



2006

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



2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT



A Pension Trust Fund of the State of Arkansas



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History

A stylized graphic featuring a person's face in profile, looking down. The face is composed of various shades of blue and green, with white stars and stripes. The background is a solid blue color. The word "History" is written in a large, green, serif font at the top. The word "INTRODUCTION" is written in a large, blue, serif font in the center. Below it, the text "ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2006" is written in a smaller, blue, sans-serif font. The bottom of the image features a stylized American flag with white stars on a blue field and red and white stripes.

INTRODUCTION

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2006



Letter of Transmittal

November, 2006

1400 West Third, Little Rock, AR 72201
Phone (501) 682-1517 or (800) 666-2877
Website - <http://www.atrs.state.ar.us>
Email - info@atrs.state.ar.us

***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 64th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. 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 2006 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on Page 2).

Introductory Section:

Contains this transmittal letter, organization chart and the Board.

Financial Section:

Provides the System's financial statements, required supplementary information, and supporting schedules with additional information about the System's expenses.

Investment Section:

Includes the investment consultant's report, investment policies, asset allocation, and investment results.

Actuarial Section:

Provides the certification letter from the independent actuary, supporting schedules, and a summary of plan provisions.

Statistical Section:

Presents schedules and tables of comparative data related to the membership, active and retired, of the System.

On March 17, 1937, ATRS was established by Act 266 of 1937. ATRS is a combination contributory/non-contributory retirement system governed by the State's retirement law, Chapter 24 of the Arkansas Code. ATRS is one of five State-supported retirement systems and provides retirement, disability and survivor benefits to employees of Arkansas public schools and educationally related agencies. The system consists of 318 participating employers (see pages 65 - 67).

This year ATRS was presented with the best independent audit report from the Division of Legislative Audit (DLA) in many years, reporting no findings. The report represents the combined effort of the entire staff over the last several years to provide the most accurate and reliable information about the operations of the Agency.



*The Honorable Mike Huckabee and
Members of the 85th General Assembly
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November, 2006*

Investments

Economic conditions continued to improve from 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 by performing in the top 20% of its peer group.

Investment performance for the last three years has been excellent for the System with fiscal year returns exceeding the 8% assumed return. In addition, two of the last three years the System has outperformed more than 80% of the retirement plans in our nationwide peer group.

As part of the portfolio realignment, the decision was made to reduce the active management of equities by investing in passive index and commingled funds. This move reduces trading costs, stabilizes returns with the market, and reduces fees charged by investment managers.

Additions/Deductions to Plan Net Assets

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

Current year total contributions, \$311.7 million employer and \$92.0 million employee, covered 79.5% of the \$507.6 million in benefits paid, compared with 74.1% coverage last year. The small increase is the result of a phasing in of the contribution for members still working but participating in the Teacher Deferred Retirement Option Plan (TDROP). Over the next few years the phased approach will put employer contribution levels in line with regular active members.

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 80% funded, down only slightly from 81% the end of the 2005 fiscal year. Amortization required to fund the unfunded accrued actuarial liability (UAAL) remained stable at 38 years. Better results are expected for the 2006 fiscal year actuarial study as the last of the down market losses are recognized in combination with the positive results of the past three years.



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

Implemented during this fiscal is an in-house imaging system (Docmage) further reducing the reliance on external information technology providers. The personal computer based system was custom written for ATRS and will allow more security, lower operating costs, and an unlimited ability to enhance the program to meet specific needs of the System.

Professional Services

The ATRS Board employs firms considered experts in their field to draw on their knowledge and to get views of policy administration. 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 legal and accounting firms for various projects.

Acknowledgments

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

Copies of this report are available to all members of the System via request, and copies will be mailed to each covered employer in the System.

Respectfully submitted:

David R. Malone
Executive Director



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 #6

Member Trustee

Administrator

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

Position #10

Retirant Trustee

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

Position #2

Member Trustee

2nd Congressional District

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

Position #7

Member Trustee

Non-certified

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

Position #11

Retirant Trustee

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

Position #3

Member Trustee

3rd Congressional District

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

Position #8

Member Trustee

Minority

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

Ex Officio Trustees

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

Dr. T. Kenneth James, Director
State Department of Education

Position #4

Member Trustee

4th Congressional District

Beverly Leming (Malvern)
Term Expires 6/30/2011

Position #9

Retirant Trustee

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

Gus Wingfield
State Treasurer

Jim Wood
State Auditor

Position #5

Member Trustee

Superintendent

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

* Members of the Arkansas Teacher Retirement System Investment Committee



Professional Consultants

Actuary

Gabriel Roeder Smith & Co.
One Town Center
Suite 800
Southfield, MI 48076

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

Medical Board

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
28th 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

JP Morgan Investment Management
522 Fifth Avenue
Floor 9
New York, NY 10036



Professional Consultants (continued)

Jacobs Levy Equity Management
100 Campus Drive
Florham Park, NJ 07932

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

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

Prudential Financial - Real Estate
8 Campus Drive
4th Floor
Parisppany, NJ 07054

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

T Rowe Price
100 East Pratt Street
Baltimore, MD 21202-1009

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

UBS Real Estate
242 Trumbor Street
Hartford, CT 06103

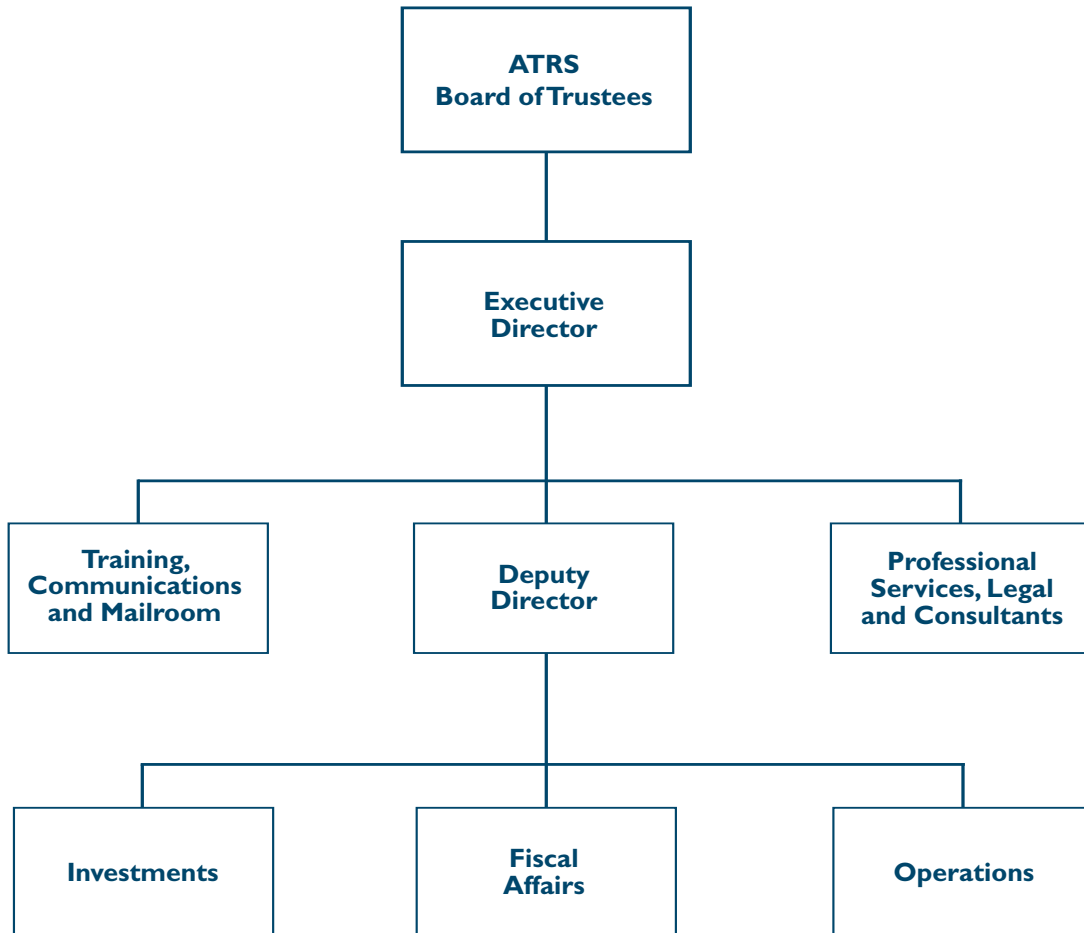
Wellington Management Company
75 State Street
Boston, MA 02109

