ARTRS

Arkansas Teacher Retirement System

2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARKANSAS

PREPARED BY THE STAFF OF
ARKANSAS TEACHER RETIREMENT SYSTEM
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A PENSION TRUST FUND OF THE STATE OF ARKANSAS
GEORGE HOPKINS, EXECUTIVE DIRECTOR

2012
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Arkansas Teacher Retirement System

Introduction

Arkansas Teacher Retirement System

Letter of Transmittal

May 13, 2013

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

The Arkansas Teacher Retirement System (the "System" or ATRS) is pleased to submit this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The ATRS CAFR provides comprehensive information on the retirement plan that ATRS administers. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the System. To the best of the System's knowledge and belief, the enclosed data is accurate in all material respects and presents fairly the System's financial status and changes in the financial condition.

The 2012 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on Page 5).

Introductory Section:

This section contains the transmittal letter, the Board of Trustees, and organizational chart.

Financial Section:

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

Investment Section:

This section includes the investment consultant's report, investment policies, asset allocation, and investment results.

Actuarial Section:

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

Statistical Section:

This 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 Arkansas retirement law, Chapter 24 of the Arkansas Code. ATRS is one of five state-supported retirement systems in Arkansas and provides retirement, disability and survivor benefits to employees of Arkansas public schools and educationally related public agencies. The System has 337 participating employers.

Investments

Performance across capital markets was mixed during fiscal year 2012, with non-U.S. markets significantly underperforming those in the U.S. Concerns that had previously weighed on investor sentiment continued as European economic data remained weak with the increasing debt crisis and Europe's strongest economy, Germany, experiencing rising unemployment rates. Within the U.S., investor confidence has improved, and indicators point to a slow, but progressing recovery. While the global outlook is still uncertain and corrections should be anticipated, markets have shown momentum and strength.

ATRS has structured a diversified portfolio that includes allocations to the equity markets, bonds, private equity, real estate, and alternative investments. The approach of investing in multiple asset classes not only allows the Fund to benefit from equity advances, but also offers protection during down markets. Over the long-term, ATRS' investment approach has proved beneficial. For example, over the ten-year period ending December 31, 2012, ATRS ranked in the top 17% of a universe of other large public pension funds. ATRS maintains a roster of compelling investment managers, and new opportunities that will benefit the Fund are being considered. A focus on long term growth potential, coupled with asset protection and cost containment continue to be a focus for ATRS.

Additions/Deductions to Plan Net Assets

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

Current year total contributions, $398.8 million employer and $117.7 million employee, covered 65% of the $791.8 million in benefits paid, compared with 74% coverage last year: There was a 6.4% percent increase in retirees receiving benefits while the number of active members remained relatively level, only decreasing by 1.5%. This is a trend that could continue for the next few years as the Baby Boomer generation reaches retirement age and schools continue to consolidate.

Funding Status

The System lost a little ground in pre-funding as a result of the negative market returns in the 2009 fiscal year. To reduce the impact of wild swings in the financial markets, annual results are spread over a four-year period (four year smoothing). This means the 2009 fiscal year's negative results will be felt through the 2012 fiscal year. ATRS remains a stable 71.2% funded. Amortization required to fund the unfunded accrued actuarial liability (UAAL) increased from 66 to over 100 years.

Internal Control

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

Professional Consultants

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

Acknowledgements

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

This report is posted on the ATRS website (artrs.gov) and hard copies are available via request.

Respectfully submitted,

George Hopkins
Executive Director

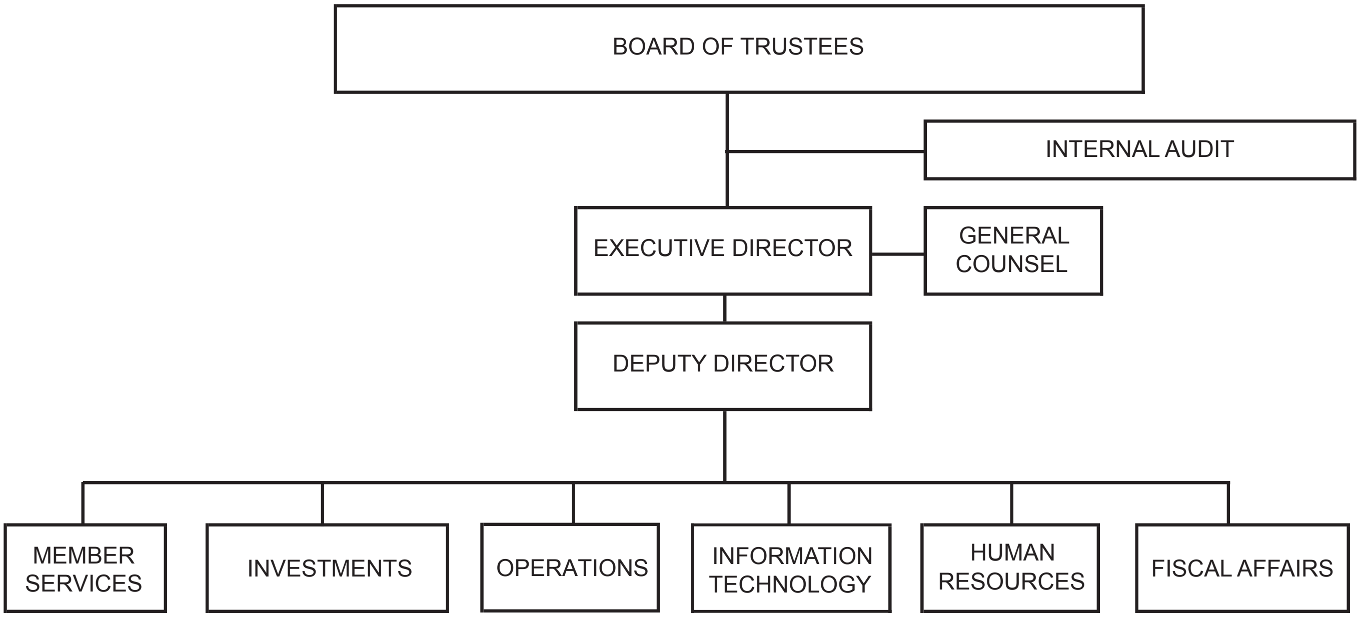
Board of Trustees

Member and Retirant Trustees

Ex Officio Trustees

Organizational Chart

ARTRS
Arkansas Teacher Retirement System



Administrative Staff

George Hopkins
Executive Director

Gail Bolden
Deputy Director

Brenda West, CPA
Chief of Risk Management & Internal Audit

Laura Gilson
General Counsel

Gaye Swaim
Operations Administrator

Michael Ray
Member Services Administrator

G. Wayne Greathouse
Associate Director of Investments

Mullahalli Manjunath
Director of Information Technology

Vicky Fowler
Personnel Manager

Mitzi Ferguson, CPA
Associate Director of Fiscal Affairs

Professional Consultants

Actuary

Gabriel Roeder Smith & Company
Southfield, MI

Legal Counsel

Gill, Ragon, Owen & Sherman
Little Rock, AR

Kutak Rock, LLP
Scottsdale, AZ

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

Morgan, Lewis & Bockius, LLP
New York, NY

Rose Law Firm, PA
Little Rock, AR

Williams & Anderson
Little Rock, AR

Securities Monitoring Counsel

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

Kaplan, Fox & Kilsheimer
New York, NY

Labaton Sucharow, LLP
New York, NY

Nix, Patterson & Roach, LLP
Daingerfield, TX

Investment Consultant

Hewitt EnnisKnupp, an Aon Company
Chicago, IL

Custodian
(Domestic and International)

State Street Public Fund Services
Boston, MA

State Street Fund Services Toronto, Inc.
Toronto, Ontario

Public Markets

Allianz Global Investors Capital
New York, NY

Bedlam Asset Management plc
London, England

BlackRock
Account Management Group
New York, NY

Daruma Asset Management, Inc.
New York, NY

D.E. Shaw & Company, LP
New York, NY

ICC Capital Management
Danville, CA

ING Management Americas
Chicago, IL

Jacobs Levy Equity Management, Inc.
Florham Park, NJ

Kennedy Capital Management
St. Louis, MO

Knight Vinke Asset Management, LLC
New York, NY

Lazard Asset Management, LLC
New York, NY

Lincoln Vale European Partners Fund
Lincoln, MA

Loomis Sayles & Company, LP
Boston, MA

Oppenheimer Capital (Allianz)
New York, NY

Pershing Square Capital Management, LP
New York, NY

PIMCO
Newport Beach, CA

Putnam Investments Management
Boston, MA

Relational Investors, LLC
San Diego, CA

State Street Global Advisors (SSgA)
Boston, MA

State Street Global Markets, LLC
Transition Management
Boston, MA

State Street - Securities Lending
Boston, MA

State Street Specialized Trust Services
Kansas City, MO

Stephens Investment Management
Houston, TX

T. Rowe Price Associates, Inc.
Baltimore, MD

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

Wellington Management Co., LLP
Boston, MA

Western Asset Management Company
Pasadena, CA

Private Equity

Franklin Park
General Consultant – Private Equity
Bala Cynwyd, PA

21st Century Group I
Dallas, TX
Advent International Corporation
Boston, MA

Altus Capital Partners
Westport, CT

Audax
New York, NY

Blackstone Mezzanine Partners
New York, NY

Boston Ventures VIII
Boston, MA

Cinven
London, England

Court Square Capital Partners III, LP
New York, NY

Credit Suisse Customized Fund Investment Group
New York, NY

The Cypress Group
New York, NY

DLJ Merchant Banking Partners III
DLJ Investment Partners II
New York, NY

Diamond State Ventures
Diamond State Ventures II
Little Rock, AR

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

DW Healthcare
Park City, UT

EnCap Investments, LP
Houston, TX

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

Insight Equity II
Insight Mezzanine I
Southlake, TX

J.F. Lehman & Company
New York, NY

KPS Supplemental III
New York, NY

LLR Equity Partners III
Philadelphia, PA

Mason Wells
Milwaukee, WI

Professional Consultants

Natural Gas Partners IX
NGP Natural Resources X
Irving, TX

Oak Hill Capital Partners
New York, NY

Riverside Partners Fund IV, LP
Riverside Partners Fund V, LP
Boston, MA

TA XI
Boston, MA

Tennenbaum
Santa Monica, CA

VISTA Equity Partners
San Francisco, CA

Wellspring Capital Management, LLC
New York, NY

The Wicks Group of Companies, LLC
New York, NY

Real Estate

Almanac Realty Securities
New York, NY

CB Richard Ellis Strategic Partners, LP
Los Angeles, CA

DLJ Real Estate II, LP
New York, NY

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

Heitman Capital Management, LLC
Chicago, IL

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

Landmark Partners
Simsbury, CT

Long Wharf Real Estate Partners, LLC
Boston, MA

New Boston Fund VII
Boston, MA

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

Olympus Real Estate Corporation
Addison, TX

Prudential Real Estate Investors
Madison, NJ

Torchlight Debt Opportunity Fund (Cayman) II, LP
Torchlight Debt Opportunity Fund III, LP
New York, NY

