PUBLIC EMPLOYEES' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A Component Unit of the State of Alaska
For the Fiscal Year Ended June 30, 2009

Sean Parnell, Governor

Prepared by

Department of Administration
Division of Retirement and Benefits
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PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

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November 13, 2009

The Honorable Sean Parnell, Governor
Members of the Alaska State Legislature
Alaska Retirement Management Board
Employers and Plan Members

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System (PERS) (System) for the fiscal year ended June 30, 2009.

This report is intended to provide comprehensive information on the financial operations of the System for the year. Responsibility for the accuracy, completeness and fairness of the information presented rests with the management of the System. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the System for the year ended June 30, 2009. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

For financial reporting purposes, the System uses Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 40, *Deposits and Investment Risk Disclosures*; GASB Statement No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*; GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*; and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements 25 and 27*. Assets of the System are presented at fair value. The actuarial value of assets and the actuarial accrued liability are presented in the notes to financial statements and in the required supplementary information following the notes to financial statements.

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the administrative organization of the PERS, and a list of the members serving on the Alaska Retirement Management Board;

- **Financial Section**, which contains the Independent Auditor's Report, management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and additional information;

- **Investment Section**, which contains a report prepared by the investment consultant, a report on investment activity, investment results, and various investment schedules;

- **Actuarial Section**, which contains the Actuarial Certification letter and the results of the most current annual actuarial valuation; and

- **Statistical Section**, which includes additional information related to financial trends, demographic and economic information, and operating information.

The MD&A provides an analytical overview of the financial statements. The Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is located in the Financial Section of this report immediately following the Independent Auditor's Report.

Profile of the System

The System was established in 1961 to provide pension and postemployment healthcare benefits for eligible state and local government employees. Normal service, survivor, and disability benefits are available to all members who attain the Plan's age and service requirements. During the fiscal year 2005 legislative session, a law was enacted that closed the Defined Benefit (DB) Plan. Senate Bill 141, signed into law on July 27, 2005, closed the DB Plan effective July 1, 2006, to new members and created a Defined Contribution Retirement (DCR) plan for members first hired on or after July 1, 2006. Beginning in fiscal year 2007, the System consists of: (1) the DB Plan and (2) the DCR Plan. This report includes both plans. The DB Plan includes the pension plan and the Alaska Retiree Health Care Trust. The DCR Plan includes the DCR trust, occupational death and disability plan (OD&D), retiree major medical plan (RMP), and the health reimbursement arrangement plan (HRA).

	Years Ended June 30		
	2009	2008	2007
Net Assets (millions)	$8,615.6	10,765.3	10,942.3
Participating Employers	160	159	160

Reporting Entity

The System is considered a component unit of the State of Alaska for financial reporting purposes. Because of the closeness of the System's relationship to the State, it is included in the State of Alaska CAFR as a fiduciary fund.

The Commissioner of the Department of Administration, appointed by the Governor, is responsible for administering the System. In order to meet the statutory requirements of administering the System, the Commissioner appoints the Director of the Division of Retirement and Benefits. The Director is responsible for the daily operations of the System.

The Alaska Retirement Management Board (ARMB) constituted effective October 1, 2005, replaced the Public Employees' Retirement Board (effective July 1, 2005) and the Alaska State Pension Investment Board (ASPIB) (effective October 1, 2005).

The ARMB is responsible for:

- adopting investment policies and developing investment objectives;
- providing a range of investment options and establishing the rules by which participants can direct their funds among those options, when applicable;
- establishing credit rates for members' individual contribution accounts, when applicable;

- assisting in prescribing policies for the proper operation of the System;
- coordinating with the System Administrator to have actuarial valuations performed;
- reviewing actuarial assumptions and conducting experience analyses;
- contracting for an independent audit of actuarial valuations and external performance calculations; and
- reporting the System's financial condition to the governor, legislature, and those individual employers participating in the System.

Major Initiatives

The Public Employees' Retirement Board (governing board prior to July 1, 2005) examined ways to reduce costs to the employers and address the unfunded status of the PERS while balancing the need of providing adequate benefits for effective recruitment and retention of new members. Senate Bill 141 passed during the 2005 legislative session created Tier IV in the PERS. This new tier, a hybrid plan referred to as the defined contribution retirement plan (DCR Plan) became effective for members entering the PERS on or after July 1, 2006. The PERS administrator continues to work with legal counsel to obtain plan qualification and various private ruling letters related to the new tier.

The System continues to make progress on several on-going projects. Most of these efforts focused on the following improvements: technology, methods for employers to submit information, methods for members to obtain information, and continued compliance with accounting requirements of the GASB and the Financial Accounting Standards Board (FASB), as applicable.

The System continues to assess and retool its communication efforts, which include printed handbooks, newsletters, and website content. The System strives to ensure that all communication material is clear, accurate, and user-friendly.

The System also endeavors to provide the highest degree of customer service to all our members. Whether working with our pre-retirement or retirement services, health benefits, accounting, administrative sections, or attending our counseling and investment services, the System continues to analyze and improve ways to make interactions with us as pleasant and informative as possible.

Funding Requirements

The System's consulting actuary, Buck Consultants, presented the results of the June 30, 2008, actuarial valuation report to the Plan Administrator and the ARMB. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report, the PERS has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and postemployment healthcare benefits) of 69.5%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately $4.8 billion. The unfunded liability is being addressed at all levels of the State. The Governor's budget proposes to provide funding to PERS employers in order to maintain an appropriate level of employer contributions while also paying the actuarial required contribution rate adopted by the ARMB.

Independent Audit

The System's annual audit was conducted by the independent certified public accounting firm of KPMG LLP. The audit of the System was conducted in accordance with generally accepted auditing standards (GAAS). The independent auditors' report on the financial statements is the first item in the Financial Section of this report and precedes the MD&A and financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the System for the fiscal year ended June 30, 2009, are free of material misstatement. The audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation.

Investments

At June 30, 2009, the DB Plan's investment portfolio was valued at $8.5 billion and earned a -20.49% return for the fiscal year ended June 30, 2009. The DCR Plan's investment portfolio was valued at $74.6 million for the fiscal year ended June 30, 2009. Over the past five years ending June 30, 2009, the DB Plan's investments earned a +2.20% return. The ARMB has statutory oversight of the System's investments and the Department of Revenue, Treasury Division, provides staff for the ARMB. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The ARMB reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

Internal Controls

System management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Actuarial Valuation

The System's consulting actuarial firm, Buck Consultants, completed the actuarial review and valuation as of June 30, 2008, and served as technical advisor to the PERS. The actuarial certification and supporting statistics are included in the Actuarial Section of this report.

Professional Services

Professional consultants are retained to perform professional services that are essential to the effective and efficient operation of the System. A list of consultants is provided in the Introductory Section with the exception of investment professional consultants, who are listed in the Investment Section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the PERS for its CAFR for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We are confident our current CAFR continues to meet the Certificate of Achievement Program's requirements. Therefore, we are submitting it to the GFOA for consideration.

Acknowledgements

The preparation of this report is made possible by the dedicated services of the staff of the Department of Administration, Division of Retirement and Benefits, Department of Law, and the Department of Revenue, Treasury Division. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the System financial resources.

The report is available on the web at doa.alaska.gov/drb/pers/perscafr.html and mailed to those who submit a formal request. This report forms the link between the System and the membership. The cooperation of the membership contributes significantly to the success of the System. We hope the employers and plan members find this report informative.

We would like to take this opportunity to express our gratitude to the Alaska Retirement Management Board, the staff, the advisors, and to the many people who have diligently worked to assure the successful operation of the System.

Respectfully submitted,

Annette Kreitzer
Commissioner

Rachael Petro
Deputy Commissioner

Pat Shier
Director

Kevin Worley
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alaska Public Employees' Retirement System

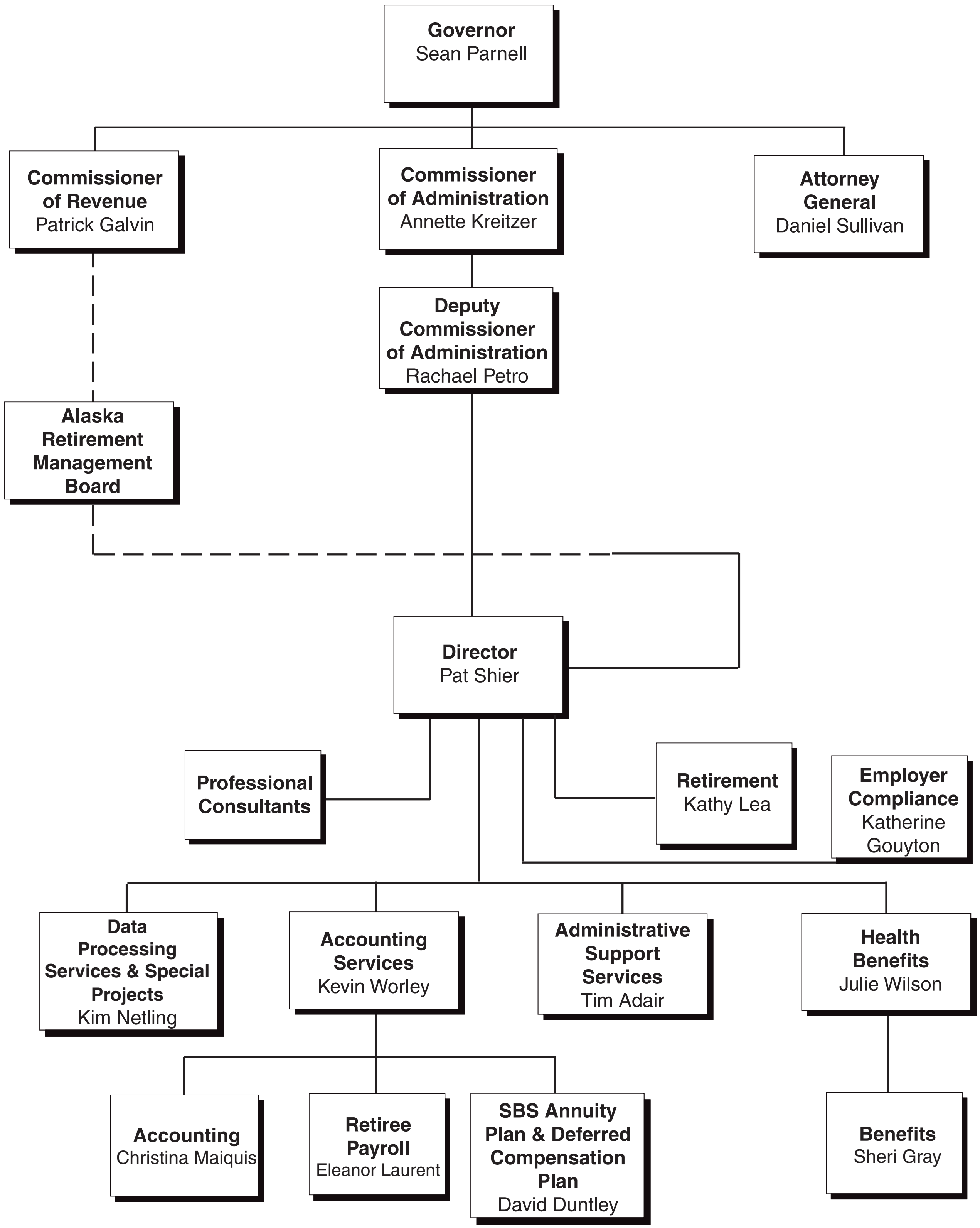
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ORGANIZATION CHART



Section Responsibilities

The **Retirement Section** is responsible for providing comprehensive retirement counseling to the participating members and employers in the plan. This section appoints members to retirement and maintains benefit payment information.

The **Health Benefits Section** is responsible for the administration of health, disability, and life insurance. This section provides benefits counseling and plan change information to the membership.

The **Accounting Services Section** is responsible for maintaining the employee and employer records and accounts in each of the defined benefit plans administered by the Division, producing financial statements and reports, and assuring compliance with the Internal Revenue Service requirements for the defined benefit and defined contribution plans.

The **SBS Annuity Plan and Deferred Compensation Plan Section** is responsible for accounting, plan operations, and financial activities related to the SBS Annuity and Deferred Compensation Plan administered by the Division.

The **Data Processing Services and Special Projects Section** supports the information systems the System uses. Responsibilities include planning, development, data base design, programming, and operational support of the data processing systems, including the Local Area Network.

The **Administrative Support Services Section** is responsible for budget preparation, fiscal management of appropriations, procurement of professional services, supplies, and equipment. The section manages the systems' record center containing the member's physical records and performs other administrative functions such as legislative tracking and personnel management.

PROFESSIONAL CONSULTANTS

Consulting Actuary
Buck Consultants
Denver, Colorado

Independent Auditors
KPMG LLP
Anchorage, Alaska

Benefits Consultant
Buck Consultants
Denver, Colorado

Third-Party Healthcare Claim Administrator
Premera Blue Cross Blue Shield of Alaska
Seattle, Washington

Legal Counsel
Anne Johnson
Toby Steinberger
Assistant Attorney Generals
Juneau, Alaska
Ice Miller LLP
Indianapolis, Indiana

Legal Counsel - Retirement Boards
Wohlforth, Johnson, Brecht, Cartledge & Brooking
Anchorage, Alaska

Consulting Physicians
Kim Smith, M.D.
William Cole, M.D.
Juneau, Alaska

A list of investment consultants can be found on pages 89-90 and on the Schedule of External Management Fees on pages 98-99.

ALASKA RETIREMENT MANAGEMENT BOARD

Gail (Anagick) Schubert, Chair, is the Executive Vice President and General Counsel for the Bering Straits Native Corporation, and President/CEO of several of its subsidiary entities. Mrs. Schubert is an attorney licensed to practice law in the states of Alaska and New York, and holds a Law Degree and Masters Degree in Business Administration from Cornell University. She received her undergraduate degree from Stanford University. Mrs. Schubert serves as Chair of the Alaska Native Heritage Center, Chair of Akeela Treatment Services, Chair of the Alaska Retirement Management Board, Vice Chair of the Alaska Native Justice Center, Vice Chair of Khoanic Broadcast Corporation, Treasurer of the Bering Straits Native Corporation, and a board member of the Alaska Federation of Natives, and the Alaska Native Arts Foundation. Mrs. Schubert is also a member of the Alaska Rural Justice and Law Enforcement Commission.

Sam Trivette, Vice-Chair, is currently President of the Retired Public Employees of Alaska, and is on the national executive board of the American Federation of Teachers retirees. Mr. Trivette retired from public service after more than 32 years serving as Chief Probation Officer, Director of Community Corrections, Executive Director of the Parole Board, and as a probation and correctional officer. He is President of Quality Corrections Services, and on the board of directors of the Alaska Public Employees Association. Mr. Trivette has also served as an officer in a number of national and statewide professional organizations as well a many not-for-profit organizations around Alaska. He has a Bachelor's degree in Psychology from the University of Alaska, Anchorage and has completed postgraduate work in public administration, law and psychological counseling.

Gayle W. Harbo, Secretary, retired after teaching mathematics in Fairbanks for 25 years. She also served as math department chair, as advanced placement coordinator, on the district curriculum, evaluation and budget committees, and twice as chair of the Lathrop Self-Evaluation for Accreditation Committee. Ms. Harbo is a member of Alpha Delta Kappa, AARP, National Retired Teachers of Alaska, Fairbanks Retired Teachers Association, National Council of Teacher Retirement Systems, and the NCTR Education Committee. She is also a co-manager of a family trust. Ms. Harbo was named Alaska Teacher of the Year in 1989. She holds a Bachelor's of Science in Mathematics from North Carolina State University, and a Masters in Teaching from the University of Alaska, Fairbanks, and has completed an additional 40 hours in mathematics, counseling, law and finance.

Patrick Galvin was appointed Commissioner of the Department of Revenue by former Governor Sarah Palin effective December 4, 2006. Before his appointment he served as a Petroleum Land Manager for the Alaska Department of Natural Resources (DNR), Division of Oil and Gas. His responsibilities included managing the oil and gas leasing and licensing programs, lease administration, and oil and gas permitting for the division. His education background includes a Bachelor's degree in Visual Arts and Quantitative Economics from the University of California, San Diego, a Law Degree from the University of San Diego, and a Master of Business Administration from San Diego State University. Prior to his position at DNR, Mr. Galvin served as Director of the Division of Governmental Coordination, overseeing the Alaska Coastal Management Program. Previously, Mr. Galvin was a private practice attorney focusing on municipal, corporate, and tribal law.

Annette Kreitzer was appointed Commissioner of the Department of Administration by former Governor Sarah Palin in January 2007. Most recently Ms. Kreitzer served as Chief of Staff for former Lieutenant Governor Loren Leman. She also served as Committee Aide for the Senate Special Committee on Oil and Gas, then as Committee Aide for the Senate Labor & Commerce and Resources committees, and Senate Finance Subcommittee staff for the Departments of Revenue, Environmental Conservation, and Natural Resources. Ms. Kreitzer has served as the Governor's appointee to Rural CAP (2002 - 2007); represented the Alaska Senate on the National Conference of State Legislatures Chemical Weapons Study Group (1998-1999); and served on the Governor's Safety Advisory Council (1994-1997). Ms. Kreitzer has also worked as an Emergency Medical Services Squad Leader and EMT II, administrator for the Anna Livingston Memorial Clinic, a reporter and a freelance writer. Volunteer activities include service on the Bartlett Regional Hospital Board, the Aleutians East Borough Health Committee, teaching gun safety and assisting with Ducks Unlimited and National Rifle Association events. Ms. Kreitzer attended Wright State University with an emphasis on journalism and took additional courses through the University of Washington and University of Alaska Fairbanks.

Martin Pihl came to Alaska in 1962 to work for Ketchikan Pulp Company, becoming President and General Manager in 1987 until his retirement in 1994. He then served as Acting Executive Director for the Alaska Permanent Fund Corporation in 1994-1995. Mr. Pihl serves as a director of National Bank of Alaska and on Wells Fargo Bank's Alaska Statewide Advisory Board, as Chairman of the Board of Governors of the Alaska Timber Insurance Exchange, and as a regent for Pacific Lutheran University. He is also a member of several advisory boards including Holland America-Westmark-Ketchikan Advisory Board, Ketchikan Ports and Harbors Advisory Board, and Alaska Airlines Southeast Alaska Community Advisory Board. Mr. Pihl holds a Bachelor's degree in Accounting from the University of Washington and has been a CPA since 1958.

Kristin Erchinger is currently finance director for the city of Seward, having worked for the city in finance positions since 1994 including a year serving simultaneously as finance director and acting city manager. She became the finance director in 2000. Ms. Erchinger is past president of the Alaska Government Finance Officer's Association and represents that organization in the Alaska Municipal League. She also served on the Providence Alaska Region Board, the Graduate Medical Education Committee, the Alaska Municipal League Board, and the Board of the American Society for Public Administration, Alaska Chapter. Ms. Erchinger earned bachelor's degrees in international studies and Japanese language and literature, both from the University of Washington, and a master's degree in public administration from the University of Alaska Anchorage.

Michael R. Williams is currently a Revenue Auditor for the Alaska Department of Revenue, performing audits of large, multi-state and multi-national corporations since 1998. He is also a partner and principal owner of Williams & Payne, LLC, a tax preparation and consultation business in Anchorage. Mr. Williams has also worked as a tax consultant for Deloitte & Touche and as a tax auditor for the State of Utah. He has served as Secretary for ASEA/AFSCME Local 52, as trustee for the ASEA Health Benefits Trust, and is a member of the National Association of Enrolled Agents. Mr. Williams holds a Bachelor's degree in Accounting & German and a Master of Professional Accountancy from Weber State University.

Tom Richards recently retired after serving 29 years as a mathematics, science and economics teacher in Fairbanks and North Pole. He currently works as an education liaison at the Fairbanks Youth Facility. He also serves on the Alaska State Bond Reimbursement and Grant Review Committee. Mr. Richards received a bachelor of science from the University of Idaho (Moscow) in 1976 with a major in zoology and a minor in chemistry, and obtained his State of Alaska teacher certification in 1978 with a secondary endorsement in biological science and mathematics. In 1999, he received a master of science in education from Western Oregon University (Monmouth) with an emphasis in information technology. He continues to enjoy Alaska with his wife, Debbie.

FINANCIAL SECTION

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KPMG

KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Public Employees' Retirement System:

We have audited the accompanying statements of plan net assets of the State of Alaska Public Employees' Retirement System (Plan), a Component Unit of the State of Alaska, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Public Employees' Retirement System, as of June 30, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Schedules of Funding Progress and Contributions from Employers are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

KPMG

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental schedules 1 through 7 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such Supplemental schedules are the responsibility of the management of the Plan. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in a material respects when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

November 13, 2009

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2009 and 2008

This section presents management's discussion and analysis (MD&A) of the Public Employees' Retirement Systems (System) financial position and performance for the years ended June 30, 2009 and 2008. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information and supplemental schedules to better understand the financial condition and performance of the System during the fiscal years ended June 30, 2009 and 2008. Information for fiscal year 2007 is presented for comparative purposes.

Financial Highlights

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 are $8,615,632,000 and $10,765,304,000.

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 decreased by ($2,149,672,000) and ($177,020,000) or -20.0% and -1.6% from fiscal years 2008 and 2007.

The System's contributions totaled $548,525,000 and $514,976,000 during fiscal years 2009 and 2008, an increase of $33,549,000 and $46,315,000 or 6.5% and 9.9% from fiscal years 2008 and 2007.

State of Alaska appropriations totaled $241,600,000 and $185,000,000 during fiscal years 2009 and 2008, an increase of $56,600,000 and $166,418,000 or 30.6% and 895.6% from fiscal years 2008 and 2007.

The System's net investment loss increased from ($336,985,000) in fiscal year 2008 to ($2,191,482,000) in fiscal year 2009 reflecting an increase of ($1,854,497,000) or 550.3%. Net investment income decreased from $1,731,853,000 in fiscal year 2007 to ($336,985,000) in fiscal year 2008 reflecting a decrease of ($2,068,838,000) or -119.5%.

The System's pension and postemployment healthcare benefit expenditures totaled $722,493,000 and $516,197,000 during fiscal years 2009 and 2008; reflecting an increase of $206,296,000 or 40.0% and a decrease of ($118,901,000) or -18.7% from fiscal years 2008 and 2007, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's financial statements are comprised of three components: (1) statement of plan net assets, (2) statement of changes in plan net assets, and (3) notes to financial statements. This report also contains required supplementary information and other supplementary schedules.

Statement of Plan Net Assets – This statement presents information regarding the System's assets, liabilities, and resulting net assets held in trust for pension and postemployment healthcare benefits. This statement reflects the System's investments at fair market value, along with cash and short-term investments, receivables, and other assets less current liabilities at June 30, 2009 and 2008.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2009 and 2008

Statement of Changes in Plan Net Assets – This statement presents how the System's net assets held in trust for pension and postemployment healthcare benefits changed during the fiscal years ended June 30, 2009 and 2008. This statement presents contributions earned and investment income (loss) during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2009 and 2008, and the sources and uses of those funds during fiscal years 2009 and 2008.

Notes to Financial Statements – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that is essential to a full understanding of the System's financial statements.

Required Supplementary Information and Related Notes – The required supplementary information consists of three schedules and related notes concerning the funded status of the System and actuarial assumptions and methods used in the actuarial valuation.

Supplementary Schedules – Supplementary schedules include System statements of plan net assets and changes in plan net assets by each plan and fund, detailed information on administrative and investment deductions incurred by the System and payments to consultants (other than investment advisors) for professional services.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2009 and 2008

Condensed Financial Information

PLAN NET ASSETS (In thousands)

Description	2009	2008	Increase/(Decrease) Amount	Increase/(Decrease) Percentage	2007
Assets:					
Cash and cash equivalents	$ 39,636	34,332	5,304	15.5%	21,398
Due from State of Alaska general fund	13,145	20,441	(7,296)	(35.7)	7,692
Contributions receivable	22,053	27,255	(5,202)	(19.1)	18,876
Due from retiree health fund	1,051	-	1,051	100.0	-
Other receivables	2,084	138	1,946	1,410.1	-
Due from postemployment healthcare	-	3,490,576	(3,490,576)	(100.0)	-
Securities lending collateral	-	-	-	-	1,191,168
Investments, at fair value	8,550,532	10,779,493	(2,228,961)	(20.7)	10,901,724
Other assets	2,824	8	2,816	35,200.0	4
Total assets	8,631,325	14,352,243	(5,720,918)	(39.9)	12,140,862
Liabilities:					
Accrued expenses	9,747	9,022	725	8.0	7,358
Due to Alaska retiree health care fund	-	3,490,576	(3,490,576)	(100.0)	-
Due to State of Alaska general fund	5,844	16,861	(11,017)	(65.3)	12
Due to other funds	102	70,480	(70,378)	(99.9)	-
Securities lending collateral payable	-	-	-	-	1,191,168
Total liabilities	15,693	3,586,939	(3,571,246)	(99.6)	1,198,538
Net assets	**$ 8,615,632**	**10,765,304**	**(2,149,672)**	**(20.0)%**	**10,942,324**

CHANGES IN PLAN NET ASSETS (In thousands)

Description	2009	2008	Increase/(Decrease) Amount	Increase/(Decrease) Percentage	2007
Net assets, beginning of year	**$10,765,304**	**10,942,324**	**(177,020)**	**(1.6)%**	**9,379,471**
Additions (reductions):					
Contributions	548,525	514,976	33,549	6.5	468,661
Appropriation - State of Alaska	241,600	185,000	56,600	30.6	18,582
Net investment (loss) income	(2,191,482)	(336,985)	(1,854,497)	550.3	1,731,853
Transfers	-	3,490,576	(3,490,576)	(100.0)	-
Other additions	8,780	47	8,733	18,580.9	84
Total (reductions) additions	(1,392,577)	3,853,614	(5,246,191)	(136.1)	2,219,180
Deductions:					
Pension and postemployment healthcare benefits	722,493	516,197	206,296	40.0	635,098
Refund of Contributions	13,884	15,159	(1,275)	(8.4)	14,953
Administrative	20,718	8,702	12,016	138.1	6,276
Transfers	-	3,490,576	(3,490,576)	(100.0)	-
Total deductions	757,095	4,030,634	(3,273,539)	(81.2)	656,327
(Decrease) increase in net assets	(2,149,672)	(177,020)	(1,972,652)	1,114.4	1,562,853
Net assets, end of year	**$ 8,615,632**	**10,765,304**	**(2,149,672)**	**(20.0)%**	**10,942,324**

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Financial Analysis of the Plans

The Statements of Net Assets as of June 30, 2009 and 2008 showed total net assets held in trust for pension and postemployment healthcare benefits of $8,615,632,000 and $10,765,304,000. The entire amount is available to cover the System's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries.

These amounts also represent a decrease in the System's net assets held in trust for pension and postemployment healthcare benefits of $2,149,672,000 or -20.0% from fiscal year 2009 and 2008 and ($177,020,000) or -1.60% from fiscal years 2008 and 2007. Over the long term, plan member, employer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the Plan. The decrease in net assets is due to the decrease in net investment income caused by a decline in investment returns.

The investment of pension funds is a long term undertaking. On an annual basis, the Alaska Retirement Management Board (Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the System's constraints and objectives.

Defined Benefit Plan Asset Allocation

During fiscal year 2009 and 2008, the Board adopted the following asset allocation:

	2009			
	Pension		Healthcare Trust	
	Allocation	Range	Allocation	Range
Broad domestic equity	34.0%	± 6%	37.0%	± 6%
Global equity ex-US	20.0	± 4	22.0	± 4
Private equity	7.0	± 5	3.0	± 3
Fixed income	18.0	± 3	20.0	± 3
Real assets	15.0	± 8	8.0	+5 / -8
Absolute return	6.0	± 4	7.0	+4 / -7
Cash	-	± 3	3.0	+5 / -3
Total	100.0%		100.0%	
Expected five-year median return	8.15%		7.90%	
Standard deviation	12.85%		12.11%	

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	2008	
	Allocation	Range
Domestic large capitalization	30.0%	± 3%
Domestic small capitalization	7.0	± 3
Private equity	7.0	± 5
International equity	14.0	± 3
Emerging markets equity	2.0	± 2
Domestic fixed-income	18.0	± 3
International fixed-income	2.0	± 2
High Yield	3.0	± 3
TIPS	0.5	± 0.5
Real estate	10.0	± 4
Absolute return	4.0	± 4
Other	2.5	± 2.5
Cash	-	+ 3
Total	100.0%	
Expected return	8.12%	
Standard deviation	12.52%	

For Fiscal Years 2009 and 2008, the Defined Benefit Plan's investments generated a -20.49% and -3.06% rate of return. The Defined Benefit Plan's annualized rate of return was -2.88% over the last three years and +2.20% over the last five years, significantly less than the actuarial rate of return of 8.25%.