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

Western Asset Management
117 East Colorado Boulevard
Pasadena, CA 9101



Organizational Chart



Administrative Staff

David R. Malone
Executive Director

Christa S. Clark
Attorney Specialist

Michael Ray
Manager, Benefit Services

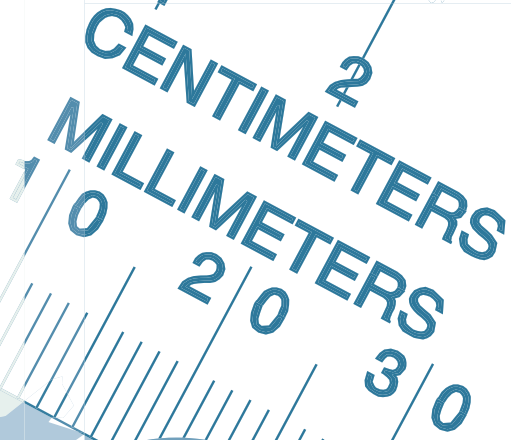
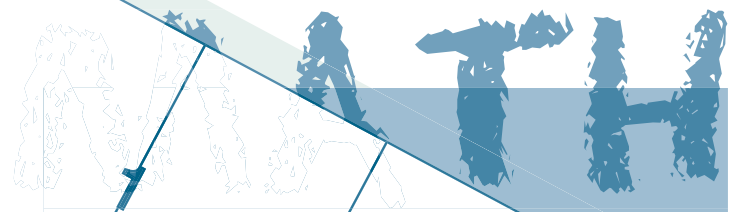
Julie M. Cabe
Deputy Director

G. Wayne Greathouse
Deputy Director Fiscal

George M. Snyder, CPA
Internal Auditor

Gail Blair-Bolden
Associate Director, Operations

Phillip McNeil
Associate Director Fiscal



FINANCIALS

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2006





Statement of Plan Net Assets

As of June 30, 2006

	2006
Assets:	
Cash Held Outside the Treasury	\$ 23,404,464
Cash in Treasury	2,419,325
	<u>25,823,789</u>
Receivables:	
Other Receivables	309,474
Employer Contributions	38,947,902
Employee Contributions	10,759,148
Investment Principal Unsettled Trades	60,109,613
Interest and Dividends	21,637,932
Total Receivables	<u>131,764,069</u>
Securities Lending-Domestic & International	1,157,070,059
Total Investments at Fair Value	9,954,134,457
Net Property and Equipment	151,867
	<u>11,111,356,383</u>
Other Assets:	<u>101,427</u>
Total Assets	<u><u>11,269,045,668</u></u>
Liabilities:	
Accounts Payable	1,749,255
Accrued Expense - Escrow	32,298
	<u>1,781,553</u>
Investment Principal Payable	241,882,546
Securities Lending Collateral	1,157,070,059
	<u>1,398,952,605</u>
Total Liabilities	<u>1,400,734,158</u>
Net Assets Available for Benefits	<u><u>\$9,868,311,510</u></u>



Statement of Changes in Plan Net Assets for the Fiscal Year Ended June 30, 2006

	2006
Additions:	
Contributions:	
Employer	\$ 311,713,735
Employee	92,005,600
Total Contributions	<u>403,719,335</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	1,002,865,748
Interest	101,804,677
Dividends	78,874,810
Real Estate Operating Income	6,564,956
Other	9,137,287
From Securities Lending Activities:	
Lending Income	45,220,869
Less Rebate & Fees	<u>(41,636,271)</u>
Less Investment Expense	<u>(29,545,317)</u>
Net Investment Income	<u>1,173,286,759</u>
 Total Additions	 <u>1,577,006,094</u>
 Deductions:	
Annuity Benefits	507,641,961
Refund of Employer Contributions	429,812
Refund of Employee Contributions	5,777,809
Administrative Expenses	<u>5,991,755</u>
 Total Deductions	 <u>519,841,337</u>
 Net Increase (Decrease)	 <u>1,057,164,757</u>
 Net Assets available for Benefits	
Beginning of year	<u>8,811,146,753</u>
End of year	<u><u>\$9,868,311,510</u></u>



Notes to Basic Financial Statements

June 30, 2006

I. DESCRIPTION OF PLAN

The following is a description of the Arkansas Teacher Retirement System (ATRS). Members should visit the ATRS web-site (www.atrs.state.ar.us) 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 Annotated § 24-7-101 –1409 (Lexis 2005). ATRS provides age and service retirement benefits, disability retirement benefits, survivor benefits, and lump sum death benefits for public school employees and other educationally-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 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 Board
- 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.

At June 30, 2006, the latest actuarial valuation date, the total membership was as follows:

The total number of participating employers was 344.

The number of participating employees included	
Retirees or beneficiaries receiving annuity benefits	24,050
T-DROP participants	5,064
Inactive plan members (not receiving benefits)	8,901
Active plan members (not retired)	85,916
Total	123,931



DESCRIPTION OF PLAN (Continued)

Contributions

ATRS members are contributory or non-contributory based on their employment status. Contribution rates are set by the Board of Trustees. 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.

All participating employers pay the employer contribution rate for participating 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 three highest 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 will be 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.

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

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.

ATRS revised the method used to reflect market values of alternative investments during the current fiscal year. In conjunction with the investment consultant and Credit Suisse, returns were recomputed for each fund from inception through the current year. Therefore, historical total fund returns may vary slightly from returns reported in prior years.

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, 2006, ATRS had open forward exchange contracts with an unrealized loss of approximately \$1,281,798.

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) qualified 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, 2006.

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 of 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.



3. DEPOSITS AND INVESTMENTS (continued)

The following is a reconciliation of the carrying value of cash and investments at June 30, 2006.

As presented in Statement of Plan Net Assets:

Cash and cash equivalents	\$ 25,823,790
Investments	<u>9,954,134,457</u>
Total	\$ 9,979,958,247

As presented below:

Deposits	\$ 10,626,319
Investments	<u>9,969,331,928</u>
Total	\$ 9,979,958,247

Below is a summary of deposits as of June 30, 2006.

Carrying amount	\$ 10,626,319
Bank balance	<u>\$ 7,854,858</u>
Amount insured or collateralized (Category I)	<u>\$ 7,854,858</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, 2006.

Following is a table classifying the credit risk exposure at June 30, 2006, as rated by Standard and Poors.

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 564,653,730
AA	36,798,795
A	113,980,883
BBB	99,477,370
BB	82,070,365
B	108,621,202
CCC	6,168,790
Not Rated	141,988,212

The following table presents the System's investments as of June 30, 2006, 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, 2006, ATRS had approximately \$493 million invested in these securities.

The categories of risk are:

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

3. DEPOSITS AND INVESTMENTS (continued)

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.