Westbrook Partners, LLC
New York, NY

Direct Real Estate Partnerships

CRI – Cooper Real Estate Investment
Rogers, AR

Lindsey Management, Co. Inc.
Fayetteville, AR

UBS Realty Investors
Hartford, CT

UBS Realty Services
Dallas, TX

Alternative Investments

Hedge Funds

Anchorage Capital Group, LLC
New York, NY

Capula Investment US, LP
Greenwich, CT

Graham Capital Management, LP
Rowayton, CT

York Capital Management
New York, NY

Farm Manager

Halderman Farm Management
Wabash, IN

Timberland

Regions Timberland Group
Atlanta, GA

2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial

Statement of Plan Net Assets

As of June 30, 2012

ASSETS	
Cash and cash equivalents	$ 226,128,942
Receivables	
Employer contributions	29,936,141
Member contributions	17,220,609
Investment principal	74,728,456
Interest and dividends	17,773,402
Other accounts receivable	288,730
Total Receivables	139,947,338
Investments, at fair value	
US Government and agency obligations	86,711,893
International equities	705,145,458
Global corporate bonds	61,135,830
Forward currency contracts	790,316
Domestic corporate bonds	304,652,837
Domestic equities	2,268,669,378
Domestic convertible bonds	363,605,185
Collateralized mortgage obligations	37,531,080
Mortgages	102,165,689
Asset-backed securities	28,438,436
Commingled funds - fixed-income	1,658,486,377
Commingled funds - equities	2,548,142,830
Municipal bonds	2,132,226
Partnerships	338,075,528
Real estate	85,931,196
Alternative investments	2,667,800,823
Total Investments	11,259,415,079
Securties lending invested cash collateral	682,684,173
Capital assets, net of accumulated depreciation	223,321
Prepaid expenses	140,811
TOTAL ASSETS	12,308,539,665
TOTAL LIABILITIES	
Accrued expenses and other liabilities	9,623,548
Investment principal payable	127,712,225
Securities lending obligations	685,240,716
Compensated absences payable	356,588
Post employment benefit liability	1,721,078
TOTAL LIABILITIES	824,654,155
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$11,483,885,509

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

Statement of Changes In Plan Net Assets

For The Year Ended June 30, 2012

ADDITIONS	
Contributions	
Employer	$ 398,822,946
Member	117,662,465
Total Contributions	516,485,410
Investment income	
From investing activities:	
Net appreciation (depreciation) in fair value of assets	(223,289,187)
Interest	61,877,094
Dividends	72,945,026
Real estate operating income	8,198,063
Total investment income	(80,269,004)
Less investment expense	44,648,139
Total income from investing activities	(124,917,143)
From securities lending activities:	
Securities lending income	5,695,735
Less securities lending expense	1,133,035
Total income from securities lending activities	4,562,700
Miscellaneous income	1,700,253
TOTAL ADDITIONS (LOSSES)	397,831,220
DEDUCTIONS	
Benefits	791,844,923
Refunds	9,225,151
Administrative Expense	7,752,975
TOTAL DEDUCTIONS	808,823,049
CHANGE IN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	(410,991,829)
NET ASSETS - BEGINNING OF YEAR	11,894,877,338
NET ASSETS - END OF YEAR	$11,483,885,509

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

Notes to Financial Statements

June 30, 2012

NOTE 1: Summary of Significant Accounting Policies

A. REPORTING ENTITY/HISTORY

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

B. PLAN DESCRIPTION

Arkansas Teacher Retirement System is a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and educational related agencies. Agency employers include:

- Arkansas School for the Blind
- Arkansas School for the Deaf
- Arkansas Activities Association
- State Board of Education
- Regional Education Service Cooperatives
- Arkansas Teacher Retirement System
- Arkansas Educational Television Commission
- Area Vocational-Technical Schools
- Arkansas Rehabilitation Services
- Enterprises Privatized by a Public School District
- Educational Non-Profit Organizations

On June 30, 2012, the number of participating employers was:

Public Schools	257
State Colleges and Universities	35
State Agencies	13
Other/Privatized	32
Total	337

Notes to Financial Statements *(continued)*

June 30, 2012

On June 30, 2012, Arkansas Teacher Retirement System's membership consisted of:

Retirees or beneficiaries currently receiving benefits	34,160
T-Drop participants	4,432
Inactive plan members (not receiving benefits)	12,654
Active members	
Fully vested	48,631
Non-vested	22,564
Total	122,441

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5/12 of one percent multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average salary (effective April 1, 1998, computed using highest three years salary) and (2) the number of years of service.

Arkansas Teacher Retirement System (ATRS) has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or noncontributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year.

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

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for noncontributory members.

A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries that received monthly benefits for the previous twelve (12) months. The COLA is calculated by multiplying one hundred percent (100%) of the member's base retirement annuity times three percent (3%).

Notes to Financial Statements *(continued)*

June 30, 2012

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credits. Act 1590 of 1999 allows for participation in the T-DROP after 28 years of credited service with a reduction of six percent for each year under 30 years. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member election to enter T-DROP is irrevocable and additional service credit will not be accumulated. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits are the member's normal retirement benefit reduced by one percent (1%) for each contributory year of service and 6/10 of one percent (.6%) for each noncontributory year of service. For members that entered T-DROP prior to September 1, 2003, the reduction is 1/2 of one percent (.5%) for contributory service and 3/10 of one percent (.3%) for noncontributory service for each year above 30 years of service. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees. T-DROP deposits into member accounts will cease at the completion of ten years of participation in the program, however, a member may continue employment and will continue to receive interest on the account balance at the ten year plus interest rate that is also set annually by the Board of Trustees. When T-DROP participation ceases, the member may receive all or a portion of the T-DROP distribution as a lump sum cash payment, an annuity, or may roll it over into another tax-deferred account. A member may also elect to defer all or part of the distribution into a T-DROP cash balance account held by ATRS. If only part of the distribution is deferred, the remainder will be distributed on a 25%, 50% or 75% basis.

C. BASIS OF ACCOUNTING

Arkansas Teacher Retirement System's financial statements are prepared using the accrual basis of accounting. Contributions and other revenues are recognized when they are earned and benefits paid, refunds and other expenses are recognized when due and payable in accordance with the provisions of law.

D. FEDERAL INCOME TAX STATUS

During the year ended June 30, 2012, the Arkansas Teacher Retirement System was a qualified plan under 26 USC § 401(a) and was exempt from federal income taxes under 26 USC § 501(a).

E. CAPITAL ASSETS

Capital assets purchased and in the custody of the Agency were recorded as expenditures at the time of purchase. Assets with costs exceeding $2,500 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs and installation costs). Infrastructure of public domain fixed assets such as roads, bridges, tunnels, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are also capitalized. Gifts or contributions are generally recorded in the accounts at fair market value at the time received. Depreciation is reported for capital assets based on a straight-line method, with no salvage value.

Estimated useful lives generally assigned are as follows:

Assets:	Years
Equipment	5-20
Buildings and building improvements	20-50
Infrastructure	10-30
Land improvements	10-40
Other capital assets	4-20

Notes to Financial Statements *(continued)*

June 30, 2012

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fiduciary activities:				
Equipment	$ 2,010,229	$ –	$ 52,165	$ 1,958,064
Less accumulated depreciation:	1,756,707	30,201	52,165	1,734,743
Fiduciary activities, net	$ 253,522	$ (30,201)	$ –	$ 223,321

F. DEPOSITS AND INVESTMENTS

Deposits

Deposits are carried at cost and are included in "Cash and Cash Equivalents." Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, cash in state treasury, all certificates of deposit and short-term instruments with maturities at purchase of 90 days or less and short-term investment funds (STIF). The STIF accounts are created through daily sweeps of excess cash by the System's custodial bank into bank sponsored commingled funds that are invested in U.S. Government and Agency securities and other short-term instruments. State Treasury Management Law governs the management of funds held in the State Treasury (Cash in State Treasury) and it is the responsibility of the Treasurer of State to ensure these funds are adequately insured and collateralized. At June 30, 2012, cash and cash equivalents totaling $226,128,942 included cash deposits with financial institutions of $22,480,414, STIF accounts in the amount of $199,749,156, cash in state treasury of $3,899,297 and petty cash of $75.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or collateral securities. The System's deposit policy is to place deposits in collateralized or insured accounts to manage the risk that deposits may not be returned. As of June 30, 2012, $3,782,178 of the System's bank balance of $22,598,490 was held in foreign bank accounts and was exposed to custodial credit risk.

Investments

Arkansas Code Annotated 24-2-601 thru 24-2-619 authorizes the Board of Trustees of the Arkansas Teacher Retirement System to have full power to invest and reinvest monies of the system and to hold, purchase, sell, assign, transfer or dispose of any of the investments, or proceeds of the investments in accordance with the prudent investor rule. The Code also states the System shall seek to invest no less than five percent and no more than ten percent of the System's portfolio in Arkansas related investments.

Notes to Financial Statements *(continued)*

June 30, 2012

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

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

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

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

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

Notes to Financial Statements *(continued)*

June 30, 2012

As of June 30, 2012, the System had the following investments and securities lending collateral:

Investment Type	Fair Value
U.S. Government obligations	$86,711,893
Domestic equities	2,268,669,378
International equities	705,145,457
Commingled funds	4,206,629,207
Corporate bonds	729,393,852
Asset and mortgage-backed securities	168,135,205
Municipal bonds	2,132,226
Conventional mortgages	42,666,169
Alternative investments	2,888,394,365
Limited partnerships	74,815,815
Real estate	85,931,196
Investment derivatives	790,316
Total investments	11,259,415,079
Securities Lending Collateral	
Quality D short term investment pool*	682,684,173
Total	$11,942,099,252

*Cash collateral received totaled $685,240,716. The amount reported in the GASB 40 footnote above is the market value of the collateral received at June 30, 2012.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Notes to Financial Statements *(continued)*

June 30, 2012

The summary shown below indicates that 91% of the System's investment maturities are one year or longer.

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 -10**	**More than 10**
Cash and cash equivalents	$199,749,156	$199,749,156			
U.S. Government obligations	86,711,893	6,274,149	$39,691,233	$23,403,434	$17,343,077
Commingled funds	1,658,486,377	28,589,736	806,051,004	747,253,079	76,592,558
Corporate bonds	729,393,852	34,013,605	301,976,649	191,207,497	202,196,101
Asset and mortgage-backed securities	168,135,205	3,158,786	25,283,133	15,371,993	124,321,293
Municipal bonds	2,132,226				2,132,226
Conventional mortgages	42,666,169		16,775,304		25,890,865
Totals	$2,887,274,878	$271,785,432	$1,189,777,323	$977,236,003	$448,476,120

Securities Lending Collateral			
Quality D short term investment pool	$682,684,173	$652,884,277	$29,799,896

Asset-Backed Securities – As of June 30, 2012, the System held asset-backed securities with a fair value of $28,438,436. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets. At June 30, 2012, the System held no asset-backed securities that were considered as highly sensitive to changes in interest rates.

Mortgage-Backed Securities – As of June 30, 2012, the System held mortgage-backed securities with a fair value of $139,696,769. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the System will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties. At June 30, 2012, the System held no mortgage-backed securities that were considered as highly sensitive to changes in interest rates.

Corporate Bonds – As of June 30, 2012, the System held corporate bonds with a fair value of $364,869,420. Corporate bonds are debt instruments that are issued by private corporations. They have a term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates. At June 30, 2012, the System held no corporate bonds that were considered highly sensitive to changes in interest rates.

Notes to Financial Statements *(continued)*

June 30, 2012

Convertible Corporate Bonds – As of June 30, 2012, the System held convertible bonds with a fair value of $364,524,432. Convertible bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds offer lower coupon rates and promised yields to maturity than do nonconvertible bonds. A variable coupon varies directly with movements in interest rates. At June 30, 2012, the system held no convertible corporate bonds that were considered as highly sensitive to changes in interest rates.

Credit Risk – Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. The System does not have a formal investment policy for credit risk.

The System's exposure to credit risk as rated by Standard and Poor's (S&P) and Moody's Investors Service as of June 30, 2012, is as follows:

Standard and Poor's		**Moody's Investors Service**	
Rating	Fair Value	Rating	Fair Value
AAA	$ 46,970,231	Aaa	$ 239,248,969
AA	218,747,214	Aa	40,820,054
A	91,918,177	A	31,882,287
BBB	156,398,755	Baa	164,790,437
BB	119,751,865	Ba	75,232,306
B	107,556,941	B	85,099,850
CCC or below	21,908,501	C or below	19,165,217
Not Rated	2,124,023,194	Not Rated	2,231,035,758
Total	$ 2,887,274,878	Total	$ 2,887,274,878
Securities Lending Cash Collateral			
Not Rated	$ 682,684,173	Not Rated	$ 682,684,173

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. The System does not have a formal investment policy for custodial credit risk. At June 30, 2012, $2,026,470 of System investments were exposed to custodial credit risk.