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Defined Contribution Retirement Plan Asset Allocation

During fiscal year 2009 and 2008, the Board adopted the following asset allocation for the Defined Contribution Retirement Plan's Retiree Major Medical Insurance Fund, Health Reimbursement Arrangement Fund, and Occupational Death and Disability Fund:

	2009	
	Allocation	**Range**
Broad domestic equity	34.0%	±6%
Global equity Ex-U.S.	20.0	±4
Private equity	7.0	+5 / - 7
Fixed income	18.0	±3
Real assets	15.0	+5 / -15
Absolute return	6.0	+4 / -6
Cash	-	+3
Total	100.0%	
Expected return	8.15%	
Standard deviation	12.85%	

	2008	
	Allocation	**Range**
Domestic large capitalization	35.0%	±3%
Domestic small capitalization	9.0	±3
International equity	18.0	±3
Emerging markets equity	4.0	±3
Domestic fixed-income	13.0	±3
International fixed-income	2.0	±2
TIPS	10.0	±3
Real estate	9.0	±3
Cash	-	+3
Total	100.0%	
Expected return	7.99%	
Standard deviation	12.17%	

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Actuarial Valuations and Funding Progress – Defined Benefit (DB) Plan

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing during a fiscal year and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the actuary and adopted by the Board. Employer contribution rates are recommended by the actuary and the actuarially determined contribution rate is considered for adoption by the Board annually. Decreases in investment result increasing healthcare costs, and contribution shortfalls continue to impact the Defined Benefit Plan's funding ratio. The ratio of assets to liabilities was 69.5%, at June 30, 2008 (the date of the Defined Benefit Plan's latest actuarial valuation report). The goal for the DB Plan is to make progress toward achieving the funding objectives.

A summary of the actuarial assumptions and methods is presented in the Notes to Required Supplementary Information. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the DB Plan.

For fiscal year 2009 (based on the June 30, 2006 actuarial valuation report), the consolidated normal cost rate decreased from 14.48% to 13.72%, the average past service rate increased from 18.03% to 21.50%, thus producing a total fiscal year 2009 actuarially determined average annual required contribution rate in the DB Plan of 35.22%. The Board adopted the actuarially determined contribution rate of 35.22% for fiscal year 2009.

	Valuation Year (In thousands)	
	2008	**2007**
Valuation Assets	$ 11,040,106	9,900,960
Accrued Liabilities (total benefits)	15,888,141	14,570,933
Unfunded Accrued Liability	4,669,973	4,848,035
Funding Ratio	69.5%	68.0%

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Contributions and Investment Income

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, State of Alaska appropriation, investment income (loss), other additions, and a transfer.

Additions (In thousands)

			Increase/(Decrease)		
	2009	**2008**	**Amount**	**Percentage**	**2007**
Plan member contributions	$ 141,073	134,151	6,922	5.2%	126,278
Employer contributions	407,452	380,825	26,627	7.0	338,890
Appropriation - State of Alaska	241,600	185,000	56,600	30.6	18,582
Net investment (loss) income	(2,191,482)	(336,985)	(1,854,497)	550.3	1,731,757
Transfer from postemployment health fund	-	3,490,576	(3,490,576)	(100.0)	-
Other additions	8,780	47	8,733	18,580.9	84
Total	**$(1,392,577)**	**3,853,614**	**(5,246,191)**	**(136.1)%**	**2,215,591**

The Plan's employer contributions increased from $380,825,000 in fiscal year 2008 to $407,452,000 in fiscal year 2009, an increase of $26,627,000 or 7.0%. There was an increase from $338,890,000 during fiscal year 2007 to $380,825,000 during fiscal year 2008, an increase of $41,935,000 or 12.4%.

The State of Alaska provided $241,600,000 in employer on-behalf payments for fiscal year 2009 in Senate Bill 53, Section 55 (e).

The DB Plan's actuarial determined employer contribution rate increased from 32.51% in Fiscal Year 2008 to 35.22% in fiscal year 2009. The employer effective contribution rate for fiscal year 2009 was established to be 22.00%, but not lower than 14.48%, in Senate Bill 53, Section 55 (f).

Increases in actuarial determined contribution rates in fiscal year 2009 are largely due to the contribution shortfall related to contributions made in fiscal years 2007 and 2008.

The Plan's net investment loss in fiscal year 2009 increased by ($1,854,497,000) or 550.3% from losses incurred in fiscal year 2008. Net income investment decreased by $2,068,742,000 or -119.5% over amounts recorded in 2007. Investments were hard hit by the economic downturn and for eight months of the fiscal year, investments results were heavily negative. Beginning March 2009, the investment environment turned around with assistance from the Federal government's intervention in the economy through various stimulus packages.

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	Year Ended		
	2009	**2008**	**2007**
System returns	-20.49%	-3.06%	18.87%
Domestic equities	-26.72	-13.53	20.10
International equities	-29.11	-7.58	30.20
Fixed income	3.39	6.58	6.20
Private equity	-23.67	-	-
Absolute return	-12.51		
Real assets	-21.02	5.71	20.70
International fixed income	-	18.96	1.97

The Defined Contribution Retirement (DCR) Pension Trust employer effective rate for the DCR Pension Trust Plan's for Fiscal Year 2009 was set at 22.00%, based on their DB plan rate.

The DCR Pension Trust employer contribution rate for fiscal year 2009 was 5.00%. The DCR Occupational Death and Disability rate for "peace officers and firefighters" for fiscal year 2009 was 1.33% and for "All Other" employees was 0.58%, per Board Resolution 2007-38. The Retiree Major Medical Insurance Fund was 0.99% per Board Resolution 2007-37, and the rate for the Health Reimbursement Arrangement Fund was set at 3% of the employer's average annual compensation per AS 39.30.370. Any remaining balance, if any, after subtracting the mandatory contributions from the total employer contribution rate of 22.00% was deposited in the DB Plan.

Over the long term, investment income has been a major component of additions to System assets. During fiscal year 2009, the System experienced a significant reduction in rates of return on investments. The rate of return used in the actuarial valuation report to determine liabilities of the DB Plan was 8.25%. The fiscal year 2009 and 2008 losses represent a substantial reversal of investment income from 2007 and 2006.

During fiscal year 2008, the Plan transferred the fund balance as of June 30, 2007 of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust fund as a result of approval from the Internal Revenue Service for the Public Employees' and Teachers' Retirement Systems for pre-funding of postemployment healthcare costs. The actual transfer of funds occurred in fiscal year 2009.

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Benefits and Other Deductions

The primary deduction of the DB Plan is the payment of pension benefits. The primary deduction of the DCR Pension Trust Plan is the refund of contributions. These benefit payments, together with postemployment healthcare premiums paid, healthcare claims paid, lump sum refunds made to former plan members, and the cost of administering the plans comprise the costs of operations.

Deductions (In thousands)

			Increase/(Decrease)		
	2009	2008	Amount	Percentage	2007
Pension and postemployment healthcare	$ 722,493	516,197	206,296	40.0%	635,098
Refund of contributions	13,884	15,159	(1,275)	(8.4)	14,953
Administrative	20,718	8,702	12,016	138.1	6,276
Total	**$ 757,095**	**540,058**	**217,037**	**40.2%**	**656,327**

The System's pension and postemployment healthcare benefit payments in 2009 increased $206,296,000 or 40.0% from fiscal year 2008 and decreased ($118,901,000) or -18.7% from fiscal years 2008 and 2007, respectively. The primary reason of the increase was the change in how healthcare costs are reported in the System's financial statements. The DB Plan Alaska Retiree Healthcare Trust (ARHCT) was established with Senate Bill 123 and became effective July 1, 2007. The ARHCT healthcare claims payments were $256,408,000 for fiscal year 2009 compared to $77,074,000 in fiscal year 2008. Prior to fiscal year 2008, the System was responsible for a healthcare premium paid directly to the Retiree Health Fund (RHF) for each retired member / beneficiary participating in the System. Beginning July 1, 2007, the System began funding the ARHCT via employer contributions. The RHF continued to pay healthcare claims for the three participating Systems until February 29, 2008. Beginning March 1, 2008, the ARHCT became responsible for payment of healthcare claims.

Administrative deductions in 2009 increased $12,016,000 or 138.1% from fiscal year 2008 and increased $2,426,000 or 38.6% from fiscal years 2008 and 2007, respectively.

The increase in administrative deductions is related to an increase in actuarial cost and an increase in the administrative expenses associated with the third party administrator of the healthcare plans. In prior years the administrative cost for the healthcare plans was reflected in the retiree health fund. These costs are now reflected in the DB Plan's Alaska Healthcare Trust.

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Funding

Retirement benefits are financed by accumulations from employers, plan members, State of Alaska appropriations, and income earned on System investments.

- The employer contribution rates are determined by the DB Plan's consulting actuaries and adopted by the Board annually. The DCR Plan's employer contribution rates were established by Alaska Statute and adopted by the Board, with the exception of the Healthcare Reimbursement Arrangement Plan amounts, which are calculated and approved by the Department.

- Plan member contributions are established by Alaska Statute 39.35.160. for the DB Plan and Alaska Statute 39.35.730 for the DCR Plan.

- Alaska Statute 39.25.280 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the Plan's past service liability at the contribution rate adopted by the Board for that fiscal year.

- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2009, the Twenty-Sixth Alaska State Legislature enacted one law that affects the System:

- House Bill 81 appropriates $107.9 million from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2010. This appropriation is to fund the difference between the statutory required contribution established in Senate Bill 125 of 22 percent and the actuarially determined contribution rate of 27.65 percent for fiscal year 2010.

Economic Conditions, Future Contribution Rates, and Status of Unfunded Liability

The financial market environment continues to challenge investors. With the threat of inflation, the failures of financial institutions and brokerage firms, and continued turmoil in the Middle East, many forces once again pose changes to Plan investments. The Board continues to diversify the portfolio of the Plan to maintain an optimal risk/return ratio.

The return on the DB Plan's investments failed to meet or exceed its' actuarially assumed return of 8.25%. Even with investment returns exceeding the actuarial rate of return, the System will continue to see an increase in actuarial determined contribution rates due to rising medical cost and past contribution shortfalls.

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The consulting actuary recommended an increase from the average employer contribution rate of 32.51% in fiscal year 2008 to 35.22% in fiscal year 2009. The Board adopted the actuarially determined contribution rate of 35.22% for fiscal year 2009, up 2.71 points from the fiscal year 2008 Board adopted actuarially determined contribution rate of 32.51%. The employer effective rate for fiscal year 2009 was set at 22.00%.

The June 30, 2008, actuarial valuation for the DB Plan reported a funding ratio of 69.5% and an unfunded liability of $4.85 billion.

For fiscal year 2009 and 2008, the DCR Plan's employer contribution rate was established at 22.00%. The DCR Plan retiree medical plan contribution rate was adopted by the Board to be 0.99% for fiscal year 2009 and 2008 respectively. The DCR Plan's occupational death and disability rate for peace officers and firefighters was adopted by the Board to be 1.33% for fiscal year 2009 and 2008. The DCR Plan's occupational death and disability rate for all other employees was adopted by the Board to be 0.58% for fiscal year 2009 and 2008, respectively. The actuarial determined rate for fiscal year 2010 was set in the June 30, 2007 valuations to be 27.65% and the 2011 actuarial determined rate was set in the June 30, 2008 valuation to be 27.96%.

Requests for Information

This financial report is designed to provide a general overview of the finances for all those with interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

State of Alaska Public Employees' Retirement System
Division of Retirement & Benefits, Accounting Section
P.O. Box 110203
Juneau, Alaska 99811-0203

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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Statements of Plan Net Assets
June 30, 2009 and 2008 (In thousands)

	2009			2008		
	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL
Assets:						
Cash and cash equivalents (notes 3, 4, 5 and 6):						
Short-term fixed income pool	$37,439	612	38,051	32,531	1,477	34,008
Great West / participant directed deposit	-	1,585	1,585	-	324	324
Total cash and cash equivalents	37,439	2,197	39,636	32,531	1,801	34,332
Receivables:						
Contributions	22,029	24	22,053	27,079	176	27,255
Due from State of Alaska General Fund	9,169	3,976	13,145	17,624	2,817	20,441
Due from retiree health fund	1,051	-	1,051	-	-	-
Due from postemployment healthcare fund (note 7)	-	-	-	3,490,576	-	3,490,576
Other account receivable	2,084	-	2,084	138	-	138
Total receivables	34,333	4,000	38,333	3,535,417	2,993	3,538,410
Investments (notes 3, 4, 5, 6 and 7):						
Fixed Income Securities						
Retirement fixed income pool	998,809	2,977	1,001,786	1,642,571	-	1,642,571
High yield pool	189,135	416	189,551	260,351	-	260,351
International fixed income pool	130,194	413	130,607	219,627	-	219,627
Emerging debt pool	65,747	92	65,839	-	-	-
Total Fixed Income Securities	1,383,885	3,898	1,387,783	2,122,549	-	2,122,549
Broad Domestic Equity						
Broad domestic equity	2,839,854	7,683	2,847,537	3,420,343	-	3,420,343
Total Broad Domestic Equity	2,839,854	7,683	2,847,537	3,420,343	-	3,420,343
Global Equity Ex-US						
International equity pool	1,307,598	3,413	1,311,011	1,554,576	-	1,554,576
Emerging markets equity pool	360,383	1,121	361,504	293,598	-	293,598
Total Global Equity Ex-US	1,667,981	4,534	1,672,515	1,848,174	-	1,848,174
Private Equity						
Private equity pool	733,421	1,547	734,968	888,882	-	888,882
Total Private Equity	733,421	1,547	734,968	888,882	-	888,882
Absolute Return						
Absolute return pool	376,296	1,392	377,688	435,243	-	435,243
Total Absolute Return	376,296	1,392	377,688	435,243	-	435,243
Real Assets						
Real estate pool	910,810	1,576	912,386	1,304,634	-	1,304,634
Real estate investment trust pool	23,407	219	23,626	-	-	-
Energy pool	53,556	227	53,783	-	-	-
Farmland pool	317,290	223	317,513	-	-	-
Farmland water pool	10,549	-	10,549	-	-	-
Timber pool	106,774	514	107,288	-	-	-
Treasury inflation protected securities pool	52,074	699	52,773	57,544	1,084	58,628
Mortgages	-	-	-	-	-	-
Total Real Assets	1,474,460	3,458	1,477,918	1,362,178	1,084	1,363,262
Other investment funds, at fair value:						
Pooled investment funds	-	2,568	2,568			-
Collective investment funds	-	49,555	49,555	327,130	33,177	360,307
Other	-	-	-	340,733	-	340,733
Total other investment funds	-	52,123	52,123	667,863	33,177	701,040
Total investments	8,475,897	74,635	8,550,532	10,745,232	34,261	10,779,493
Other:						
Other	2,824	-	2,824	8	-	8
Total other	2,824	-	2,824	8	-	8
Total assets	8,550,493	80,832	8,631,325	14,313,188	39,055	14,352,243
Liabilities:						
Accrued expenses	8,732	1,015	9,747	8,358	664	9,022
Due to State of Alaska General Fund	5,844	-	5,844	16,861	-	16,861
Due to Retiree Health Medical Fund	-	-	-	5,485	-	5,485
Due to Alaska Retiree Healthcare Trust - TRS	102	-	102	64,995	-	64,995
Due to Alaska Retiree Healthcare Trust - PERS (note 7)	-	-	-	3,490,576	-	3,490,576
Total liabilities	14,678	1,015	15,693	3,586,275	664	3,586,939
Commitment and contingencies (note 9)						
Net assets held in trust for pension and postemployment healthcare benefits (See unaudited Schedule of Funding Progress)	$8,535,815	79,817	8,615,632	10,726,913	38,391	10,765,304

See accompanying notes to financial statements.

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Statements of Changes in Plan Net Assets

June 30, 2009 and 2008 (In thousands)

	2009			2008		
	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL
Additions (reduction):						
Contributions:						
Employers	$ 379,540	27,912	407,452	364,078	16,747	380,825
Plan members	119,338	21,735	141,073	120,980	13,171	134,151
State of Alaska	241,600	-	241,600	185,000	-	185,000
Total contributions	740,478	49,647	790,125	670,058	29,918	699,976
Investment income (loss):						
Net (depreciation) appreciation in fair value (note 3)	(2,469,944)	(8,263)	(2,478,207)	(737,929)	(675)	(738,604)
Interest	90,059	1,299	91,358	137,756	(2,242)	135,514
Dividends	213,049	275	213,324	284,876	23	284,899
Net recognized loan recovery	13	-	13	-	-	-
Total investment income (loss)	(2,166,823)	(6,689)	(2,173,512)	(315,297)	(2,894)	(318,191)
Less investment expense	17,970	-	17,970	23,089	-	23,089
Net investment (loss) before security lending activities	(2,184,793)	(6,689)	(2,191,482)	(338,386)	(2,894)	(341,280)
Securities lending (note 6)	-	-	-	39,635	7	39,642
Less securities lending expenses (note 6)	-	-	-	35,342	5	35,347
Net income from securities lending activities	-	-	-	4,293	2	4,295
Net investment (loss)	(2,184,793)	(6,689)	(2,191,482)	(334,093)	(2,892)	(336,985)
Transfer from postemployment healthcare fund (note 7)	-	-	-	3,490,576	-	3,490,576
Other:						
Other	8,780	-	8,780	47	-	47
Total (reductions) additions	(1,435,535)	42,958	(1,392,577)	3,826,588	27,026	3,853,614
Deductions:						
Pension and postemployment benefits	722,493	-	722,493	516,197	-	516,197
Refunds of contributions	12,498	1,386	13,884	14,333	826	15,159
Administrative	20,572	146	20,718	8,533	169	8,702
Total deductions	755,563	1,532	757,095	539,063	995	540,058
Transfer to Alaska retiree healthcare trust (note 6)	-	-	-	3,490,576	-	3,490,576
Net (decrease) increase	(2,191,098)	41,426	(2,149,672)	(203,051)	26,031	(177,020)
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	10,726,913	38,391	10,765,304	10,929,964	12,360	10,942,324
Balance, end of year	$ 8,535,815	79,817	8,615,632	10,726,913	38,391	10,765,304

See accompanying notes to financial statements.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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Notes to Financial Statements

June 30, 2009 and 2008

(1) Description

The following brief description of the State of Alaska Public Employees' Retirement System (PERS), a component unit of the State of Alaska (State) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

At June 30, the number of participating local government employers and public organizations including the State was:

	2009	2008
State of Alaska	1	1
Municipalities	77	76
School districts	53	53
Other	29	29
Total employers	**160**	**159**

Inclusion in the Defined Benefit Plan (DB Plan) and Defined Contribution Retirement Plan (DCR Plan) is a condition of employment for eligible State employees, except as otherwise provided, for judges, elected officers and certain employees of the Alaska Marine Highway System. Any local government in the State may elect to have its permanent general and peace officer and firefighter employees covered by the System.

Defined Benefit Retirement Plan

General

The DB Plan is a defined benefit, cost-sharing, multiple employer plan within PERS established and administered by the State to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The DB Plan is a plan within PERS. PERS is a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report pension trust fund. The State employees who administer the DB Plan and DCR Plan participate in both. With the passing of SB141, the PERS DB Plan is closed to all new members effective July 1, 2006.

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Notes to Financial Statements

June 30, 2009 and 2008

At June 30, DB Plan's membership consisted of:

	Valuations of June 30	
	2008	**2007**
Retirees and beneficiaries currently receiving benefits	24,082	22,997
Terminated plan members entitled to future benefits	6,627	6,398
Total current and future benefits	30,709	29,395
Active plan members:		
General	26,301	28,675
Peace officer and firefighter	2,549	2,687
Total active plan membership	28,850	31,362
Total	**59,559**	**60,757**
Active plan members:		
Vested:		
General	18,130	17,695
Peace officer and firefighter	1,928	1,892
Nonvested:		
General	8,171	10,980
Peace officer and firefighter	621	795
Total active plan membership	**28,850**	**31,362**

Pension Benefits

Members hired prior to July 1, 1986, with five or more paid up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, fifty five, or early retirement age, fifty. For members first hired after June 30, 1986, the normal and early retirement ages are sixty and fifty five, respectively. Members with thirty or more years of credited service (twenty years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal monthly pension benefit is based on years of service and average monthly compensation. For members hired prior to July 1, 1996, and all peace officer and firefighter, the average monthly compensation is based upon the members' three highest, consecutive years' salaries. For all other members hired after June 30, 1996, average monthly compensation is based upon the members' five highest, consecutive years' salaries.

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The benefit related to all years of service prior to July 1, 1986, and for years of service through a total of ten years for general members is equal to 2% of the member's average monthly compensation for each year of service. The benefit for each year over ten years of service subsequent to June 30, 1986, is equal to 2-1/4% of the member's average monthly compensation for the second ten years and 2-1/2% for all remaining years of service. For peace officer and firefighters, the benefit for years of service through a total of ten years is equal to 2% of the member's average monthly compensation and 2-1/2% for all remaining years of service.

Minimum benefits for members eligible for retirement are $25 per month for each year of credited service.

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouse consents to another form of benefit or another person is eligible for benefits under a qualified domestic relations order.

The DB Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the DB Plan's Administrator if the funding ratio of the DB Plan meets or exceeds one-hundred and five percent. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

Postemployment Healthcare Benefits

Major medical benefits are provided to retirees without cost for all members hired before July 1, 1986. Members hired on or after July 1, 1986 with five years of credited service (or ten years of credited service for those first hired on or after July 1, 1996) may pay the full monthly premium if they are under age sixty (or over age 60 with less than 10 years of service for those first hired on or after July 1, 1996), and receive benefits at no premium cost if they are over age sixty or are receiving disability benefits. Peace officers and firefighters with 25 years of membership service and all other members with 30 years of membership service also receive benefits at no premium cost.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the State, was established. The RHF is self-funded and provides major medical coverage to retirees of the DB Plan. Retirees of three other State administered retirement plans also participate in the RHF. The DB Plan, along with the other participating plans, retains the risk of loss of allowable claims. The RHF issues a publicly available financial report, which may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811 0203 or by calling (907) 465 4460.

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Beginning July 1, 2007, the Alaska Retiree Healthcare Trust (ARHCT), a healthcare trust fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the Plan. The Plan retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the RHF.

Death Benefits

If an active general DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 40% of the DB Plan's member's salary. If an active peace officer or firefighter DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 50% of the DB Plan's member's salary or 75% of the member's retirement benefit calculated as if the member had survived until normal retirement age, whichever is greater. When death is due to occupational causes and there is no surviving spouse, the DB Plan's member's dependent children may receive the monthly pension until they are no longer dependents. If the member does not have a spouse or dependent children at the time of death, a lump sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the DB Plan member had lived. The new benefit is based on the Plan member's average monthly compensation at the time of death and the credited service, including service that would have accrued if the DB Plan member had lived and continued to work until normal retirement. If the death was from nonoccupational causes, and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average monthly compensation at the time of death. If the DB Plan member is not married or vested, a lump sum death benefit is payable to the named beneficiary (ies).

Disability Benefits

Active DB Plan members who become permanently disabled due to occupational or nonoccupational causes receive disability benefits until normal retirement age, or when the service requirement for normal retirement is met. Although there are no minimum service requirements for Plan members to be eligible for occupational disability, DB Plan members must be vested to receive nonoccupational disability benefits. The monthly occupational disability benefit is equal to 40% of the DB Plan's member's salary at the time of the disability. The nonoccupational disability benefit is based on the DB Plan member's service and salary at the time of disability. At normal retirement age, a disabled general DB Plan member receives normal retirement benefits. A peace officer or firefighter Plan member may elect to receive normal retirement benefits calculated under the occupational disability benefit rules.

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Contributions

DB Plan Member Contributions

The DB Plan's member contribution rates are 7.5% for peace officers and firefighters, 9.6% for some school district employees, and 6.75% for general DB Plan members, as required by statute. The DB Plan's member contributions are deducted before federal income tax is withheld. Contributions are collected by employers and remitted to the DB Plan. The DB Plan's member contributions earn interest at the rate of 4.5% per annum, compounded semiannually.

Employer Contributions

The DB Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percent of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The DB Plan uses the level percentage of pay method to amortize the unfunded liability over a twenty-five year fixed period. Employer contributions are accumulated in both the pension and the healthcare funds based on the adopted actuarially determined contribution rate for the fiscal year.

Contributions from the State of Alaska

Alaska Statute 39.35.280 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year.

Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency sixty days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within fifty years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they re establish an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not re-established an employee relationship with a participating DB Plan employer by June 30, 2010, will not be eligible to reinstate voluntarily refunded service and will forfeit any claim to DB Plan' membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

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Defined Contribution Retirement Plan

General

The DCR Plan is a defined contribution, cost sharing, multiple employer public employee retirement plan established and administered by the State to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The DCR Plan was created by State of Alaska Statutes effective July 1, 2006. A defined contribution plan is a plan in which savings are accumulated in an individual retirement account for the exclusive benefit of the member or beneficiaries.

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At June 30 DCR Plan membership consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits	-	-
Terminated plan members entitled to future benefits:		
25% Vested	110	1
50% Vested	1	2
75% Vested	3	4
100% Vested	9	5
Total terminated plan members entitled to future benefits	123	12
Total current and future benefits	123	12
Active plan members:		
General	6,807	4,735
Peace officer and firefighter	586	390
Total active members	7,393	5,125
Total Members	**7,516**	**5,137**
Active plan members:		
Vested General:		
25% Vested	1,368	13
50% Vested	12	2
75% Vested	2	4
100% Vested	8	6
Total vested general	1,390	25
Vested peace officer and firefighter		
25% Vested	152	-
50% Vested	-	-
75% Vested	-	-
100% Vested	-	-
Total vested peace officer and firefighter	152	-
Nonvested:		
General	5,417	4,710
Peace officer and firefighter	434	390
Total nonvested general and peace officer and firefighter	5,851	5,100
Total Members	**7,516**	**5,137**

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Pension Benefits

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of a) 25% with two years of service, b) 50% with three years of service; c) 75% with four years of service; and d) 100% with five years of service.

Postemployment Healthcare Benefits

Major medical benefits available to eligible persons are access to the retiree major medical insurance plan and to the health reimbursement arrangement plan. Access to the retiree major medical insurance plan means that an eligible person may not be denied insurance coverage except for failure to pay the required premium.

Death Benefits

If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties, and (3) the injury or hazard is not the proximate result of willful negligence of the employee, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee.

The monthly survivor's pension section for survivors of employees who were not peace officers or fire fighters is 40% of the employee's monthly compensation in the month in which the employee dies. The monthly survivor's pension for survivors of employees who were peace officers or fire fighters is 50% of the monthly compensation in the month in which the employee dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the employee's beneficiaries based on the deceased employee's gross monthly compensation at the time of occupational death.

Disability Benefits

An employee is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the employee's normal retirement date. The occupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment.

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Contributions

DCR Plan Member Contributions

Contribution rates are 8.0% for DCR Plan members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes.

Employer Contributions

An employer shall contribute to each member's individual account an amount equal to 5.0% of the member's compensation.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds. Investment options are disclosed in note 3.

Recordkeeping/administrative fees consisting of a fixed amount, applied in a lump-sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record keeper and by the State. The investment management fees are netted out of the funds' performance.

Refunds

A member is eligible to elect distribution of the member's account in accordance with this section 60 days after termination of employment. Distributions that are being paid to a member may not be affected by the member's subsequent reemployment with the employer. Upon reemployment, a new individual account shall be established for the member to whom any future contributions shall be allocated.