	<u>ATRS Securities</u>		
	<u>Of Record</u>	<u>Loaned</u>	<u>Adjusted</u>
Category I			
Domestic equities	\$2,771,293,187	\$781,602,153	\$1,989,691,034
International equities	1,913,602,615	275,239,907	1,638,362,708
Commingled funds	2,588,035,354	-	2,588,035,354
Corporate bonds	187,285,504	73,083,279	114,202,225
Government securities	118,998,351	18,082,869	100,915,482
Cash equivalents – Repurchase agreements	204,958,737	-	204,958,737
Convertible corporate bonds	354,599,136	-	354,599,136
Mortgage back/ABS/CMO	492,876,355	-	492,876,355
Not subject to classification			
Limited partnerships	1,178,164,116	-	1,178,164,116
Real estate	70,242,915	-	70,242,915
Mortgage loans	70,953,188	-	70,953,188
Other investments	3,125,000	-	3,125,000
Cash	15,197,471	-	15,197,471
	<u>9,969,331,929</u>	<u>\$1,148,008,208</u>	<u>8,821,323,721</u>
Collateral for lent securities			
Government securities – cash	-	\$ 18,391,725	18,391,725
Domestic equities – securities	-	788,974,919	788,974,919
Corporate bonds – cash	-	73,871,235	73,871,235
Corporate bonds – securities	-	3,409,328	3,409,328
International equities – cash	-	275,832,179	275,832,179
International – securities	-	9,391,297	9,391,297
Net trust assets	<u>\$9,969,331,929</u>	<u>\$1,169,870,684</u>	<u>\$9,991,194,405</u>

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, 2006, ATRS had the following debt investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>1 to 5</u>	<u>6 to 10</u>	<u>> 10</u>
US Government agencies	\$ 173,047,460	\$ 821,221	\$ 16,747,552	\$ 155,478,687
Government issues	118,998,351	-	-	118,998,351
Mortgages	70,953,188	30,278,041	40,672,147	-
Corporate Issue, Asset Backed & Convertibles	861,713,534	174,948,227	105,987,793	530,323,939

3. DEPOSITS AND INVESTMENTS (continued)

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, 2006, is as follows:

Currency	Fair Value	Equities	Contracts	Cash
Australian dollar	\$ 57,416,650	\$ 55,369,621	\$ 1,831,513	\$ 215,516
Brazilian real	2,172,581	2,117,047	—	55,534
Canadian dollar	42,808,896	63,083,778	(20,275,062)	179
Swiss franc	143,152,281	138,710,756	3,145,664	1,295,861
Danish krone	602,998,575	598,055,070	4,942,609	896
Euro currency	(85,376,164)	—	(95,368,238)	9,992,074
Pound sterling	255,043,311	293,105,572	(39,786,867)	1,724,606
Hong Kong dollar	36,984,908	36,946,093	38,345	470
Indian rupee	730,672	—	—	730,672
Japanese yen	442,403,447	394,566,883	45,968,143	1,868,421
Mexican peso	6,029,049	—	6,029,049	—
South Korean won	68,456,501	68,456,251	—	250
Norwegian krone	3,649,335	6,018,598	(3,623,526)	1,254,268
New Zealand dollar	2,469	—	—	2,469
Swedish krona	78,371,777	36,983,218	41,387,529	1,030
Singapore dollar	28,619,421	6,737,834	21,880,998	589
South African rand	11,100,119	—	11,100,119	—
New Taiwan dollar	15,682,157	15,681,811	—	346
South African rand	10,782,563	11,363,400	(580,852)	15
Thailand bath	17,033,543	—	17,033,543	—

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.

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 100% of the market value at the time of transfer. Market values of the collateral and transferred securities as of June 30, 2006, were \$1,169,870,684 and \$1,148,008,208, 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.



5. RELATED PARTY TRANSACTIONS

State of Arkansas Department of Education had a loan outstanding from ATRS with a balance of \$13,407,716 as of June 30, 2006. During the fiscal year ATRS paid the Department of Information Services approximately \$710,070 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, 2006, the accounts had the following balances:

Members' deposit account	\$ 6,540,773,155
Employers' accumulation account	(1,209,546,672)
Retirement reserve account	4,462,188,075
Survivor benefit account	56,490,859
Income-expense account	<u>18,406,093</u>
Net assets held in trust for pension benefits	<u>\$ 9,868,311,510</u>

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2006, ATRS was committed to purchase investments and return securities lending collateral at an aggregate cost of approximately \$1.188 billion.

ATRS is one of more than 30 named defendants in a lawsuit resulting from the bankruptcy of a limited partnership. Settlement talks have produced good results in which final resolution is expected in the next six months with a final settlement of \$2.3 million.



Required Supplementary Information

Schedule I - Schedule of Funding Progress

(Dollar Amounts in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (AAL) (b-a)	Funding Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2006	9,332	11,623	2,291	80.3%	2,080	110.1%

+ Legislated benefit increase.

* Revised actuarial assumptions.



Required Supplementary Information (continued)

Schedule 2 - Schedule of Employer Contributions

(\$ Millions)

Year Ended June 30	(A) Covered Payroll BOY	(B) Rate	(C)=BxA Annual Required Contribution*	(D) Actual Contributions	(D)/(C) Percent Contributed
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%
2006	1,962	14%	274.68	311.71	113.51%
2007	2,080	14.7%	305.76		

*The Annual Required Contribution dollar amount is based on estimated projected payroll. Actual contributions will be based on pay actually paid throughout the year which may be different.



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, 2006
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Remaining Amortization Period	36 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%



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SUPPORTING SCHEDULES

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2006



GEOGRAPHY



Schedule 4 - Schedule of Administrative Expenses

Fiscal Year ended June 30, 2006

Personnel Services:	
Staff Salaries	\$ 2,469,969
Employee Benefits	<u>786,973</u>
Total Personnel Services	<u>3,256,942</u>
Professional Services:	
Actuary	\$ 184,000
Data Processing	918,852
Other Professional Services and Fees	<u>274,201</u>
Total Professional Services	<u>1,377,053</u>
Miscellaneous:	
Equipment	\$ 16,443
Other Operating Expenses	<u>1,341,317</u>
Total Miscellaneous	<u>1,357,760</u>
Total Administrative Expenses	<u><u>\$ 5,991,755</u></u>



Schedule 5 - Schedule of Investment Expenses

Fiscal Year Ended June 30, 2006

Investment Counsel and Consulting	\$ 995,541
Professional Services:	
International	7,170,560
Alternative Investment	4,899,373
Domestic Equity	12,969,674
Custodian Fee	463,128
Real Estate Expense	3,246,983
Security Lending	41,173,143
Commission Recapture	263,186
Total Professional Services	<u>70,186,047</u>
Total Investment Expense	<u><u>\$ 71,181,588</u></u>



Schedule 6 - Schedule of Payments To Consultants

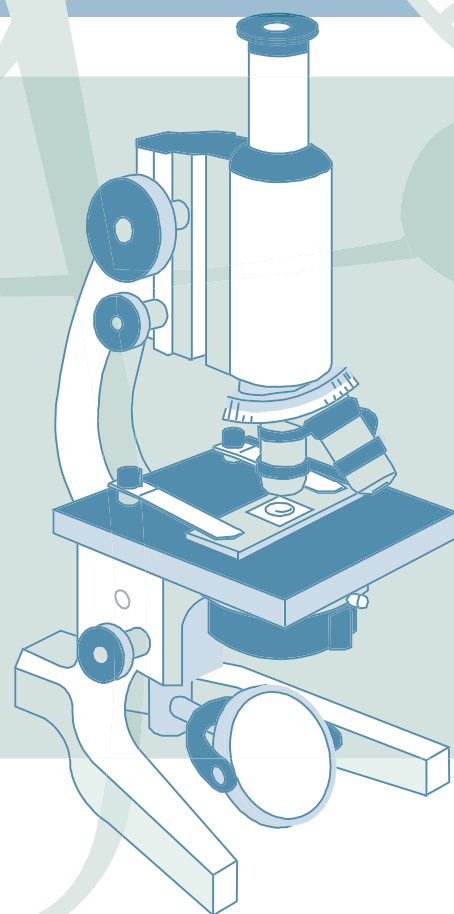
Fiscal Year Ended June 30, 2006

Individual or Firm Professional Services:	Commission/Fee
Data Processing	
Department of Information Services	\$ 710,070
Princeton Financial	114,068
Other supplies/services	<u>94,714</u>
	918,852
Actuary	
Gabriel, Roeder, Smith & Company	184,000
Other	<u>—</u>
	184,000
Other Professional Services and Fees	
Thomas and Thomas	122,786
Gabriel, Roeder, Smith & Company	101,100
Rose Law Firm	25,543
Other	<u>24,772</u>
	274,201
Total	<u><u>\$1,377,053</u></u>

INVESTMENTS

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2006

Science





ENNISKNUPP & ASSOCIATES

November 3, 2006

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

Market Overview

The U.S. stock market advanced 9.9% during the year ended June 30, 2006, as measured by the Dow Jones Wilshire 5000 Index. Small capitalization stocks outperformed large capitalization stocks over the trailing-year, as witnessed by the 14.6% return of the Russell 2000 Small Cap Index compared to the 9.1% return posted by the Russell 1000 Large Cap Index. In terms of style, value outperformed growth during the year, with the Russell 3000 Value Index advancing 12.3% and the Russell 3000 Growth Index returning 6.8%.