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

Notes to Financial Statements *(continued)*

June 30, 2012

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy for foreign currency risk.

The System's exposure to foreign currency risk for investments and deposits at June 30, 2012, was as follows:

		Investments			
Currency	Fair Value	Fixed Income	Equities	Forward Contracts	Cash Deposits
Australian Dollar	$19,918,418	$5,400,165	$20,283,395	$(5,768,533)	$3,391
Brazilian Real	13,390,837	5,757,492	7,629,362		3,983
British Pound Sterling	196,151,748	680,472	212,245,394	(17,412,159)	638,041
Canadian Dollar	37,374,574	17,174,431	27,069,705	(7,014,810)	145,248
Chilean Peso	2,748,565	761,059	1,987,506		
Columbian Peso	3,805,785	1,386,179	2,419,606		
Danish Krone	12,439,897		12,439,315		582
Euro	116,743,491	9,250,118	142,169,925	(36,069,882)	1,393,330
Hong Kong Dollar	81,468,362		85,877,221	(4,415,647)	6,788
Hungarian Forint	237				237
Indian Rupee	582,723				582,723
Israeli Shekel	220				220
Japanese Yen	85,397,787		93,398,400	(8,877,247)	876,634
Mexican Peso	26,764,217	9,578,841	1,853,507	15,331,697	172
New Taiwan Dollar	6,977,962		6,924,529		53,433
New Zealand Dollar	4,696,987	4,693,726			3,261
Norwegian Krone	13,896,341		17,014,915	(3,119,814)	1,240
Phillipine Peso	8,833,273	6,453,346	2,379,927		
Singapore Dollar	11,335,951			11,332,057	3,894
South African Rand	11,201,861		13,268,645	(2,066,986)	202
South Korean Won	6,667,272		6,667,242		30
Swedish Krona	29,778,339		18,984,208	10,794,099	32
Swiss Franc	24,630,579		27,017,117	(2,455,181)	68,643
Thailand Baht	1,771,190		3,948,646	(2,177,549)	93
Turkish Lira	1,566,893		1,566,893		
Totals	$718,143,509	$61,135,829	$705,145,458	$(51,919,955)	$3,782,177

For Forward Currency Contracts in the schedule above, a positive number represents the market value of contracts to purchase that currency in excess of the market value of contracts to sell that currency. A negative number therefore represents the market value of contracts to sell foreign currency in excess of contracts to purchase that currency.

Notes to Financial Statements *(continued)*

June 30, 2012

Forward Currency Contracts – The System enters into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net appreciation (depreciation) in fair value of investments in the statement of changes in plan net assets. At June 30, 2012, the System had outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of $36,882,835 and market values of $38,497,490 resulting in a net gain of $1,614,655. Outstanding forward exchange currency contracts to sell foreign currencies with contract amounts of $89,593,107 had market values of $90,417,446 resulting in a net loss of $824,339.

Derivatives – Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates, and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts, and forward foreign currency exchange. ATRS investment guidelines state that derivatives may be used to reduce the risk in a portfolio but should not be used to create a position of leverage or substantially increase the risk of the overall portfolio. Futures and options should be matched by cash or cash equivalent securities, and all short futures positions should be matched by equivalent long security positions. Each investment manager's derivative usage is specified in the investment management agreement or specific guidelines. As of June 30, 2012, the System held warrants with a fair value of $38,504.

Notes to Financial Statements *(continued)*

June 30, 2012

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2012			
	Classification	**Amount**	**Classification**	**Amount**	**Notional**	
Fiduciary funds						
Investment derivative instruments:						
Foreign currency forwards	Investment revenue	$(172,140)	Investments	$(195,748)	AUD	5,645,173
	Investment revenue	590	Investments		BRL	
	Investment revenue	79,715	Investments	(56,714)	CAD	7,161,558
	Investment revenue	(49,252)	Investments	(51,036)	CHF	2,320,000
	Investment revenue	38,021	Investments		DKK	
	Investment revenue	222,388	Investments	(272,448)	EUR	29,185,876
	Investment revenue	(340,831)	Investments	(186,513)	GBP	11,103,418
	Investment revenue	(7,030)	Investments	(3,724)	HKD	34,660,000
	Investment revenue	4,871	Investments		IDR	
	Investment revenue	100,082	Investments	100,082	JPY	707,728,950
	Investment revenue	8,984	Investments	(60,875)	NOK	18,590,000
	Investment revenue	281,709	Investments		SEK	
	Investment revenue	(45,257)	Investments	(10,791)	THB	69,450,000
	Investment revenue	1,718,494	Investments	1,614,653	USD	36,882,835
	Investment revenue	(40,922)	Investments	(86,570)	ZAR	17,070,000
		$1,799,422		$790,316		
Rights	Investment revenue	$(39,750)	Investments			$29,368
Warrants	Investment revenue	$(1,943,541)	Investments	$38,504		$271,960

Securities Lending Transactions – Arkansas Code Annotated and the Board of Trustees policies permit the System to participate in a securities lending program administrated by State Street Bank (the "Custodian"). The Custodian enters into agreements with broker-dealers or other entities to loan securities for collateral and have the same securities redelivered in the future. There were no restrictions on the dollar amount of securities loaned by the System. Securities on loan to participating brokers at year-end include U.S. Government securities, corporate securities and international securities. Brokers who borrow the securities provide cash or other collateral including securities issued or guaranteed by the United States Government. Collateral must be provided in the amount of at least 100% of the market value of the loaned securities. The System cannot pledge or sell collateral securities received unless the borrower defaults. The cash collateral received on each loan is invested in a collective investment fund comprised of a liquidity pool and a duration pool. As of June 30, 2012, the liquidity pool had an average duration of 35.93 days and an average weighted final maturity of 72.78 days for USD collateral. The duration pool had an average duration of 35.97 days and an average weighted final maturity of 1,328.60 days for USD collateral. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At year-end, the System had no credit risk exposure to borrowers due to the custodian's indemnification. The Custodian

Notes to Financial Statements *(continued)*

June 30, 2012

indemnified the System by agreeing to purchase replacement securities, or return cash collateral in the event a borrower failed to return a loaned security or failed to pay the trust funds for income of the securities while on loan. There were no failures by any borrowers to return loaned securities or pay distributions during the year. Investments made with cash collateral appear as an asset on the Statement of Plan Net Assets. A corresponding liability is recorded, as the System must return the cash collateral to the borrower upon expiration of the loan. The system is exposed to investment risk including the possible loss of principal value in the cash collateral pool due to fluctuation in the market value of the assets held by the cash collateral pool. As of June 30, 2012, the fair value of the cash collateral exceeded the net asset value (NAV) by $2,556,543.

G. CONTRIBUTIONS AND RESERVES

Contributions

Arkansas Teacher Retirement System's (ATRS) funding policy provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. The employer contribution rate was fourteen percent for the fiscal year ending June 30, 2012. Contributory members are required to contribute six percent of gross wages to ATRS. Employee contributions are refundable if ATRS covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits which are included in the refund.

Reserves

In accordance with the provisions of Ark. Code Ann. 24-7-405, Arkansas Teacher Retirement System must maintain reserve accounts showing net assets available for benefits. At June 30, 2012, the reserve accounts were funded at a level which complied with the code provisions.

The reserve balances at June 30, 2012, are as follows:

	Total
Members' deposit account reserve	$ 6,112,991,001
Employers' accumulation account reserve	(2,742,643,657)
Retirement reserve	7,421,872,223
Teacher Deferred Retirement Option Plan account reserve	600,148,550
Survivor benefit account reserve	82,111,923
Income - expense account reserve	9,405,469
Total	$11,483,885,509

Notes to Financial Statements *(continued)*

June 30, 2012

H. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLANS

Actuarial valuations and assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities (AAL) for benefits.

The schedule of employer contributions, presented as required supplementary information following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 25.

Calculations are based on the benefits provided under the terms of the plan in effect and the pattern of cost sharing between employees and the employer. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows (dollar amounts in millions):

Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
$11,484	$16,139	$4,655	71.2%	$2,714	171.5%

Notes to Financial Statements *(continued)*

June 30, 2012

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

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	over 100 years
Asset valuation method	4-year smoothed market 80%/120% corridor*
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.25 - 9.10%
Inflation rate	3.25%
Post retirement cost-of-living adjustments	3.00% - simple
Mortality table	RP-2000 Mortality Table projected 25 years with scale AA

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

NOTE 2: Other Post Employment Benefits (OPEB)

GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), requires that OPEB expense of fiduciary funds should be recognized on the accrual basis in the fund financial statements. The 2012 liability of $1,721,078 is a prorated amount from the Department of Finance and Administration based on a State-wide actuarial study. The amount allocated to ATRS is based on budgeted employees of the Agency and is composed of: (1) the annual required contribution (ARC) which is the normal cost and 1/30 of the unfunded actuarial accrued liability (UAAL), (2) one-year's interest on the net OPEB, (3) adjustments to the ARC to offset the effect of actuarial amortization of past under or over contributions, and (4) minus actual contributions. The State of Arkansas 2012 CAFR will contain the complete OPEB footnote required by GASB 45.

NOTE 3: Required Supplementary Schedules

The historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information. Required supplementary information prepared in accordance with the parameters of GASB Statement No. 25 and GASB Statement No. 43 is included immediately following the notes to the financial statements.

Required Supplementary Schedules

Schedule 1 - Schedule of Funding Progress

(DOLLAR AMOUNTS IN MILLIONS)

						Liabilities as a % Payroll		
Valuation Date June 30	(1) Actuarial Value of Assets	(2) Entry Age AAL	(3) UAAL (2)-(1)	(4) Funding Ratio (1)/(2)	(5) Annual Payroll	Unfunded (3)/(5)	Funded (1)/(5)	Total (2)/(5)
1992+	$ 2,729	$ 3,329	$ 600	82.0%	$1,077	55.7%	253.4%	309.1%
1993+	3,051	3,712	661	82.2%	1,120	59.0%	272.4%	331.4%
1994	3,307	3,960	653	83.5%	1,167	56.0%	283.3%	339.3%
1995*	3,626	4,257	631	85.2%	1,234	51.1%	293.9%	345.0%
1996	4,186	4,635	449	90.3%	1,260	35.6%	332.3%	367.9%
1997+	4,956	5,403	447	91.7%	1,302	34.3%	380.7%	415.0%
1998+*	5,815	6,188	373	94.0%	1,368	27.3%	425.0%	452.3%
1999+	6,740	6,834	94	98.6%	1,429	6.6%	471.6%	478.2%
2000+	7,620	7,879	259	96.7%	1,485	17.4%	513.2%	530.6%
2001+	8,166	8,561	395	95.4%	1,557	25.4%	524.4%	549.8%
2002*	8,328	9,062	734	91.9%	1,628	45.1%	511.5%	556.6%
2003+	8,113	9,445	1,332	85.9%	1,683	79.1%	482.1%	561.2%
2004	8,424	10,050	1,626	83.8%	1,748	93.0%	481.9%	574.9%
2005	8,817	10,973	2,156	80.4%	1,962	109.9%	449.4%	559.3%
2006	9,332	11,623	2,291	80.3%	2,080	110.1%	448.7%	558.8%
2007+	10,519	12,329	1,810	85.3%	2,191	82.6%	480.1%	562.7%
2008+	11,319	13,334	2,015	84.9%	2,268	88.8%	499.1%	587.9%
2009	10,617	14,019	3,402	75.7%	2,318	146.8%	458.0%	604.8%
2010+	10,845	14,697	3,852	73.8%	2,381	161.8%	455.5%	617.3%
2011+*	11,146	15,521	4,375	71.8%	2,728	160.4%	408.6%	569.0%
2012	11,484	16,139	4,655	71.2%	2,714	171.5%	423.2%	594.7%