Participant Accounts

Participant accounts under the DCR Plan are self-directed with respect to investment options. Investment options are disclosed in note 3.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

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Recordkeeping/administrative fees consisting of a fixed amount, applied in a lump-sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record keeper and by the State. The investment management fees are netted out of the funds' performance.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

GASB Statements No. 25 and No. 43

The DB Plan and DCR Plan follow the provisions of Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* (GASB 25). GASB 25 establishes a financial reporting framework for defined benefit plans that distinguishes between two separate categories of information: (a) current financial information about plan assets and financial activities and (b) actuarially determined information, from a long-term perspective, about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due.

The DB Plan follows the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43). GASB 43 establishes uniform financial reporting standards for Other Postemployment Benefit Plans (OPEB) and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting or Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The approach followed by GASB 43 is generally consistent with the approach adopted in GASB 25, with modifications to reflect differences between pension and OPEB plans.

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Investments

Investments are reported under the Department of Revenue, Treasury Division (Treasury). Treasury financial statements are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Contributions, benefits paid and all expenses are recorded on a cash basis.

Valuation

DB and DCR Plan Investments

Fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers.

Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

Emerging markets securities are valued on the last business day of each month by the investment managers.

Private equity investments are valued quarterly by the general partners and investment sponsors. Private equity oversight managers and Board staff employ a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

Absolute return investments are valued monthly by the general partners. The fund administrators are held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

The energy related investments in the energy pool are valued quarterly by the general partners. The general partner is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

With the exception of real estate investment trust holdings, real estate, timber, farmland, and farmland water property investments are valued quarterly by investment managers based on market conditions. Additionally, real estate, farmland, and timber investments are appraised annually by independent appraisers. Real estate investment trust holdings are valued each business day using prices obtained from a pricing service.

Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Forward currency contracts are valued at the mid-point of representative quoted bid and asked prices.

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Common trust funds, with the exception of the State Street Global Advisors (SSgA) emerging markets strategy which was valued bi-monthly following the third Wednesday and last business day of each month, were valued daily. Equity investments for which market quotations were readily available were valued at the last reported sale price or close for certain markets on their principal exchange on the valuation date. If no sales were reported for that day, investments were valued at the more recent of the last published sale price or the mean between the last reported bid and ask prices, or at the fair value as determined in good faith by the Trustee. The funds were liquidated during fiscal year 2009.

Employee Retirement Income Security Act (ERISA) commingled and mutual funds were valued daily. Equity investments for which market quotations were readily available were valued at the last reported sale price or official close for certain markets on their principal exchange on valuation date. If no sales are reported for that day, investments were valued at the more recent of the last published sale price or the mean between the last reported bid and ask prices, or at the fair value determined in good faith by the Trustee. The funds were liquidated during fiscal year 2009.

DCR Plan Participant Directed Investments

Pooled investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the DCR Plan. The unit value is determined by the Trustees based on fair value of the underlying assets.

Collective Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the DCR Plan. The unit value is determined by the Trustees based on fair value of the underlying assets.

Income Allocation

Income in the fixed income and domestic and international equity pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis.

Income in the emerging markets, private equity, absolute return, real estate, farmland, farmland water, and timber pools is credited to the net asset value of the pool daily and allocated to pool participants monthly on a pro rata basis.

Income for the common trust funds was credited and allocated in accordance with the participants pro rata share of the fund when received.

Income for the ERISA commingled and mutual funds was credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Income for the pooled investment and collective investment funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

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Contributions Receivable

Contributions from the System's members and employers for service through June 30 are accrued. These contributions are considered fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

Administrative Costs

Administrative costs are financed through investment earnings.

Due From (to) State of Alaska General Fund

Amounts due from (to) the State of Alaska General Fund represent the net difference between amounts paid by the DB Plan on behalf of others and amounts paid by others on behalf of the DB Plan.

Federal Income Tax Status

The DB Plan and DCR Plan are qualified plans under Section 401(a) and 414(d) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

(3) Investments

The Alaska Retirement Management Board (Board) has statutory oversight of the System's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Alaska Statute provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the DB Plan as well as the DCR Plans the Board has fiduciary responsibility for: Occupational Death and Disability, Retiree Major Medical, and Health Reimbursement Arrangement plans. Additionally, Treasury manages a mix of pooled investment funds and collective investment funds for the DCR Plan participant directed accounts.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The board has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the high yield pool, international fixed income pool, emerging markets debt pool, domestic equity pool, international equity pool, emerging markets equity pool, private equity pool, absolute return pool, real estate pool, energy pool, farmland pool, farmland water pool, timber pool, pooled investment

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funds, and collective investment funds are managed by external management companies. Treasury manages the Alaska retirement fixed income pool, treasury inflation protected securities pool, real estate investment trust pool and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The short-term fixed income pool is a State pool managed by Treasury that holds investments on behalf of the System as well as other pension and state funds.

Both DB Plan and DCR Plan invested assets participate in the State's internally managed fixed income pools.

Short Term Fixed Income Pool

The System participates in the State's internally managed Short-Term Fixed Income Pool which was established on March 15, 1993, with a start up and maintained share price of $1. Treasury staff determines the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At June 30, 2009 and 2008, the System had a 1.02% and 0.79% direct ownership in the Short-Term Fixed Income Pool. At June 30, 2009 and 2008, the System had a 2.25% and 2.98% indirect ownership through ownership by other investment pools which invest in the Short-Term Fixed Income Pool.

Investments Available to Both Plans with the Exception of the DCR Plan's Participant Directed Fund

Alaska Retirement Fixed Income Pool

The System participates in the Board's internally managed Alaska Retirement Fixed Income Pool which was established on March 1, 1996, with a start up share price of $1,000. The share price at June 30, 2009, was $2,163. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 69.24% and 69.15% ownership in the Alaska Retirement Fixed Income Pool.

High Yield Pool

The System participates in the Board's externally managed High Yield Pool which was established on April 15, 2005, with a start up share price of $1,000. The share price at June 30, 2009, was $1,156. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset

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value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 69.07% and 68.45% ownership in the High Yield Pool.

International Fixed Income Pool

The System participates in the Board's externally managed International Fixed Income Pool which was established on March 3, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,333. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 69.07% and 68.58% ownership in the International Fixed Income Pool.

Emerging Markets Debt Pool

The System participates in the Board's externally managed Emerging Markets Debt Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $936. The pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 69.07% ownership in the Emerging Markets Debt Pool.

Domestic Equity Pool

The domestic equity pool is comprised of an External Large Cap Domestic Equity Pool and External Small Cap Domestic Equity Pool.

Large Cap Domestic Equity Pool

The System participates in the Board's externally managed Large Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $870. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date.

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Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.78% and 68.40% ownership in the Large Cap Domestic Equity Pool.

Small Cap Domestic Equity Pool

The System participates in the Board's externally managed Small Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $844. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.92% and 68.13% ownership in the Small Cap Domestic Equity Pool.

International Equity Pool

The System participates in the Board's externally managed International Equity Pool which was established on January 1, 1992, with a start up share price of $1,000. The share price at June 30, 2009, was $2,703. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.65% and 68.52% ownership in the International Equity Pool.

Emerging Markets Equity Pool

The System participates in the Board's externally managed Emerging Markets Equity Pool which was established on May 2, 1994, with a start up share price of $1,000. The share price at June 30, 2009, was $2,822. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.90% and 68.75% ownership in the Emerging Markets Equity Pool.

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Private Equity Pool

The System participates in the Board's externally managed Private Equity Pool which was established on April 24, 1998, with a start up share price of $1,000. The share price at June 30, 2009, was $1,913. Underlying assets in the pool are comprised of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.08% and 69.11% ownership in the Private Equity Pool.

Absolute Return Pool

The System participates in the Board's externally managed Absolute Return Pool which was established on October 31, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $1,108. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.87% and 68.57% ownership in the Absolute Return Pool.

Real Estate Equities

Real estate equities are comprised of two pools, Pool A and Pool B.

Real Estate Pool A

The System participates in the Board's externally managed Real Estate Pool A which was established on June 27, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,286. Underlying assets in the pool are comprised of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had 68.87% and 68.72% ownership in Real Estate Pool A.

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Real Estate Pool B

The System participates in the Board's externally managed Real Estate Pool B which was established July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $937. Underlying assets in the pool are comprised of one commingled account. The manager independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had 68.62% ownership in Real Estate Pool B.

Real Estate Investment Trust (REIT) Pool

The System participates in the Board's internally managed REIT Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $503. Underlying assets in the pool are comprised of REIT holdings. Treasury staff determines the permissible REITs to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 68.82% ownership in the REIT Pool.

Energy Pool

The System participates in the Board's externally managed Energy Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $966. Underlying assets in the pool are comprised of a limited partnership with an energy related venture capital operating company. Treasury staff determines the permissible partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 68.48% ownership in the Energy Pool.

Farmland Pool

The System participates in the Board's externally managed Farmland Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,082. Underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the

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pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 70.43% ownership in the Farmland Pool.

Farmland Water Pool

The System participates in the Board's externally managed Farmland Water Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,002. Underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities which own farmland that has federal waterway on the properties. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 50.00% ownership in the Farmland Water Pool.

Timber Pool

The System participates in the Board's externally managed Timber Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,029. Underlying assets in the pool are comprised of investments through limited partnership interests in two timber entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 68.94% ownership in the Timber Pool.

Treasury Inflation Protected Securities (TIPS) Pool

The System participates in the Board's internally managed TIPS Pool which was established on May 24, 2006 with a start up price of $1,000. The share price at June 30, 2009 was $1,191. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had 70.77% and 65.58% ownership in the TIPS Pool.

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Alaska Retiree Health Care Trust Investments

The Board contracted with an external manager who managed a mix of Common Trust Funds for the Defined Benefit Health Care Trust. Common Trust Fund investments were liquidated during fiscal year 2009 and monies were invested in the Board's existing investment pools.

Domestic Equity

The Health Care Trust Investments in Domestic Equity was comprised of two externally managed Common Trust Funds.

SSgA Domestic Large Cap

The purpose of this fund was to replicate the returns and characteristics of the Russell 1000® Index through buying, holding and trading securities only when there was a change to the composition of the Index or when cash flow activity occurred in the Strategy.

SSgA Domestic Small Cap

The purpose of this fund was to replicate the returns and characteristics of the Russell 2000® Index through buying, holding and trading securities only when there was a change to the composition of the Index or when cash flow activity occurred in the Strategy.

SSgA International Equity

The purpose of this fund was to replicate the returns and characteristics of the Morgan Stanley Capital International Europe Australasia and Far East (MSCI EAFE) Index through investing in 21 individual MSCI country funds which, in turn, owned Index securities in market-weighted proportion.

SSgA Emerging Markets

The purpose of this fund was to closely match the returns of the capitalization-weighted MSCI Emerging Markets Index.

SSgA Domestic Fixed Income

The purpose of this fund was to create a well diversified portfolio that was representative of the domestic investment grade bond market. The strategy sought to replicate the returns and characteristics of the Lehman Brothers Aggregate Bond Index through individual security selection based on criteria generated by SSgA's credit and research group, security availability, and the analysis of its impact on the portfolio's weightings.

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SSgA International Fixed Income

The purpose of this fund was to create a well diversified portfolio that was representative of the international government bond market. The strategy sought to replicate the returns and characteristics of the Citigroup World Government Bond Ex-US Index by matching duration, quality, and sector of the Index.

SSgA High Yield Bond Index

The purpose of this fund was to deliver a risk-controlled, higher quality, liquid exposure to the broad U.S. high yield market with low tracking error. The strategy used stratified sampling to create a portfolio of liquid issuers that target the Lehman High Yield $200 Million Very Liquid Index (HYVLI) in such characteristics as duration, issuer market weight, credit quality and industry.

SSgA Treasury Inflation Protected Securities (TIPS) Index

The purpose of the U.S. TIPS Index strategy fund was to replicate the returns and characteristics of the Lehman Brothers Inflation Notes Index.

DCR Plan Health and Occupational Death and Disability Investments

ERISA Commingled and Mutual Funds

During fiscal year 2009 the Board contracted with external managers who managed a mix of ERISA and mutual funds for the DCR Plan's occupational death & disability, retiree major medical, and health reimbursement plans. ERISA and mutual fund investments were liquidated during fiscal year 2009 and monies were invested in the Board's existing investment pools.

Domestic Equity

The investments in domestic equity were comprised of two externally managed ERISA Funds.

SSgA Domestic Large Cap

The purpose of this fund was to replicate the returns and characteristics of the Russell 1000® Index through buying, holding and trading securities only when there was a change to the composition of the Index or when cash flow activity occurs in the strategy.

SSgA Domestic Small Cap

The purpose of this fund was to replicate the returns and characteristics of the Russell 2000® Index through buying, holding and trading securities only when there was a change to the composition of the Index or when cash flow activity occurs in the strategy.

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SSgA International Equity

The purpose of this fund was to replicate the returns and characteristics of the MSCI EAFE Index through investing in 21 individual MSCI country funds which, in turn, owned Index securities in market-weighted proportion.

SSgA Domestic Fixed Income

The purpose of this fund was to create a well diversified portfolio that is representative of the domestic investment grade bond market. The strategy sought to replicate the returns and characteristics of the Lehman Brothers Aggregate Bond Index through individual security selection based on criteria generated by SSgA's credit and research group, security availability, and the analysis of its impact on the portfolio's weightings.

SSgA International Fixed Income

The purpose of this fund was to create a well diversified portfolio that was representative of the international government bond market. The strategy sought to replicate the returns and characteristics of the Citigroup World Government Bond Ex-US Index by matching duration, quality and sector of the Index.

SSgA Real Estate

The purpose of this strategy was to replicate the returns and characteristics of the Dow Jones Wilshire REIT Index. To accomplish this, SSgA's strategy was to buy and hold securities, trading only when there was a change in the composition of the Index or when cash flow activity occurred in the strategy.

Lazard Emerging Markets Mutual Fund

The purpose of this fund was to meet or exceed the MSCI Emerging Markets Index by 3% per annum over a rolling five-year period. Underlying investments were comprised of domestic and global equities as well as alternative assets

DCR Plan Participant Directed Investments

Pooled Investment Funds

The Board contracts with an external investment manager who is given authority to invest in a wholly owned pooled environment to accommodate eleven participant-directed funds.

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T. Rowe Alaska Target 2010 Fund

The purpose of this fund is to provide a diverse mix of stocks, bonds, and cash for long-term investors. The fund starts with a more aggressive risk / return potential and gradually become more conservative as the target retirement date approaches. The allocation is actively managed for approximately 30 years after the target retirement date before arriving at the final allocation of 20% stocks, and 80% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Alaska Target 2010 – 2040 Trusts

The purpose of these funds is to provide a diverse mix of stocks, bonds, and cash for long-term investors. The Trusts start with a more aggressive risk / return potential and gradually become more conservative as the target retirement date approaches. The allocation is actively managed for approximately 30 years after the target retirement date before arriving at the final allocation of 20% stocks, and 80% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Alaska Balanced Trust

The purpose of this fund is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for long-term investors. The actual allocation is actively managed around a target allocation of 40% stocks and 60% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Long-Term Balanced Trust

The purpose of this fund is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for long-term investors. The actual allocation is actively managed around a target allocation of 60% stocks and 40% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, and money market instruments.

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T. Rowe Alaska Money Market Trust

Underlying assets are comprised of cash equivalent instruments with maturities of less than one year which include commercial paper, banker acceptances, and certificates of deposit with ratings of A1/P1 or better as well as, obligations of the U.S. Government and its agencies, and repurchase agreements collateralized by U.S. Treasury Instruments. The goal is to maintain a $1.00 unit price with a low risk tolerance.

Collective Investment Funds

The Board contracts with external investment managers who manage a mix of collective investment funds.

SSgA Money Market

The purpose of this fund is to provide a high level of current income consistent with preserving principal and liquidity, and the maintenance of a stable $1.00 per share net asset value.

SSgA S&P 500 Stock Index Fund

The purpose of this fund is to provide income and capital appreciation that matches total return of the Standards & Poor's Composite Stock Price Index.

SSgA Russell 3000 Index

The purpose of this fund is to provide income and capital appreciation that matches the total return of the Russell 3000® Index.

SSgA Real Estate Investment Trust (REIT) Index

The purpose of this fund is to provide income and capital appreciation that matches total return of the Dow Jones Wilshire REIT Index.

SSgA World Equity Ex-US Index

The purpose of this fund is to provide income and capital appreciation and to replicate the returns of the MSCI ACWI Ex-US Index.

SSgA Long US Treasury Bond Index

The purpose of this fund is to provide income and capital appreciation and to replicate the returns and characteristics of the Barclays Capital Long Treasury Bond Index.

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SSgA Treasury Inflation Protected Securities Index

The purpose of this fund is to provide income and to replicate the returns and characteristics of the Barclays Capital Inflation Notes Index.

SSgA World Government Bond Ex-US Index

The purpose of this fund is to provide income and to replicate the total rate of return of the Citigroup World Government Bond Ex-US Index.

Barclays Government / Corporate Bond Fund

The purpose of this fund is to match or exceed the return of the Lehman Brothers Government / Credit Bond Index.

Barclays Intermediate Bond Fund

The purpose of this fund is to match or exceed the return of the Barclays Capital Intermediate Bond Index.

Brandes Institutional International Equity Fund

The purpose of this fund is to provide long-term capital appreciation. This fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such stocks.

Capital Guardian Global Balanced Fund

The purpose of this fund is to invest in stocks and bonds of U.S. and international companies and government bonds issued by the U.S. and other governments.

Sentinel Sustainable Opportunities Fund

The purpose of this fund was to invest primarily in U.S. large cap growth stocks, with an emphasis on those that are managed in a socially responsible manner. This fund was replaced during fiscal year 2009 by the RCM Socially Responsible Fund.

RCM Socially Responsible Fund

The purpose of this fund is to invest primarily in U.S. large cap growth stocks, with an emphasis on those that are managed in a socially responsible manner.

T. Rowe Small Cap Stock Fund

The purpose of this fund is to provide long-term capital growth by investing primarily in stocks of small companies. This fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies.

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At June 30, 2009, the System's investments included the following:

	Fair value (In thousands)						
	Fixed Income Pools						
	Short-term	Retirement	High yield	International	TIPS	Other	Total
Deposits	$ 372	(54)	-	712	-	7,134	8,164
Short-term investment fund	-	-	10,888	670	-	17,224	28,782
Commercial paper	7,463	-	-	-	-	-	7,463
Bridge loans	-	-	5,193	-	-	-	5,193
U.S. Treasury bills	42,107	-	-	-	-	-	42,107
U.S. Treasury notes	-	168,541	-	-	36,261	-	204,802
U.S. Treasury bonds	-	14,197	-	-	15,845	-	30,042
U.S. government agency	3,265	20,154	-	-	-	-	23,419
Foreign government bonds	-	-	-	80,451	-	-	80,451
Mortgage-backed	4,697	509,180	-	-	22	-	513,899
Other asset-backed	14,869	7,166	1,317	-	-	-	23,352
Corporate bonds	40,197	199,736	153,602	47,000	53	-	440,588
Convertible bonds	-	-	775	-	-	-	775
Yankees:							
Government	-	11,648	-	-	-	-	11,648
Corporate	8,653	45,183	13,126	-	-	-	66,962
Fixed income pools:							
Equity	-	-	246	-	-	-	246
Emerging markets debt pool	-	-	-	-	-	65,839	65,839
Domestic equity pool:							
Limited partnership	-	-	-	-	-	147,502	147,502
Treasury bills	-	-	-	-	-	2,430	2,430
Equity	-	-	-	-	-	2,661,319	2,661,319
International equity pool:							
Convertible bonds	-	-	-	-	-	823	823
Equity	-	-	-	-	-	1,260,756	1,260,756
Emerging markets equity pool	-	-	-	-	-	361,503	361,503
Private equity pool:							
Limited partnerships	-	-	-	-	-	734,718	734,718
Absolute return pool:							
Limited partnerships	-	-	-	-	-	377,688	377,688
Real estate pool:							
Real estate	-	-	-	-	-	525,963	525,963
Commingled funds	-	-	-	-	-	197,957	197,957
Limited partnerships	-	-	-	-	-	188,466	188,466
Real estate investment trust pool:							
Equity	-	-	-	-	-	23,421	23,421
Energy pool:							
Limited partnerships	-	-	-	-	-	53,784	53,784
Farmland pool:							
Agricultural holdings	-	-	-	-	-	317,514	317,514
Farmland water pool:							
Agricultural holdings	-	-	-	-	-	10,549	10,549
Timber pool:							
Timber holdings	-	-	-	-	-	107,288	107,288
Participant directed:							
Pooled investment funds	-	-	-	-	-	2,398	2,398
Collective investment funds	-	-	-	-	-	49,555	49,555
Mutual funds	-	-	-	-	-	22,190	22,190
Net other assets (liabilities)	(105)	(21,832)	4,404	1,774	525	4,089	(11,145)
Other pool ownership	(83,467)	47,867	-	-	67	35,533	-
Unallocated deposit in transit	-	-	-	-	-	172	172
Total invested assets	$ 38,051	1,001,786	189,551	130,607	52,773	7,175,815	8,588,583

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At June 30, 2008, the System's investments included the following:

	Fair value (In thousands)								
	Fixed income pools								
	Short-term	**Retirement**	**Enhanced cash**	**International**	**High yield**	**TIPS**	**Pooled investments funds**	**Other**	**Total**
Deposits	$ -	-	-	806	-	-	1	5,154	5,961
Overnight sweep account (lmcs)	-	-	-	-	10,244	-	-	-	10,244
Short-term investment fund	-	-	-	1,377	-	-	15	30,126	31,518
Commercial paper	11,061	-	-	-	-	-	201	-	11,262
Domestic equity	-	-	-	-	53	-	291	-	344
International equity	-	-	-	-	-	-	18	-	18
Bridge loans	-	-	-	-	3,862	-	-	-	3,862
U.S. treasury notes	-	162,532	-	-	-	42,575	-	-	205,107
U.S. treasury bonds	-	65,679	-	-	-	15,481	20	-	81,180
U.S. treasury - TIPS	-	-	-	-	-	-	40	-	40
U.S. government agency									
Discount notes	-	-	-	-	-	-	2	-	2
U.S. government agency	71,585	29,436	-	-	-	-	31	-	101,052
Municipal bonds	-	599	-	-	-	-	22	-	621
Foreign government bonds	-	-	-	121,986	-	-	-	-	121,986
Mortgage-backed	5,751	871,097	10,258	-	-	-	70	-	887,176
Other asset-backed	33,347	87,678	12,662	-	502	-	-	-	134,189
Corporate bonds	31,565	327,159	5,088	93,182	158,771	-	73	-	615,838
Convertible bonds	-	-	-	-	654	-	4	-	658
Yankees:									
Government	-	7,652	-	-	-	-	5	-	7,657
Corporate	9,464	42,236	2,873	-	15,952	-	9	-	70,534
Domestic equity pool:									
Limited partnership	-	-	-	-	-	-	-	154,961	154,961
Convertible bonds	-	-	-	-	-	-	-	489	489
Treasury bills	-	-	-	-	-	-	-	1,136	1,136
Equity	-	-	-	-	-	-	-	3,218,807	3,218,807
International equity pool:									
Convertible bonds	-	-	-	-	-	-	-	787	787
Equity	-	-	-	-	-	-	-	1,511,285	1,511,285
Emerging markets equity pool	-	-	-	-	-	-	-	293,598	293,598
Private equity pool:									
Limited partnership	-	-	-	-	-	-	-	888,882	888,882
Absolute return pool:									
Limited partnership	-	-	-	-	-	-	-	435,243	435,243
Other investments pool:									
Limited partnership	-	-	-	-	-	-	-	53,327	53,327
Agricultural holdings	-	-	-	-	-	-	-	287,405	287,405
Real estate pool:									
Real estate	-	-	-	-	-	-	-	633,386	633,386
Commingled funds	-	-	-	-	-	-	-	239,888	239,888
Limited partnership	-	-	-	-	-	-	-	377,851	377,851
Real estate investment trusts	-	-	-	-	-	-	-	52,708	52,708
Mutual funds	-	-	-	-	70,081	-	-	359,443	429,524
Net other assets (liabilities)	(4)	(51,162)	(2,572)	2,276	232	501	(3)	(4,358)	(55,090)
Other pool ownership	(128,761)	99,665	(28,309)	-	-	71	-	57,334	-
Unallocated deposit in transit	-	-	-	-	-	-	-	65	65
Total invested assets	$ 34,008	1,642,571	-	219,627	260,351	58,628	799	8,597,517	10,813,501

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(4) Deposit and Investment Risk

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows. Treasury uses industry standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, options and other variable cash flows to calculate effective duration.

Short–Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve–month prepay speeds for other securities. At June 30, 2009, the expected average life of individual fixed rate securities ranged from one day to six and one-half years and the expected average life of floating rate securities ranged from one day to eight years.

Other DB Plan Fixed Income Pools

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to ± 20% of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2009, was 4.30 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield portfolio to ± 20% of the Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2009, was 4.24 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to ± 25% of the Citigroup Non-USD World Government Bond Index. The effective duration for the Citigroup Non–USD World Government Bond Index at June 30, 2009, was 6.46 years.

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Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to a band which may not exceed ± 20% of the average life of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2009, was 5.19 years.

At June 30, 2009, the effective duration of the DB Plan's fixed income pools, by investment type, was as follows:

	Effective duration (In years)			
	Retirement	International	High yield	TIPS
Corporate bonds	4.96	6.72	4.04	-
Convertible bonds	-	-	1.45	-
Equity	-	-	3.64	-
Foreign government bonds	-	6.23	-	-
Mortgage-backed	3.50	-	-	0.10
Other asset-backed	1.72	-	3.47	-
U.S. Treasury bonds	14.18	-	-	9.57
U.S. Treasury notes	4.95	-	-	3.11
U.S. government and agency securities	5.48	-	-	-
Yankees				
Government	4.48	-	4.12	-
Corporate	10.52	-	-	-
Portfolio effective duration	**4.16**	**6.34**	**3.68**	**5.06**

The Board did not have a policy to limit interest rate risk for common trust funds, ERISA commingled funds, or mutual funds.

DCR Plan Pooled Investment Funds

The Board contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate eleven participant directed funds. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

> For government, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital Aggregate Bond Index. At June 30, 2009, the duration of the government corporate debt and mortgage-backed securities was 4.29 years and the duration of the Barclays Capital Aggregate Bond Index was 4.30 years.

The weighted average maturity of the money market portfolio was sixty-one days at June 30, 2009.

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The Board does not have a policy with respect to these funds to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

DCR Collective Investment Funds

The Board does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2009, the modified duration of collective investment funds that consisted solely of debt securities were as follows – T. Rowe Alaska Money Market Trust: 0.17 years, SSgA World Government Bond Ex-US Index: 6.64 years, SSgA Long US Treasury Bond Index: 11.97 years, SSgA TIPS Index: 7.97 years, Barclays Government / Corporate Bond Fund: 5.04 years, and the Barclays Intermediate Bond Fund: 3.50 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Treasury's investment policy has the following limitations with regard to credit risk:

Short-term fixed income pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

The Board's investment policy has the following limitations with regard to credit risk:

Retirement Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.

Corporate debt securities must be investment grade.

Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

No more than 40% of the portfolio's assets may be invested in investment grade corporate debt.

No more than 15% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard and Poor's Corporation or the equivalent by Moody's or Fitch.

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High Yield:

No more than 10% of the portfolio's assets may be invested in securities rated A3 or higher.
No more than 25% of the portfolio's assets may be invested in securities rated below B3.
No more than 5% percent of the portfolio's assets may be invested in unrated securities.
No more than 10% percent of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.

The lower of any Standard & Poor's, Moody's or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher.

International Fixed Income:

Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.
Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

TIPS:

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's.
Corporate debt securities must be investment grade.
No more than 5% percent of the portfolio's assets may be invested in investment grade corporate debt.
No more than 5% percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.
Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic equity, international equity and emerging markets separate accounts:

Corporate debt obligations must carry a rating of at least A or better by Moody's, Standard & Poor's or Fitch rating services.
Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

The Board did not have a policy to limit the concentration of credit risk for the common trust funds, collective investment funds, ERISA commingled funds, or mutual funds.