Non-U.S. equity markets outpaced their U.S. counterparts during the twelve months ended June 30, 2006. Non-U.S. developed markets advanced 26.6% (as measured by the MSCI EAFE Index) during the year, while emerging markets continued their run of recent strong performance (despite a fiscal fourth quarter pull-back), returning 35.5% (as measured by the MSCI Emerging Markets Free Index) over the trailing twelve month period. A declining U.S. dollar during much of the period contributed to the relative outperformance of non-U.S. markets.

The broad bond market, as measured by the Lehman Brothers Aggregate Bond Index, declined 0.8% during the fiscal year as yields rose across the U.S. Treasury curve. The government and corporate sectors both finished the fiscal year in negative territory, returning -1.2% and -2.2%, respectively. Mortgage-backed and asset-backed issues were able to make modest gains in aggregate. High yield and emerging market debt (which are not included in the Lehman Aggregate) posted solid returns during fiscal 2006, returning 4.8% and 8.1%, respectively.

On June 29th, the Federal Reserve initiated the eighth quarter-point federal funds rate increase of the fiscal year, and seventeenth since June 2004. The resulting rate stood at 5.25% as of fiscal year-end -- rates have not been raised since fiscal year-end, however, as the Fed has left the federal funds rate unchanged at the last two Fed committee meetings. Real GDP rose at a robust 5.6% annualized rate during the fiscal third quarter, though signs of an economic slow-down were beginning to appear during the fourth fiscal quarter. Inflation, as measured by the Consumer Price Index, was 4.3% over the fiscal year and 3.1% over the six months ending June 30, 2006, marking the largest six-month increase in the Index since late 1990.

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 2006, some changes were made in manager structure. At the end of the fiscal year, two large-cap growth managers were added to the U.S. equity portfolio as replacements for the large-cap growth index fund managed by State Street Global Advisors, and Stephens Investment Management Group was hired as a small-cap growth manager. In addition, J.P. Morgan was hired to manage core and value-added real estate allocations. Both commitments have not been funded as of the end of the fiscal year.

ATRS Performance Overview

During the fiscal year of 2006, the Total Fund experienced strong absolute and relative returns as the portfolio advanced 12.4%, exceeding the 10.4% return of the Performance Benchmark and the 10.7% return of the Mellon Analytical Solutions Public Fund Index. The Mellon Analytical Solutions Public Fund Universe represented 60 funds with an aggregate market value of \$838.1 billion. Longer-term performance was favorable as the Total Fund return exceeded that of the Performance Benchmark for the three- and five-year periods.

The non-U.S. equity managers produced a return of 25.2% during the fiscal year of 2006. While this return was strong on an absolute basis, it 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. However, both managers have added value relative to their benchmarks since inception.

The overall fixed income component experienced a flat return during fiscal year 2006 but outperformed the Lehman Brothers Universal Index by 30 basis points as each active manager added value relative to the benchmark. BlackRock, specifically, had very strong performance during the fiscal year, adding 70 basis points of value over the benchmark.

The ATRS private equity and real estate investments added to Total Fund performance for fiscal year 2006 as they advanced 37.1% and 40.9%, respectively. Both asset classes outperformed their respective benchmarks by a significant amount for the fiscal year.

It continues to be 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.



INVESTMENT POLICIES AND PROCEDURES (continued)

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

	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 likelihood of material losses in any individual investment classification.



INVESTMENT POLICIES AND PROCEDURES (continued)

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.

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 A TRS 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.



INVESTMENT POLICIES AND PROCEDURES (continued)

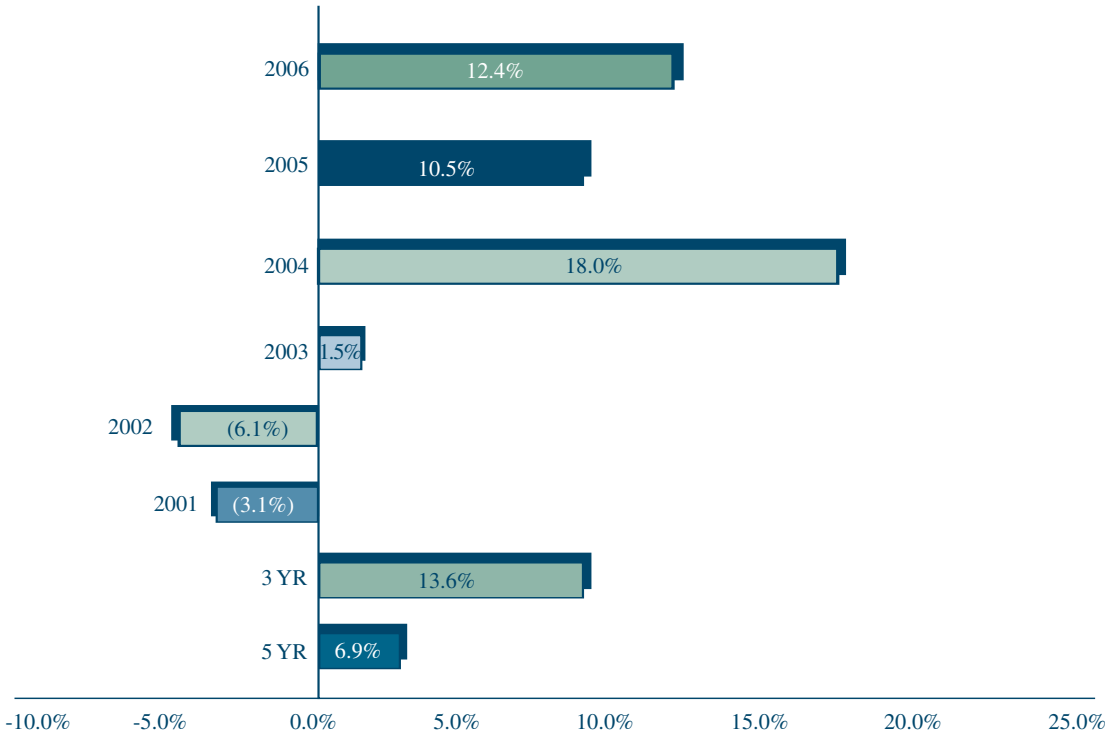
The use of futures and options shall be matched by cash or cash equivalent securities, and all short futures positions shall be matched by equivalent long security positions. Option premiums outstanding at any given time shall be limited to less than 5% of the market value of the total portfolio. The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

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



Note: Returns reflect change in market valuation methodology - See notes to the financial statements.



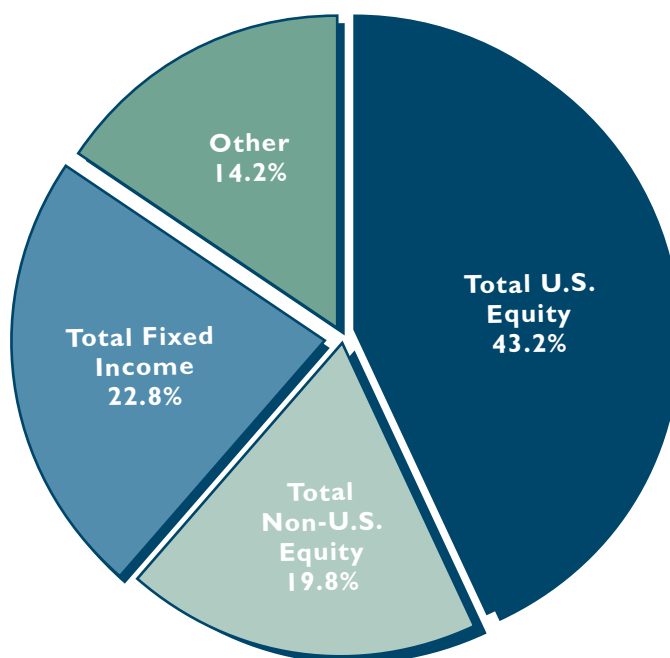
Asset Allocation Analysis

As of June 30, 2006

Asset Class	Market Value (\$ in thousands)	Current %
Total U.S. Equity	\$4,241,644	43.2%
Total Non-U.S. Equity	1,942,057	19.8%
Total Fixed Income	2,237,652	22.8%
Total Mezzanine	28,800	0.4%
Total Domestic Private Equity	416,400	4.2%
Total Foreign Private Equity	85,300	0.9%
Total Real Estate	597,665	6.1%
Arkansas Related	198,900	2.0%
Total Cash	61,955	0.6%
	<u>\$9,810,373</u>	<u>100.0%</u>

Current Allocation by Asset Class

As of June 30, 2006





Schedule of Investment Results

Returns for Period Ended June 30, 2006

The table below details the rates of return for the System's Investment managers over various time periods ending June 30, 2006.