\+ *Legislated benefit or contribution rate change.*

* *Revised actuarial assumptions.*

Prepared by Gabriel Roeder Smith & Company

Required Supplementary Schedules *(continued)*

Schedule 2 - Schedule of Employer Contributions

(DOLLAR AMOUNTS IN MILLIONS)

Fiscal Year Ended June 30	Valuation Date June 30	Estimated Covered Payroll	Annual Required Contribution	(A) Annual Required Contribution*	(B) Actual Contributions	(B) (A) Percent Contributed
2001	1999	1,485	12.0%	178.25	181.12	101.6%
2002	2000	1,557	12.0%	186.85	191.35	102.4%
2003	2001	1,628	12.0%	195.36	200.46	102.6%
2004	2002	1,683	13.0%	218.84	224.18	102.4%
2005	2003	1,748	14.0%	244.68	286.44	117.1%
2006	2004	1,962	14.0%	285.64	311.71	109.1%
2007	2005	2,080	14.7%	321.66	331.89	103.2%
2008	2006	2,191	14.5%	343.99	350.32	101.8%
2009	2007	2,268	14.0%	344.03	359.06	104.4%
2010	2008	2,592	14.0%	362.85	389.30	107.3%
2011	2009	2,743	15.4%	417.32	400.33	95.9%
2012	2010	2,818	15.8%	443.65	398.82	89.9%

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

Prepared by Gabriel Roeder Smith & Company

Supporting Schedules

Schedule 3 - Schedule of Administrative Expenses

For the Year Ended June 30, 2012

Personnel Services	
Staff Salaries	$ 3,825,638
Employee Benefits	1,766,180
Total Personnel Services	5,591,818
Professional Services	
Actuary	270,500
Data Processing	441,840
Legal Counsel	50,704
Medical Board	5,250
Other Professional Services and Fees	26,037
Total Professional Services	794,331
Miscellaneous	
Rent Expense	677,274
Communication Expenses	237,673
Travel Expense	64,930
Equipment Expense	30,394
Other Operating Expense	356,555
Total Miscellaneous	1,366,826
Total Administrative Expenses	$ 7,752,975

Schedule 4 - Schedule of Investment Expenses

For the Year Ended June 30, 2012

Investment Counsel	$ 2,244,820
Professional Services	
Domestic Money Managers	11,334,258
International / Global Money Managers	15,927,256
Alternative Investment Managers	8,865,175
Custodian Fees	675,017
Total Professional Services	36,801,706
Other Investment Expenses	
Real Estate Expense	5,289,434
International Withholding Tax	245,582
Miscellaneous Investment Expense	66,597
Total Other Investment Expenses	5,601,613
Total Investment Expense	$ 44,648,139

Investments

Investment Consultant's Report

Hewitt ennisknupp
An Aon Company

April 2013

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

Market Overview

The major equity markets across the globe had mixed results during fiscal year 2012. While the U.S. markets advanced moderately, the non-U.S. markets struggled amidst concerns regarding the deepening European debt crisis. At the close of the fiscal year, equity markets rebounded due to the extension of Operation Twist in the U.S. (the Fed's initiative of buying longer-term Treasuries and simultaneously selling some shorter-dated issues in order to bring down long-term interest rates), an expected rate cut by the European Central Bank, and market anticipation of quantitative easing by the Bank of England. These actions helped to buoy U.S. stocks returns, but were not enough to keep non-U.S. equity markets from closing out the fiscal year with a double digit negative return.

The Federal Funds Target Range remained at 0.00% - 0.25% throughout fiscal year 2012, the all-time low. The low target range reflected the Federal Open Market Committee's expectation for a slow pace of recovery and was intended to further stimulate economic growth. The Committee pledged to keep downward pressure on long-term Treasury rates, while also extending Operation Twist through the end of 2012. The Committee stated its intention to keep the current target range unchanged through at least 2014.

The real estate markets continued to improve through the end of the fiscal year 2012 despite challenging economic drivers at the national and global level. Momentum in the recovery continued to slowly shift from the core assets to non-core assets as distressed investments were starting to be resolved, albeit at a slow pace. However, a wide price disparity between core and non-core assets remained as core assets were being bid up to near peak levels.

Equity market results were mixed across regions and sectors for the fiscal year; the broad U.S. equity market gained 4.0%, the developed non-U.S. equity market fell 13.8%, and emerging markets declined 15.9%. Yields fell across the curve, and the 10-year U.S. Treasury approached a record low yield of 1.4% at the end of the fiscal year. The inadequate economic recovery helped fuel a flight to quality favoring government bonds. Long-term government bonds were the strongest performing sector of the bond market over the fiscal year. Investment grade outperformed high-yield during the period, reflecting the preference for safer investments. In aggregate, the bond market advanced 7.5% over the fiscal year.

Overview of Fund Structure

The ATRS portfolio is diversified across several asset classes including U.S. equity, global equity, fixed income, private equity, real estate, and alternative investments. Within these asset classes, the investments are further diversified amongst different investment types, vintage years, and styles. A variety of investment firms are employed within each category to minimize manager- and firm-specific risk. We believe the diversification and general risk level of the fund structure to be appropriate given its goals and objectives, and we will continue to analyze additional types of investment strategies in order to best position the fund for continued growth and downside protection.

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The fund's asset allocation is determined through periodic asset-liability studies and assessments of risk and liquidity needs. The last asset-liability study was completed in April 2012, which supported a mix of equities and alternative investments of eighty percent and a twenty percent allocation to fixed income. Minor allocation shifts during fiscal year 2012 served to further align the fund with this strategic asset allocation. The investment management structure remained largely the same during the fiscal year. The account with activist manager Lincoln Vale was closed, and some additional manager changes were made subsequent to the close of the fiscal year.

ATRS Performance Overview (Annualized Returns)

	1 Year Ending 6/30/12		3 Year Ending 6/30/12		5 Year Ending 6/30/12	
	Return	Rank	Return	Rank	Return	Rank
Total Fund	**-0.9%**	**92**	**11.2%**	**54**	**1.7%**	**44**
Performance Benchmark	2.1	26	12.0	38	1.8	43
Total U.S. Equity	**-3.3**	**99**	**16.9**	**27**	**1.8**	**6**
DJ U.S. Total Stock Market Index	4.0	20	16.9	26	0.6	36
Total Global Equity	**-9.0**	**72**	**9.7**	**73**	–	–
MSCI ACW Index	-6.5	55	10.8	59	–	–
Total Fixed Income	**5.2**	**87**	**9.8**	**38**	**7.0**	**48**
Performance Benchmark	7.4	65	7.6	85	6.8	50
Total Private Equity	**12.5**	–	**10.9**	–	**6.1**	–
Private Equity Policy	–	–	26.9	–	4.5	–
Total Real Estate	**10.7**	–	**4.9**	–	**-0.6**	–
NCREIF NPI	13.4	–	6.0	–	3.0	–
Total Other Alternatives	**0.1**	–	**1.2**	–	**2.4**	–
Custom Alternatives Benchmark	-3.9	–	-3.3	–	2.3	–

During the fiscal year 2012, the System's -0.9% return lagged the 2.1% return of the Performance Benchmark. Short-term performance was negatively impacted by some specific manager-level issues. Longer-term performance was more favorable as the System's return approximated that of the Performance Benchmark over the five-year period and ranked 44th in the Public Fund Universe.

The U.S. equity asset class earned weak results during fiscal year 2012, but outperformed its benchmark over three- and five-year periods and ranked in the top quartile of plans in the BNY Mellon Performance & Risk Analytic's Public Fund U.S. equity asset class universe. During the difficult market environment of fiscal year 2012, many of the active managers within the U.S. equity portfolio underperformed their respective benchmarks; however, over longer time periods most of the U.S. equity managers utilized by ATRS have exceeded their performance goals. Over the three-year period the U.S. equity portfolio has advanced 16.9%.

The global equity portfolio followed the market's return into negative territory during the fiscal year 2012, and underperformed the benchmark. The performance of the Wellington Opportunistic portfolio, which was terminated subsequent to the close of the fiscal year, had the largest negative impact on the global equity portfolio's performance. Several other managers also fell short during the period and detracted from relative results. D.E. Shaw was a strong performer for the fiscal year. Over the three-year period, the global equity portfolio has advanced nearly 10% on an annualized basis.

The fixed income asset class portfolio also underperformed the performance benchmark during the fiscal year as many managers were challenged by the bond market. Last year's strongest performing fixed income manager, Loomis Sayles, gave back some of its value-added and detracted the most during the fiscal year. Over the three- and five-year periods, however, the fixed income portfolio has

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An Aon Company

added value over the performance benchmark. The fixed income asset class includes several core-plus and opportunistic strategies that have been positioned to take advantage of fluctuations in the bond market over the longer-term periods. Over the three- and five-year periods, all of the fund's active fixed income managers have been strong and consistent performers.

The System's private equity investments posted a positive absolute return during fiscal year 2012. Due to the long-term nature of private equity, performance benchmark returns are not shown for periods less than three-years. While the private equity portfolio has underperformed over the three-year period, it has added value over its benchmark and public equity market equivalents over the five-year period.

Total real estate advanced over 10 percentage points during the fiscal year, but lagged the even strong advance of the NCREIF Property Index. Three- and five-year results still show the impact of recent difficulties in the real estate markets and the J-Curve effect from its relatively recent closed end fund commitments. The J-Curve refers to the expected return pattern of some private markets investments, which are typically negative before they turn positive. Since the portfolio's inception in 1998 the real estate portfolio has advanced nearly 9% on a year-over-year basis.

Total other alternatives, which consists of timberland and hedge fund investments, outperformed the alternatives benchmark during the trailing periods shown. The new hedge fund managers have largely performed well. Looking forward, the fund will be adding other active alternative strategies to this asset class to improve the risk/return characteristics of the System's investments.

Overall, we continue to have confidence in the ATRS portfolio structure.

It is a pleasure to be of service to ATRS.