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At June 30, 2009, the System's investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

		Fixed income pool				
Investment Type	**Rating**	**Short-term**	**Retirement**	**International**	**High Yield**	**TIPS**
Commercial paper	A-1	1.10	-	-	-	-%
Commercial paper	Not rated	5.05	-	-	-	-
Bridge loans	Not rated	-	-	-	2.74	-
Short term investment fund	Not rated	-	-	-	5.74	-
U.S. treasury notes	AAA	-	16.82	-	-	68.71
U.S. Treasury bills	AAA	34.70	-	-	-	-
U.S. treasury bonds	AAA	-	1.42	-	-	30.02
U.S. government agency	AAA	2.69	1.84	-	-	-
U.S. government agency	Not rated	-	0.17	-	-	-
Mortgage-backed	AAA	3.46	44.60	-	-	0.14
Mortgage-backed	A	0.11	-	-	-	-
Mortgage-backed	BBB	0.18	-	-	-	-
Mortgage-backed	Not rated	0.30	6.22	-	-	-
Other asset-backed	AAA	10.87	0.47	-	-	-
Other asset-backed	AA	0.85	0.13	-	-	-
Other asset-backed	A	0.35	0.03	-	-	-
Other asset-backed	BBB	-	0.08	-	-	-
Other asset-backed	BB	-	-	-	0.18	-
Other asset-backed	CCC	-	-	-	0.47	-
Other asset-backed	Not rated	-	-	-	0.04	-
Corporate bonds	AAA	19.33	1.18	22.58	-	-
Corporate bonds	AA	6.16	2.48	8.27	-	-
Corporate bonds	A	7.64	9.15	5.14	-	-
Corporate bonds	BBB	-	6.25	-	6.33	-
Corporate bonds	BB	-	0.02	-	32.31	-
Corporate bonds	B	-	-	-	29.42	-
Corporate bonds	CCC	-	-	-	9.11	-
Corporate bonds	C	-	-	-	0.16	-
Corporate bonds	D	-	-	-	0.66	-
Corporate bonds	Not rated	-	0.86	-	3.04	-
Convertible bonds	B	-	-	-	0.38	-
Convertible bonds	CCC	-	-	-	0.03	-
Yankees:				-	-	-
Government	AAA	-	0.46	-	-	-
Government	BBB	-	0.24	-	-	-
Government	Not rated	-	0.46	-	-	-
Corporate	AAA	1.61	0.76	-	-	-
Corporate	AA	4.29	0.43	-	-	-
Corporate	A	1.24	2.13	-	-	-
Corporate	BBB	-	1.09	-	0.28	-
Corporate	BB	-	-	-	2.85	-
Corporate	B	-	-	-	2.78	-
Corporate	CCC	-	-	-	0.34	-
Corporate	CC	-	-	-	0.33	-
Corporate	C	-	-	-	0.01	-
Corporate	D	-	-	-	0.30	-
Corporate	Not rated	-	0.10	-	0.04	-
Foreign government bonds	AAA	-	-	13.40	-	-
Foreign government bonds	AA	-	-	10.57	-	-
Foreign government bonds	A	-	-	29.78	-	-
Foreign government bonds	N/A	-	-	7.85	-	-
No credit exposure		0.07	2.61	2.41	2.46	1.13
		100.00%	100.00%	100.00%	100.00%	100.00%

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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2009, the System had the following uncollateralized and uninsured deposits:

	Amount (In thousands)
International Fixed Income Pool	$ 712
International Equity Pool	5,464

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

The Board's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citibank Non-USD World Government Bond Index and Mexico. In addition, the Board's asset allocation policy permits the System to hold up to twenty-one percent of total investments in international fixed income.

The Board has no specific policy with regard to foreign currency risk relating to international or private equity. However, through its asset allocation policy, the Board limits the System's total investment in the International Equity and Emerging Markets Pools to twenty-four percent of total System assets and limits System total investment in the Private Equity Pool to twelve percent of total System assets.

The Board has no policy regarding foreign currency risk in the DCR Plan's pooled investment funds and collective investment funds. Nor did the Board have a policy in regarding foreign currency risk in the common trust funds, collective investment funds, ERISA commingled and mutual funds.

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At June 30, 2009, the System had exposure to foreign currency risk with the following investment pools:

	Amount (In thousands)	
Currency	**International Fixed Income Pool**	**International Equity Pool**
Australian Dollar	$ -	42
Canadian Dollar	-	25
Danish Krone	-	648
Euro Currency	208	2,784
Hong Kong Dollar	-	74
Japanese Yen	232	1,536
Mexican Peso	245	-
New Taiwan Dollar	-	29
New Zealand Dollar	-	16
Norwegian Krone	-	48
Pound Sterling	27	251
Swedish Krona	-	8
Yuan Renminbi	-	3
	$ 712	**5,464**

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At June 30, 2009, the System had exposure to foreign currency risk with the following investments:

	Amount (In thousands)			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
Currency	Foreign Government	Corporate	Equity	Limited Partnerships
Australian Dollar	$ 10,247	-	20,058	-
Brazilian Real	-	-	8,015	-
Canadian Dollar	-	-	21,346	-
Danish Krone	-	-	9,421	-
Euro Currency	36,212	6,708	424,380	85,579
Hong Kong Dollar	-	-	45,429	-
Indonesian Rupah	-	-	703	-
Japanese Yen	767	40,292	302,696	-
Mexican Peso	5,831	-	703	-
New Taiwan Dollar	-	-	7,502	-
New Zealand Dollar	-	-	1,474	-
Norwegian Krone	-	-	3,087	-
Polish Zloty	9,886	-	-	-
Pound Sterling	17,498	-	218,048	14,217
Singapore Dollar	-	-	9,101	-
South African Rand	-	-	2,632	
South Korean Won	-	-	4,190	-
Swedish Krona	-	-	17.018	-
Swiss Franc	-	-	92,364	-
	$ 80,441	**47,000**	**1,186,167**	**99,796**

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At June 30, 2009, the System also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool consists of investments in commingled funds; therefore no disclosure of specific currencies is made.

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk for the Short-Term Fixed Income Pool is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group. This provision does not apply to securities backed by the full faith and credit of the United States Government.

The Board's policy with regard to concentration of credit risk for the Retirement Fixed Income, International Fixed Income and High Yield Pools is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group. The Board does not have a policy with regard to concentration of credit for the TIPS pools.

At June 30, 2009, the System's invested assets did not have exposure to any one issuer greater than 5% of total invested assets.

(5) Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Fixed Income and International Equity Pools' investment income includes the following at June 30:

	(In thousands) 2009	2008
Net realized (loss) gain on foreign currency	$(9,214)	97,772
Net unrealized gain on foreign currency	59	25
Net realized gain (loss) on foreign exchange contracts	4,627	(87)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. At June 30, the International Equity Pool had one foreign currency forward which matured in 22 days.

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The System had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, as follows:

	(In thousands) 2009	2008
Contract sales	$2,225	42,308
Less fair value	2,208	42,281
Net unrealized gain on contracts	$ 17	27

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

(6) Securities Lending

Alaska Statute 37.10.071 authorized the Board to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. In February of 2008, the Board voted to suspend securities lending agreement with State Street Corporation (the Bank) which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the Board's agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agreed to return the collateral for the same securities in the future. There were no outstanding securities on loan at June 30, 2009 and 2008.

While the securities lending agreement was active, there was no limit to the amount that could be loaned and the Board was able to sell securities on loan. International equity security loans were collateralized at not less than 105% of their fair value. All other security loans were collateralized at not less than 102% of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day to maintain collateral levels.

There is no cash collateral at June 30, 2009 and 2008. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Collateral securities could have been pledged or sold upon borrower default. Securities under loan, cash collateral and cash collateral payable were recorded on the financial statements at fair value in prior years. The Bank and the DB Plan received a fee from earnings on invested collateral. The Bank and the DB Plan shared a fee paid by the borrower for loans not collateralized with cash.

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There was limited credit risk associated with the lending transactions since the Board was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

(7) Transfers

During fiscal year 2009, the System transferred the $3,490,576,000 balance of the Postemployment Healthcare Fund as of June 30, 2008, to the Alaska Retiree Healthcare Trust as a result of the creation of the Alaska Retiree Healthcare Trust fund, which became effective on July 1, 2007.

Under SB 123, enacted in 2007, the State of Alaska sought to enhance compliance of the states' pension systems with the Internal Revenue Code by creating a new defined benefit retiree healthcare trust into which other postemployment benefits (OPEB) contributions would be deposited, and from which OPEB benefits would be paid. Historically, all such contributions had been deposited and benefits paid from the pension trust fund account. With the creation of the new healthcare trust fund account, the systems then sought approval from the Internal Revenue Service through the Voluntary Compliance Program (VCP) to post the amount allocated to healthcare in the 2007 CAFR to the new healthcare trust fund. On October 10, 2008, the Internal Revenue Service (IRS) orally advised tax counsel for the states' pension systems that the request to transfer the 2007 CAFR amount in the new healthcare trust had been approved. The systems received formal VCP decision from the IRS in May 2009.

(8) Funded Status and Funding Progress – DB Pension and Postemployment Healthcare Benefit Plan

The funded status of the defined benefit pension and postemployment healthcare benefit plan is as follows:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) - entry age	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Covered payroll	FE/UAAL as a percentage of covered payroll
Pension						
June 30, 2008	$7,210,772	9,154,282	1,943,510	78.8%	$1,577,846	123.2%
Postemployment healthcare						
June 30, 2008	$3,829,334	13,013,450	9,184,116	29.4%	$1,577,846	582.1%

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of contributions from employers (unaudited) presents trend information about the amounts contributed to the plan by employers in comparison to the actuarially required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB 43. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method 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. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2008
Actuarial cost method	Entry age normal; level percentage of pay for pension; level dollar for healthcare
Amortization method	Level dollar, closed
Equivalent single amortization period	20 years
Asset valuation method	5 year smoothing market
Actuarial Assumptions:	
Investment rate of return	8.25% for pension, 4.50% for healthcare (includes inflation at 3.50%)
Projected salary increases	Peace Officer/Firefighter: merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity - 0.5% per year. Others: merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0.0%. Productivity – 0.5% per year.
Cost-of-living adjustment	Postretirement pension adjustment

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Health cost trend:

	Medical	Prescription drugs
FY09	8.0%	10.8%
FY10	7.5	9.6
FY11	6.9	8.3
FY12	6.4	7.1
FY13	5.9	5.9
FY14	5.9	5.9
FY15	5.9	5.9
FY25	5.8	5.8
FY50	5.7	5.7
FY100	5.1	5.1

GASB 43 requires that the discount rate used in the valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

(9) Commitments and Contingencies

(a) Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2009, the System's share of the unfunded commitment totaled $32,445,432. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2009, the System's share of these unfunded commitments totaled $604,481,979. These commitments are estimated to be paid through 2019.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2009, the System's share of this unfunded commitment totaled $35,434,800 to be paid through 2018.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2009, the System's share of these unfunded commitments totaled $157,951,511 to be paid through the year 2018.

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(b) Contingencies

The Division of Retirement and Benefits (the Division) is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Division's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Division.

(10) Subsequent Event

During fiscal year 2009, the Plan issued a request for proposal for claims administration. The contract for the third party administrator for claims payments was awarded to Wells Fargo Insurance Services (Wells Fargo). Wells Fargo began claims administration on July 1, 2009. To initiate claims payment on July 1, 2009, the Plan, along with the Retiree Health Fund, Group Health and Life Fund, Teachers' and Judicial Alaska Retiree Health Care Trusts, each transferred an amount as an initial deposit with Wells Fargo. The Plan's portion of the deposit was $2,815,358 and is classified as other assets on the statement of net assets.

(11) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive a retiree drug subsidy (RDS) payment if the sponsor's plan provides the prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to twenty-eight percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The Plan was approved for participation in the Medicare Part D program beginning calendar year 2006. The RDS for the six month period ended June 30, 2009, cannot be reasonably estimated, and therefore is not recorded in the financial statements for the period ended June 30, 2009.

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Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Pension Benefits

Valuation as of June 30, 2008
(In thousands)

Actuarial Valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2003	$4,607,673	6,330,541	1,722,868	72.8%	1,300,041	132.5%
2004	4,709,592	6,711,507	2,001,915	70.2	1,305,670	153.3
2005	4,658,413	7,087,191	2,428,778	65.7	1,404,043	173.0
2006	6,331,065	8,094,043	1,762,978	78.2	1,590,693	110.8
2007	6,739,004	8,662,324	1,923,320	77.8	1,605,819	119.8
2008	7,210,772	9,154,282	1,943,510	78.8	1,577,846	123.2

See accompanying notes to required supplementary information and independent auditors' report.

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Schedule of Funding Progress
Postemployment Healthcare Benefits

Valuation as of June 30, 2008
(In thousands)

Actuarial Valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2003	$3,079,608	4,231,112	1,151,504	72.8%	1,300,041	88.6%
2004	3,320,822	4,732,409	1,411,587	70.2	1,305,670	108.1
2005	3,784,506	5,757,650	1,973,144	65.7	1,404,043	140.5
2006	2,709,843	11,455,015	8,745,172	23.7	1,590,693	549.8
2007	3,161,956	11,108,553	7,946,597	28.5	1,605,819	494.9
2008	3,829,334	13,013,450	9,184,116	29.4	1,577,846	582.1

See accompanying notes to required supplementary information and independent auditors' report.

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Required Supplementary Information (Unaudited)

Schedule of Contributions from Employers and the State of Alaska Pension and Postemployment Healthcare Benefits

June 30, 2009
(In thousands)

Year Ended June 30	Actuarial Valuation Date as of June 30[1]	Annual Required Contribution			Pension Percentage Contributed		Postemployment Healthcare Percentage Contributed		Total Percentage Contributed (note 3)
		Pension	Postemployment Healthcare	Total	By Employer (note 3)	By State of Alaska (note 3)	By Employer (note 3)	By State of Alaska (note 3)	
2004	2001	$ 74,178	31,407	105,585	100.0%	-%	100.0%	-%	100.0%
2005	2002	234,361	142,393	376,754	47.3	-	47.3	-	47.3
2006	2003	249,488	166,749	416,237	61.0	4.4	61.0	4.4	65.4
2007	2004	268,742	189,495	458,237	73.2	4.1	73.2	4.1	77.3
2008	2005	140,729	370,456	511,185	71.2	36.2	71.2	36.2	107.4
2009	2006	166,016	391,321	557,337	68.1	48.0	68.1	41.4	111.4

(1) Actuarial valuation related to annual required contribution for fiscal year.

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Notes to Required Supplementary Information

June 30, 2009

(1) Description of Schedule of Funding Progress

Each time a new benefit is added which applies to service already rendered, an "unfunded actuarial accrued liability" is created. Laws governing the Plan require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to the unfunded actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded actuarial accrued liabilities increasing in dollar amounts, all at a time when the actual value of these items, in real terms, may be decreasing.

(2) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the valuation as of June 30, 2008 are as follows:

(a) Actuarial cost method – entry age, funding surplus or unfunded actuarial accrued liability is amortized over 25 years as a level percentage of pay.

(b) Valuation of assets – recognizes 20% of the investment gain or loss in each of the current and preceding four years and phased in over the next five years. All assets are valued at market value. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(c) Valuation of medical and prescription drug benefits – base claims cost rates are incurred healthcare cost expressed as a rate per member per year. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility of free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data. Valuation assumes that 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, the valuation assumes that 4.0% of the current retiree population does not receive Part A coverage.

(d) Investment return/discount rate – 8.25% per year, compounded annually, net of expenses.

(e) Salary scale – inflation 3.5% per year. Peace Officer/Firefighter – Merit 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity 0.5% per year. Others: Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.

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June 30, 2009

(f) Payroll growth – 4.0% per year.

(g) Total inflation – total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.5% annually.

(h) Mortality (Pre-retirement) – Peace Officer/Firefighters: 1994 Group Annuity Mortality Basic Table for males and females, 1994 base year without margin. Others: based upon the 2001-2005 actual experience. 42% of 1994 Group Annuity Table 1994 Base Year, without margin for males and females. Deaths are assumed to be occupation 75% of the time for Peace Officer/Firefighters, 50% of the time for Others.

(i) Mortality (Post-retirement) – 1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin.

(j) Turnover – based upon the 2001–2005 actual withdrawal experience.

(k) Disability – incidence rates based upon the 2001–2005 actual experience. Post–disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 75% of the time for Peace Officers/Firefighters, 50% of the time for Others.

(l) Retirement – retirement rates based on the 2001–2005 actual experience. Deferred vested members are assumed to retire at their earliest retirement date.

(m) Marriage and age difference – wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.

(n) Dependent children – benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.

(o) Contribution refunds – 15% of those terminating are assumed to have their contributions refunded.

(p) Cost of Living Allowance (COLA) – of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.

(q) Post retirement pension adjustment (PRPA) – 50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic PRPA as specified in the statute. Disability benefits are loaded by 9% to account for the immediate COLA of 75% of assumed inflation or 2.625%.

(r) Expenses – all expenses are net of the investment return assumption.

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June 30, 2009

(s) Part–time status – part–time members are assumed to earn 1.00 year of credited service per year for Peace Officer/Firefighters and 0.65 years of credited service per year for Other members.

(t) Final Average Earnings – Final average earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.

(u) Per capita claims cost – sample claims cost rates for FY09 medical benefits are shown below:

	Medical	Prescription Drugs
Total	$7,670	$2,379
Medicare Part A & B	1,296	2,379
Medicare Part B Only	3,384	2,379
Medicare Part D	n/a	509

(v) Third party administrator fees – $153.49 per person per year; assumed trend rate of 5% per year.

(w) Health cost trend – the table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 8.0% is applied to the FY09 rate claims costs to get the FY10 claims cost.

	Medical	Prescription Drugs
FY09	8.0%	10.8%
FY10	7.5	9.6
FY11	6.9	8.3
FY12	6.4	7.1
FY13	5.9	5.9
FY14	5.9	5.9
FY15	5.9	5.9
FY25	5.8	5.8
FY50	5.7	5.7
FY100	5.1	5.1

For the June 30, 2008 valuation, the Society of Actuaries' Healthcare Cost Trend Model was adopted. This model effectively begins estimating trend amount beginning in 2012, and projects out to 2100. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

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June 30, 2009

(x) Aging Factors –

Age	Medical	Prescription Drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84+	0.5	-

(y) Retired member contributions for medical benefits – currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY09 contributions based on monthly rates shown below for calendar 2008 and 2009 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in Tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled:

Coverage Category	FY09 Annual Contribution	Calendar 2009 Monthly Contribution	Calendar 2008 Monthly Contribution
Retiree only	$ 7,572	$ 631	$ 590
Retiree and spouse	15,144	1,262	1,179
Retiree and child(ren)	10,692	891	883
Retiree and family	18,276	1,523	1,423
Composite	11,244	937	876

(z) Trend rate for retired member contributions – The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.3% is applied to the FY09 retired member medical contributions to get the FY10 retired member medical contributions.

FY09	7.3%
FY10	7.0
FY11	6.7
FY12	6.3
FY13	6.0
FY14	5.7
FY15	5.3
FY16	5.0
FY17	5.0
FY18 and later	5.0

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Notes to Required Supplementary Information

June 30, 2009

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations leads us to recommend the new rates above for the contribution trends. Note that actual FY08 retired member medical contributions are reflected in the valuation so trend on such contribution during FY08 is not applicable.

(aa) Healthcare participation – 100% of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

Changes in Assumptions since the Last Valuation

There were two changes in assumptions from the prior valuation. The first was regarding the future increases in healthcare cost trend rates, and the change to the Society of Actuaries' Healthcare Cost Trend Model. This change increased the Employer / State contribution rate by 2.04% and decreased the funded ratio by 1.8%. The second change involved decreasing the assumed Medicare Part B only proportion of all Medicare retirees from 5% to 4%. The impact of this change on the contribution rate is included with the demographic experience.

(3) Contributions - State of Alaska

Alaska Statute 39.35.280 states that the State of Alaska shall contribute to the System each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions of 22 percent, is sufficient to pay the DB Plan's past service liability at the consolidated actuarially required contribution (ARC) adopted by the Alaska Retirement Management Board (Board) for the fiscal year. During fiscal year 2008, the actuarially required contribution adopted by the Board was 32.51 percent. The additional state contribution is sufficient to contribute the 13.51 percent difference between the ARC and the employer contribution rate of 22 percent.

Schedule 1

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Statements of Plan Net Assets
June 30, 2009 (In thousands)

	Defined Benefit Plans		
	Pension	Alaska Retiree Healthcare Trust	Total
Assets			
Cash and cash equivalents (notes 3, 4, 5 and 6):			
Short-term fixed income pool	$ 30,991	6,448	37,439
Great West / participant directed deposit	-	-	-
Total cash and cash equivalents	30,991	6,448	37,439
Receivables:			
Contributions	21,939	90	22,029
Due from State of Alaska General Fund	-	9,169	9,169
Due from retiree health fund	-	1,051	1,051
Other account receivable	-	2,084	2,084
Total receivables	21,939	12,394	34,333
Investments (notes 3, 4, 5, 6 and 9) at fair value:			
Fixed Income Securities			
Retirement fixed income pool	580,397	418,412	998,809
High yield pool	110,534	78,601	189,135
International fixed income pool	75,736	54,458	130,194
Emerging debt pool	38,375	27,372	65,747
Total Fixed Income Securities	805,042	578,843	1,383,885
Broad Domestic Equity			
Broad domestic equity	1,643,106	1,196,748	2,839,854
Total Broad Domestic Equity	1,643,106	1,196,748	2,839,854
Global Equity Ex-US			
International equity pool	754,666	552,932	1,307,598
Emerging markets equity pool	213,380	147,003	360,383
Total Global Equity Ex-US	968,046	699,935	1,667,981
Private Equity			
Private equity pool	447,974	285,447	733,421
Total Private Equity	447,974	285,447	733,421
Absolute Return			
Absolute return pool	215,799	160,497	376,296
Total Absolute Return	215,799	160,497	376,296
Real Assets			
Real estate pool	598,896	311,914	910,810
Real estate investment trust pool	14,235	9,172	23,407
Energy pool	32,438	21,118	53,556
Farmland pool	191,614	125,676	317,290
Farmland water pool	10,549	-	10,549
Timber pool	92,937	13,837	106,774
Treasury inflation protected securities pool	28,372	23,702	52,074
Total Real Assets	969,041	505,419	1,474,460
Other investment funds, at fair value:			
Pooled investment funds	-	-	-
Collective investment funds	-	-	-
Total Other investment funds	-	-	-
Total investments	5,049,008	3,426,889	8,475,897
Other:			
Other	9	2,815	2,824
Total other	9	2,815	2,824
Total assets	5,101,947	3,448,546	8,550,493
Liabilities:			
Accrued expenses	5,663	3,069	8,732
Due to State of Alaska General Fund	5,844	-	5,844
Due to Alaska Retiree Healthcare Trust - TRS	-	102	102
Total liabilities	11,507	3,171	14,678
Commitment and contingencies (note 9)			
Net assets held in trust for pension and postemployment healthcare benefits (see unaudited Schedule of Funding Progress)	$5,090,440	3,445,375	8,535,815

See accompanying notes to financial statements.

(continued)

Schedule 1 (cont.)

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Plan Net Assets

June 30, 2009 (In thousands)

	Defined Contribution Pension Trust Plans						
	Participant Directed	Occupational Death & Disability: All Others	Occupational Death & Disability: Peace Officer/ Firefighter	Retiree Medical Plan	Healthcare Reimbursement Arrangement	Total	SYSTEM TOTAL
Assets:							
Cash and cash equivalents (notes 3, 4, 5 and 6):							
Short-term fixed income pool	443	14	8	30	117	612	38,051
Great West / participant directed deposit	1,585	-	-	-	-	1,585	1,585
Total cash and cash equivalents	2,028	14	8	30	117	2,197	39,636
Receivables:							
Contributions	16	1	-	1	6	24	22,053
Due from State of Alaska General Fund	2,859	115	29	218	755	3,976	13,145
Due from retiree health fund	-	-	-	-	-	-	1,051
Other account receivable	-	-	-	-	-	-	2,084
Total receivables	2,875	116	29	219	761	4,000	38,333
Investments (notes 3, 4, 5, 6, and 9) at fair value:							
Fixed Income Securities							
Retirement fixed income pool	-	267	72	582	2,056	2,977	1,001,786
High yield pool	-	37	10	81	288	416	189,551
International fixed income pool	-	37	10	81	285	413	130,607
Emerging debt pool	-	8	3	18	63	92	65,839
Total Fixed Income Securities	-	349	95	762	2,692	3,898	1,387,783
Broad Domestic Equity							
Broad domestic equity	-	689	185	1,502	5,307	7,683	2,847,537
Total Broad Domestic Equity	-	689	185	1,502	5,307	7,683	2,847,537
Global Equity Ex-US							
International equity pool	-	305	82	667	2,359	3,413	1,311,011
Emerging markets equity pool	-	100	27	219	775	1,121	361,504
Total Global Equity Ex-US	-	405	109	886	3,134	4,534	1,672,515
Private Equity							
Private equity pool	-	139	37	302	1,069	1,547	734,968
Total Private Equity	-	139	37	302	1,069	1,547	734,968
Absolute Return							
Absolute return pool	-	125	33	272	962	1,392	377,688
Total Absolute Return	-	125	33	272	962	1,392	377,688
Real Assets							
Real estate pool	-	141	38	308	1,089	1,576	912,386
Real estate investment trust pool	-	20	5	43	151	219	23,626
Energy pool	-	20	5	45	157	227	53,783
Farmland pool	-	20	5	44	154	223	317,513
Farmland water pool	-	-	-	-	-	-	10,549
Timber pool	-	45	11	100	358	514	107,288
Treasury inflation protected securities pool	-	63	17	136	483	699	52,773
Total Real Assets	-	309	81	676	2,392	3,458	1,477,918
Other investment funds, at fair value:							
Pooled investment funds	2,568	-	-	-	-	2,568	2,568
Collective investment funds	49,555	-	-	-	-	49,555	49,555
Total Other investment funds	52,123	-	-	-	-	52,123	52,123
Total investments	52,123	2,016	540	4,400	15,556	74,635	8,550,532
Other:							
Other	-	-	-	-	-	-	2,824
Total other	-	-	-	-	-	-	2,824
Total assets	57,026	2,146	577	4,649	16,434	80,832	8,631,325
Liabilities:							
Accrued expenses	1,015	-	-	-	-	1,015	9,747
Due to State of Alaska General Fund	-	-	-	-	-	-	5,844
Due to Alaska Retiree Healthcare Trust - TRS	-	-	-	-	-	-	102
Total liabilities	1,015	-	-	-	-	1,015	15,693
Commitment and contingencies (note 9)							
Net assets held in trust for pension and postemployment healthcare benefits (see unaudited Schedule of Funding Progress)	56,011	2,146	577	4,649	16,434	79,817	8,615,632

See accompanying notes to financial statements.

Schedule 2

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Changes in Plan Net Assets

June 30, 2009 (In thousands)

	Defined Benefit Plans		
	Pension	Alaska Retiree Healthcare Trust	Total
Additions (reductions):			
Contributions:			
Employers	$ 113,059	266,481	379,540
Plan members	118,815	523	119,338
State of Alaska	79,681	161,919	241,600
Total contributions	311,555	428,923	740,478
Investment income (loss):			
Net (depreciation) in fair value (note 3)	(1,942,579)	(527,365)	(2,469,944)
Interest	84,356	5,703	90,059
Dividends	204,301	8,748	213,049
Net recognized loan recovery	13	-	13
Total investment (loss)	(1,653,909)	(512,914)	(2,166,823)
Less investment expense	17,885	85	17,970
Net investment (loss)	(1,671,794)	(512,999)	(2,184,793)
Other:			
Other	22	8,758	8,780
Total (reductions) additions	(1,360,217)	(75,318)	(1,435,535)
Deductions:			
Pension and postemployment benefits	466,085	256,408	722,493
Refunds of contributions	12,498	-	12,498
Administrative	6,568	14,004	20,572
Total deductions	485,151	270,412	755,563
Net (decrease) increase	(1,845,368)	(345,730)	(2,191,098)
Net assets held in trust for pension and postemployment healthcare benefits:			
Balance, beginning of year	6,935,808	3,791,105	10,726,913
Balance, end of year	$5,090,440	3,445,375	8,535,815

See accompanying notes to financial statements.