	1 Year	3 Years	5 Years
Total Fund	12.4%	13.6%	6.9%
Performance Benchmark	10.4	12.2	6.1
LARGE CAP GROWTH EQUITY			
Capital Guardian	13.4	--	--
Jacobs Levy	--	--	--
T. Rowe Price	--	--	--
Russell 1000 Growth Index	6.1	--	--
LARGE CAP VALUE EQUITY			
Oppenheimer	11.4	13.8	2.3
Russell 1000 Value Index	12.1	15.7	6.9
ICC Capital	22.8	21.0	7.4
Russell 1000 Index	9.1	12.0	3.1
MID CAP VALUE EQUITY			
Eubel Brady & Suttman	5.2	12.8	12.3
Russell Mid Cap Value	14.3	22.1	13.0
SMALL CAP VALUE EQUITY			
Kennedy Capital Management	15.9	24.8	16.9
Daruma Asset Management	14.1	19.8	8.7
Russell 2000 Value Index	14.6	21.0	13.1
SMALL CAP GROWTH EQUITY			
SSgA Russell 2000 Growth Index	--	--	--
ING Investment Management	16.3	15.4	4.7
Russell 2000 Growth Index	14.6	16.3	3.5
ALL CAP PASSIVE DOMESTIC EQUITY			
SSgA Wilshire 5000 Fund	9.8	12.9	--
DJ Wilshire 5000 Index	9.9	13.0	--
CONVERTIBLES			
Nicholas Applegate	12.3	12.7	6.6
Performance Benchmark ¹	8.6	7.7	5.2



SCHEDULE OF INVESTMENT RESULTS (continued)

The table below details the rates of return for the System's investment managers over various time periods ending June 30, 2006.

	1 Year	3 Years	5 Years
INTERNATIONAL EQUITY MANAGERS			
Capital Guardian	29.3	--	--
MSCI EAFE Index	26.6	--	--
UBS Global Asset Management	22.1	21.1	10.4
Performance Benchmark ²	27.9	24.9	10.7
Wellington	27.1	--	--
MSCI All Country World ex-U.S.	27.9	--	--
FIXED INCOME MANAGERS			
Western Asset Management	0.1	--	--
Performance Benchmark ³	(0.3)	--	--
SSgA Bond Market Index	(0.8)	--	--
Lehman Brothers Bond Index	(0.8)	--	--
BlackRock	0.4	--	--
PIMCO	(0.2)	--	--
Total Fixed Income	0.0	2.9	4.8
Performance Benchmark ⁴	(0.3)	2.5	5.2
ALTERNATIVE INVESTMENTS			
Total Real Estate	40.9	25.5	16.4
Private Equity			
Domestic Private Equity	42.7	32.0	12.3
International Private Equity	12.7	30.9	17.8
Total Private Equity	37.1	32.1	14.0
Total Alternative Investments	35.8	27.7	13.9
ARKANSAS RELATED			
	1.2	2.1	4.1

SCHEDULE OF INVESTMENT RESULTS (continued)

The table below details the rates of return for the System's investment managers for the period ending June 30, 2006.

INDIVIDUAL PARTNERSHIPS	Inception Date	Annualized Internal Rate of Return
Mezzanine		
Blackstone mezzanine Partners	11/30/1999	10.1
DLJ Mezzanine	10/31/1999	10.7
Domestic Private Equity		
Hicks Muse Tate & Furst Fund III	2/28/1997	(0.1)
Hicks Muse Tate & Furst Fund IV	7/31/1998	(9.5)
Hicks Muse Tate & Furst Fund V	11/31/2000	15.8
Oakhill Capital Partners	3/31/1999	6.9
Cypress	5/31/1999	6.7
Diamond State ventures	3/31/2000	8.0
DLJ Merchant III	8/31/2000	19.1
Hicks Muse Tate & Furst- Century Fund	4/30/2000	2.2
CSFB Fund of Funds	6/30/2005	--
Foreign Private Equity		
Doughty Hanson-Fund III	10/31/1997	15.5
Doughty-Hanson Tech I	10/31/2000	(19.3)
Cinven Funds	7/31/1998	5.9
Real Estate		
Doughty-Hanson-Euro real estate	6/30/1999	18.3
DLJ Real Estate Capital III	8/31/1999	20.6
Westbrook Fund II	4/30/1997	14.7
Westbrook Fund III	8/31/1998	11.2
Westbrook IV	4/30/2001	21.3
Westbrook SHP	10/31/1999	2.5
Olympus	7/31/2000	(1.2)
PRISA	6/30/2005	--
UBS	3/31/2006	--
Wachovia Timberland	1/31/1998	8.4
Wachovia Timberland II	10/31/1999	6.9

¹ Nicholas Applegate Performance Benchmark is the Merrill Lynch Convertible Securities (All Quality) Index. Prior to January 1, 2005, it was the CSFB Convertible Securities Index. Prior to May 1, 2004, it was a blend of 90% CSFB Convertible Securities Index and 10% Salomon High Yield Market Index. Prior to November 1, 2000, the benchmark was the CSFB Convertible Securities Index.

² UBS Performance Benchmark represents the MSCI All-Country World Ex-U.S. Index beginning March 1, 2004. Returns through February 29, 2004 represent the MSCI World Ex-U.S. Index.

^{3,4} 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.



Ten Largest Holdings

(By Market Value)

As of June 30, 2006

Fixed Income

Par	Security Name	Market Value
47,985,515	WESTERN ASSET CORE	\$ 526,305,125
29,929,677	PIMCO FDS PAC INVT MGMT SER	304,384,818
16,290,029	BOND MARKET INDEX SL	294,295,661
17,709,706	PIMCO FDS PAC INVT MGMT SER MTG PORTFOLIO	180,284,805
40,763,569	WESTERN ASSET FUND INC	40,763,569
1,583,319	WESTERN ASSET OPPORT NON DOLLAR	33,849,778
2,729,980	PIMCO FDS PAC INVT MGMT SER	29,811,384
31,045,000	UNITED STATES TREASURY NOTES	29,575,212
5,357,877	PIMCO FDS PAC INVT MGMT SER	27,378,753
23,380,000	UNITED STATES TREASURY BONDS	25,791,063
		<u>\$1,492,440,168</u>

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



Ten Largest Holdings (continued)

(By Market Value)

As of June 30, 2006

Domestic Equities

Shares	Security Name	Market Value
43,681,922	US TOTAL MARKET INDEX	\$ 888,446,611
9,791,551	SSGA RUSSELL 2000 GROWTH	121,464,186
2,558,300	AMR	65,031,986
1,796,300	BARRICK GOLD CORP	53,170,480
1,650,957	AT & T CORP	46,045,191
6,074,852	FORD MOTOR CO	42,098,724
1,069,101	COMCAST CORP	35,002,367
1,992,600	MOSAIC CO	31,184,190
904,200	GENERAL ELECTRIC	29,802,432
2,798,086	CHEMTURA CORP	26,134,123
		<u>\$1,338,380,290</u>

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



Ten Largest Holdings (continued)

(By Market Value)
As of June 30, 2006

International Equities

Shares	Security Name	Market Value
16,117,482	VODAFONE	\$ 34,356,131
3,158	SUMITOMO MITSUI	33,426,759
331,820	SANOFI AVENTIS	32,372,683
264,521	E on AG	30,447,438
891,349	ROYAL BANK SCOTLAND	29,312,014
2,485,773	BARCLAYS	28,252,018
1,030,886	ABN AMRO HLDGS NV	28,195,060
411,697	CREDIT SUISSE	22,987,816
2,918,761	UNICREDITO ITALIAN	22,840,287
137,135	ALLIANZ AG	21,658,940
		<u>\$ 283,849,146</u>

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



Ten Largest Holdings (continued)

(By Market Value)
As of June 30, 2006

Arkansas Related Investments

Security Name	Market Value
LINDSEY PARTNERSHIP	\$ 42,428,103
THE PEABODY HOTEL	26,136,906
THE VICTORY BUILDING	18,635,531
AMERICAN CENTER 1 & 2	17,433,358
ARKANSAS DEPT OF EDUCATION LOAN	13,407,716
ATRS RETIREMENT PROPERTIES, LLC	12,325,000
SOUTHCENTER SHOPPING CENTER	11,930,000
THE STATION APARTMENTS-MORTGAGE LOAN	4,991,098
CENTENNIAL VALLEY APARTMENTS-MORTGAGE LOAN	4,347,085
ROSE LAW FIRM BUILDING	4,203,000
	<u>\$155,837,798</u>

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

English

ACTUARIALS

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2006

Noun (n)

Literature



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

November 13, 2006

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, 2006, 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, 2006.

