final Salary	\$17,230	\$21,509	\$31,146	\$38,529	\$42,106	\$39,786
	Number of Active Retirants	384	239	215	136	562	242

Schedule of Participating Employers

As of June 30, 2005

Academics Plus Charter School	Bergman School District	Danville School District
Alma School District	Berryville School District	Dardanelle School District
Alpena School District	Bismarck School District	Dawson Education Service Coop
Altheimer Unified School District	Black River Technical College	Decatur School District
Arkansas Association Education Admin	Black Rock School District	Deer/Mt. Judea School District
Department Of Corrections School	Blevins School District	Delight School District
Arkansas Dept Of Economic Development	Blytheville School District	Dequeen School District
Arkansas Department Of Higher Education	Booneville School District	Dequeen/Mena Educational Coop
Arkansas Department Of Workforce Education	Boston Mountain Education Coop	Dermott School District
Arkansas Educational Television Network	Bradford School District	Des Arc School District
Arkansas Rehabilitation Services	Bradley School District	Devalls Bluff School District
Arkansas River Education Cooperative	Brinkley School District	Dewitt School District
Arkansas School Boards Ins. Trust	Brookland School District	Dierks School District
Arkansas School for the Blind	Bryant School District	Dollarway School District
Arkansas School for the Deaf	Buffalo Island Central School District	Dover School District
Arkansas State University - Jonesboro	Cabot School District	Drew Central School District
Arkansas State University - Beebe	Caddo Hills School District	Dumas School District
Arkansas State University - Newport	Caddo Special Education Coop	Earle School District
Arkansas Teacher Retirement System	Calico Rock School District	East Arkansas Community College
Arkansas Tech University	Camden-Fairview School District	East End School District
Arkansas Workforce Investment Board	Carlisle School District	East Poinsett School District
Arch Ford Education Service Coop	Cave City School District	El Dorado School District
Arise Charter School	Cedar Ridge School District	Elaine School District
Arkansas Northeastern College	Cedarville School District	Elkins School District
Arkadelphia School District	Centerpoint School District	Emerson - Taylor School District
Arkansas Activities Association	Charleston School District	England School District
Easter Seals Arkansas	Clarendon School District	Eudora School District
Armored School District	Clarksville School District	Eureka Springs School District
Ashdown School District	Cleveland County School District	Farmington School District
Arkansas State University - Mt. Home	Clinton School District	Fayetteville School District
Atkins School District	Concord School District	Flippin School District
Augusta School District	Conway School District	Focus Learning Academy
Bald Knob School District	Conway Area Career Center	Fordyce School District
Barton-Lexa School District	Corning School District	Foreman School District
Batesville School District	Cossatot Community College U of A	Forrest City School District
Bauxite School District	Cotter School District	Fort Smith School District
Bay School District	County Line School District	Fouke School District
Bearden School District	Craighead County Board of Education	Fountain Lake School District
Beebe School District	Cross County School District	Arkansas Department of Education
Benton County School Of Arts	Crossett School District	Genoa Central School District
Benton School District	Crowley's Ridge Educational Coop	Gentry School District
Bentonville School District	Crowley's Ridge Technical Institute	Glen Rose School District
	Cushman School District	Gosnell School District
	Cutter-Morning Star School District	Gravette School District

Schedule of Participating Employers (continued)