(continued)

Schedule 2 (cont.)

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Changes in Plan Net Assets

June 30, 2009 (In thousands)

	Defined Contribution Pension Trust Plans						
		Occupational Death & Disability					
	Participant Directed	All Others	Peace Officer/ Firefighter	Retiree Medical Plan	Healthcare Reimbursement Arrangement	Total	SYSTEM TOTAL
Additions (reductions):							
Contributions:							
Employers	13,470	1,390	397	2,667	9,988	27,912	407,452
Plan members	21,735	-	-	-	-	21,735	141,073
State of Alaska	-	-	-	-	-	-	241,600
Total contributions	35,205	1,390	397	2,667	9,988	49,647	790,125
Investment income (loss):							
Net (depreciation) in fair value (note 3)	(5,555)	(247)	(61)	(570)	(1,830)	(8,263)	(2,478,207)
Interest	1,206	8	3	18	64	1,299	91,358
Dividends	-	22	6	55	192	275	213,324
Net recognized loan recovery	-	-	-	-	-	-	13
Total investment (loss)	(4,349)	(217)	(52)	(497)	(1,574)	(6,689)	(2,173,512)
Less investment expense	-	-	-	-	-	-	17,970
Net investment (loss)	(4,349)	(217)	(52)	(497)	(1,574)	(6,689)	(2,191,482)
Other:							
Other	-	-	-	-	-	-	8,780
Total (deductions) additions	30,856	1,173	345	2,170	8,414	42,958	(1,392,577)
Deductions:							
Pension and postemployment benefits	-	-	-	-	-	-	722,493
Refunds of contributions	1,386	-	-	-	-	1,386	13,884
Administrative	146	-	-	-	-	146	20,718
Total deductions	1,532	-	-	-	-	1,532	757,095
Net (decrease) increase	29,324	1,173	345	2,170	8,414	41,426	(2,149,672)
Net assets held in trust for pension and postemployment healthcare benefits:							
Balance, beginning of year	26,687	973	232	2,479	8,020	38,391	10,765,304
Balance, end of year	56,011	2,146	577	4,649	16,434	79,817	8,615,632

See accompanying notes to financial statements.

Schedule 3

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Plan Net Assets

June 30, 2008 (In thousands)

	Defined Benefit Plans			
	Pension	Postemployment Healthcare	Alaska Retiree Healthcare Trust	Total
Assets:				
Cash and cash equivalents (notes 3, 4, 5 and 6):				
Short-term fixed income pool	$ 3,273	2,659	26,599	32,531
Great West / participant directed deposit	-	-	-	-
Total cash and cash equivalents	3,273	2,659	26,599	32,531
Receivables:				
Contributions	26,267	-	812	27,079
Due from State of Alaska General Fund	-	-	17,624	17,624
Due from postemployment healthcare fund (note 7)	-	-	3,490,576	3,490,576
Other account receivable	-	-	138	138
Total receivables	26,267	-	3,509,150	3,535,417
Investments (notes 3, 4, 5, 6 and 9) at fair value:				
Fixed Income Securities				
Retirement fixed income pool	906,295	736,276	-	1,642,571
High yield pool	143,650	116,701	-	260,351
International fixed income pool	121,180	98,447	-	219,627
Total Fixed Income Securities	1,171,125	951,424	-	2,122,549
Broad Domestic Equity				
Broad domestic equity	3,069,144	351,199	-	3,420,343
Total Broad Domestic Equity	3,069,144	351,199	-	3,420,343
Global Equity Ex-US				
International equity pool	857,743	696,833	-	1,554,576
Emerging markets equity pool	161,994	131,604	-	293,598
Total Global Equity Ex-US	1,019,737	828,437	-	1,848,174
Private Equity				
Private equity pool	490,444	398,438	-	888,882
Total Private Equity	490,444	398,438	-	888,882
Absolute Return				
Absolute return pool	240,147	195,096	-	435,243
Total Absolute Return	240,147	195,096	-	435,243
Real Assets				
Real estate pool	719,837	584,797	-	1,304,634
Treasury inflation protected securities pool	31,750	25,794	-	57,544
Total Real Assets	751,587	610,591	-	1,362,178
Other investment funds, at fair value:				
Other investments pool	188,001	152,732	-	340,733
Collective investment funds, at fair value:				
Participant directed	-	-	327,130	327,130
ERISA commingled and mutual funds	-	-	-	-
Total Other investment funds	188,001	152,732	327,130	667,863
Total investments	6,930,185	3,487,917	327,130	10,745,232
Other:				
Other	8	-	-	8
Total other	8	-	-	8
Total assets	6,959,733	3,490,576	3,862,879	14,313,188
Liabilities:				
Accrued expenses	7,064	-	1,294	8,358
Due to State of Alaska General Fund	16,861	-	-	16,861
Due to Retiree Health Fund	-	-	5,485	5,485
Due to Alaska Retiree Healthcare Trust - TRS	-	-	64,995	64,995
Due to Alaska Retiree Healthcare Trust - PERS (note 7)	-	3,490,576	-	3,490,576
Total liabilities	23,925	3,490,576	71,774	3,586,275
Commitment and contingencies (note 9)				
Net assets held in trust for pension and postemployment healthcare benefits	$6,935,808	-	3,791,105	10,726,913

See accompanying notes to financial statements.

(continued)

Schedule 3 (cont.)

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Plan Net Assets

June 30, 2008 (In thousands)

	Defined Contribution Pension Trust Plans						
		Occupational Death & Disability					
	Participant Directed	All Others	Peace Officer/ Firefighter	Retiree Medical Plan	Healthcare Reimbursement Arrangement	Total	SYSTEM TOTAL
Assets:							
Cash and cash equivalents (notes 3, 4, 5 and 6):							
Short-term fixed income pool	1,099	47	9	62	260	1,477	34,008
Great West / participant directed deposit	324	-	-	-	-	324	324
Total cash and cash equivalents	1,423	47	9	62	260	1,801	34,332
Receivables:							
Contributions	130	5	1	10	30	176	27,255
Due from State of Alaska General Fund	2,074	84	20	158	481	2,817	20,441
Due from postemployment healthcare fund (note 7)	-	-	-	-	-	-	3,490,576
Other account receivable	-	-	-	-	-	-	138
Total receivables	2,204	89	21	168	511	2,993	3,538,410
Investments (notes 3, 4, 5, and 9) at fair value:							
Fixed Income Securities							
Retirement fixed income pool	-	-	-	-	-	-	1,642,571
High yield pool	-	-	-	-	-	-	260,351
International fixed income pool	-	-	-	-	-	-	219,627
Total Fixed Income Securities	-	-	-	-	-	-	2,122,549
Broad Domestic Equity							
Broad domestic equity	-	-	-	-	-	-	3,420,343
Total Broad Domestic Equity	-	-	-	-	-	-	3,420,343
Global Equity Ex-US							
International equity pool	-	-	-	-	-	-	1,554,576
Emerging markets equity pool	-	-	-	-	-	-	293,598
Total Global Equity Ex-US	-	-	-	-	-	-	1,848,174
Private Equity							
Private equity pool	-	-	-	-	-	-	888,882
Total Private Equity	-	-	-	-	-	-	888,882
Absolute Return							
Absolute return pool	-	-	-	-	-	-	435,243
Total Absolute Return	-	-	-	-	-	-	435,243
Real Assets							
Real estate pool	-	-	-	-	-	-	1,304,634
Treasury inflation protected securities pool	-	85	20	233	746	1,084	58,628
Total Real Assets	-	85	20	233	746	1,084	1,363,262
Other investment funds, at fair value:							
Other investments pool	-	-	-	-	-	-	340,733
Collective investment funds, at fair value:							
Participant directed	23,724	-	-	-	-	23,724	350,854
ERISA commingled and mutual funds	-	752	182	2,016	6,503	9,453	9,453
Total Other investment funds	23,724	752	182	2,016	6,503	33,177	701,040
Total investments	23,724	837	202	2,249	7,249	34,261	10,779,493
Other:							
Other	-	-	-	-	-	-	8
Total other	-	-	-	-	-	-	8
Total assets	27,351	973	232	2,479	8,020	39,055	14,352,243
Liabilities:							
Accrued expenses	664	-	-	-	-	664	9,022
Due to State of Alaska General Fund	-	-	-	-	-	-	16,861
Due to Retiree Health Fund	-	-	-	-	-	-	5,485
Due to Alaska Retiree Healthcare Trust - TRS	-	-	-	-	-	-	64,995
Due to Alaska Retiree Healthcare Trust - PERS (note 7)	-	-	-	-	-	-	3,490,576
Total liabilities	664	-	-	-	-	664	3,586,939
Commitment and contingencies (note 9)							
Net assets held in trust for pension and postemployment healthcare benefits	26,687	973	232	2,479	8,020	38,391	10,765,304

See accompanying notes to financial statements.

Schedule 4

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Changes in Plan Net Assets

June 30, 2008 (In thousands)

	Defined Benefit Plans			
	Pension	Postemployment Healthcare	Alaska Retiree Healthcare Trust	Total
Additions (reductions):				
Contributions:				
Employers	$ 100,323	-	263,755	364,078
Plan members	120,506	-	474	120,980
State of Alaska	50,875	-	134,125	185,000
Total contributions	271,704	-	398,354	670,058
Investment income (loss):				
Net (depreciation) in fair value (note 3)	(707,662)	-	(30,267)	(737,929)
Interest	130,125	-	7,631	137,756
Dividends	281,043	-	3,833	284,876
Total investment (loss)	(296,494)	-	(18,803)	(315,297)
Less investment expense	23,089	-	-	23,089
Net investment income (loss) before security lending activities	(319,583)	-	(18,803)	(338,386)
Securities lending income (note 6)	39,635	-	-	39,635
Less securities lending expenses (note 6)	35,342	-	-	35,342
Net income from securities lending activities	4,293	-	-	4,293
Net investment (loss)	(315,290)	-	(18,803)	(334,093)
Transfer from postemployment healthcare fund (note 7)	-	-	3,490,576	3,490,576
Other:				
Other	47	-	-	47
Total (reductions) additions	(43,539)	-	3,870,127	3,826,588
Deductions:				
Pension and postemployment benefits	439,123	-	77,074	516,197
Refunds of contributions	14,333	-	-	14,333
Administrative	6,585	-	1,948	8,533
Total deductions	460,041	-	79,022	539,063
Transfer to Alaska retiree healthcare trust (note 7)	-	3,490,576	-	3,490,576
Net (decrease) increase	(503,580)	(3,490,576)	3,791,105	(203,051)
Net assets held in trust for pension and postemployment healthcare benefits:				
Balance, beginning of year	7,439,388	3,490,576	-	10,929,964
Balance, end of year	$6,935,808	-	3,791,105	10,726,913

See accompanying notes to financial statements.

(continued)

Schedule 4 (cont.)

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Changes in Plan Net Assets

June 30, 2008 (In thousands)

	Defined Contribution Pension Trust Plans						
		Occupational Death & Disability					
	Participant Directed	All Others	Peace Officer/ Firefighter	Retiree Medical Plan	Healthcare Reimbursement Arrangement	Total	SYSTEM TOTAL
Additions (reductions):							
Contributions:							
Employers	$ 8,221	847	216	1,561	5,902	16,747	380,825
Plan members	13,171	-	-	-	-	13,171	134,151
State of Alaska	-	-	-	-	-	-	185,000
Total contributions	21,392	847	216	1,561	5,902	29,918	699,976
Investment income (loss):							
Net (depreciation) in fair value (note 3)	-	(47)	(5)	(154)	(469)	(675)	(738,604)
Interest	(2,294)	4	2	11	35	(2,242)	135,514
Dividends	-	2	-	5	16	23	284,899
Total investment (loss)	(2,294)	(41)	(3)	(138)	(418)	(2,894)	(318,191)
Less investment expense	-	-	-	-	-	-	23,089
Net investment (loss) before security lending activities	(2,294)	(41)	(3)	(138)	(418)	(2,894)	(341,280)
Securities lending income (note 6)	-	1	-	2	4	7	39,642
Less securities lending expenses (note 6)	-	-	-	1	4	5	35,347
Net income from securities lending activities	-	1	-	1	-	2	4,295
Net investment (loss)	(2,294)	(40)	(3)	(137)	(418)	(2,892)	(336,985)
Transfer from postemployment healthcare fund (note 7)	-	-	-	-	-	-	3,490,576
Other:							
Other	-	-	-	-	-	-	47
Total (reduction) additions	19,098	807	213	1,424	5,484	27,026	3,853,614
Deductions:							
Pension and postemployment benefits	-	-	-	-	-	-	516,197
Refunds of contributions	826	-	-	-	-	826	15,159
Administrative	169	-	-	-	-	169	8,702
Total deductions	995	-	-	-	-	995	540,058
Transfer to Alaska retiree healthcare trust (note 7)	-	-	-	-	-	-	3,490,576
Net (decrease) increase	18,103	807	213	1,424	5,484	26,031	(177,020)
Net assets held in trust for pension and postemployment healthcare benefits:							
Balance, beginning of year	8,584	166	19	1,055	2,536	12,360	10,942,324
Balance, end of year	$26,687	973	232	2,479	8,020	38,391	10,765,304

See accompanying notes to financial statements.

Schedule 5

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions Defined Benefit Plan

Years ended June 30, 2009 and 2008 (In thousands)

			Totals	
	Administrative	**Investment**	**2009**	**2008**
Personal Services:				
Wages	$ 3,092	1,256	4,348	3,737
Benefits	2,122	551	2,673	2,280
Total Personal Services	5,214	1,807	7,021	6,017
Travel:				
Transportation	50	106	156	168
Per Diem	10	14	24	29
Honorarium	2	-	2	-
Total Travel	62	120	182	197
Contractual Services:				
Management and Consulting	13,258	14,386	27,644	21,878
Accounting and Auditing	53	759	812	972
Data Processing	666	521	1,187	826
Communications	138	45	183	233
Advertising and Printing	85	5	90	92
Rental/leases	183	58	241	220
Legal	63	70	133	209
Medical Specialists	36	-	36	22
Repairs and Maintenance	52	23	75	43
Transportation	17	6	23	11
Securities Lending	-	-	-	35,342
Other Services	363	47	410	322
Total Contractual Services	14,914	15,920	30,834	60,170
Other:				
Equipment	289	12	301	405
Supplies	93	111	204	175
Total Other	382	123	505	580
Total Administrative and Investment Deductions	**$ 20,572**	**17,970**	**38,542**	**66,964**

See accompanying independent auditors' report.

Schedule 6

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions Defined Contribution Retirement Trust Plan

Years ended June 30, 2009 and 2008 (In thousands)

			Totals	
	Administrative	**Investment**	**2009**	**2008**
Personal Services:				
Wages	$ 62	-	62	40
Benefits	-	-	-	2,280
Total Personal Services	62	-	62	6,017
Travel:				
Transportation	-	-	-	-
Per Diem	-	-	-	-
Honorarium	-	-	-	-
Total Travel	-	-	-	-
Contractual Services:				
Management and Consulting	46	-	46	49
Accounting and Auditing	22	-	22	-
Data Processing	1	-	1	-
Communications	-	-	-	-
Advertising and Printing	-	-	-	-
Rental/Leases	-	-	-	-
Legal	15	-	15	-
Medical Specialists	-	-	-	-
Repairs and Maintenance	-	-	-	-
Transportation	-	-	-	-
Securities Lending	-	-	-	5
Other Services	-	-	-	80
Total Contractual Services	84	-	84	134
Other:				
Equipment	-	-	-	-
Supplies	-	-	-	-
Total Other	-	-	-	-
Total Administrative and Investment Deductions	**$ 146**	**-**	**146**	**174**

See accompanying independent auditors' report.

Schedule 7

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other than Investment Advisors

Years ended June 30, 2009 and 2008
(In thousands)

Firm	Services	2009	2008
State Street Bank and Trust Corporation	Custodian Banking Services	$ 794	929
Buck Consultant LLP	Actuarial Services	426	258
Computer Task Group, Inc.	Data Processing Consultants	153	130
Wostmann & Associates	Data Processing Consultants	89	103
State of Alaska, Department of Law	Legal Services	379	355
First National Bank Alaska	Banking Services	19	22
KPMG LLP	Auditing Services	50	33
		$1,910	**$1,830**

See accompanying independent auditors' report.

INVESTMENT SECTION

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CALLAN ASSOCIATES INC

CAI

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

September 16, 2009

Alaska Retirement Management Board
State of Alaska, Department of Revenue
Treasury Division
333 Willoughby Avenue, 11th Floor
Juneau, AK 99801

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2009.

Callan Associates Inc. (Callan) independently calculates time-weighted performance statistics based on underlying custodial data provided by the Board's custodian, State Street Bank and Trust Company. The performance calculations were made using a time-weighted return methodology based upon market values. ARMB's real estate consultant, the Townsend Group, calculates returns for the real estate segment of the portfolio. Callan incorporates that data into the total plan returns. Callan serves as ARMB's independent general investment consultant and evaluates the Board's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made in compliance with Global Investment Performance Standards.

ARMB's primary investment objective is to prudently and expertly invest assets, in accordance with governing law and industry practices, in a manner that will help ensure assets under supervision are sufficient to pay promised benefits to its members and their beneficiaries. In pursuit of this objective, the ARMB periodically evaluates liabilities, expected contributions, and potential earnings. This analysis is used to consider a wide range of potentially viable investment strategies. The Board selects a strategic investment policy that balances long-term growth potential and acceptable risk. A policy benchmark is constructed that mirrors the Board's strategic asset allocation policy. This policy benchmark is a custom index comprised of equity, fixed income, real estate and other market indices weighted in the same proportions as ARMB's investment policy.

Fiscal year 2009 was an extraordinarily difficult period for literally all investment categories with the exception of very high quality debt instruments. The Russell 3000 Index, a measure of the broad U.S. equity market lost 26.56%. International stocks, as measured by the MSCI-ACWex-U.S. Index, fell 30.54%. In the last fiscal year, the Barclays Capital Aggregate Bond Index, a widely used measure of the investment grade domestic bond market, achieved an overall return of 6.05%. Absolute Return Strategies such as hedge funds of funds suffered significant declines. For example, the Callan Hedge Fund-of-Funds database median return was a negative 13.79%. Direct equity real estate investments also reflected large valuation losses. The NCREIF Property Index posted a loss of 19.57% for the fiscal year while publicly traded real estate, as measured by the NAREIT Index, fell 43.29%.

For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of -20.49% and the Teachers Retirement System (TRS) had a time-weighted total return of -20.62%. Both Systems trailed their strategic policy benchmark target return of -17.00% and ranked below the -18.09% median return for Callan's Public Fund database. The policy benchmark was largely unchanged during the year. The greatest sources of under-performance relative to target were: significant under-performance in real estate (-35.94% versus a target index return of -21.13%) and the absolute return sector's negative 12.52% return versus a target return of +5.95%. The 2009 below Peer Group performance was primarily attributable to below average fixed income exposure. This same strategic tilt toward equity investments contributed importantly to strong absolute and relative performance in the 2005 to 2007 period. Over longer-term periods, PERS and TRS have much more closely tracked their target index returns. For example, PERS' 5-year annualized return was 2.20% versus the policy benchmark's 2.22%. Over the longest period for which Callan has detailed data (17 3/4 years), PERS and TRS have achieved annualized total returns of 6.81% and 6.85% respectively while the policy benchmark return for the same span was 6.80%.

Both systems are well diversified and currently have asset allocation policies that, in our opinion, are consistent with achievement of a long-term "real" return of 5% or more.

In summary, fiscal 2009 was an unusually difficult year for all investors particularly those with significant equity exposure. Despite the challenging environment, the Systems were able to maintain their strategic plan and appear to be participating fully in the public markets recovery that began in March 2009.

Sincerely,

Michael J. O'Leary, Jr., CFA
Executive Vice President

Department of Revenue
Treasury Division
Staff

Commissioner
Patrick Galvin

Deputy Commissioner
Jerry Burnett

Chief Investment Officer
Gary Bader

Comptroller
Pamela Green, CPA

Cash Management
Michelle M. Prebula, MBA, CPA, CCM

Investment Officers
Bob G. Mitchell
Stephen R. Sikes
Zachary Hanna
Victor Djajalie
Andy Wink
James McKnight
Casey Colton
Nicholas Orr
Ryan Bigelow
Bree Simpson
Steve Verschoor
Shane Carson

ARMB Liaison Officer
Judy Hall

External Money Managers and Consultants

Investment Consultants
Callan Associates, Inc.
Denver, CO
The Townsend Group
San Francisco, CA

Investment Advisory Council
William Jennings
Colorado Springs, CO
Jerrold Mitchell
Wayland, MA
George Wilson
Boston, MA

Absolute Return
Cadogan Management, LLC
New York, NY
Crestline Investors, Inc.
Fort Worth, TX
Mariner Investment Group, Inc.
Harrison, NY

Domestic Equity Large Capitalization
Barrow, Hanley, Mewhinney & Strauss
Dallas, TX
Capital Guardian Trust Co.
Los Angeles, CA
Dresdner RCM Global Investors
San Francisco, CA
McKinley Capital Management, Inc.
Anchorage, AK
Relational Investors LLC
San Diego, CA

Domestic Equity Small Capitalization
Jennison Associates LLC
New York, NY
Lord Abbett & Co.
Jersey City, NJ
Luther King Capital Management
Fort Worth, TX
Turner Investment Partners, Inc.
Berwyn, PA

Domestic Equity Index Fund
State Street Global Advisors
San Francisco, CA

Emerging Markets
Capital Guardian Trust Co.
Los Angeles, CA
Eaton Vance Management
Boston, MA

Global Equity
Lazard Freres Asset Management
New York, NY

High Yield
ING Investment Management
Hartford, CT
MacKay Shields LLC
New York, NY

External Money Managers and Consultants (con't)

International Equity – EAFE
Brandes Investment Partners, L.P.
San Diego, CA
Capital Guardian Trust Co.
Los Angeles, CA

International Fixed-Income
Delaware International Advisers Ltd.
London, England

Private Equity
Abbott Capital Management, L.P.
New York, NY
Pathway Capital Management, LLC
Irvine, CA

Real Estate – Farmland
Hancock Agricultural Investment Group
Boston, MA
UBS AgriVest, LLC
Hartford, CT

Real Estate – Commingled Funds
BlackRock Realty
San Francisco, CA
Colony Capital
Los Angeles, CA
Cornerstone Real Estate Advisers, LLC
Hartford, CT
Coventry Real Estate Fund II, LLC
New York, NY
Heitman Capital Management
Chicago, IL
ING Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Lehman Brothers Real Estate Partners
New York, NY
Lowe Hospitality Investment Partners, LLC
Los Angeles, CA
Sentinel Real Estate Corporation
New York, NY
Tishman Speyer Properties
New York, NY
UBS Realty Investors, LLC
Hartford, CT

Real Estate – Core Separate Accounts
Cornerstone Real Estate Advisers, Inc.
Hartford, CT
LaSalle Investment Management
Chicago, IL
Sentinel Real Estate Corporation
New York, NY
UBS Realty Investors, LLC
San Francisco, CA

Supplemental Benefits System
Barclays Global Investors
San Francisco, CA
Capital Guardian Trust Company
Los Angeles, CA
Citizens Funds
Portsmouth, NH
State Street Global Advisors
Boston, MA
T. Rowe Price Investment Services
Baltimore, MD

Deferred Compensation
Barclays Global Investors
San Francisco, CA
Capital Guardian Trust Company
Los Angeles, CA
T. Rowe Price Investment Services
Baltimore, MD & Glen Allen, VA

Global Master Custodian
State Street Bank & Trust Co.
Boston, MA

Independent Auditors
KPMG LLP
Anchorage, AK

Legal Counsel
Wohlforth, Johnson, Brecht,
Cartledge & Brooking
Anchorage, AK

Public Employees' Retirement System
Investment Report

INVESTMENTS

The State of Alaska Public Employee Retirement System's (PERS) investment goals are the long term return and sustainability of the pension funds under management. Near-term market fluctuations are integrated into the overall outlook of the fund guidelines. Annually, the Alaska Retirement Management Board (ARMB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an optimal risk/return level within the set constraints and objectives of the ARMB.

The ARMB categorizes its investments into six asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity and absolute return. The performance of each asset class is compared with a benchmark comprised of one or more market indices. The performance for the total portfolio is compared with its policy portfolio, determined by calculating the weighted performance of the underlying asset class benchmarks at the portfolio's target asset allocation. The asset class benchmarks are illustrated below:

Asset Class	Benchmark
Domestic Equities	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Index Ex-U.S.
Fixed Income	70% Barclays Capital Aggregate Index, 10% Barclays Capital Treasury Index, 10% Citigroup Non-U.S. World Government Bond Index, 10% Merrill Lynch High Yield Master II Constrained Index
Real Assets	60% NCREIF Property Index, 20% Barclays Capital TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timber Index
Private Equity	33.3% S&P 500 Index, 33.3% Russell 2000, 33.3% MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2009 fiscal year, ARMB's target asset allocation was 34% domestic equities, 20% global equities ex-U.S., 18% fixed income, 15% real assets, 7% private equity, and 6% absolute return. The target asset allocation was expected to generate a return of 8.15% with a standard deviation of returns of 12.85%.