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, 2006
Active Members in Valuation Data
Retirees and Beneficiaries added to and removed from rolls



Solvency Test

Board of Trustees

November 13, 2006

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Summary of Actuarial Assumptions and Methods
Single Life Retirement Values
Probabilities of Retirement for Members
Assumed Duration in T-DROP for Members
Teachers Separations and Individual Pay Increases
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, 2006 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1997-2002 period.

ATRS is 80.3% funded as of June 30, 2006, indicating 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. However, the amortization period remains outside the 30 year limit, and consequently, an additional contribution rate increase for the fiscal year beginning July 1, 2007 is needed.

Based upon the results of the June 30, 2006 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 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.



Exhibit I **Computed Actuarial Liabilities**

As of June 30, 2006

	(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	\$ 8,521,466,423	\$2,039,541,788	\$6,481,924,635
Vested Deferred Benefits likely to be paid present active and inactive members	720,496,033	297,407,133	423,088,900
Survivor benefits expected to be paid on behalf of present active members	135,001,796	58,078,874	76,922,922
Disability Benefits expected to be paid on behalf of present active members	210,374,860	121,168,803	89,206,057
Refunds of Member contributions expected to be paid on behalf of Present active members	15,192,403	79,952,584	(64,760,181)
Benefits payable to present retirees and beneficiaries	4,541,048,451	0	4,541,048,451
Lump Sum Death benefits payable to present retirees and beneficiaries	75,499,953	0	75,499,953
Total	\$14,219,079,919	\$2,596,149,182	\$11,622,930,737
Applicable Assets	9,331,667,789	0	9,331,667,789
Liabilities to be Covered by Future Contributions	\$ 4,887,412,130	\$ 2,596,149,182	\$ 2,291,262,948



Exhibit 2 **Employer Contribution Rate**

Computed as of June 30, 2006

Computed Contributions for	Percents of Active Member Full Payroll			Prior Year
	Teachers	Support	Combined	
Normal Cost				
Age & Service Annuities	10.67%	8.74%	10.12%	10.02%
Deferred Annuities	1.32%	1.75%	1.44%	1.44%
Survivor Benefits	0.30%	0.27%	0.29%	0.29%
Disability Benefits	0.63%	0.56%	0.61%	0.61%
Refunds of Member Contributions	0.34%	0.61%	0.42%	0.39%
Total	13.26%	11.93%	12.88%	12.75%
Average Member Contributions	4.54%	3.18%	4.16%	3.99%
Net Employer Normal Cost	8.72%	8.75%	8.72%	8.76%
Unfunded Actuarial Accrued Liabilities			5.82%	5.94%
Employer Contribution Rate			14.54%	14.70%
Amortization Years			30.0	30.0

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 14.54%, and preferably to 15%.



Schedule of Active Member Valuation Data

Valuation Date June 30	Active Members in Valuation		Average Annual Pay	
	Number	Annual Payroll	Amount	% Change
2006	67,710	\$2,080	\$30,714	3.0%
2005	65,793	1,962	29,826	7.8%
2004	63,185	1,748	27,660	2.6%
2003	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				
2006	1,958	485	24,153	\$449.77	8.4%	\$18,622
2005	1,822	570	22,680	415.04	7.5%	18,300
2004	1,692	535	21,428	386.23	7.3%	18,025
2003	1,621	548	20,272	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.

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	(1)	Portion of Present Values Covered by Present Assets		Total
						(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%
2006	630	4,617	6,376	9,332	100%	100%	64%	80%

* Revised actuarial assumptions or methods.

Legislated benefit or contribution rate change.



Summary of Actuarial Assumptions and Methods

Valuation Date	June 30, 2006
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.

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

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

Economic Assumptions

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

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

**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, 2005** valuation. The rates for reduced retirement were first used in the **June 30, 2002** valuation.

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

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

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



Table I
Single Life Retirement Values

Sample Attained Ages	Present Value of \$1.00 Monthly for Life		Present Value of \$1 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	Portion of Age 60 Lives Still Alive Women
60	\$100.00	100%	100%
65	115.00	94%	97%
70	130.00	85%	93%
75	145.00	72%	86%
80	160.00	54%	73%



Table II
Probabilities of Retirement for Members

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

Probabilities of Reduced Retirement for Members

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



Table III
Probabilities of T-DROP for Members

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

Future T-DROP members are assumed to enter T-DROP at the time that is to their greatest financial advantage.



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					
		Men	Death Women	Men	Disability Women	Men	Other 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%

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



Analysis of Financial Experience

Type of Risk Area	2002	Gain (Loss) For Year Ended (\$ Millions)			
	2003	2004	2005	2006	
ECONOMIC RISK AREAS					
Pay increases. <i>If there are smaller pay increases</i> than assumed, there is a gain. If greater increases, a loss.	\$19.3	\$12.9	\$27.7	\$(173.5)	\$3.9
Gross Investment Return. <i>If there is greater investment</i> return than assumed, there is a gain. If less return, a loss.	(392.9)	(767.6)	(218.6)	(193.0)	(76.4)
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.	7.0	6.9	6.1	(0.4)	(4.1)
Disability Retirements. <i>If there are fewer disabilities</i> than assumed, there is a gain. If more, a loss.	(0.6)	0.0	(1.6)	0.5	1.2
Death-in-Service Benefits. <i>If there are fewer claims</i> than assumed, there is a gain. If more, a loss.	1.4	0.8	1.1	0.5	0.6
Withdrawal. <i>If more liabilities are released by other</i> separations than assumed, there is a gain. If smaller releases, a loss.	(0.9)	(1.7)	(5.9)	(11.1)	(11.8)
Death After Retirement. <i>If there is higher mortality</i> than assumed, there is a gain. If lower mortality, a loss.	4.8	7.5	(2.6)	(0.7)	(3.3)
TOTAL	\$(361.9)	\$(741.2)	\$(193.8)	\$(377.7)	\$(89.9)



Comments

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

“6.01. (1) The general financial objective of each Arkansas public employee retirement plan shall be to **establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Arkansas citizens.**

More specifically, contributions received each year shall be sufficient both to (i) fully cover the costs of benefit commitments being made to members for their service being rendered in such year and (ii) make a level payment which if paid annually over a reasonable period of future years will fully cover the unfunded costs of benefit commitments for service previously rendered”

Arkansas Teacher Retirement System Status. Based upon the results of June 30, 2006 actuarial valuations, ATRS is satisfying the financial objective of level-contribution-percent financing

Market investment experience for the year end June 30, 2006 was favorable.

The Arkansas Teacher Retirement System is 80.3% funded as of June 30, 2006, indicating a 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.