Sincerely,

Patrick J. Kelly

Patrick J. Kelly, CFA
Partner

PJK:cm

Investment Policies and Procedures

Amended October 4, 2010
Amended February 7, 2011

Statement of Investment Policy

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

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

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

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

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

Standard of Care

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

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

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

Investment Policies and Procedures *(continued)*

Asset Allocation

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

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

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

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

Rebalancing

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

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

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

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

Investment Manager Selection

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

Investment Policies and Procedures *(continued)*

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

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

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

Goals

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

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

Domestic Equity

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

Global Equity

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

Total Equity

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

Investment Policies and Procedures *(continued)*

Fixed Income

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

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

Alternative Investments

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

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

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

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

Real Estate

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

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

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

Private Equity

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

Investment Policies and Procedures *(continued)*

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

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

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

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

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

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

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

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

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

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

Investment Policies and Procedures *(continued)*

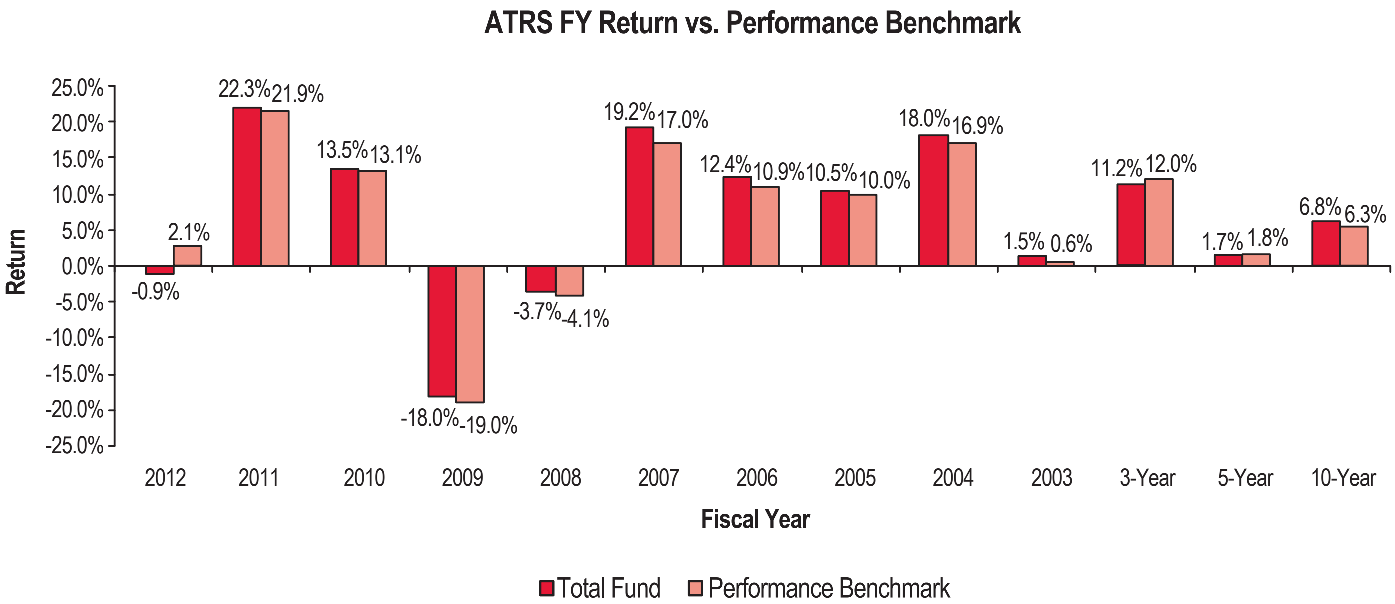
The collateral pool should also maintain a reasonable level of overnight liquidity in order to allow for the smooth recall of securities over time.

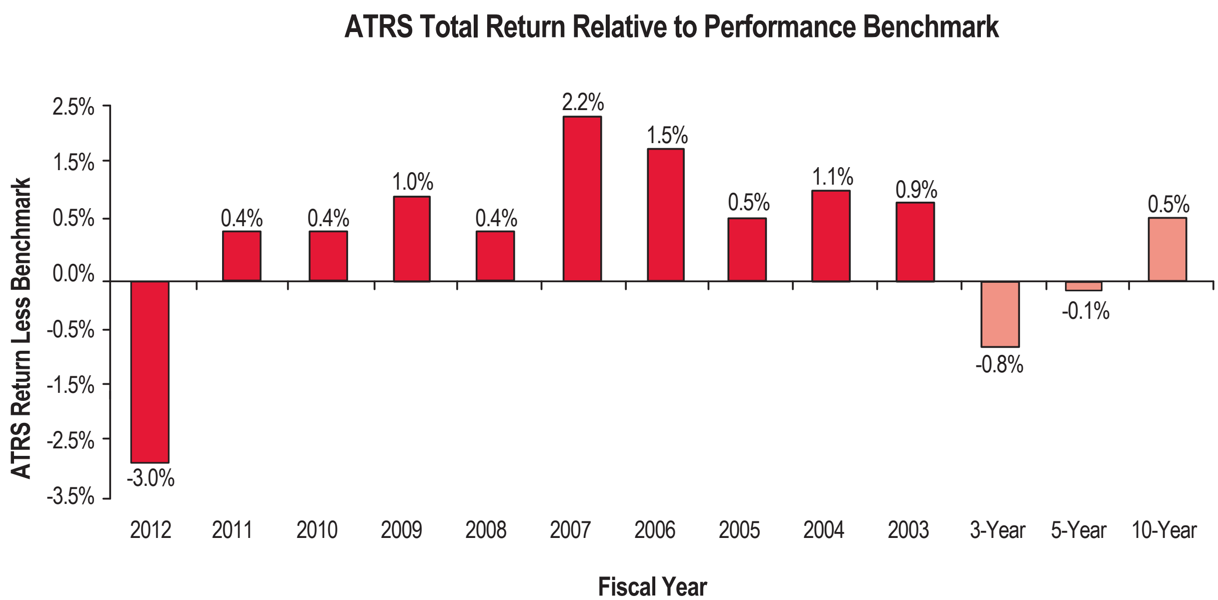
Investment Manager Reporting
The System will require all investment managers, managing partners, and general partners to provide on at least a quarterly and an annual basis, reporting appropriate for the investment.

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

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

ATRS Total Return by Fiscal Year

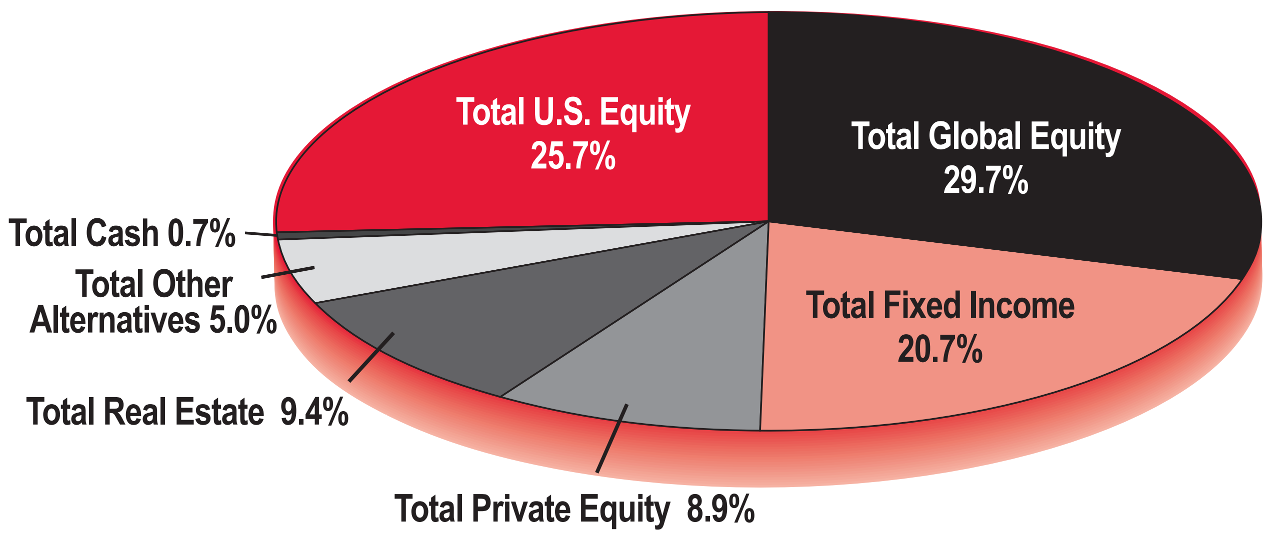




Asset Allocation Analysis
As of June 30, 2012

Asset Class	Market Value ($ in Thousands)	Current %
Total U.S. Equity	$ 2,919,190,024	25.7%
Total Global Equity	3,373,854,790	29.7%
Total Fixed Income	2,347,193,420	20.7%
Total Private Equity	1,008,270,412	8.9%
Total Real Estate	1,064,864,189	9.4%
Total Other Alternatives	563,605,967	5.0%
Total Cash	76,210,927	0.7%
	$11,353,189,729	**100.0%**

Current Allocation by Asset Class
As of June 30, 2012



Traditional Assets
Schedule of Investment Results
Returns for Period Ending June 30, 2012

The table below details the rates of return for the System's investment managers over various time periods ending June 30, 2012. The Appendix at the end of this document provides a description of the benchmarks used for each manager as of the end of the fiscal year.

	1 Year	3 Years	5 Years
TOTAL FUND			
Total Fund	-0.9%	11.2%	1.7%
Performance Benchmark	2.1	12.0	1.8
LARGE CAP EQUITY			
Allianz Structured Alpha	3.7	20.0	–
S&P 500 Index	5.4	16.4	–
BlackRock U.S. Equity	4.1	–	–
DJ Total Stock Market Index	4.0	–	–
SMALL CAP VALUE EQUITY			
Kennedy Capital Management	-4.2	19.9	2.7
Russell 2000 Value Index	-1.4	17.4	-1.0
Daruma Asset Management	-13.6	17.6	1.6
Russell 2000 Index	-2.1	17.8	0.5
SMALL CAP GROWTH EQUITY			
Stephens	3.0	21.5	5.0
ING Investment Management	1.7	21.6	4.6
Russell 2000 Growth Index	-2.7	18.1	2.0
ALL CAP DOMESTIC EQUITY			
ICC Capital Management	-12.5	10.9	1.3
Performance Benchmark	3.8	16.7	0.5
Jacobs Levy	1.1	18.5	0.8
Performance Benchmark	3.8	16.7	1.4
Jacobs Levy 130/30	1.4	18.7	–
Russell 3000 Index	3.8	16.7	–
Pershing Square	0.8	18.9	–
DJ Total Stock Market Index	4.0	16.9	–
Relational Investors	-7.6	15.1	–
S&P 500 Index	5.4	16.4	–
ING Absolute Return	6.0	16.7	–
S&P 500 Index	5.4	16.4	–

Traditional Assets
Schedule of Investment Results *(continued)*

Returns for Period Ending June 30, 2012

The table that follows details the rates of return for the System's investment managers over various time periods ending June 30, 2012.

	1 Year	3 Years	5 Years
CONVERTIBLES			
Allianz	-2.4%	14.5%	5.3%
Performance Benchmark	-3.2	13.3	2.0
GLOBAL EQUITY MANAGERS			
Bedlam	-7.0	8.1	–
Lazard	-11.4	–	–
Wellington Opportunistic	-15.2	7.7	–
T. Rowe Price	-7.7	–	–
UBS Global Asset Management	-7.9	10.5	–
MSCI ACWI Index	-6.5	10.8	–
D.E. Shaw	-1.3	–	–
MSCI World Index	-5.0	–	–
Knight Vinke	-38.0	-13.2	–
FTSE Europe Index	-16.9	4.9	–
Wellington Global Perspectives	-9.1	16.8	–
MSCI ACW Mid/Small Cap Index	-9.9	13.9	–
SSgA Global Index	-6.6	11.7	–
BlackRock MSCI ACWI IMI Index	-6.6	–	–
MSCI ACWI IMI Index	-6.9	11.3	–
FIXED INCOME MANAGERS			
BlackRock	8.0	9.3	7.3
PIMCO	6.5	9.4	8.6
Western	7.1	12.7	7.4
Performance Benchmark	7.4	7.6	6.8
Loomis Sayles	4.4	15.0	–
Performance Benchmark	8.4	10.5	–
Putnam	-1.8	6.3	–
Western Absolute Return	5.0	11.0	–
LIBOR	0.4	0.4	
SSgA Aggregate Bond Index	7.4	–	
BC Aggregate Bond Index	7.5	–	–
HEDGE FUNDS			
Anchorage	-1.0	–	–
York	-0.8	–	–
HRFI Distressed/Restucturing	-3.2	–	–
Capula	3.4	–	–
Graham	-8.3	–	–
HRFI Macro Index	-2.7	–	–

Private Equity Managers
Schedule of Investment Results *(continued)*

Returns for Period Ending June 30, 2012

The table that follows details the rates of return for the System's investment managers for the period ending June 30, 2012.