Public Employees' Retirement System
Schedule of Investment Results
Fiscal Years Ended June 30

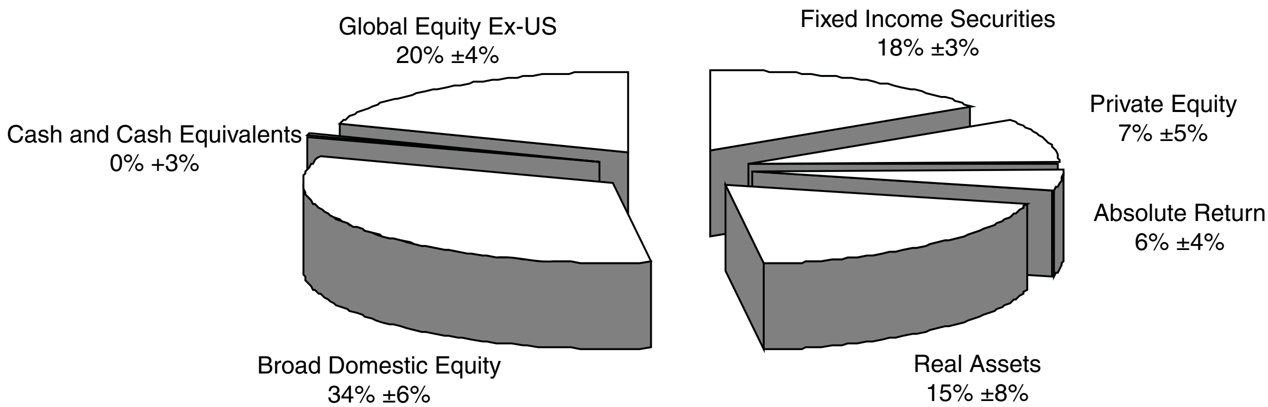
	2005	2006	2007	2008	2009	Annualized 3 Year	Annualized 5 Year
Total Fund							
PERS	8.95%	11.74%	18.88%	(3.06%)	(20.49%)	(2.88%)	2.20%
Actuarial Earnings Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
U.S. Common Stock Returns							
PERS Domestic Equities	4.47%	9.23%	20.10%	(13.53%)	(26.72%)	(8.70%)	(2.78%)
Custom Composite Index	-	-	-	-	(26.56%)	(8.74%)	(2.28%)
S&P 500/Russell 2000 Composite	6.87%	9.67%	20.59%	(13.68%)	-	-	-
International Stock Returns							
PERS International Equities	14.96%	28.73%	30.00%	(7.58%)	(29.11%)	(5.16%)	(4.77%)
Morgan Stanley Capital International ACWI ex-US	-	-	-	-	(30.54%)	(6.42%)	(3.34%)
Morgan Stanley Capital International EAFE	13.65%	26.56%	27.00%	(10.61%)	-	-	-
Fixed-Income							
PERS	-	-	-	-	3.39%	5.38%	4.63%
Custom Composite Index	-	-	-	-	5.41%	6.28%	4.93%
Private Equity							
PERS	-	-	-	-	(23.67%)	3.61%	10.58%
Custom Composite Index	-	-	-	-	(27.19%)	(8.51%)	(0.40%)
Absolute Return							
PERS	-	-	-	-	(12.51%)	(0.77%)	2.09%
3-month Treasury Bill +5%	-	-	-	-	5.95%	7.93%	7.71%
Real Assets							
PERS	-	-	-	-	(21.02%)	0.20%	6.97%
Custom Composite Index	-	-	-	-	(10.82%)	3.64%	9.31%
Domestic Fixed-Income							
PERS	7.08%	0.05%	6.20%	6.58%	-	-	-
Lehman Brothers Aggregate Index	6.80%	(0.81%)	6.12%	7.12%	-	-	-
International Fixed-Income							
PERS	9.84%	(0.27%)	1.97%	18.96%	-	-	-
Salomon Non-U.S. Government	7.75%	(0.01%)	2.20%	18.72%	-	-	-
Real Estate Equity							
PERS	17.42%	18.58%	20.75%	5.71%	-	-	-
NCREIF	18.02%	18.79%	17.24%	6.82%	-	-	-

S&P 500 = Standard & Poor's Domestic Equity Stock Index
ACWI = All Country World Index
EAFE = Europe, Australia, and Far East Stock Index
NCREIF = National Council of Real Estate Investment Fiduciaries Index

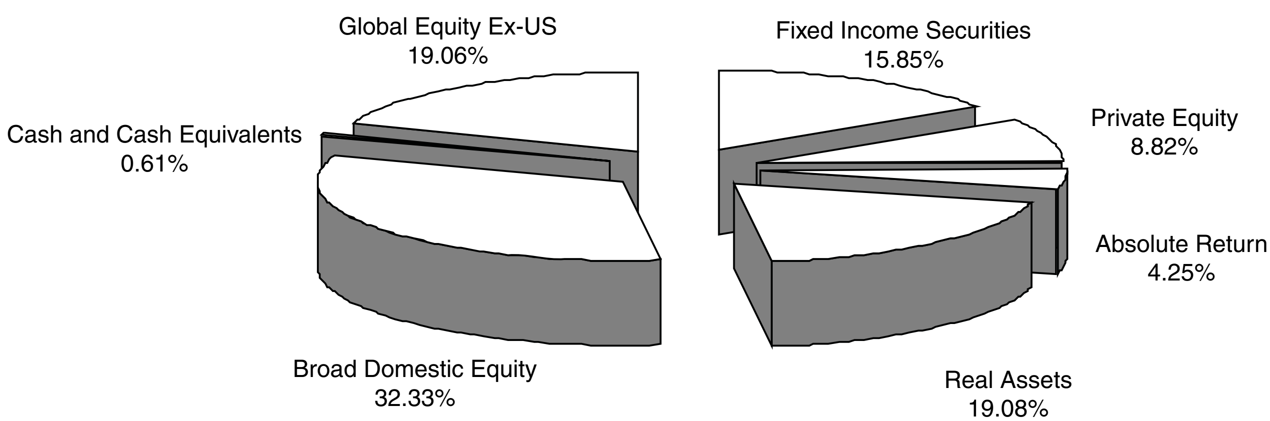
Returns for periods longer than one year are reported on an annualized basis.

Public Employees' Retirement System
Asset Allocation
June 30, 2009

Policy — Defined Benefit Pension

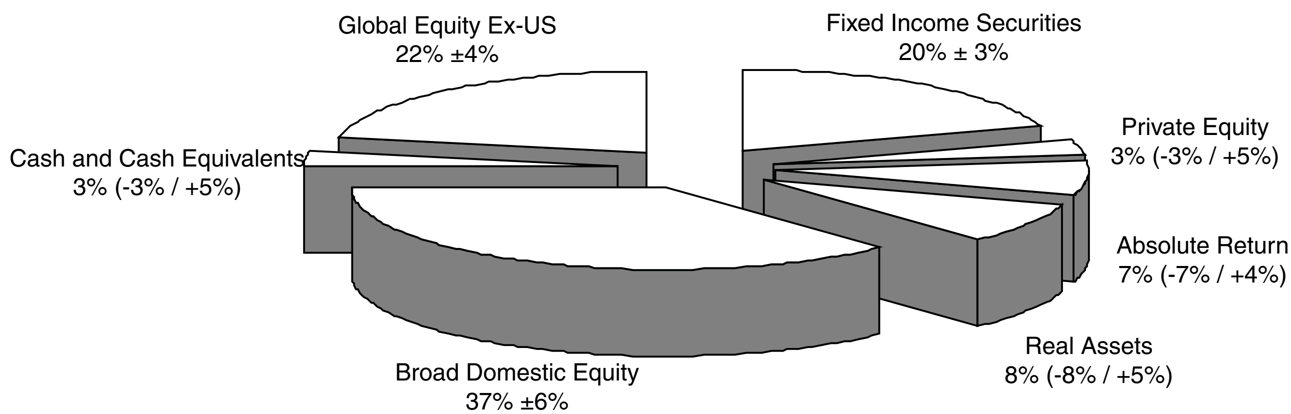


Actual — Defined Benefit Pension

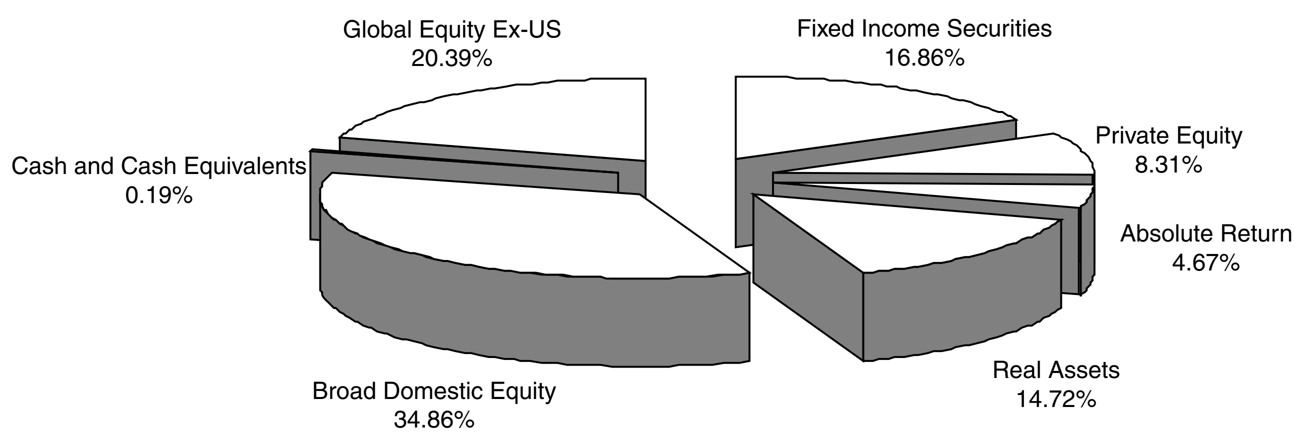


Public Employees' Retirement System
Asset Allocation
June 30, 2009

Policy — Defined Benefit Alaska Retiree Healthcare Trust

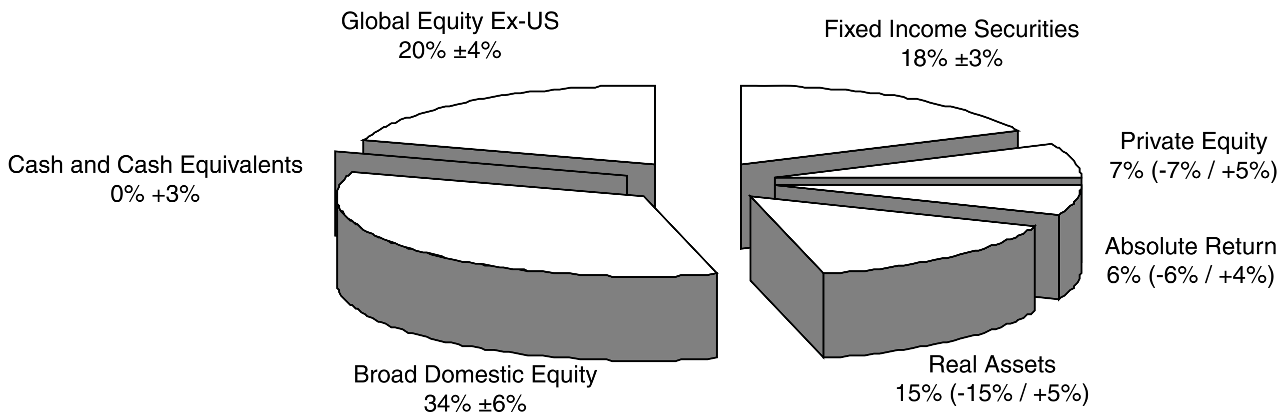


Actual — Defined Benefit Alaska Retiree Healthcare Trust

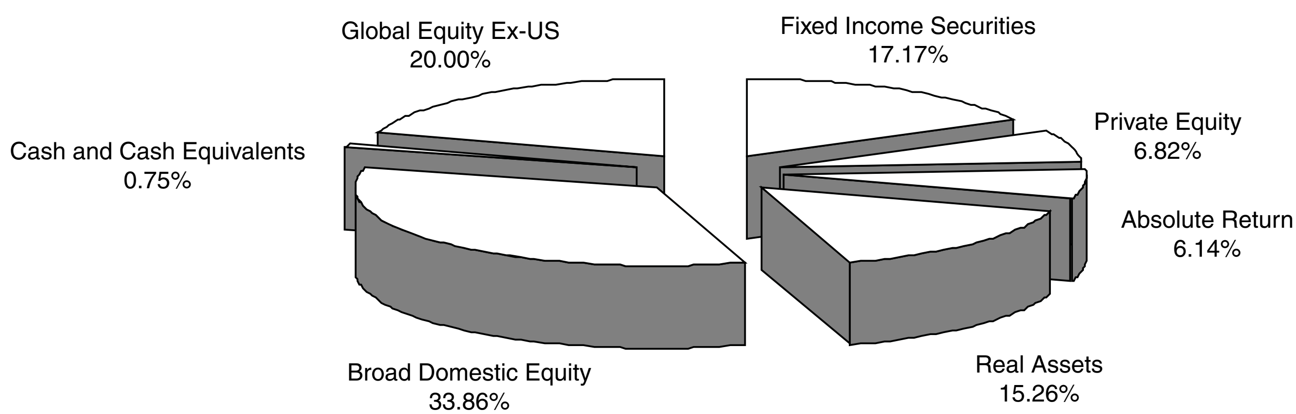


Public Employees' Retirement System
Asset Allocation
June 30, 2009

Policy — Defined Contribution Health Reimbursement Arrangement, Occupational Death & Disability, and Retiree Medical Plan

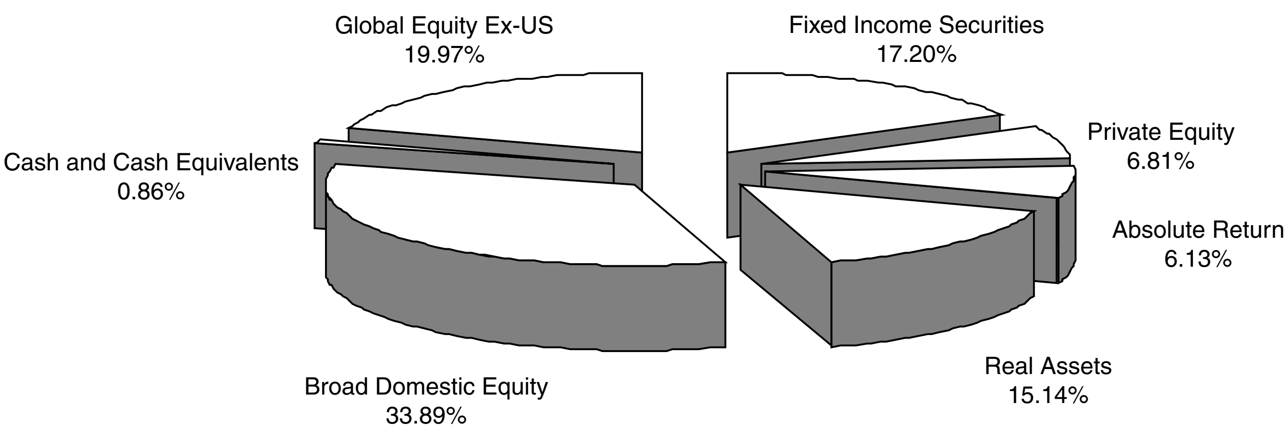


Actual — Defined Contribution Health Reimbursement Arrangement

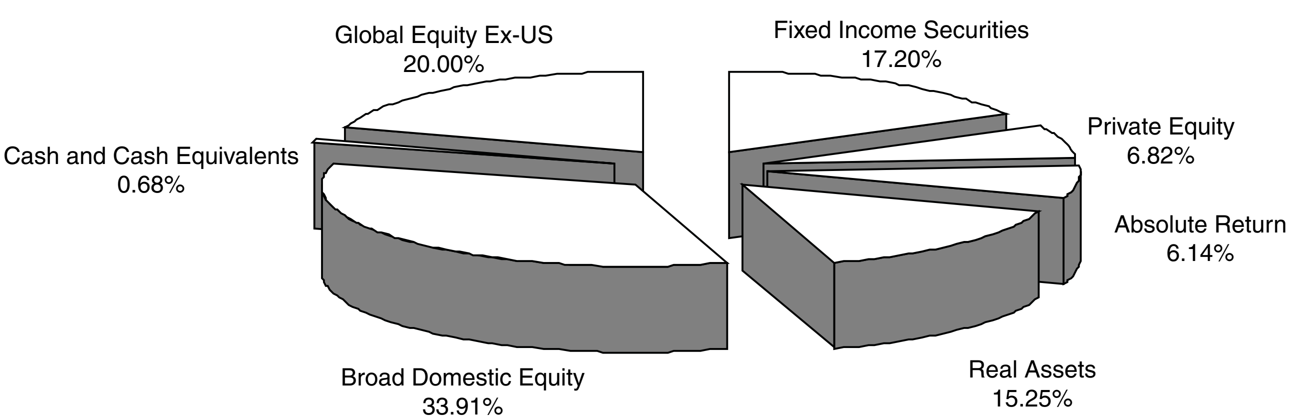


Public Employees' Retirement System
Asset Allocation
June 30, 2009

Actual — Defined Contribution Occupational Death & Disability



Actual — Defined Contribution Retiree Medical Plan



Alaska Retirement Management Board
Top Ten Holdings by Asset Type
June 30, 2009

Invested assets under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created eighteen different mutual fund-like pools to accomplish the investment asset allocation policies of the ARMB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ARMB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Below are the ten largest bond and equity holdings.

Fixed Income	Rank	Security	Market Value	Par Value
	1	US Treasury 3.125% 05/15/19	$68,549,591	70,875,000
	2	US Treasury 2.625% 04/30/16	$43,122,624	44,600,000
	3	FNMA 5.0% 11/01/33 POOL 725027	$25,453,282	24,885,582
	4	FNMA 5.5% 01/01/33 POOL 678915	$21,019,499	20,258,994
	5	US Treasury 2.625% 06/30/14	$19,119,562	19,060,000
	6	UK Treasury 5.0% 03/07/12	$18,890,784	10,704,525
	7	FNMA 0 07/05/14	$16,801,490	20,000,000
	8	FNMA TBA AUG 30	$14,198,516	14,000,000
	9	ITALY Treasury 4.0% 02/01/37	$13,932,044	11,922,525
	10	US Treasury 1.125% 06/30/2011	$13,733,000	13,733,000

Note: As of 06/30/09, PERS Pension owned 65.05% of the above pool of fixed income securities

Equities	Rank	Largest Domestic Equity Holdings	Market Value
	1	Exxon Mobil Corp	$112,184,437
	2	Microsoft Corp	$67,770,100
	3	JPMorgan Chase & Co	$61,477,033
	4	AT&T Inc	$55,518,344
	5	Johnson & Johnson	$51,522,542
	6	HSBC Holdings Plc	$50,554,566
	7	Apple Inc	$50,168,261
	8	Wal Mart Stores Inc	$48,772,395
	9	Google Inc	$48,655,702
	10	IBM Corp	$48,490,455

Note: As of 06/30/09, PERS Pension owned 64.88% of the above pool of equity securities

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

Public Employees' Retirement System
Schedule of External Management Fees
Year Ended June 30, 2009

Investment Management Fees	Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	$ 130,607,142	$ 325,785
High Yield Pool		
* Mackay Shields, LLC	96,107,628	405,655
* ING Investments	93,443,242	439,770
Total High Yield	189,550,870	845,425
Domestic Equity Pool		
** Relational Investors	147,501,556	1,323,386
* Barrow, Hanley, Mewhinney & Strauss, Inc	63,894,088	326,187
* Capital Guardian Trust	133,876,180	327,084
* Jennison Associates LLC	89,235,306	520,206
* Lazard Asset Management	159,666,206	753,580
* Lord Abbett & Co.	92,256,183	668,622
* Luther King Cap. Management	71,903,718	398,930
* McKinley Capital	187,306,878	812,853
* Quantitative Management Associates	62,413,895	144,067
* Dresdner RCM Capital	213,389,462	633,633
* SSgA Russell 1000 Growth	259,173,397	50,227
* SSgA Russell 1000 Value	351,862,697	60,140
* SSgA Russell 2000 Growth	10,845,728	12,501
* SSga Russell 2000 Value	192,470,973	69,403
* SSgA Russell 200	724,799,129	91,498
* SSgA Futures Large Cap	5,735,002	9,387
* SSgA Future Small Cap	5,639,959	7,738
* Turner Investment Partners	75,565,267	592,689
Total Domestic Equities	2,847,535,624	6,802,130
Private Equity Pool		
** Blum Capital Partners-Public (Stinson)	-	123,049
** BlumCapital Partners-Strategic	17,784,648	329,258
** Warburg Pincus X	5,233,182	308,149
** Angelo Gordon & Co.	12,947,489	172,375
** Onex Partners	461,209	92,998
* Pathway Capital Management	324,240,259	1,313,300
* Abbott Capital Management	374,301,462	885,162
Total Private Equities	734,968,248	3,224,293
International Equity Pool		
* SSgA	148,046,474	817,846
* Brandes Investment Partners	475,710,882	1,620,660
* Capital Guardian Trust Co.	307,072,494	922,513
* McKinley Capital Mgmt.	178,343,194	982,617
* Lazard Freres	201,838,116	752,154
Total International Equities	1,311,011,160	4,277,944
Absolute Return Pool		
** Mariner Investment Group	154,359,071	1,291,419
** Cadogan Management LLC	78,413,138	685,660
** Crestline Investors Inc.	144,915,842	1,296,652
Total Absolute Return	377,688,051	3,273,731
Emerging Markets Equity Pool		
** The Capital Group Inc.	175,069,672	887,120
** Lazard Freres Asset Managers	102,446,153	-
** Eaton Vance	83,987,554	459,757
Total Emerging Markets	361,503,379	1,346,877

(continued)

Public Employees' Retirement System
Schedule of External Management Fees (con't)
Year Ended June 30, 2009

	Fair Value	Fees
Real Estate Pool		
** JPM Strategic	$120,952,435	$ 1,410,998
** UBS Consolidated	51,299,948	504,957
** Cornerstone	117,885,462	806,575
** Lasalle	131,635,603	1,006,566
** Sentinel , SA	68,127,697	430,955
** UBS Separate	208,313,760	1,394,140
** Coventry	-	481,176
** Lowe Hospitality	10,792,700	142,933
** Cornerstone Rotational	635	-
** ING Clarion	16,749,131	201,436
** Lehman Brothers Real Estate Partners	64,643,358	1,178,596
** Rothschild Five Arrows	27,268,377	205,130
** Tishman Speyer	39,028,982	1,056,109
** BlackRock Diamond	29,545,345	577,930
** Colony Investors VIII, L.P.	8,620,784	791,556
** LaSalle Medical Office Fund II	9,105,331	309,277
** Cornerstone Apartment Venture III	8,415,743	133,536
Total Real Estate	912,385,290	10,631,868
Timber Pool		
** Timberland INVT Resources	79,710,870	98,296
** Hancock Natural Resource Group	27,577,128	-
Total Timber Pool	107,287,998	98,296
Farmland Pool		
** UBS Agrivest	213,455,750	764,494
** Hancock Agriculture Investment Group	104,057,854	1,376,355
Total Farmland	317,513,604	2,140,849
Farmland Water Pool		
** Hancock Farmland & Water	2,751,867	21,578
** UBS Agrivest	7,797,175	46,155
Total Farmland Water Pool	10,549,042	67,733
Energy Pool		
** TCW Energy Fund XD	17,827,268	263,674
** TCW Energy Fund XIV-A	35,956,825	1,343,331
Total Energy Pool	**$ 53,784,093**	1,607,005
Custodian		
* State Street Bank		744,043
Investment Advisory		
* Townsend Group		51,540
* Callan Associates		9,651
* Investment Advisory Council		20,994
Total Investment Advisory		82,185
Investment Performance		
* Callan Associates		205,445
Total External Management Fees		**$35,673,609**

*These fees are paid through the Alaska Statewide Accounting System (AKSAS)
**These fees are deducted from earnings by the fund manager and are not directly recorded in AKSAS.

Public Employees' Retirement System
Investment Summary Schedule

June 30, 2009

Investments (at Fair Value)	Defined Benefit - Pension: Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 30,990,798	
Total Cash and Cash Equivalents	0.00%	0-3%	30,990,798	0.61%
Fixed Income Securities				
Retirement Fixed Income Pool			580,396,346	
High Yield Pool			110,534,245	
International Fixed Income Pool			75,736,994	
Emerging Debt Pool			38,374,985	
Total Fixed Income Securities	18.00%	15-21%	805,042,570	15.85%
Broad Domestic Equity				
Broad Domestic Equity			1,643,105,968	
Total Broad Domestic Equity	34.00%	28-40%	1,643,105,968	32.33%
Global Equity Ex-U.S.				
International Equity Pool			754,665,886	
Emerging Markets Equity Pool			213,379,865	
Total Global Equity Ex-U.S.	20.00%	16-24%	968,045,751	19.06%
Private Equity				
Private Equity Pool			447,974,148	
Total Private Equity	7.00%	2-12%	447,974,148	8.82%
Absolute Return				
Absolute Return Pool			215,798,756	
Total Absolute Return	6.00%	2-10%	215,798,756	4.25%
Real Assets				
Real Estate Pool			598,895,995	
Real Estate Investment Trust Pool			14,234,516	
Energy Pool			32,438,496	
Farmland Pool			191,614,146	
Farmland Water Pool			10,549,042	
Timber Pool			92,936,722	
Treasury Inflation Protected Securities Pool			28,372,188	
Total Real Assets	15.00%	7-23%	969,041,105	19.08%
Total Invested Assets	**100.00%**		**$5,079,999,096**	**100.00%**

Public Employees' Retirement System
Investment Summary Schedule

June 30, 2009

	Defined Benefit - Alaska Retiree Healthcare Trust			
	Asset Allocation			
Investments (at Fair Value)	Policy	Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 6,448,455	
Total Cash and Cash Equivalents	3.00%	0-8%	6,448,455	0.19%
Fixed Income Securities				
Retirement Fixed Income Pool			418,412,199	
High Yield Pool			78,600,563	
International Fixed Income Pool			54,457,747	
Emerging Debt Pool			27,372,465	
Total Fixed Income Securities	20.00%	17-23%	578,842,974	16.86%
Broad Domestic Equity				
Broad Domestic Equity			1,196,747,747	
Total Broad Domestic Equity	37.00%	31-43%	1,196,747,747	34.86%
Global Equity Ex-U.S.				
International Equity Pool			552,931,651	
Emerging Markets Equity Pool			147,002,606	
Total Global Equity Ex-U.S.	22.00%	18-26%	699,934,257	20.39%
Private Equity				
Private Equity Pool			285,447,501	
Total Private Equity	3.00%	0-8%	285,447,501	8.31%
Absolute Return				
Absolute Return Pool			160,496,804	
Total Absolute Return	7.00%	0-11%	160,496,804	4.67%
Real Assets				
Real Estate Pool			311,913,516	
Real Estate Investment Trust Pool			9,172,329	
Energy Pool			21,117,513	
Farmland Pool			125,676,369	
Farmland Water Pool			-	
Timber Pool			13,837,299	
Treasury Inflation Protected Securities Pool			23,702,112	
Total Real Assets	8.00%	0-13%	505,419,138	14.72%
Total Invested Assets	**100.00%**		**$3,433,336,876**	**100.00%**

Public Employees' Retirement System
Investment Summary Schedule

June 30, 2009

Defined Contribution - Health Reimbursement Arrangement

Investments (at Fair Value)	Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 117,112	
Total Cash and Cash Equivalents	0.00%	0-3%	117,112	0.75%
Fixed Income Securities				
Retirement Fixed Income Pool			2,056,107	
High Yield Pool			287,516	
International Fixed Income Pool			284,983	
Emerging Debt Pool			63,041	
Total Fixed Income Securities	18.00%	15-21%	2,691,647	17.17%
Broad Domestic Equity				
Broad Domestic Equity			5,306,973	
Total Broad Domestic Equity	34.00%	28-40%	5,306,973	33.86%
Global Equity Ex-U.S.				
International Equity Pool			2,359,432	
Emerging Markets Equity Pool			774,586	
Total Global Equity Ex-U.S.	20.00%	16-24%	3,134,018	20.00%
Private Equity				
Private Equity Pool			1,068,755	
Total Private Equity	7.00%	0-12%	1,068,755	6.82%
Absolute Return				
Absolute Return Pool			962,259	
Total Absolute Return	6.00%	0-10%	962,259	6.14%
Real Assets				
Real Estate Pool			1,088,916	
Real Estate Investment Trust Pool			150,675	
Energy Pool			157,616	
Farmland Pool			154,154	
Farmland Water Pool			-	
Timber Pool			357,620	
Treasury Inflation Protected Securities Pool			482,669	
Total Real Assets	15.00%	0-20%	2,391,650	15.26%
Total Invested Assets	100.00%		$15,672,414	100.00%

Public Employees' Retirement System
Investment Summary Schedule
June 30, 2009

Defined Contribution - Occupational Death & Disability

Investments (at Fair Value)	Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 22,115	
Total Cash and Cash Equivalents	0.00%	0-3%	22,115	0.86%
Fixed Income Securities				
Retirement Fixed Income Pool			339,041	
High Yield Pool			47,241	
International Fixed Income Pool			46,824	
Emerging Debt Pool			10,359	
Total Fixed Income Securities	18.00%	15-21%	443,465	17.20%
Broad Domestic Equity				
Broad Domestic Equity			873,268	
Total Broad Domestic Equity	34.00%	28-40%	873,268	33.89%
Global Equity Ex-U.S.				
International Equity Pool			387,498	
Emerging Markets Equity Pool			127,278	
Total Global Equity Ex-U.S.	20.00%	16-24%	514,776	19.97%
Private Equity				
Private Equity Pool			175,606	
Total Private Equity	7.00%	0-12%	175,606	6.81%
Absolute Return				
Absolute Return Pool			158,115	
Total Absolute Return	6.00%	0-10%	158,115	6.13%
Real Assets				
Real Estate Pool			178,923	
Real Estate Investment Trust Pool			24,759	
Energy Pool			25,898	
Farmland Pool			25,341	
Farmland Water Pool			-	
Timber Pool			56,028	
Treasury Inflation Protected Securities Pool			79,317	
Total Real Assets	5.00%	0-20%	390,226	15.14%
Total Invested Assets	**100.00%**		**2,577,611**	**100.00%**

Public Employees' Retirement System
Investment Summary Schedule

June 30, 2009

Defined Contribution - Retiree Medical Plan

Investments (at Fair Value)	Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 29,897	
Total Cash and Cash Equivalents	0.00%	0-3%	29,897	0.68%
Fixed Income Securities				
Retirement Fixed Income Pool			581,818	
High Yield Pool			81,305	
International Fixed Income Pool			80,594	
Emerging Debt Pool			17,828	
Total Fixed Income Securities	18.00%	15-21%	761,545	17.20%
Broad Domestic Equity				
Broad Domestic Equity			1,501,668	
Total Broad Domestic Equity	34.00%	28-40%	1,501,668	33.91%
Global Equity Ex-U.S.				
International Equity Pool			666,693	
Emerging Markets Equity Pool			219,044	
Total Global Equity Ex-U.S.	20.00%	16-24%	885,737	20.00%
Private Equity				
Private Equity Pool			302,238	
Total Private Equity	7.00%	0-12%	302,238	6.82%
Absolute Return				
Absolute Return Pool			272,117	
Total Absolute Return	6.00%	0-10%	272,117	6.14%
Real Assets				
Real Estate Pool			307,940	
Real Estate Investment Trust Pool			42,609	
Energy Pool			44,570	
Farmland Pool			43,594	
Farmland Water Pool			-	
Timber Pool			100,329	
Treasury Inflation Protected Securities Pool			136,488	
Total Real Assets	15.00%	0-20%	675,530	15.25%
Total Invested Assets	**100.00%**		**4,428,732**	**100.00%**

Public Employees' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2009

Fixed Income	Domestic Equity	International Equity	Total
$8,515	250,074	48,812	307,401

The ARMB's Commission Recapture program has been in place since 1995, first working with various brokers then switching to the State Street program in 2005. Under a commission recapture program a portion of the commissions and mark-ups on trades (placed through the State Street broker network) flow directly back to the fund.