STATISTICS

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2006





Schedule of Revenue By Source

Year Ending June 30	Member Contributions	Employer Contributions		Investment Income	Total
		Employer Contributions	% of Annual Covered Payroll		
2006	\$92,005,600	\$311,713,735	15.0%	\$1,173,286,760	\$1,577,006,095
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
2006	\$507,641,961	\$5,991,755	\$6,207,622	\$519,841,338
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



Schedule of Benefit Expenses By Type

Year Ending June 30	2006	2005	2004	2003	2002	2001
Age and Service	\$395,446,232	\$363,872,024	\$338,817,041	\$315,456,745	\$291,969,589	\$ 265,279,449
Disability	23,489,045	22,637,834	20,968,493	19,836,787	18,965,804	18,097,625
Option	11,081,484	10,188,011	9,524,367	8,847,041	7,947,966	6,877,850
Survivor	5,925,441	5,677,528	5,585,284	5,503,873	5,306,397	4,837,322
Reciprocity	14,726,557	13,027,579	11,551,771	10,245,385	8,878,504	7,524,324
Active Members Death Benefit	658,633	831,792	575,813	713,094	580,689	688,447
T-DROP	51,961,787	31,457,198	22,950,458	18,600,700	17,038,780	15,934,672
Act 808	4,278,617	4,286,580	4,294,802	4,272,018	4,261,953	4,152,737
Total	\$507,567,796	\$451,978,546	\$414,268,026	\$383,475,643	\$354,949,682	\$ 323,392,426



Schedule of Retired Members By Type of Benefit

Monthly Benefit	Number of Retirants	Type of Retirement*						Option Selected #		
		1	2	3	4	5	Life	Opt. A	Opt. B	Opt. C
\$1-250	2,723	2,289	57	124	241	12	2,292	324	21	86
251-500	2,571	2,030	44	164	290	43	2,163	289	50	69
501 - 750	1,812	1,441	62	38	221	50	1,462	223	72	55
751 - 1,000	1,565	1,191	65	26	238	45	1,253	187	84	41
1,001 - 1,250	1,481	1,133	54	38	215	41	1,171	186	95	29
1,251 - 1,500	1,576	1,277	42	38	190	29	1,277	179	89	31
1,501 - 1,750	1,731	1,477	33	32	165	24	1,362	197	124	48
1,751 - 2,000	2,136	1,913	28	26	155	14	1,668	233	181	54
Over \$2,000	8,224	7,842	129	61	177	15	6,283	901	812	228
Totals	23,819	20,593	514	547	1,892	273	18,931	2,719	1,528	641

* Type of Retirement

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

Option Selected at Retirement

- Life - Straight life annuity
- Option A - 100% survivor annuity
- Option B - 50% survivor annuity
- Option C - annuity for 10 years certain and life thereafter

Excludes Act 793 and Act 808 retirees.



Schedule of Average Benefit Payments

Retirement Effective Dates		Service at Retirement						
July 1, 1996 to June 30, 2006		0-4	5-9	10-14	15-19	20-24	25-29	30+
07/01/96 -06/30/97	Average Monthly Benefit	\$ 252	\$ 149	\$ 344	\$ 721	\$ 1,006	\$ 1,344	\$ 1,986
	Average Final Salary	\$24,675	\$16,565	\$18,811	\$26,730	\$27,576	\$31,526	\$35,744
	Number of Active Retirees	184	61	115	99	103	203	284
07/01/97 -06/30/98	Average Monthly Benefit	\$ 275	\$ 199	\$ 297	\$ 712	\$ 1,117	\$ 1,584	\$ 2,096
	Average Final Salary	\$25,351	\$21,528	\$16,808	\$24,491	\$28,474	\$33,396	\$36,007
	Number of Active Retirees	17	46	152	107	142	268	272
07/01/98 -06/30/99	Average Monthly Benefit	\$ 216	\$ 174	\$ 369	\$ 777	\$ 1,197	\$ 1,636	\$ 2,149
	Average Final Salary	\$23,052	\$13,734	\$19,411	\$26,758	\$32,278	\$35,179	\$36,306
	Number of Active Retirees	52	492	187	119	114	317	301
07/01/99 -06/30/00	Average Monthly Benefit	\$ 193	\$ 204	\$ 362	\$ 860	\$ 1,226	\$ 1,743	\$ 2,361
	Average Final Salary	\$25,045	\$13,612	\$17,288	\$28,523	\$30,543	\$36,513	\$37,919
	Number of Active Retirees	27	219	138	102	137	308	318
07/01/00 -06/30/01	Average Monthly Benefit	\$ 194	\$ 210	\$ 422	\$ 920	\$ 1,333	\$ 1,887	\$ 2,459
	Average Final Salary	\$21,910	\$14,772	\$19,899	\$31,531	\$33,529	\$39,490	\$39,512
	Number of Active Retirees	50	315	229	125	132	387	333
07/01/01 -06/30/02	Average Monthly Benefit	\$ 173	\$ 209	\$ 363	\$ 797	\$ 1,348	\$ 1,920	\$ 2,528
	Average Final Salary	\$31,558	\$13,507	\$17,606	\$27,482	\$34,586	\$39,498	\$40,211
	Number of Active Retirees	78	477	376	195	171	423	269
07/01/02 -06/30/03	Average Monthly Benefit	\$ 131	\$ 213	\$ 439	\$ 824	\$ 1,321	\$ 1,982	\$ 2,530
	Average Final Salary	\$25,178	\$16,577	\$21,197	\$28,856	\$34,031	\$40,871	\$39,797
	Number of Active Retirees	48	304	225	155	151	473	265
07/01/03 -06/30/04	Average Monthly Benefit	\$ 200	\$ 252	\$ 456	\$ 804	\$ 1,396	\$ 2,044	\$ 2,602
	Average Final Salary	\$26,511	\$17,293	\$21,690	\$29,722	\$37,471	\$41,637	\$41,256
	Number of Active Retirees	46	333	254	185	163	486	225
07/01/04 -06/30/05	Average Monthly Benefit	\$ 117	\$ 245	\$ 451	\$ 851	\$ 1,413	\$ 2,085	\$ 2,561
	Average Final Salary	\$21,778	\$17,230	\$21,509	\$31,146	\$38,529	\$42,106	\$39,786
	Number of Active Retirees	44	384	239	215	136	562	242
07/01/05 -06/30/06	Average Monthly Benefit	\$ 178	\$ 249	\$ 486	\$ 796	\$ 1,472	\$ 2,146	\$ 2,860
	Average Final Salary	\$23,915	\$17,531	\$24,252	\$29,291	\$39,726	\$43,432	\$42,735
	Number of Active Retirees	44	371	263	207	150	633	290

May include cases where the service was not reported.