	Inception Date	Annualized Internal Rate of Return
INDIVIDUAL PARTNERSHIPS		
Mezzanine		
Audax Mezzanine III	5/10/2010	NMF
Blackstone Mezzanine I	11/30/1999	10.7%
DLJ Investment Partners II	10/31/1999	10.5%
Insight Mezzanine I	7/13/2009	0.9%
PRIVATE EQUITY		
21st Century Group Equity Fund	4/30/2000	-4.0%
Advent GPE VI-A	3/12/2008	12.6%
Altus Capital II	6/3/2011	-44.8%
Boston Ventures VII	12/14/2007	10.0%
CSFB-ATRS 2005-1 Series	5/1/2005	6.7%
CSFB-ATRS 2006-1 Series	8/1/2006	5.8%
Cypress MBP II	6/18/1999	-3.1%
DH Tech I	1/12/2000	-20.4%
Diamond State	4/15/2000	5.3%
Diamond State II	1/4/2007	5.9%
DLJ MBP III	7/19/2000	19.3%
Doughty Hanson III	10/20/1997	12.9%
DW Healthcare III	12/21/2011	NMF
EnCap VIII	1/31/2011	53.0%
FP Co-Investment Fund	4/1/2012	NMF
FP International 2011	2/16/2011	NMF
FP International 2012	1/31/2012	NMF
FP Venture 2008	1/18/2008	15.2%
FP Venture 2009	1/16/2009	17.6%
FP Venture 2010	1/29/2010	-6.3%
FP Venture 2011	2/16/2011	NMF
FP Venture 2012	1/31/2012	NMF
Hicks Muse Tate & Furst Fund III	2/28/1997	-0.2%
Hicks Muse Tate & Furst Fund IV	7/31/1998	-7.1%
Hicks Muse Tate & Furst Fund V	11/31/2000	17.6%
Insight Equity II	7/13/2009	-23.7%
JF Lehman III	8/8/2011	NMF
KPS Supplemental III	8/14/2009	5.3%
LLR III	5/9/2008	15.0%
Mason Wells III	5/13/2010	-15.2%
NGP IX	2/27/2008	11.4%
NGP X	4/20/2012	NMF
Oak Hill Capital Partners	3/31/1999	10.6%
Riverside IV	12/4/2009	8.3%
Riverside V	5/11/2012	NMF
Second Cinven	4/30/1998	9.2%
TA XI	4/30/2009	3.8%
Tennenbaum VI	2/15/2011	13.5%
TPG Credit II	5/4/2012	NMF
Vista Equity III	7/11/2008	31.9%
Wellspring V	7/25/2010	NMF
Wicks IV	4/29/2011	NMF

Real Estate
Schedule of Investment Results *(continued)*

Returns for Period Ending June 30, 2012

The table that follows details the rates of return for the System's investment managers for the period ending June 30, 2012.

Manager	Since-Inception IRR	Inception Date
Open End Funds		
JP Morgan Strategic Property Fund	2.8%	3/31/2007
JP Morgan Special Situation Property Fund	-4.1%	3/31/2007
Prudential PRISA	2.4%	6/30/2005
UBS Trumbull Property Fund	3.9%	3/31/2006
Closed End Funds		
Almanac Realty Securities Fund V	7.6%	5/12/2008
Blackstone Real Estate Partners VII, L.P.	11.9%	12/31/2011
CB Richard Ellis Strategic Partners U.S. Opportunity Fund V	-5.9%	8/13/2008
DLJ Real Estate Capital Partners II	19.4%	12/15/1999
Doughty Hanson European Real Estate	28.5%	7/29/1999
Fidelity Real Estate Growth Fund III	-4.3%	1/16/2008
Heitman European Property Partners IV	1.4%	10/6/2008
Landmark Real Estate Partners VI	39.9%	5/19/2010
New Boston Real Estate Investment Fund VII	-9.3%	10/9/2008
O'Connor North American Property Partners II	-17.3%	4/10/2008
Olympus Real Estate Fund III	-5.3%	8/15/2000
Torchlight Debt Opportunity Fund II	-11.9%	11/2/2007
Torchlight Debt Opportunity Fund III	8.1%	12/12/2008
Westbrook Real Estate Fund II	13.4%	5/28/1997
Westbrook Real Estate Fund III	8.9%	9/1/1998
Westbrook Real Estate Fund IV	20.2%	12/31/2000
Arkansas Investments	9.2%	12/31/2007
Total Real Estate	6.5%	5/28/1997

Description of Benchmarks

Total Fund - The Performance Benchmark for the Total Fund from October 2007 to June 2012 represents the performance of the asset class benchmarks as a weighted average of the previous month's ending market values. The historical components of the benchmark are shown in the table below. Returns prior to September 30, 1996, consist of the actual allocations to the seven different asset classes included in the Arkansas Teacher Retirement System over time.

Historical Total Fund Performance Benchmark Allocations (prior to October 1, 2007)

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

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

Total Global Equity - The MSCI All Country World Index.

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

Total Real Estate - The NCREIF Property Index.

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

Total Other Alternatives – Currently a composite of 50% The South Timberland NCREIF Index, 25% The HFR Distressed/Restructuring Index, and 25% The HFR Macro Index.

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[1] Currently, the benchmarks for Private Equity, Real Estate, and Other Alternatives (timber) are included in the Total Fund Performance Benchmark at their actual beginning quarter weights. Prior October 1, 2007, private equity, real estate, and other alternatives (timber) were grouped together in one "Alternatives Asset Class." The Alternative Policy for this asset class was comprised of the weighted average of the Real Estate, Private Equity, and Other Alternatives policy benchmarks. Prior to July 31, 2003 the alternative benchmark consisted of 57.0% of the Russell 3000 + a 2% Premium per year, 8.5% of the NCREIF South Timberland Index, 28.5% of the Real Estate Index, 6% of the EnnisKnupp STIF Index. After this date, real estate and private equity benchmarks started to report on a one-quarter lag to align with the returns of their asset classes.

Description of Benchmarks *(continued)*

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

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

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

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

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

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

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

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

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

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

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

Barclays Capital Government/Credit Index – The Barclays Capital Government/Credit Index measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds.

Barclays Capital High Yield Index - The Barclays Capital High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

Description of Benchmarks *(continued)*

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

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

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

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

HFR Macro Index – An index representing investment managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

HFR Distressed/Restructuring Index – An index representing distressed restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

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

Merrill Lynch Convertible Bond (All Quality) Index –The Merrill Lynch All Convertibles All Qualities Index is a widely used index that measures convertible securities' performance. It measures the performance of U.S. dollar-denominated convertible securities not currently in bankruptcy with a total market value greater than $50 million at issuance.

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

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

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

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

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

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

Description of Benchmarks *(continued)*

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

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

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

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

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

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

South Timberland Index – The largest regional subindex of the NCREIF Timberland Index, consisting of timberland properties held in the U.S. South. This includes close to 300 properties with more than 10 million cumulative acres of timberland in the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. Calculations are based on quarterly returns at the individual property level. Performance is reported on an all-cash, unlevered basis, gross of investment management fees.

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

Description of Universes

Total Fund - The Total Fund and its benchmark are ranked in our Public Fund Universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 74 funds with an aggregate market value of $688 billion.

Total Domestic Equity - The total domestic equity component and its benchmark are ranked in our domestic equity component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 54 funds with an aggregate market value of $230.9 billion.

Total Global Equity - The total global equity component and its benchmark are ranked in our global equity component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 156 global equity portfolios.

Total Fixed Income - The total fixed income component and its benchmark are ranked in our fixed income component universe. The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 51 funds with an aggregate market value of $178.1 billion.

Ten Largest Holdings

(By Market Value)
As of June 30, 2012

Fixed Income

Security Name	Market Value
U S TREASURY NOTE .25% due 5/15/15	$ 18,503,783.54
U S TREASURY NOTES .625% due 5/31/17	18,061,351.56
U S TREASURY NOTES 1.25% due 4/30/19	11,364,651.62
FNMA TBA 3.50% due 7/1/41	9,039,373.99
FNMA 4.50% due 8/1/41	8,753,356.95
VERTEX PHARMACEUTICALS 3.35% due 10/1/15	8,412,249.98
CANADIAN GOVERNMENT 3% due 12/1/15	7,119,786.16
ONTARIO PROVINCE 4.75% due 1/19/16	6,884,791.65
U S TREASURY NOTES 2.75% due 2/28/13	6,274,149.60
SBA COMMUNICATIONS CORP 1.875% due 5/1/13	6,128,625.02

Ten Largest Holdings

(By Market Value)
As of June 30, 2012

Domestic/Global Equities

Security Name	Market Value
APPLE COMPUTER	$ 41,154,480
FORD MTR CO DEL	30,923,818
GOOGLE INC	26,886,244
DOW CHEM CO	25,132,275
GOLDCORP INC	24,628,617
FIRST PACIFIC CO	22,442,065
PFIZER INC	22,186,881
J P MORGAN CHASE & CO	20,969,937
BARRICK GOLD CORP	20,582,724
DEERE & CO	19,966,803

Ten Largest Holdings

(By Market Value)

As of June 30, 2012

Arkansas Related

Security Name	Market Value
TIMBERLAND I	$ 330,444,982
LINDSEY (PARTNERSHIP)	49,927,523
THE VICTORY BUILDING	28,479,191
AMERICAN CENTER 1 & 2 (PARTNERSHIP)	27,937,726
THE PEABODY HOTEL (MORTGAGE)	26,039,411
WOODLAND HEIGHTS	20,600,000
SOUTHCENTER SHOPPING CENTER	12,796,741
RETIREMENT VILLAGE PROPERTY	6,600,000
ARKANSAS INSURANCE DEPARTMENT BUILDING	4,145,178
ARKANSAS TEACHER RETIREMENT BUILDING	3,711,759

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2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Actuarial

Actuary's Certification Letter

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January 16, 2013

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

Dear Board Members:

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

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

The progress being made toward the realization of the financing objectives of the System through June 30, 2012, is illustrated in the attached Exhibits 1 and 2. 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, 2012.

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. Member data was not otherwise audited by the actuary. The actuary summarizes and tabulates population data in order to analyze longer term trends. Asset information was accepted without further audit. We are not responsible for the accuracy or completeness of the data provided by ATRS.

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, 2012
Active Members in Valuation Data
Retirees and Beneficiaries added to and removed from rolls
Short Condition Test
Summary of Actuarial Assumptions and Methods
Single Life Retirement Values
Probabilities of Retirement for Members
Assumed Duration in T-DROP for Members
Teachers Separations and Individual Pay Increases
Support Employees Separations and Individual Pay Increases
Analysis of Financial Experience
Comments
Schedule of Funding Progress
Schedule of Employer Contributions
Schedule of Retired Members by Benefit Type
Schedule of Average Benefit Payments

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Board of Trustees
January 16, 2013
Page 2

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. To reduce volatility, the actuarial value of assets was set equal to the market value this year, which means that the remaining phase-ins of prior gains and losses are eliminated. This recognition pattern does not materially affect the June 30, 2012 valuation results, but will act to reduce volatility in future valuation results.

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, 2012 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2005-2010 period.

Like most retirement systems, ATRS has been negatively affected by the market downturn that began in 2008.

The Arkansas Teacher Retirement System remains stable with a 71.2% funded position as of June 30, 2012. However, the amortization period as of June 30, 2012 is over 100 years. Without sustained investment gains over the next few years or an increase in contributions, it is likely that the amortization period will remain over 100 years in the next valuation. Based on the June 30, 2012 valuation, an employer contribution rate of 16.8% would be needed to return the amortization period to 30 years.

Based upon the results of the June 30, 2012 valuations, we are pleased to report to the Board of Trustees that the Arkansas Teacher Retirement System is meeting its basic financial objective of level percent of payroll financing. However, since the contribution rate is not sufficient to amortize the unfunded liability over a reasonable period, we advise the Board to continue its efforts to restore the balance between contributions and benefits.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. This report does not contain an analysis of the potential range of such future measurements.