The program allows managers to place trades for commission recapture purposes. The ARMB has established direction percentages for the managers to strive for, but is only requiring best efforts to meet them given their fiduciary obligation to achieve best execution of transactions.

The current rebate arrangement with State Street Global Markets is: 80% of the brokerage commissions earned in executing domestic equity transactions; 72% of the brokerage commissions earned in executing domestic equity transactions via correspondent brokers; and, 60% of the brokerage commissions earned in executing international equity transactions.

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ACTUARIAL SECTION

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August 27, 2009

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Dear Members of The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration:

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 2008 by Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the System as of June 30, 2008;

(2) a review of experience under the System for the year ended June 30, 2008;

(3) a determination of the appropriate contribution rate for all employers in the System, including additional State contributions pursuant to SB 125, which will be applied for the fiscal year ending June 30, 2011; and

(4) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The following schedules that we have prepared are included in this report:

(1) Summary of actuarial assumptions and methods (Section 2.3)

(2) Schedule of active member valuation data (Section 2.2(d) and (f))

(3) Schedule of benefit recipients added to and removed from rolls (Section 2.2(p) and 2.2(q))

(4) Solvency test (Section 3.3)

(5) Analysis of financial experience (Section 3.1)

(6) Summary of GASB No. 25 and 43 disclosure information (Section 3.2)

Tabor Center, 1200 17th Street, Suite 1200 • Denver, CO 80202
720.359.7700 • 720.359.7701 (fax)

The Alaska Retirement Management Board, The Department
of Revenue, and The Department of Administration
August 27, 2009
Page 2

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. The employee data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of an experience study presented to and adopted by The Alaska Retirement Management Board (Board) in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY09 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities increased from 68.0% to 69.5% during the year. This report provides an analysis of the factors that led to the increase. This report also provides a history of the funding ratio of the System.

A summary of the actuarial assumptions and methods is presented in Section 2.3 of this report. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the System.

Future contribution requirements may differ from those determined in the valuation because of:

(1) differences between actual experience and anticipated experience based on the assumptions;

(2) changes in actuarial assumptions or methods;

(3) changes in statutory provisions; or

(4) differences between the contribution rates determined by the valuation and those adopted by the Board.

This report does not take into account broad declines in U.S. equity and bond prices that have occurred after the valuation date. Taking these into account would have significantly reduced the market and actuarial value of assets shown. The effect of these on any funded ratios and on the final funding calculations is not known. Plan funding and accounting rules generally prohibit reflection of changes in assets and underlying economic conditions that occur after the measurement date.

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The Alaska Retirement Management Board, The Department
of Revenue, and The Department of Administration
August 27, 2009
Page 3

The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

We believe that this report conforms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,

David H. Slishinsky

David H. Slishinsky, ASA, EA, MAAA
Principal, Consulting Actuary

Michelle M. DeLange

Michelle Reding DeLange, FSA,EA, MAAA
Director, Consulting Actuary

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.

Melissa A. Bissett

Melissa Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

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Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2008 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in October 2006. These assumptions were the result of an experience study performed as of June 30, 2005. The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

Valuation of Liabilities

A. Actuarial Method - Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for pension benefits (constant dollar amount for healthcare benefits) from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Changes in Methods from the Prior Valuation

There were no changes in methods from the prior valuation, except for any described in the healthcare sections below.

B. Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

C. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Public Employees' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our Experience Study for the period July 1, 2001 to June 30, 2005.

Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data.

We analyzed Aetna and Premera management level reporting for calendar 2005 through fiscal 2008, as well as Aetna and Premera claim level data for calendar 2004-2006, and fiscal years 2007 and 2008, and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.

2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting and the State's approved RDS listing from Medicare were used to augment cost data by Medicare status.

3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these "no-Part A" individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

costs are higher for the no-Part A group. To date, claim and enrollment experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The larger the no-Part A population, the more accrued liabilities will decrease.

Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I PERS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 4.0% of the current Medicare retiree population does not receive Part A coverage.

All claim cost rates developed from management level reporting have compared to similar rates developed from claim level data.

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four calendar years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 1.78 months for medical claims and 0.6 months for prescription claims. This "trend and blend" methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year's data in the 5-year experience period at approximately 20%. We also incorporated actual administrative costs that are projected to increase at 5%.

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June 30, 2008 Valuation – FY 2009 Claims Cost Rates

	Medical		
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**
Calendar 2005 Paid Claims	**$146,356,647**	**$25,618,571**	**$3,976,509**
Membership	33,343	18,603	979
Paid Claims Cost Rate	$4,389	$1,377	$4,061
Trend to FY2009	1.360	1.360	1.360
FY 2009 Paid Cost Rate	$5,968	$1,872	$5,522
Paid to Incurred Factor**	1.014	1.014	1.014
FY 2009 Incurred Cost Rate	**$6,054**	**$1,899**	**$5,602**
Calendar 2006 Paid Claims***	**$150,287,171**	**$24,546,905**	**$4,079,223**
Membership	33,473	19,490	1,026
Paid Claims Cost Rate	$4,490	$1,259	$3,977
Trend to FY2009	1.261	1.261	1.261
FY 2009 Paid Cost Rate	$5,660	$1,588	$5,013
Paid to Incurred Factor**	1.014	1.014	1.014
FY 2009 Incurred Cost Rate	**$5,741**	**$1,611**	**$5,085**
Fiscal 2007 Paid Claims***	**$129,762,975**	**$22,677,328**	**$3,524,812**
Membership	33,446	20,315	1,069
Paid Claims Cost Rate	$3,880	$1,116	$3,297
Trend to FY2009	1.216	1.216	1.216
FY 2009 Paid Cost Rate	$4,719	$1,358	$4,010
Paid to Incurred Factor**	1.014	1.014	1.014
FY 2009 Incurred Cost Rate	**$4,787**	**$1,377**	**$4,067**
Fiscal 2008 Paid Claims	**$169,598,064**	**$28,657,490**	**$6,079,463**
Membership	33,630	21,434	893
Paid Claims Cost Rate	$5,043	$1,337	$6,807
Trend to FY2009	1.102	1.102	1.102
FY 2009 Paid Cost Rate	$5,555	$1,473	$7,499
Paid to Incurred Factor**	1.014	1.014	1.014
FY 2009 Incurred Cost Rate	**$5,635**	**$1,494**	**$7,607**
Weighted Average 7/1/2008 – 6/30/2009 Incurred Claims Cost Rates:			
At average age	$5,601	$1,640	$5,189
At age 65*	$7,670	$1,296	$3,384

* Methodology prior to 2006 did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A & B and B only rates based on the 5.0% of Medicare membership assumed to lack Part A.

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

*** Calendar 2006 Paid Claims covers the period from 01/01/2006 through 06/30/2006, along with estimated claims runout under the then current TPA. Fiscal 2007 Paid Claims covers the period from 07/01/2006 through 06/30/2007, with claims paid under the then current TPA

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

June 30, 2008 Valuation – FY 2009 Claims Cost Rates (Con't)

	Prescription Drugs			
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**	**Total**
Calendar 2005 Paid Claims	**$42,812,358**	**$35,481,585**	**$ 1,999,302**	**$256,244,972**
Membership	33,343	18,603	979	52,925
Paid Claims Cost Rate	$1,284	$1,907	$2,042	$4,842
Trend to FY2009	1.442	1.442	1.442	
FY 2009 Paid Cost Rate	$1,852	$2,751	$2,945	$6,708
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,862**	**$2,766**	**$2,962**	**$6,785**
Calendar 2006 Paid Claims* **	**$45,461,356**	**$39,644,399**	**$2,235,948**	**$266,255,002**
Membership	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	$1,358	$2,034	$2,180	$4,932
Trend to FY2009	1.303	1.303	1.303	
FY 2009 Paid Cost Rate	$1,770	$2,651	$2,841	$6,286
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,780**	**$2,666**	**$2,857**	**$6,358**
Fiscal 2007 Paid Claims* **	**$46,176,199**	**$42,348,638**	**$2,391,089**	**$246,881,041**
Membership	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	$1,381	$2,085	$2,236	$4,503
Trend to FY2009	1.241	1.241	1.241	
FY 2009 Paid Cost Rate	$1,714	$2,587	$2,776	$5,518
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,723**	**$2,602**	**$2,791**	**$5,579**
Fiscal 2008 Paid Claims	**$53,506,123**	**$52,529,773**	**$2,346,512**	**$312,717,425**
Membership	33,630	21,434	893	55,957
Paid Claims Cost Rate	$1,591	$2,451	$2,627	$5,589
Trend to FY2009	1.112	1.112	1.112	
FY 2009 Paid Cost Rate	$1,769	$2,724	$2,921	$6,176
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,779**	**$2,740**	**$2,937**	**$6,246**
Weighted Average 7/1/2008 – 6/30/2009 Incurred Claims Cost Rates:				
At average age	$1,794	$2,719	$2,917	$6,310
At age 65*	$2,379	$2,379	$2,379	$7,322

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2008 through June 30, 2009

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug and Medicare Retiree Drug Subsidy
45	$ 4,248	$ 4,248	$ 1,255
50	4,806	4,806	1,490
55	5,437	5,437	1,770
60	6,458	6,458	2,052
65	1,296	3,384	1,870
70	1,577	4,117	2,014
75	1,873	4,889	2,149
80	2,018	5,266	2,203

D. Actuarial Assumptions

1.	Investment Return/ Discount Rate	8.25% per year, compounded annually, net of expenses.
2.	Salary Scale	Inflation - 3.5% per year Peace Officers/Firefighter: Merit - 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity - 0.5% per year Others: Merit - 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity - 0.5% per year
3.	Payroll Growth	4.0% per year
4.	Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.5% annually.

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

5.	Mortality (Pre-Retirement)	Peace Officers/Firefighter: 1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year. Others: Based upon the 2001-2005 actual experience (see Table 1). 42% of the 1994 Group Annuity Table, 1994 Base Year without margin for males and females. Deaths are assumed to be occupational 75% of the time for Peace Officers/Firefighter, 50% of the time for Others.
6.	Mortality (Post-Retirement)	1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year.
7.	Total Turnover	Based upon the 2001-2005 actual withdrawal experience. (See Table 2.)
8.	Disability	Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 3. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 75% of the time for Peace Officers/ Firefighter, 50% of the time for Others.
9.	Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Tables 4 and 5. Deferred vested members are assumed to retire at their earliest retirement date.
10.	Marriage and Age Difference	Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.
11.	Dependent Children	Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
12.	Contribution Refunds	15% of those terminating are assumed to have their contributions refunded.
13.	COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.
14.	Post-Retirement Pension Adjustment	50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. Disability benefits are loaded by 9% to account for the immediate COLA of 75% of assumed inflation or 2.625%.
15.	Expenses	All expenses are included in the investment return assumption.
16.	Part-Time Status	Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighters and 0.65 years of credited service per year for Other members.

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

17. Final Average Earnings

Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future

18. Per Capita Claims Cost

Sample claims cost rates for FY09 medical benefits are shown below:

	Medical	Prescription Drugs
Pre-Medicare	$7,670	$2,379
Medicare Parts A & B	$1.296	$2,379
Medicare Part B Only	$3,384	$2,379
Medicare Part D	n/a	$ 509

19. Third Party Administrator Fees

$153.49 per person per year; assumed trend rate of 5% per year.

20. Health Cost Trend

The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 8.0% is applied to the FY09 rate claims costs to get the FY10 claims costs.

	Medical	Prescription Drugs
FY09	8.0%	10.8%
FY10	7.5%	9.6%
FY11	6.9%	8.3%
FY12	6.4%	7.1%
FY13	5.9%	5.9%
FY14	5.9%	5.9%
FY15	5.9%	5.9%
FY25	5.8%	5.8%
FY50	5.7%	5.7%
FY100	5.1%	5.1%

For the June 30, 2008 valuation, the Society of Actuaries' Healthcare Cost Trend Model was adopted. This model effectively begins estimating trend amounts beginning in 2012 and projects out to 2100. The model has been populated with assumptions that are specific to the State of Alaska.

21. Aging Factors

Age	Medical	Prescriptions Drugs
00-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-73	4.0%	1.5%
74-83	1.5%	0.5%
84+	0.5%	0.0%

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

22. Retired Member Contributions for Medical Benefits

Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY09 contributions based on monthly rates shown below for calendar 2008 and 2009 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled.

Coverage Category	FY09 Annual Contribution	Calendar 2009 Monthly Contribution	Calendar 2008 Monthly Contribution
Retiree Only	$ 7,572	$ 631	$ 590
Retiree and Spouse	$ 15,144	$ 1,262	$ 1,179
Retiree and Child(ren)	$ 10,692	$ 891	$ 833
Retiree and Family	$ 18,276	$ 1,523	$ 1,423
Composite	$ 11,244	$ 937	$ 876

23. Trend Rate for Retired Member Medical Contributions

The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.3% is applied to the FY09 retired member medical contributions to get the FY10 retired member medical contributions.

FY09	7.3%
FY10	7.0%
FY11	6.7%
FY12	6.3%
FY13	6.0%
FY14	5.7%
FY15	5.3%
FY16	5.0%
FY17	5.0%
FY 18 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations lead us to recommend the new rates above for the contribution trends. Note that actual FY08 retired member medical contributions are reflected in the valuation so trend on such contribution during FY08 is not applicable.

24. Healthcare Participation

100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 1
Alaska PERS Others
Mortality Table (Preretirement)

Age	Male	Female
20	.0229%	.0128%
21	.0239	.0129
22	.0251	.0131
23	.0266	.0131
24	.0282	.0131
25	.0299	.0131
26	.0315	.0133
27	.0328	.0136
28	.0341	.0142
29	.0352	.0150
30	.0362	.0158
31	.0371	.0168
32	.0379	.0179
33	.0383	.0191
34	.0383	.0202
35	.0384	.0216
36	.0389	.0231
37	.0402	.0249
38	.0424	.0270
39	.0452	.0294
40	.0484	.0320
41	.0522	.0347
42	.0565	.0373
43	.0611	.0396
44	.0659	.0417
45	.0713	.0439
46	.0778	.0467
47	.0858	.0502
48	.0949	.0545
49	.1050	.0591
50	.1165	.0645
51	.1297	.0708
52	.1451	.0783
53	.1619	.0861
54	.1797	.0941
55	.1998	.1036
56	.2235	.1157
57	.2252	.1318
58	.2845	.1517
59	.3202	.1745
60	.3602	.2005

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 2
Alaska PERS
Total Turnover Assumptions

Peace Officer/Firefighter:

Select Rates of Turnover
During the First 5 Years of Employment

Year of Employment	Current Age 25 Male	Current Age 25 Female	Year of Employment	Current Age 40 Male	Current Age 40 Female
1	11.24%	12.47%	1	11.15%	12.37%
2	9.34	10.37	2	9.24	10.26
3	7.43	8.26	3	7.32	8.14
4	6.48	7.21	4	6.35	7.07
5	5.52	6.15	5	5.38	6.00

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	4.57%	5.76%
25	4.54	5.75
30	4.49	5.71
35	4.46	5.66
40	4.39	5.56
45	4.20	5.38
50	3.88	5.09
55	3.24	4.51
60	1.74	2.94
65+	4.80	6.00

Select rates vary slightly by age.

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 2
Alaska PERS
Total Turnover Assumptions

Others:

Select Rates of Turnover
During the First 5 Years of Employment

	Current Age 25		Current Age 40			Current Age 40		Current Age 50	
	Age at Hire					Age at Hire			
Year of	20-34		35+		Year of	20-34		35+	
Employment	Male	Female	Male	Female	Employment	Male	Female	Male	Female
1	24.90%	26.19%	14.84%	15.26%	1	24.84%	26.12%	14.63%	15.49%
2	22.90	24.09	14.83	15.61	2	22.83	24.01	14.59	15.46
3	19.89	20.93	12.81	13.50	3	19.81	20.85	12.54	13.33
4	15.89	16.73	11.80	12.44	4	15.80	16.64	11.49	12.25
5	14.88	15.68	10.78	11.38	5	14.78	15.58	10.43	11.17

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	12.01%	13.68%
25	11.99	13.67
30	11.97	13.66
35	8.66	9.89
40	6.42	7.35
45	5.24	6.04
50	5.09	5.94
55	4.80	5.74
60	4.19	5.23
65+	5.50	6.25

Select rates vary slightly by age.

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 3
Alaska PERS
Disability Table

Age	Peace Officer/ Firefighter Rate	Other Member Rate Male	Other Member Rate Female
20	.088%	.032%	.029%
21	.089	.032	.029
22	.090	.033	.031
23	.091	.033	.031
24	.093	.035	.032
25	.094	.035	.032
26	.095	.035	.032
27	.098	.036	.033
28	.100	.037	.034
29	.103	.038	.035
30	.105	.039	.036
31	.108	.039	.036
32	.110	.040	.037
33	.113	.041	.038
34	.116	.043	.039
35	.120	.044	.040
36	.124	.046	.042
37	.129	.047	.043
38	.134	.050	.045
39	.139	.051	.046
40	.144	.053	.048
41	.150	.055	.050
42	.159	.059	.054
43	.170	.062	.057
44	.185	.068	.062
45	.203	.075	.068
46	.220	.081	.074
47	.239	.087	.080
48	.259	.096	.087
49	.279	.102	.094
50	.300	.110	.101
51	.325	.120	.109
52	.353	.131	.120
53	.398	.146	.133
54	.444	.163	.149
55	.500	.184	.168
56	.574	.212	.193
57	.668	.246	.225
58	.763	.281	.256
59	.900	.331	.302
60	1.054	.388	.354

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 4
Alaska PERS Peace Officer/Firefighter
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	10.40%	10.40%
50	10.50%	6.30%	40.00	40.00
51	14.80	10.00	27.50	27.50
52	15.00	10.00	27.50	27.50
53	19.70	10.00	25.00	25.00
54	19.60	10.00	25.00	25.00
55	8.80	15.60	30.00	30.00
56	9.60	13.00	22.75	22.75
57	13.00	13.00	22.75	22.75
58	12.70	13.00	15.60	15.60
59	13.00	13.00	15.60	15.60
60	N/A	N/A	25.00	25.00
61	N/A	N/A	25.00	25.00
62	N/A	N/A	26.00	26.00
63	N/A	N/A	25.00	25.00
64	N/A	N/A	25.00	25.00
65	N/A	N/A	100.00	100.00

Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 5
Alaska PERS Others
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	7.10%	7.20%
50	6.00%	7.30%	20.00	20.00
51	6.20	7.50	17.50	20.00
52	7.50	7.50	20.00	15.00
53	7.50	8.90	18.00	24.00
54	6.00	5.40	30.00	21.00
55	7.90	8.20	30.00	30.00
56	9.50	9.20	17.50	17.50
57	9.60	9.10	17.50	17.50
58	9.50	9.10	15.00	17.50
59	4.70	3.80	15.00	17.50
60	N/A	N/A	20.00	21.00
61	N/A	N/A	17.50	15.00
62	N/A	N/A	30.00	18.75
63	N/A	N/A	22.50	18.75
64	N/A	N/A	26.25	18.75
65	N/A	N/A	27.00	25.00
66	N/A	N/A	27.00	25.00
67	N/A	N/A	27.00	25.00
68	N/A	N/A	30.00	25.00
69	N/A	N/A	30.00	30.00
70	N/A	N/A	100.00	100.00

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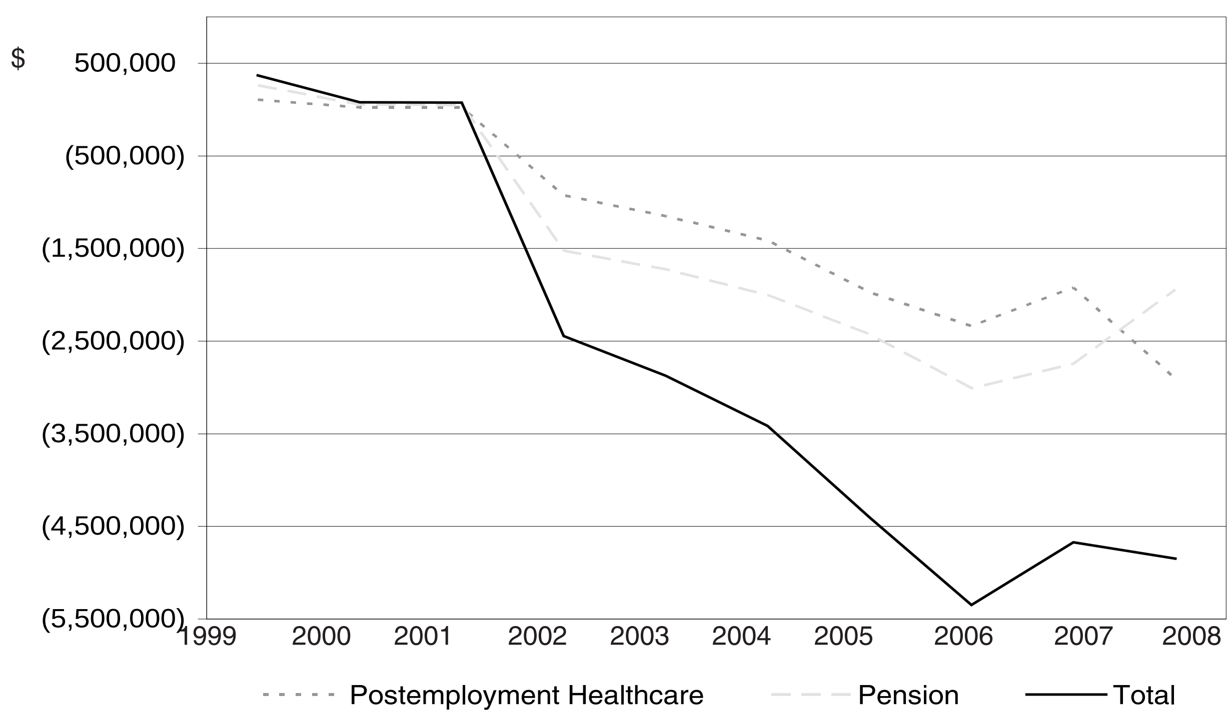
Summary of Actuarial Assumptions, Methods and Procedures

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2007	June 30, 2008
Healthcare Trend Rates	Trend table started at 8.5% for medical and 12% for prescription drugs and graded down to an ultimate rate of 5% by FY15.	Trend table is based on the Society of Actuaries' Healthcare Cost Trend Model and starts at 8.0% for medical and 10.8% for prescription drugs. The table grades down to 5.1% over 100 years.

Public Employees' Retirement System Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	**Postemployment Healthcare**	**Pension**	**Total Funding Excess/ (Unfunded Liability)**	**Funded Ratio**
1999	$ 106,055	$ 261,612	$ 367,667	105.5%
2000	23,069	54,777	77,846	101.1
2001	21,768	51,414	73,182	100.9
2002	(924,746)	(1,522,012)	(2,446,758)	75.2
2003	(1,151,504)	(1,722,868)	(2,874,372)	72.8
2004	(1,411,587)	(2,001,915)	(3,413,502)	70.2
2005	(1,973,144)	(2,428,778)	(4,401,922)	65.7
2006	(2,339,325)	(3,008,180)	(5,347,505)	62.8
2007	(2,746,653)	(1,923,320)	(4,669,973)	68.0
2008	(2,904,525)	(1,943,510)	(4,848,035)	69.5

10-YEAR TREND OF UNFUNDED LIABILITY



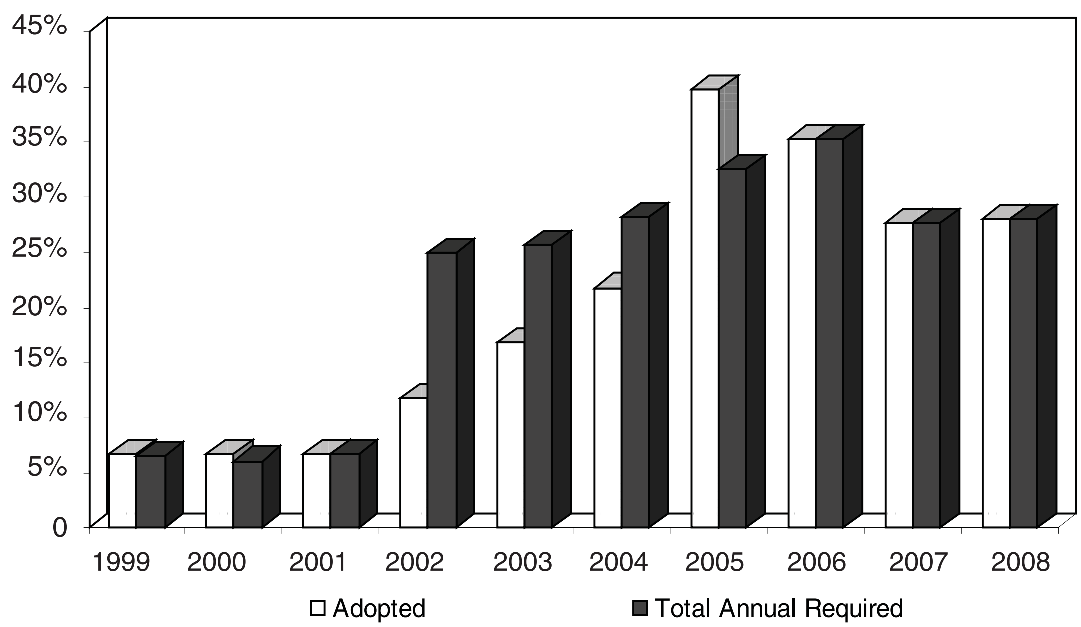
Public Employees' Retirement System Employer Contribution Rates					
	Actuarially Determined				
Year Ended June 30	Valuation Year Ended June 30	Normal Cost[1]	Past Service	Total Annual Required	Adopted
2002	1999	8.07	(1.51)%	6.56%	6.75%
2003	2000	5.43	0.69	6.12	6.75
2004	2001	5.42	1.35	6.77	6.77
2005	2002	13.31	11.60	24.91	11.77
2006	2003	13.24	12.39	25.63	16.77
2007	2004	13.32	14.87	28.19	21.77
2008	2005	14.48	18.03	32.51	39.76[2]
2009	2006	13.72	21.50	35.22	35.22
2010	2007	9.46	18.19	27.65	27.65
2011	2008	9.33	18.63	27.96	27.96

[1] Also referred to as the consolidated rate.
[2] The ARMB recognized the fact that the Plan becomes a closed Plan on July 1, 2006, and set a rate reflecting no payroll growth.