Schedule of Participating Employers

As of June 30, 2006

Academics Plus Charter Sch	Brookland Sch Dist	East Poinsett Sch Dist
Alma School Dist	Bryant School Dist	El Dorado Sch Dist
Alpena School Dist	Buffalo Island Central	Elkins School Dist
Ar Association Edu Admin	Cabot School Dist	Emerson - Taylor Sch Dist
Ar Dept Of Correction	Caddo Hills Sch Dist	England School Dist
Ar Dept Of Economic Dev	Calico Rock Sch Dist	Eureka Springs Sch
Ar Dept Of Workforce Educ	Camden-Fairview Sch Dist	Farmington Sch Dist
Ar Educational Tv	Carlisle Sch Dist	Fayetteville Schools
Ar Rehabilitation Services	Cave City Sch Dist	Flippin School Dist
Ar River Ed Srvs Coop	Cedar Ridge School District	Focus Learning Academy
Ar School Boards Ins Trust	Cedarville School District	Fordyce School Dist
Ar School F/T Blind	Centerpoint School Dist #43	Foreman School Dist
Ar School F/T Deaf	Charleston Sch Dist	Forrest City Sch Dist
Ar State Univ	Clarendon Sch Dist	Fort Smith Sch Dist
Ar State Univ, Beebe	Clarksville Sch Dist	Fouke School Dist
Ar State Univ, Newport	Cleveland County Sch Dist	Fountain Lake Sch
Ar Teacher Ret Sys	Clinton School Dist	Gen Div-Dept Of Ed
Ar Tech University	Concord School Dist	Genoa Central School Dist. #1
Ar Workforce Invest Board	Conway School Dist	Gentry School Dist
Arch Ford Coop	Conway Voc Ctr	Glen Rose Sch Dist
Arise Charter School	Corning School Dist	Gosnell School Dist
Ark Northeastern College	Cossatot Com Col Of Uoa	Gravette School Dist
Arkadelphia Sch Dist	Cotter School Dist	Great Rivers Ed Coop
Arkansas Activities	County Line Sch Dist	Green Forest Sch
Arkansas Easter Seals	Craighead Co Sd Exec Council	Greenbrier Sch Dist
Armored School District	Cross Co Sch Dist	Greene Co Tech Sch
Ashdown School Dist	Crossett School Dist	Greenland Sch Dist
Asu Mountain Home Campus	Crowleys Ridge Coop	Greenwood Sch Dist
Atkins School Dist	Crowleys Ridge Tech Inst	Gurdon School Dist
Augusta School Dist	Cushman School Dist	Guy-Perkins Sch Dist
Bald Knob Sch Dist	Cutter Morning Star	Haas Hall Academy
Barton-Lexa Sch Dist	Danville School Dist	Hackett School Dist
Batesville Sch Dist	Dardanelle Sch Dist	Hamburg School Dist
Bauxite School Dist	Dawson Educ Service Coop	Hampton School Dist
Bay School Dist	Decatur School Dist	Harmony Grove Sch
Bearden School Dist	Deer/Mt. Judea School Dist	Harmony Grove School
Beebe School Dist	Delight School Dist	Harrisburg Schools
Benton County Sch Of Arts	Dept Of Higher Education	Harrison School Dist
Benton School Dist	Dequeen School Dist	Hartford School Dist
Bentonville Sch Dist	Dequeen-Mena Ed Co-Op	Hazen School Dist
Bergman School Dist	Dermott School Dist	Heber Springs Sch
Berryville Sch Dist	Des Arc School Dist	Hector School Dist
Bismarck School Dist	Dewitt School Dist	Helena-West Helena
Black River Technical Col	Dierks School Dist	Henderson State Univ
Blevins School Dist	Dollarway Sch Dist	Hermitage Sch Dist
Blytheville Sch Dist	Dover School Dist	Highland School Dist
Booneville Sch Dist	Drew Central Sch Dist	Hillcrest School District
Boston Mts Ed Coop	Dumas School Dist	Hope School Dist
Bradford School Dist	Earle School Dist	Horatio School Dist
Bradley School Dist	East Ar Comm College	Hot Springs Sch Dist
Brinkley School Dist	East End School Dist	Hoxie School Dist



Schedule of Participating Employers (continued)

As of June 30, 2006

Hughes School Dist	Monticello Sch Dist	Poyen School Dist
Huntsville Sch Dist	Monticello Voc Ctr	Prairie Grove Sch
Imboden Area Charter Sch	Mount Ida Sch Dist	Prescott School Dist
Izard Co Cons School	Mountain Home Sch	Pulaski Co Sch Dist
Jackson County Sch Dist	Mountain Pine Sch	Pulaski Technical Col
Jasper School Dist	Mountain View Sch	Quitman School Dist
Jessieville Sch Dist	Mountainburg Sch Dist	Rector School Dist #1
Jonesboro Sch Dist	Mt Vernon-Enola Sch Dist	Rich Mtn Comm College
Jonesboro Voc Ctr	Mulberry School Dist	River Valley Tech(Voc)ctr
Junction City Sch	Murfreesboro Sch Dist	Riverside School Dist
Kipp Delta College Prep	Nashville Sch Dist	Riverside Vo-Tech School
Kirby School Dist	National Park Comm College	Riverview School Dist
Lafayette County Sch Dist	Nemo Vista Sch Dist	Rogers School Dist
Laidlaw/Lr Trans	Nettleton Sch Dist	Rose Bud School Dist
Lake Hamilton Sch	Nevada School Dist #1	Russellville Sch Dist
Lakeside School Dist	Newport School Dist	Russellville Voc Ctr
Lakeside School District	Norfolk School Dist	Salem School Dist
Lamar School Dist	Norphlet School Dist	Scranton School Dist
Lavaca School Dist	North Ar (Comm Tech) College	Se Arkansas Ed Coop
Lawrence County School Dist	North Central Career Ctr	Searcy County School Dist
Lead Hill Sch Dist	North Central Educ Coop	Searcy School Dist
Lee County Schools	North Little Rock Sch Dist	Sheridan School Dist
Lincoln School Dist	Northeast Ar Educ Coop	Shirley School Dist
Lisa Academy	Northwest Ar Ed Svc Coop	Siloam Springs Sch
Literacy Council Of Lonoke	Northwest Tech Inst	Sloan-Hendrix Sch Dist
Little Rock Sch Dist	Nw Ar Community College	Smackover Sch Dist
Lonoke School Dist	Omaha School Dist	So Ar Community College
Magazine School Dist	Osceola School Dist	So Ar Developmental Ctr
Magnet Cove Sch Dist	Ouachita River School Dist	So Arkansas Univ
Magnolia School Dist	Ouachita School Dist	So Arkansas Univ
Malvern School Dist	Ouachita Technical Col	So Conway Co Sch Dist
Mammoth Spring Sch	Ozark Mountain School Dist	So Mississippi Co
Manila School Dist	Ozark School Dist	South Central Svc Coop
Mansfield Sch Dist	Ozark Unlimited Res Coop	Southeast Arkansas (Tech) Col
Marion School Dist	Ozarka College	Southside Sch Dist
Marked Tree Sch Dist	Palestine-Wheatley Sch Dist	Southside School Dist
Marmaduke Sch Dist	Pangburn School Dist	Spring Hill Sch Dist
Marvell School Dist	Paragould Sch-Dist	Springdale Sch Dist
Mayflower Sch Dist	Paris School Dist	Star City Sch Dist
Maynard School Dist	Parkers Chapel Sch	Stephens School Dist
Mccrory School Dist	Pea Ridge Sch Dist	Strong School Dist
Mcgehee School Dist	Perryville Sch Dist	Stuttgart Sch Dist
Melbourne Sch Dist	Phillips Com Col-Dewitt	Sw Arkansas Ed Coop
Mena School Dist	Phillips Comm Coll/Ua	Texarkana Sch Dist
Metropolitan Voc Ctr	Piggott School Dist	Texarkana Voc Ctr
Midland School Dist #19	Pine Bluff Sch Dist	Trumann School Dist
Mid-South Community (Tech) Col	Pocahontas Sch Dist	Turrell School Dist
Mineral Springs	Pottsville Sch Dist	Twin Rivers School District



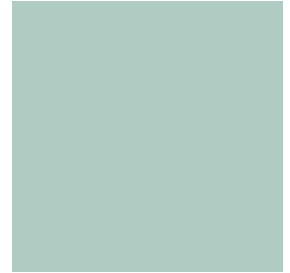
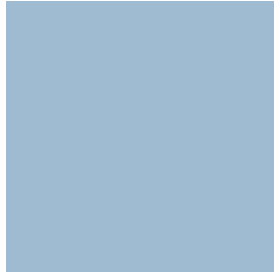
Schedule of Participating Employers (continued)

As of June 30, 2006

Two Rivers School District
U Of Ar, Monticello
U Of Ar, Pine Bluff
Univ Of Ar-Fayetteville
Univ Of Ark Comm Coll, Hope
Univ Of Ar-Little Rock
Univ Of Central Ar
University Of Ar - Fort Smith
Uoa Com Col At Batesville
Uoa Com Col Morrilton
Uoa Of Medical Sciences
Uoa Sch Math,Science &arts
Valley Springs Sch
Valley View Sch Dist
Van Buren Sch Dist
Van-Cove School Dist
Vilonia School Dist
Viola School Dist
Waldron School Dist
Warren School Dist
Warren Voc Ctr
Watson Chapel Schools
Weiner School Dist
West Fork Sch Dist
West Memphis Sch Dist
West Side Sch Dist
Western Ar Educ Coop
Western Yell Co #9
Westside School Dist
Westside School Dist #40
White Co Central Sch Dist
White Co Sd Exec Council
White Hall Sch Dist
Wickes School Dist
Wilbur D Mills Ed Svs
Wonderview Sch Dist
Woodlawn School Dist
Wynne School Dist
Yellville-Summit Sch



A	T	Arkansas Teacher Retirement System
R	S	



1400 West Third Street

Little Rock, Arkansas 72201

501.682.1517 or 1.800.666.2877

website: atrs.state.ar.us