To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. The signing actuaries are Members of the American Academy of Actuaries (M.A.A.A.) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

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

JAK/BBM:sc

EXHIBIT 1
Computed Actuarial Liabilities as of June 30, 2012

Actuarial Present Value of	(1) Total Present Value	Entry Age Actuarial Cost Method (2) Portion Covered By Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1)-(2)
Age and service retirement allowances based on total service likely to be rendered by present active members.	$ 7,161,979,259	$ 1,905,823,854	$ 5,256,155,405
Age and service retirement allowances based on total service likely to be rendered by present T-DROP members.	2,486,748,086	39,832,581	2,446,915,505
Vested deferred benefits likely to be paid present active and inactive members.	1,101,251,603	384,153,485	717,098,118
Survivor benefits expected to be paid on behalf of present active members.	111,852,489	39,349,745	72,502,744
Disability benefits expected to be paid on behalf of present active members.	186,830,963	97,222,083	89,608,880
Refunds of member contributions expected to be paid on behalf of present active members.	13,897,044	105,676,471	(91,779,427)
Benefits payable to present retirees and beneficiaries.	7,565,922,558	0	7,565,922,558
Lump sum death benefits payable to present retirees and beneficiaries.	82,928,858	0	82,928,858
Total	$18,711,410,860	$ 2,572,058,219	$16,139,352,641
Applicable assets	11,483,885,509	0	11,483,885,509
Liabilities to be covered by future contributions	$ 7,227,525,351	$2,572,058,219	$ 4,655,467,132

EXHIBIT 2
Employer Contribution Rate Computed As of June 30, 2012 For The Fiscal Year Ending June 30, 2014

Computed Contributions for	Percents of Active Member Payroll			
	Teachers	Support	Combined	Prior Year
Normal Cost				
Age & Service Annuities	9.58%	7.22%	**8.83%**	8.82%
Deferred Annuties	1.60%	2.13%	**1.77%**	1.76%
Survivor Benefits	0.19%	0.16%	**0.18%**	0.18%
Disability Benefits	0.47%	0.42%	**0.45%**	0.45%
Refunds of Member Contributions	0.37%	0.78%	**0.50%**	0.49%
Total	12.21%	10.71%	**11.73%**	11.70%
Average Member Contributions	5.17%	3.99%	**4.80%**	4.72%
Net Employer Normal Cost	7.04%	6.72%	**6.93%**	6.98%
Unfunded Actuarial Accrued Liabilities			**7.07%**	7.02%
Employer Contribution Rate			**14.00%**	14.00%
Amortization Years			**Over 100**	66.0

The amortization period is the number of years it will take to pay off the unfunded liability of $4.7 billion assuming that the employer contribution rate remains at the 14% of payroll level. Since 2000, the period has varied from a low of 19 years to a high of over 100 years. Unless there is a substantial investment gain in FY 2013, it is very likely that the amortization period will remain over 100 years in the next valuation.

Schedule of Active Member Valuation Data

	Active Members in Valuation#		Average Annual Pay	
Valuation Date June 30	Number	Annual Payroll (Millions)	Amount	% Change
2012	**75,627**	**$2,714**	**$35,891**	**1.0%**
2011	76,780	2,728	35,534	7.7%
2010	72,208	2,381	32,980	0.5%
2009	70,655	2,318	32,804	1.5%
2008	70,172	2,268	32,319	2.1%
2007	69,226	2,191	31,645	3.0%
2006	67,710	2,080	30,714	3.0%
2005	65,793	1,962	29,826	7.8%
2004	63,185	1,748	27,660	2.6%
2003	64,432	1,683	26,963	2.7%

Beginning with the June 30, 2011 valuation, active member information includes T-DROP participation.

Schedule of Retirees and Beneficiaries Added to and Removed From Rolls

	Estimated Number					
Year	Added	Removed	Total Retirees	Annual Allowances (Millions)	% Increase in Annual Allowances	Average Annual Allowances
2012	**2,932**	**871**	**34,160**	**$709.17**	**7.9%**	**$20,760**
2011	2,394	882	32,099	657.08	7.2%	20,470
2010	2,588	819	30,587	612.77	8.5%	20,034
2009	2,721	704	28,818	564.59	9.5%	19,591
2008	1,703	513	26,801	515.56	6.4%	19,237
2007	2,017	559	25,611	484.55	7.7%	18,920
2006	1,958	485	24,153	449.77	8.4%	18,622
2005	1,822	570	22,680	415.04	7.5%	18,300
2004	1,685	528	21,428	386.23	7.3%	18,025
2003	1,621	548	20,271	360.00	7.7%	17,759

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

Short Condition Test

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

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

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

Val. Date June 30	(1) Member Contrib.	(2) Retirees and Benef.	(3) Active and Inactive Members (Employer Financed Portion)	Present Valuation Assets	Portion of Present Values Covered by Present Assets			
					(1)	(2)	(3)	Total
	$ Millions							
2003#	$521	$3,706	$5,218	$8,113	100%	100%	74%	86%
2004#	547	3,985	5,518	8,424	100%	100%	71%	84%
2005	586	4,276	6,111	8,817	100%	100%	65%	80%
2006	630	4,617	6,376	9,332	100%	100%	64%	80%
2007#	679	4,960	6,690	10,519	100%	100%	73%	85%
2008#	732	5,544	7,058	11,319	100%	100%	71%	85%
2009	790	6,041	7,188	10,617	100%	100%	53%	76%
2010#	848	6,516	7,333	10,845	100%	100%	47%	74%
2011*#	929	7,132	7,460	11,146	100%	100%	41%	72%
2012	981	7,649	7,509	11,484	100%	100%	38%	71%

**Revised actuarial assumptions or methods.*

 # Legislated benefit or contribution rate change.

Summary of Actuarial Assumptions and Methods

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Remaining Amortization Period	Over 100 years
Asset Valuation Method	4-year smoothing 80%/120% corridor
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increase	3.25% to 9.10%
Cost-of-Living Adjustments	3% Simple
Includes Wage Inflation at	3.25%

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. Assets were set to market value in 2012 to reduce future volatility.

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, and mortality rates. The current assumptions are based upon a 2005-2010 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 3.25%, the 8.0% rate translates to an assumed real rate of return over wage inflation of 4.75%. This rate was first used for the ***June 30, 2011,*** valuation. The assumed real rate of return over price inflation would be higher – on the order 5% to 5.25%.

Summary of Actuarial Assumptions and Methods *(continued)*

Pay increase assumptions for individual active members are shown on Tables IV and V. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.25% recognizes wage inflation. These rates were first used for the ***June 30, 2011,*** 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 2.75%. It is assumed that the 3% COLA will always be paid.

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

Total active member payroll is assumed to increase 3.25% 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, 2011,*** valuation.

Non-Economic Assumptions

The mortality table used was the RP-2000 Mortality table for males and females projected 25 years with scale AA (95% for men and 87% for women). Mortality rates were adjusted to include a small margin for future mortality improvement as described in the table named above. This table was first used for the ***June 30, 2011,*** valuation. For disabled lives, the mortality table used was the 1983 Group Annuity Mortality Table set forward 5 years. The set forward of 5 years was first used for the ***June 30, 2002,*** valuation.

The probabilities of retirement for members eligible to retire are shown on Tables II and III. The rates for full retirement were first used in the ***June 30, 2011,*** 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 IV and V. These rates were first used in the ***June 30, 2011,*** 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. Members whose salaries were not supplied and that entered T-Drop before September 2003 were assumed to have the group avarage pay of $63,366. Those that entered after were assumes to have the group average pay of $59,476.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic and demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

TABLE I

Single Life Retirement Values

Sample Attained Ages	Present Value of $1.00 Monthly for Life		Present Value of $1.00 Monthly for Life Increasing 3.0% Annually		Future Life Expectancy (years)		Percent Dying within Next Year	
	Men	Women	Men	Women	Men	Women	Men	Women
40	$147.45	$148.74	$192.83	$195.36	43.26	45.92	0.08%	0.04%
45	144.24	145.78	186.54	189.56	38.45	41.03	0.10%	0.07%
50	139.69	141.63	178.19	181.91	33.65	36.18	0.13%	0.10%
55	133.32	135.93	167.29	172.06	28.89	31.39	0.21%	0.19%
60	124.93	128.62	153.79	160.06	24.28	26.77	0.43%	0.39%
65	114.53	119.62	137.94	146.03	19.92	22.41	0.85%	0.74%
70	102.19	109.01	120.09	130.24	15.89	18.36	1.45%	1.28%
75	87.25	96.62	99.84	112.72	12.15	14.64	2.53%	2.00%
80	70.65	82.27	78.66	93.60	8.86	11.25	4.76%	3.35%
85	54.64	66.59	59.29	73.90	6.25	8.29	8.83%	5.80%
Ref.	472 x 0.95	473 x 0.87	472 x 0.95	473 x 0.87				

Sample Attained Ages	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	$100.00	100%	100%
65	115.00	97%	97%
70	130.00	92%	93%
75	145.00	84%	86%
80	160.00	71%	76%
Ref.		472 x 0.95	473 x 0.87

TABLE II

Probabilities of Retirement for Members

Retirement Ages	% of Active Participants Retiring with Unreduced Benefits			
	Education		Support	
	Male	Female	Male	Female
48	59%	55%	25%	25%
49	67%	25%	54%	22%
50	11%	7%	3%	9%
51	7%	6%	5%	7%
52	7%	6%	8%	7%
53	7%	8%	9%	8%
54	8%	8%	9%	8%
55	9%	9%	6%	10%
56	11%	10%	10%	9%
57	11%	12%	10%	10%
58	11%	12%	16%	14%
59	14%	16%	16%	27%
60	16%	16%	11%	13%
61	15%	15%	10%	14%
62	30%	26%	29%	22%
63	24%	22%	21%	18%
64	22%	20%	25%	20%
65	37%	43%	46%	40%
66	43%	41%	38%	36%
67	35%	34%	37%	35%
68	31%	33%	39%	28%
69	25%	33%	26%	34%
70	37%	40%	33%	34%
71	41%	30%	34%	33%
72	32%	34%	41%	31%
73	44%	36%	32%	34%
74	30%	30%	29%	34%
75	100%	100%	100%	100%
Ref.	2013	2014	2015	2016

TABLE III

Probabilities of Reduced Retirement for Members

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

Duration of T-Drop For Members

Present T-DROP members are assumed to remain in T-DROP according to the following table:

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

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

TABLE IV

Teachers
Separations from Active Employment Before Age and Service Retirement & Individual Pay Increases

Sample Ages	Service	Percent of Active Members Separating Within Next Year					
		Death		Disability		Other	
		Men	Women	Men	Women	Men	Women
	0					25.30%	18.00%
	1					13.80%	11.30%
	2					10.60%	9.10%
	3					8.40%	8.40%
	4					5.00%	6.60%
25	5 & Up	0.01%	0.01%	0.05%	0.05%	3.50%	4.00%
30		0.02%	0.01%	0.05%	0.04%	3.60%	4.30%
35		0.03%	0.02%	0.04%	0.05%	2.80%	2.90%
40		0.04%	0.02%	0.08%	0.09%	2.30%	2.10%
45		0.05%	0.03%	0.18%	0.16%	1.90%	1.80%
50		0.07%	0.05%	0.40%	0.39%	2.90%	2.20%
55		0.11%	0.10%	0.73%	0.69%	3.60%	2.60%
60		0.22%	0.20%	0.96%	0.86%	3.10%	2.30%
65		0.43%	0.38%	1.00%	0.90%	2.50%	1.80%
Ref.		472 x 0.48	473 x 0.44	737 x 1	738 x 1	718 1192	719 1193

Age	Pay Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year
20	5.10%	3.25%	8.35%
25	4.10%	3.25%	7.35%
30	3.10%	3.25%	6.35%
35	2.10%	3.25%	5.35%
40	1.40%	3.25%	4.65%
45	0.90%	3.25%	4.15%
50	0.46%	3.25%	3.71%
55	0.12%	3.25%	3.37%
60	0.00%	3.25%	3.25%
65	0.00%	3.25%	3.25%
Ref.	388		

TABLE V

Support Employees
Separations from Active Employment Before Age and Service Retirement & Individual Pay Increases