As of June 30, 2005

Great Rivers Educational Coop	Kirby School District	Mountain Pine School District
Green Forest School District	Lafayette County School District	Mountain View School District
Greenbrier School District	Laidlaw Transportation	Mountainburg School District
Greene Co Tech School District	Lake Hamilton School District	Mt Vernon-Enola School District
Greenland School District	Lakeside School District (Hot Springs)	Mulberry School District
Greenwood School District	Lakeside School District (Lake Village)	Murfreesboro School District
Gurdon School District	Lamar School District	Nashville School District
Guy-Perkins School District	Lavaca School District	National Park Community College
Haas Hall Academy	Lead Hill School District	Nemo Vista School District
Hackett School District	Lee County School District	Nettleton School District
Hamburg School District	Lincoln School District	Nevada County School District
Hampton School District	Lisa Academy	Newport School District
Harmony Grove School District (Benton)	Literacy Council Of Lonoke	Norfolk School District
Harmony Grove School District (Camden)	Little Rock School District	Norphlet School District
Harrisburg School District	Lockesburg School District	North Arkansas College
Harrison School District	Logan Co Board of Education	North Central Career Center
Hartford School District	Lonoke School District	North Central AR Ed Service Center
Hazen School District	Magazine School District	North Little Rock School District
Heber Springs School District	Magnet Cove School District	Northeast Arkansas Educational Coop
Hector School District	Magnolia School District	Northwest Arkansas Education Service Coop
Helena-West Helena School District	Malvern School District	Northwest Technical Institute
Henderson State University	Mammoth Spring School District	Northwest Arkansas Community College
Hermitage School District	Manila School District	Omaha School District
Highland School District	Mansfield School District	Osceola School District
Hillcrest School District	Marion School District	Ouachita River School District
Hope School District	Marked Tree School District	Ouachita School District
Horatio School District	Marmaduke School District	Ouachita Technical College
Hot Springs School District	Marvell School District	Ozark Mountain School District
Hot Springs County Board of Education	Mayflower School District	Ozark School District
Hoxie School District	Maynard School District	Ozark Unlimited Resources Coop
Hughes School District	McCrary School District	Ozarka College
Huntsville School District	McGehee School District	Palestine-Wheatley School District
Imboden Area Charter School	Melbourne School District	Pangburn School District
Izard County School District	Mena School District	Paragould School District
Jackson County School District	Metropolitan Career and Technical Center	Paris School District
Jasper School District	Midland School District	Parkers Chapel School District
Jefferson County Adult Education	Mid-South Community College	Parkin School District
Jessieville School District	Mineral Springs School District	Pea Ridge School District
Jonesboro School District	Monticello School District	Perryville School District
Area Technical Center (Jonesboro)	Monticello Occupational Education Center	Phillips Com. College-Dewitt
Junction City School District	Mount Ida School District	Phillips Community College U of A
Kipp Delta College Preparatory	Mountain Home School District	

Schedule of Participating Employers (continued)

As of June 30, 2005

Phillips Co Board of Education	Southside School District (Batesville)	West Side School District (Greers Ferry)
Piggott School District	Southside School District (Bee Branch)	Western Arkansas Migrant Ed Coop
Pine Bluff School District	Spring Hill School District	Western Yell Cty. School District #9
Pocahontas School District	Springdale School District	Westside School District (Jonesboro)
Pottsville School District	Star City School District	Westside School District (Coil Hill)
Poyen School District	Stephens School District	White County Central School District
Prairie Grove School District	Strong School District	White County Board of Education
Prescott School District	Stuttgart School District	White Hall School District
Pulaski County School District	Sulphur Rock School District	Wickes School District
Pulaski Technical College	Southwest Arkansas Educational Coop	Wilbur D. Mills Ed Service Coop
Quitman School District	Texarkana School District	Wonderview School District
Rector School District (Clay Co. Central)	Texarkana Area Vocational Center	Woodlawn School District
Rich Mountain Community College	Trumann School District	Wynne School District
River Valley Technical Center	Turrell School District	Yellville-Summit School District
Riverside School District	Twin Rivers School District	
Riverside Vocational Technical School	Two Rivers School District	
Riverview School District	University of Arkansas - Monticello	
Rogers School District	University of Arkansas - Pine Bluff	
Rosebud School District	University of Arkansas - Fayetteville	
Russellville School District	University of Arkansas - Hope	
Area Vocational Tehnical Center (Russellville)	University of Arkansas - Little Rock	
South Conway County School District	University of Central Arkansas	
Salem School District	University of Arkansas - Fort Smith	
Scranton School District	University of Arkansas - Batesville	
Southeast Arkansas Education Service Coop	University of Arkansas - Morrilton	
Searcy County School District	University of Arkansas - Medical Science	
Searcy School District	Valley Springs School District	
Sheridan School District	Valley View School District	
Shirley School District	Van Buren School District	
Siloam Springs School District	Van-Cove School District	
Sloan-Hendrix School District	Vilonia School District	
Smackover School District	Viola School District	
South Arkansas Community College	Waldo School District	
Southern Arkansas Developmental Center	Waldron School District	
Southern Arkansas University - Magnolia	Walnut Ridge School District	
Southern Arkansas University - Camden	Warren School District	
South Mississippi County School District	Southeast Arkansas Community Based Education Center (Warren)	
South Central Service Coop	Watson Chapel School District	
Southeast Arkansas College	Weiner School District	
	West Fork School District	
	West Memphis School District	





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