Sample Ages	Percent of Active Members Separating Within Next Year						
	Service	Death		Disability		Other	
		Men	Women	Men	Women	Men	Women
	0					47.50%	46.80%
	1					27.30%	24.90%
	2					18.90%	17.00%
	3					15.30%	13.20%
	4					10.80%	10.40%
25	5 & Up	0.01%	0.01%	0.05%	0.04%	11.10%	9.50%
30		0.02%	0.01%	0.10%	0.05%	9.00%	7.20%
35		0.03%	0.02%	0.10%	0.05%	6.90%	5.40%
40		0.04%	0.02%	0.12%	0.07%	5.40%	4.90%
45		0.05%	0.03%	0.20%	0.16%	4.30%	4.40%
50		0.07%	0.05%	0.55%	0.34%	3.90%	3.60%
55		0.11%	0.10%	0.88%	0.59%	3.50%	3.00%
60		0.22%	0.20%	0.98%	0.76%	2.80%	2.50%
65		0.43%	0.38%	1.00%	0.80%	2.30%	2.00%
Ref		472 x 0.48	473 x 0.44	739 x 1	740 x 1	720 1194	721 1195

Age	Pay Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year
20	5.85%	3.25%	9.10%
25	4.97%	3.25%	8.22%
30	3.93%	3.25%	7.18%
35	3.33%	3.25%	6.58%
40	2.65%	3.25%	5.90%
45	1.29%	3.25%	4.54%
50	0.35%	3.25%	3.60%
55	0.00%	3.25%	3.25%
60	0.00%	3.25%	3.25%
65	0.00%	3.25%	3.25%
Ref.	389		

Actuarial Gains (Loss) by Risk Area

During the Period July 1, 2011 to June 30, 2012

Beginning of Year Accrued Liabilities	$15,521.3	100.0%

	Gain(Loss) in Period	
Type of Risk Area	**$ Millions**	**Percent of Liabilities**
ECONOMIC RISK AREAS		
Pay increases. ***If there are smaller pay increases*** than assumed, there is a gain. If greater increases, a loss.	$199.4	1.28%
Gross Investment Return. ***If there is greater investment*** return recognition than assumed, there is a gain. If less return recognition, a loss.	(258.1)	(1.66)%
NON-ECONOMIC RISK AREAS		
Retirements. ***If members retire at older*** ages, there is a gain. If younger ages, a loss.	36.3	0.23%
Disability Retirements. ***If there are fewer disabilities*** than assumed, there is a gain. If more, a loss.	(0.8)	(0.01%)
Death-in-Service Benefits. ***If there are fewer*** than assumed, there is a gain. If more, a loss.	(0.7)	0.00%
Withdrawal. ***If more liabilities are released by other*** separations than assumed, there is a gain. If smaller releases, a loss.	(2.4)	(0.02%)
Death After Retirement. ***If there are more deaths*** than assumed, there is a gain. If fewer, a loss.	8.3	0.05%
ACTUARIAL GAIN (LOSS) DURING PERIOD	$(18.0)	(0.12)%

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, 2012, actuarial valuations, ***ATRS is satisfying the financial objective of level-contribution-percent financing.***

The amortization period this year is over 100 years, an increase from last year's 66-year period. The increase occurred primarily due to recognition of prior investment losses (from 2009 in particular), as well as the annual market rate of return being (1.08)%# compared to an assumed rate of 8.0%. Investment gains and losses that occur each year are smoothed in over a 4-year period. As of June 30, 2012, the market value of assets nearly matched the actuarial value of assets. To reduce volatility, the actuarial value of assets was set equal to the market value this year, which means that the remaining phase-ins of prior gains and losses are eliminated. This recognition pattern does not materially affect the June 30, 2012 valuation results, but will act to reduce volatility in future valuation results. Also contributing to the increase in the amortization period is an increase in the unfunded liability (more than expected) and a small decrease in total payroll.

The Arkansas Teacher Retirement System remains stable with a 71.2% funded position as of June 30, 2012. However, without sustained investment gains over the next few years or an increase in contributions, it is likely that the amortization period will remain over 100 years in the next valuation.

This return figure was calculated by the actuary and may not exactly match your investment consultant's figure.

Statistical

Schedule of Revenue by Source

Year Ending June 30,	Employer Contributions: Employer Contributions	Employer Contributions: % of Annual Covered Payroll	Member Contributions	Investment and Miscellaneous Income	Total
2003	$200,455,916	11.9%	$ 76,734,478	$ 72,259,296	$ 349,449,690
2004	224,184,274	12.8%	77,772,019	1,195,341,063	1,497,297,356
2005	286,442,709	14.5%	86,102,842	779,443,553	1,151,989,104
2006	311,713,735	15.0%	92,005,600	1,173,286,760	1,577,006,095
2007	331,891,210	14.1%	100,093,372	1,892,393,365	2,324,377,947
2008	350,319,504	15.4%	108,872,293	(477,579,443)	(18,387,646)
2009	359,061,671	15.5%	111,654,256	(1,996,871,185)	(1,526,155,258)
2010	389,296,432	16.4%	115,931,733	1,291,307,143	1,796,535,308
2011	400,330,902	14.7%	139,460,601	2,219,833,337	2,759,624,840
2012	398,822,946	16.3%	117,662,465	(118,654,190)	397,831,221

Schedule of Expense by Type

Year Ending June 30,	Benefit Payments	Refunds	Administrative and Other Expenses	Total
2003	$383,071,936	$3,585,188	$7,973,933	$394,631,057
2004	413,433,516	4,017,884	8,197,465	425,648,865
2005	451,978,547	4,413,077	6,454,762	462,846,386
2006	507,641,961	6,207,622	5,991,755	519,841,338
2007	545,220,337	5,179,850	5,854,557	556,254,744
2008	587,319,942	6,462,122	6,676,667	600,458,731
2009	635,878,958	6,409,016	6,913,865	649,201,839
2010	701,562,784	7,156,354	7,229,398	715,948,536
2011	731,866,100	8,906,441	7,548,959	748,321,500
2012	791,844,923	9,225,151	7,752,975	808,023,049

Schedule of Benefit Expenses by Type

Type of Benefit	For the Year Ending June 30, 2012	2011	2010	2009	2008
Age and Service	$631,087,685	$584,859,307	$543,347,733	$494,967,987	$459,079,932
Disablility	31,316,331	30,034,768	28,795,197	27,437,418	26,073,257
Option	18,501,555	16,873,271	15,896,678	14,812,631	13,613,226
Survivor	8,486,669	7,793,789	7,433,950	6,856,877	6,684,337
Reciprocity	31,166,875	27,854,621	25,041,796	22,046,165	19,588,246
Active Members Death Benefits	380,913	410,871	499,993	303,905	381,089
T-DROP	67,060,580	59,949,242	76,416,162	65,284,163	57,617,146
Act 808	3,844,317	4,090,231	4,131,275	4,169,812	4,282,709
Total	$791,844,923	$731,866,100	$701,562,784	$635,878,958	$587,319,942

Schedule of Retired Members By Type of Benefit

Monthly Benefit	No. of Retirees	Type of Retirement*					Option Selected #			
		1	2	3	4	5	Life	Opt. A	Opt. B	Opt. C
$1-250	3,946	3,461	97	121	247	20	3,250	535	36	125
251-500	4,065	3,379	76	155	413	42	3,349	525	78	113
501-750	2,624	2,170	56	65	290	43	2,109	342	86	87
751-1,000	1,848	1,467	73	33	235	40	1,420	265	107	56
1,001-1,250	1,663	1,319	55	31	226	32	1,269	245	99	50
1,251-1,500	1,567	1,231	66	35	207	28	1,177	237	115	38
1,501-1,750	1,662	1,377	47	37	178	23	1,257	253	114	38
1,751-2,000	1,843	1,580	46	32	162	23	1,325	308	154	56
Over $2,000	14,652	13,839	263	118	389	43	10,884	2,025	1,432	311
Total	**33,870**	**29,823**	**779**	**627**	**2,347**	**294**	**26,040**	**4,735**	**2,221**	**874**

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

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

Excludes Act 793 and Act 808 retirees.

Schedule of Average Benefit Payments

Retirement Effective Date July 1, 2002 to June 30, 2012		Service at Retirement						
		0-4#	5-9	10-14	15-19	20-24	25-29	30+
07/01/02 – 06/30/03	Average Monthly Benefit	$ 131	$ 213	$ 439	$ 824	$ 1,321	$ 1,982	$ 2,530
	Average Final Salary	$25,178	$16,577	$21,197	$28,856	$34,031	$40,871	$39,797
	Number of Active Retirees	48	304	225	155	151	473	265
07/01/03 – 06/30/04	Average Monthly Benefit	$ 200	$ 252	$ 456	$ 804	$ 1,396	$ 2,044	$ 2,602
	Average Final Salary	$26,511	$17,293	$21,690	$29,722	$37,471	$41,637	$41,256
	Number of Active Retirees	46	333	254	185	163	486	225
07/01/04 – 06/30/05	Average Monthly Benefit	$ 117	$ 245	$ 451	$ 851	$ 1,413	$ 2,085	$ 2,561
	Average Final Salary	$21,778	$17,230	$21,509	$31,146	$38,529	$42,106	$39,786
	Number of Active Retirees	44	384	239	215	136	562	242
07/01/05 – 06/30/06	Average Monthly Benefit	$ 178	$ 249	$ 486	$ 796	$ 1,472	$ 2,146	$ 2,860
	Average Final Salary	$23,915	$17,531	$24,252	$29,291	$39,726	$43,432	$42,735
	Number of Active Retirees	44	371	263	207	150	633	290
07/01/06 – 06/30/07	Average Monthly Benefit	$ 193	$ 269	$ 489	$ 810	$ 1,470	$ 2,168	$ 2,791
	Average Final Salary	$30,693	$19,693	$24,448	$29,479	$40,437	$44,736	$43,192
	Number of Active Retirees	31	447	251	215	157	665	251
07/01/07 – 06/30/08	Average Monthly Benefit	$ 299	$ 290	$ 526	$ 954	$ 1,440	$ 2,303	$ 2,778
	Average Final Salary	$25,406	$20,153	$25,808	$36,169	$41,295	$45,077	$42,414
	Number of Active Retirees	12	402	187	187	180	518	217
07/01/08 – 06/30/09	Average Monthly Benefit	$ 162	$ 248	$ 532	$ 902	$ 1,378	$ 2,399	$ 2,949
	Average Final Salary	$24,871	$22,873	$26,844	$33,190	$40,876	$47,821	$46,900
	Number of Active Retirees	47	360	265	235	235	654	245
07/01/09 – 06/30/10	Average Monthly Benefit	$ 169	$ 234	$ 545	$ 939	$ 1,519	$ 2,473	$ 3,115
	Average Final Salary	$31,970	$21,380	$29,941	$34,607	$44,270	$47,853	$49,724
	Number of Active Retirees	54	415	335	252	249	827	192
07/01/10 – 06/30/11	Average Monthly Benefit	$ 157	$ 274	$ 568	$ 1,019	$ 1,584	$ 2,543	$ 3,031
	Average Final Salary	$29,025	$25,410	$28,010	$37,744	$45,054	$49,358	$50,203
	Number of Active Retirees	47	471	295	246	248	764	135
07/01/11 – 06/30/12*	Average Monthly Benefit	$ 160	$ 262	$ 588	$ 994	$ 1,537	$ 2,529	$ 3,122
	Average Final Salary	$31,339	$24,705	$29,042	$37,456	$44,664	$50,784	$51,737
	Number of Active Retirees	47	558	423	295	350	879	150

*# May include cases where the service was not reported. * May not match page 64. Page 64 also includes new retirees with retirement dates prior to July 1, 2011.*

The figures in this chart are figures that are relevant to one specific year of retirement. They have not been updated for certain changes in COLAs that occurred after retirement.

Schedule of Participating Employers

ARTRS
Arkansas Teacher Retirement System

As of June 30, 2012

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

Schedule of Participating Employers

As of June 30, 2012

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

ARTRS

Arkansas Teacher Retirement System