Effective June 30, 2008 the Defined Benefits Plan became a defined benefit, cost sharing, multiple employer plan. Prior to 2008 rates were calculated by employer and only the average employer contribution rate is reflected on this schedule for 2007 and earlier.

Valuations are used to set contribution rates in future years.

10-YEAR COMPARISON OF AVERAGE EMPLOYER CONTRIBUTION RATES



Public Employees' Retirement System Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
All Others					
June 30, 2008	26,301	$1,387,117[1]	$ 52,740	6.9%	159
June 30, 2007	28,675	1,414,145[1]	49,316	9.5	160
June 30, 2006	31,286	1,408,863[1]	45,032	4.2	160
June 30, 2005	30,997	1,338,962	43,197	2.3	160
June 30, 2004	30,907	1,305,670	42,245	1.8	161
June 30, 2003	31,338	1,300,041	41,484	1.8	160
June 30, 2002	30,547	1,245,055	40,759	0.3	161
June 30, 2001	29,758	1,208,700	40,618	5.4	158
June 30, 1999	29,590	1,140,706	38,550	3.0	148
June 30, 1998	29,293	1,096,786	37,442	0.2	148
Peace Officer/Firefighter					
June 30, 2008	2,549	$190,729[1]	$ 74,825	4.9%	159
June 30, 2007	2,687	191,674[1]	71,334	9.3	160
June 30, 2006	2,785	181,830[1]	65,289	2.5	160
June 30, 2005	2,733	174,155	63,723	3.0	160
June 30, 2004	2,705	167,317	61,855	4.9	161
June 30, 2003	2,727	160,743	58,945	0.8	160
June 30, 2002	2,695	157,632	58,490	3.4	161
June 30, 2001	2,683	151,701	56,542	3.9	158
June 30, 1999	2,624	142,843	54,437	2.7	148
June 30, 1998	2,617	138,653	52,982	1.0	148

[1]Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.

Public Employees' Retirement System
Schedule of Benefit Recipients Added to and Removed From Rolls

Year Ended	Added to Rolls No.[1]	Added to Rolls Annual Pension Benefits[1]	Removed from Rolls No.[1]	Removed from Rolls Annual Pension Benefits[1]	Rolls - End of Year No.	Rolls - End of Year Annual Pension Benefits	Percent Increase in Annual Pension Benefits	Average Annual Pension Benefits
All Others								
June 30, 2008	1,454	$28,498,471	466	$ 5,349,935	21,546	$374,289,711	6.6%	$17,372
June 30, 2007	1,479	28,985,748	454	(14,280,390)	20,558	351,141,175	14.1	17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4	15,762
June 30, 2005	1,287	22,966,842	296	17,019,851	18,423	283,946,938	2.1	15,413
June 30, 2004	1,346	27,617,383	354	6,823,010	17,432	277,999,947	8.1	15,948
June 30, 2003	1,445	27,802,265	351	6,507,821	16,440	257,205,574	9.0	15,645
June 30, 2002	1,135	27,484,388	332	8,039,486	15,346	235,911,130	9.0	15,373
June 30, 2001	2,342	46,880,694	506	10,128,792	14,543	216,466,228	20.5	15,071
June 30, 1999	1,053	19,402,623	124	2,284,829	12,707	179,714,326	10.5	14,143
June 30, 1998	1,219	25,116,364	113	2,328,260	11,778	162,596,532	16.3	13,805
Peace Officer/Firefighter								
June 30, 2008	125	$3,556,519	28	$ 191,073	2,536	$80,385,779	4.4%	$31,698
June 30, 2007	138	3,930,564	67	(2,546,491)	2,439	77,020,333	9.2	31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	4.6	29,790
June 30, 2005	145	3,904,737	5	3,332,357	2,280	67,463,195	0.9	29,589
June 30, 2004	174	6,388,270	25	904,310	2,140	66,890,815	8.9	31,257
June 30, 2003	143	4,923,581	21	802,499	1,991	61,406,855	7.2	30,842
June 30, 2002	157	6,155,365	19	744,917	1,869	57,285,773	10.4	30,650
June 30, 2001	328	12,637,854	75	2,889,753	1,731	51,875,325	23.1	29,986
June 30, 1999	163	4,761,117	8	233,673	1,478	42,127,224	12.0	28,503
June 30, 1998	195	6,096,918	2	62,532	1,323	37,599,780	19.1	28,420

[1] Numbers are estimated, and include other internal transfers.

Public Employees' Retirement System
Solvency Test

Valuation Date	Aggregate Accrued Liability For: (1) Active Member Contributions (In thousands)	(2) Inactive Members (In thousands)	(3) Active Members (Employer-Financed Portion) (In thousands)	Valuation Assets (In thousands)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
June 30, 2008[2]	$1,242,288	$9,772,672	$4,873,181	$11,040,106	100%	100%	0.5%
June 30, 2007	1,203,007	8,967,038	4,400,888	9,900,960	100	97.0	0.0
June 30, 2006[2][3]	1,157,755	8,923,811	4,306,847	9,040,908	100	88.3	0.0
June 30, 2005	1,104,821	8,667,058	3,072,962	8,442,919	100	84.7	0.0
June 30, 2004[2]	1,070,268	7,650,156	2,723,492	8,030,414	100	91.0	0.0
June 30, 2003	1,026,730	6,860,834	2,674,089	7,687,281	100	97.1	0.0
June 30, 2002[1][2][3]	967,045	6,301,095	2,591,451	7,412,833	100	100	5.6
June 30, 2001	920,702	5,059,386	1,888,486	7,941,756	100	100	100
June 30, 2000[2][3]	892,949	4,588,201	1,895,762	7,454,758	100	100	100
June 30, 1999	854,497	3,961,063	1,833,113	7,016,340	100	100	100

[1] Change in Asset Valuation Method.[2] Change of Assumptions.[3] Change in Methods.

Public Employees' Retirement System
Analysis of Financial Experience

Change in Employer/State Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Three Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience

Type of Gain or Loss	Change in Employer/State Contribution Rate During Fiscal Year				
	2008	2007	2006	2005	2004
Health Experience	(0.97)%	(5.64)%	(4.06)%	1.49%	-%
Salary Experience	0.54	0.23	0.02	(0.32)	0.08
Investment Experience	(0.59)	(1.03)	(0.29)	(0.02)	0.02
Demographic Experience	(0.60)	(0.17)	1.05	0.01	0.54
Contribution Shortfall	(0.11)	0.94	1.01	0.98	0.89
(Gain) or Loss During Year From Experience	(1.73)	(5.67)	(2.27)	2.14	1.53
Non-recurring changes					
Asset Valuation Method	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-
Assumption and Method Changes	2.04	(1.90)	4.98	-	1.03
System Benefit Changes	-	-	-	-	-
Change Due to Revaluation of Plan Liability as of June 30, 2004	0.31	-	-	2.18	-
Composite (Gain) Loss During Year		(7.57)%	2.71%	4.32%	2.56%
Beginning Employer/State Contribution Rate	27.65	35.22	32.51	28.19	25.63
Ending Employer/State Contribution Rate	27.96%	27.65%	35.22%	32.51%	28.19%
Board Adopted Contribution Rate	27.96%	27.65%	35.22%	22.00%	21.77%
Fiscal Year Above Rate is Applied	FY11	FY10	FY09	FY08	FY07

Public Employees' Retirement System
Analysis of Financial Experience

Change in Employer/State Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Three Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience

Type of Gain or Loss	Change in Employer/State Contribution Rate During Fiscal Year					
	Pension			Healthcare		
	2008	2007	2006	2008	2007	2006
Health Experience	-%	-%	-%	(0.97)%	(5.64)%	(4.06)%
Salary Experience	0.54	0.23	0.02	-	-	-
Investment Experience	(0.35)	(0.11)	0.19	(0.24)	(0.92)	(0.48)
Demographic Experience	(0.60)	(0.17)	1.05	-	-	-
Contribution Shortfall	0.14	0.11	(0.81)	(0.25)	0.83	1.82
(Gain) or Loss During Year From Experience	(0.27)	0.06	0.45	(1.46)	(5.73)	(2.72)
Non-recurring changes						
Asset Valuation Method	-	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-	-
Assumption and Method Changes	-	(0.72)	1.51	2.04	(1.18)*	3.47
System Benefit Changes	-	-	-	-	-	-
Composite (Gain) Loss During Year	(0.27)	(0.66)	1.96	0.58	(6.91)	0.75
Beginning Employer/State Contribution Rate	10.25	10.91	8.95	17.40	24.31	23.56
Ending Employer/State Contribution Rate	9.98	10.25	10.91	17.98	17.40	24.31
Fiscal Year Above Rate is Applied	FY11	FY10	FY09	FY11	FY10	FY09

* Includes change in rate by using total payroll.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

(1) Effective Date

January 1, 1961, with amendments through June 30, 2008. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier for members who were first hired after June 30, 1996 (Tier 3). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

(2) Administration of Plan

The Commissioner of Administration or the Commissioner's designee is the administrator of the system. The Attorney General of the state is the legal counsel for the system and shall advise the administrator and represent the system in legal proceedings.

Prior to June 30, 2005, the Public Employees' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing PERS funds.

On July 27, 2005, Senate Bill 141, enacted as Chapter 9, 2005 Session laws of Alaska, replaced the Public Employees' Retirement Board and the Alaska State Pension Investment Board with the Alaska Retirement Management Board.

(3) Employers Included

Currently, there are 159 employers participating in the PERS, including the State of Alaska and 158 political subdivisions and public organizations.

(4) Membership

PERS membership is mandatory for all permanent full-time and part-time employees of the State of Alaska and participating political subdivisions and public organizations, unless they are specifically excluded by Alaska Statute or employer participation agreements. Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the PERS. Elected officials may waive PERS membership.

Certain members of the Alaska Teachers' Retirement System (TRS) are eligible for PERS retirement benefits for their concurrent elected public official service with municipalities. In addition, employees who work half-time in the PERS and TRS simultaneously are eligible for half-time PERS and TRS credit.

Senate Bill 141, signed into law on July 27, 2005, closes the Plan effective July 1, 2006, to new members first hired on or after July 1, 2006.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

(5) Credited Service

Permanent employees who work at least 30 hours a week earn full-time credit; part-time employees working between 15 and 30 hours a week earn partial credit based upon the number of hours worked. Members receiving PERS occupational disability benefits continue to earn PERS credit while disabled. Survivors who are receiving occupational death benefits continue to earn PERS service credit while occupational survivor benefits are being paid.

Members may claim other types of service, including:

- part-time State of Alaska service rendered after December 31, 1960, and before January 1, 1976;
- service with the State, former Territory of Alaska, or U.S. Government in Alaska before January 1, 1961;
- past Peace Officer, correctional officer, fire fighter, and special officer service after January 1, 1961;
- military service (not more than five years may be claimed);
- temporary service after December 31, 1960;
- elected official service before January 1, 1981;
- Alaska Bureau of Indian Affairs service;
- past service rendered by employees who worked half-time in the PERS and Teachers' Retirement System (TRS) simultaneously;
- leave without pay service after June 13, 1987, while receiving Workers' Compensation;
- Village Public Safety Officer service; and
- service as a temporary employee of the legislature before July 1, 1979, but this service must have been claimed no later than July 1, 2003, or by the date of retirement, if sooner (not more than 10 years may be claimed).

Except for service before January 1, 1961, with the State, former Territory of Alaska, or U.S. Government in Alaska, contributions are required for all past service.

Past employment with participating political subdivisions that occurred before the employers joined the PERS is creditable if the employers agree to pay the required contributions.

At the election of certain PERS members, certain service may be credited in the same fashion as members

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

in the State of Alaska Teachers' Retirement System (TRS).

Members employed as dispatchers or within a State correctional facility may, at retirement, elect to convert their dispatcher or correctional facility service from "all other" service to Peace Officer/Firefighter service and retire under the 20 year retirement option. Members pay the full actuarial cost of conversion.

(6) Employer Contributions

PERS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

The normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

Pursuant to AS 39.35.255 effective July 1, 2008, each PERS employer will pay a simple uniform contribution rate of 22% of member payroll.

(7) Additional State Contributions

Pursuant to AS 39.35.280 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

(8) Member Contributions

Mandatory Contributions: Peace Officer/Firefighter members are required to contribute 7.5% of their compensation; all Others contribute 6.75%. Those all Others who have elected to have their service calculated under the Teachers' Retirement System rules contribute 9.76% of their compensation. Members' contributions are deducted from gross wages before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (5) above.

Voluntary Contributions: Members may voluntarily contribute up to 5% of their salary on an after-tax basis. Voluntary contributions are recorded in a separate account and are payable to the:

(a) member in lump sum payment upon termination of employment;

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

(b) member's beneficiary if the member dies; or

(c) member in a lump sum, life annuity, or payments over a designated period of time when the member retires.

Interest: Members' contributions earn 4.5% interest, compounded semiannually on June 30 and December 31.

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts which includes their mandatory and voluntary contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid Qualified Domestic Relations Orders.

Reinstatement of Contributions: Refunded accounts and the corresponding PERS service may be reinstated upon reemployment in the PERS prior to July 1, 2010. Accounts attached to satisfy claims under Alaska Statute 09.38.065 or a federal tax levy may be reinstated at any time. Interest accrues on refunds until paid in full or members retire.

(9) Retirement Benefits

Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:

(i) five years of paid-up PERS service;

(ii) 60 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired under the PERS before May 30, 1987;

(iii) 80 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired under the PERS after May 29, 1987;

(iv) two years of paid-up PERS service and they are vested in the TRS; or

(v) two years of paid-up PERS service and a minimum three years of TRS service to qualify for a public service benefit.

(b) Members may retire at any age when they have:

(i) 20 paid-up years of PERS Peace Officer/Firefighter service; or

(ii) 30 paid-up years of PERS "all other" or "elected official" service.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

Benefit Type: Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements under the "20 and out" or "30 and out" provisions. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

Members may elect an early retirement or a joint and survivor option. Members who entered the PERS prior to July 1, 1986 may also select a 66-2/3 last survivor option and a level income option. Under these options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculations: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Peace Officer/Firefighter members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of $25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers for Peace Officer/Firefighter members are 2% for the first ten years of service and 2.5% for all service over 10 years.

The percentage multipliers for all Others are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Indebtedness: Members who terminate and refund their PERS contributions are not eligible to retire, unless they return to PERS employment and pay back their refunds plus interest or accrue additional service which qualifies them for retirement. PERS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded PERS service is included in total service for the purpose of calculating retirement benefits. However, if a member is otherwise eligible to retire, when refunds are not completely paid before retirement, benefits are actuarially reduced for life. Indebtedness balances may also be created when a member purchases qualified claimed service.

(10) Reemployment of Retired Members

Retirement and retiree healthcare benefits are suspended while retired members are reemployed under the PERS. During reemployment, members earn additional PERS service and contributions are withheld from their wages. A member who retired with a normal retirement benefit can elect to waive payment of PERS contributions. The waiver allows the member to continue receiving the retirement benefit during the period of reemployment. Members who elect the waiver option do not earn additional PERS service. The Waiver Option first became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is not available to members who retired early or under the Retirement Incentive Programs (RIPs). The Waiver Option is no longer available after June 30, 2009.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under the PERS, Teachers' Retirement System (TRS), or the University of Alaska's Optional Retirement Plan will:

(a) forfeit the three years of incentive credits that they received;

(b) owe the PERS 150% of the benefits that they received for state and political subdivision members, and 110% for school district employees, under the 1996-2000 RIP, which may include costs for health insurance, excluding amounts that they paid to participate for the 1986 and 1989 RIPs. Under prior RIPs, the penalty is 110% of the benefits received; and

(c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

Employers make contributions to the unfunded liability of the plan on behalf of rehired retired members at the rate the employer is making contributions to the unfunded liability of the plan for other members.

(11) Postemployment Healthcare Benefits

Major medical benefits are provided to retirees and their surviving spouses by the PERS for all employees hired before July 1, 1986 (Tier 1) and disabled retirees. Employees hired after June 30, 1986 (Tier 2) and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age sixty and will receive benefits paid by the PERS if they are over age sixty. In addition, Peace Officers and their surviving spouses with twenty-five years of Peace Officer membership service and Other employees and their surviving spouses with thirty years of membership service receive benefits paid by the PERS, regardless of their age or date of hire. Peace Officers/Firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

(12) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. Members are appointed to normal retirement on the first of the month after they become eligible.

<u>Occupational Disability</u>: Members are not required to satisfy age or service requirements to be eligible for occupational disability. Monthly benefits are equal to 40% of their gross monthly compensation on the date of their disability. Members on occupational disability continue to earn PERS service until they become eligible for normal retirement. Peace Officer/Firefighter members may elect to retain the disability benefit formula for the calculation of their normal retirement benefits.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

Nonoccupational Disability: Members must be vested (five paid-up years of PERS service) to be eligible for nonoccupational disability benefits. Monthly benefits are calculated based on the member's average monthly compensation and PERS service on the date of termination from employment because of disability. Members do not earn PERS service while on nonoccupational disability.

(13) Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

Occupational Death: When an active member (vested or nonvested) dies from occupational causes, a monthly survivor's pension may be paid to the spouse. The pension equals 40% of the member's gross monthly compensation on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date. Survivors of Peace Officer/Firefighter members receive the greater of 50% of the member's gross monthly compensation on the date of death or disability, or 75% of the member's monthly normal retirement benefit (including service projected to Normal Retirement).

Death after Occupational Disability: When a member dies while occupationally disabled, benefits are paid as described above in Occupational Death.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit. The monthly benefit is calculated on the member's average monthly compensation and PERS service at the time of termination or death.

Lump Sum Nonoccupational Death Benefit: Upon the death of a member who has less than one year of service, the designated beneficiary receives the member's contribution account, which includes mandatory and voluntary contributions, indebtedness payments, and interest earned. If the member has more than one year of PERS service or is vested, the beneficiary also receives $1,000 and $100 for each year of PERS service.

Death After Retirement: When a retired member dies, the designated beneficiary receives the member's contribution account, less any benefits already paid and the member's last benefit check. If the member selected a survivor option at retirement, the eligible spouse receives continuing, lifetime monthly benefits.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

(14) Post Retirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, times:

(a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on PERS disability; or

(b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986 (Tier 1) if the CPI increases and the funding ratio is at least 105%. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

(15) Alaska Cost of Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits or $50, whichever is more. The following benefit recipients are eligible:

(a) members who first entered the PERS before July 1, 1986 (Tier 1) and their survivors;

(b) members who first entered the PERS after June 30, 1986 (Tiers 2 & 3) and their survivors if they are at least age 65; and

(c) all disabled members.

Changes in Plan Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation. SB 125 was passed in 2008 which creates a cost-share plan for PERS that has the same contribution rate for all participating employers, including an additional State contribution necessary to pay the rate adopted by the Board.

STATISTICAL SECTION

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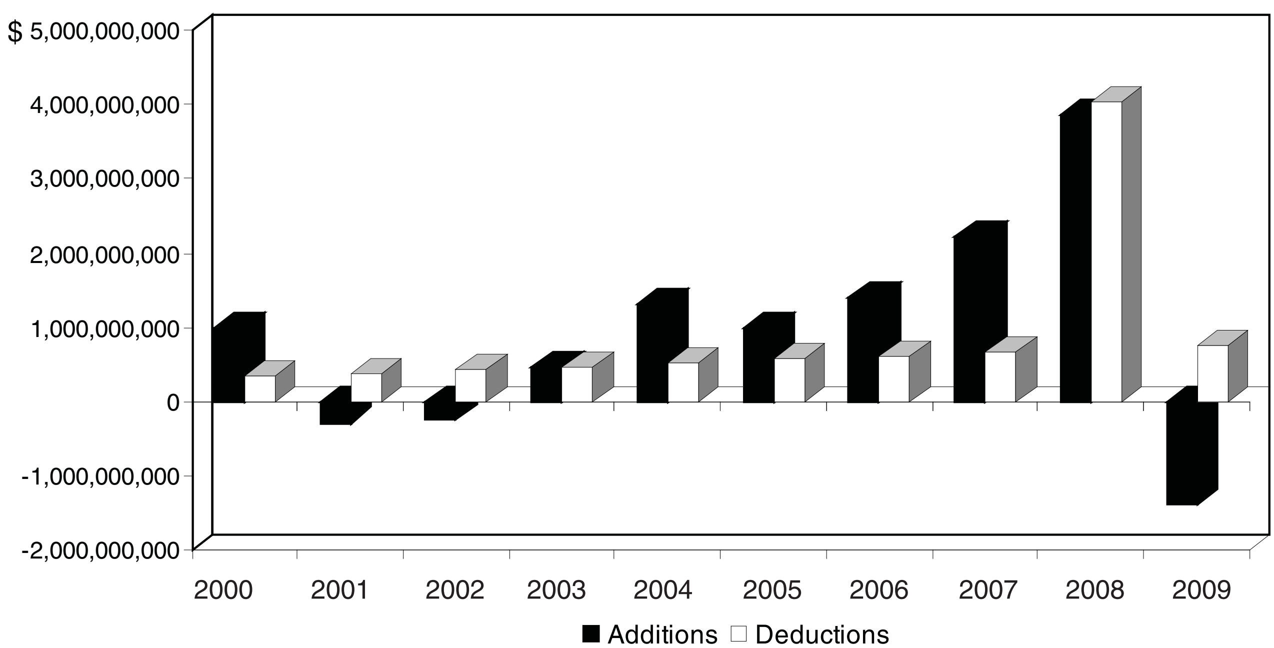
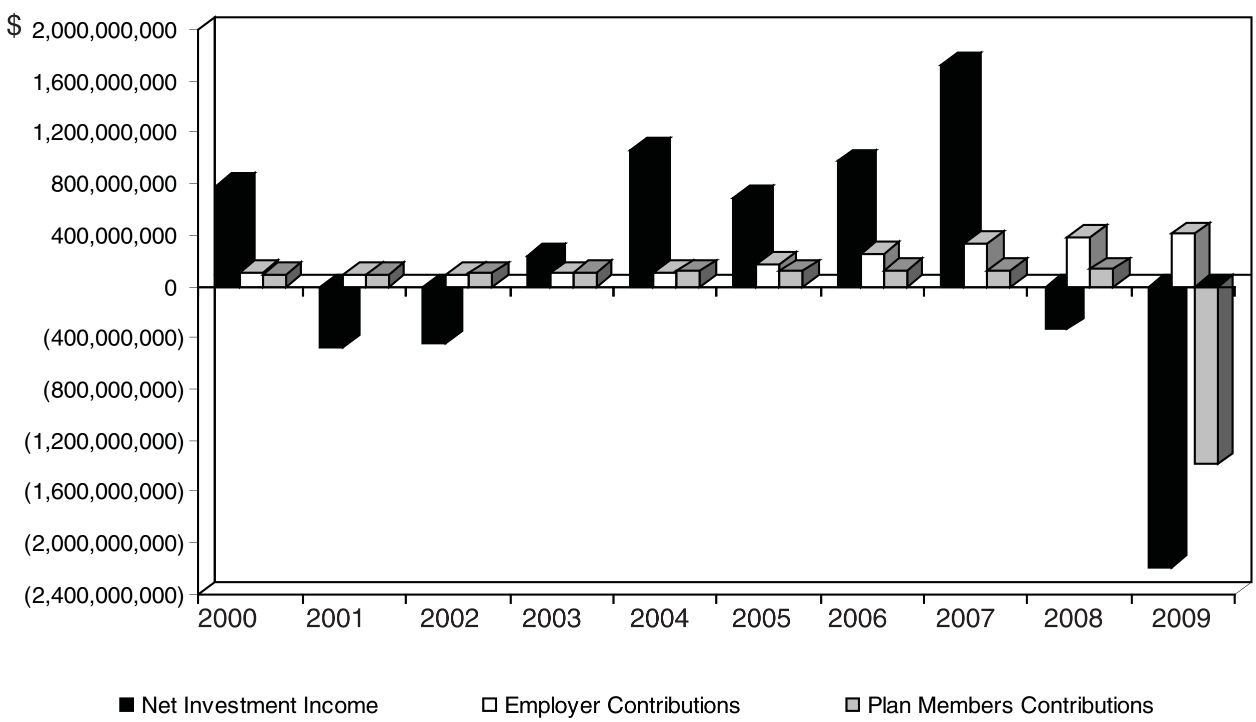
Public Employees' Retirement System Changes in Net Assets (In thousands)					
Year Ended June 30	**Net Assets, Beginning of Year**	**Additions**	**Deductions**	**Increase / (Decrease) in Net Assets**	**Net Assets, End of Year**
2000	8,105,358	990,702	339,480	651,222	8,756,580
2001	8,756,580	(286,775)	381,423	(668,198)	8,088,382
2002	8,088,382	(252,861)	422,688	(675,549)	7,412,833
2003	7,412,833	448,542	469,920	(21,378)	7,391,455
2004	7,391,455	1,302,620	516,769	785,851	8,177,306
2005	8,177,306	985,151	571,705	413,446	8,590,752
2006	8,590,752	1,400,868	612,149	788,719	9,379,471
2007	9,379,471	2,219,181	656,328	1,562,853	10,942,324
2008	10,942,324	3,853,614	4,030,634	(177,020)	10,765,304
2009	10,765,304	(1,392,577)	757,095	(2,149,672)	8,615,632

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS



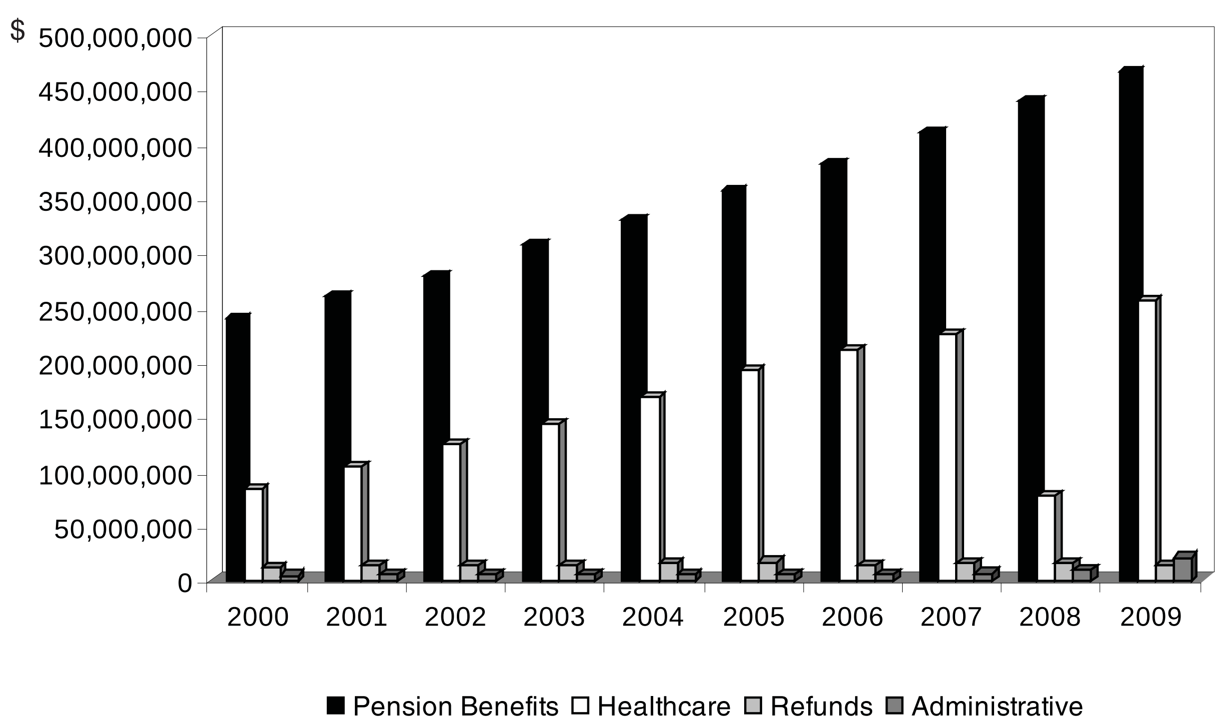
Public Employees' Retirement System Additions by Source (In thousands)							
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Transfer	Other	Total
2000	$ 92,770	$107,596	$ -	$ 790,336	$ -	$ -	$ 990,702
2001	94,983	96,484	-	(478,249)	-	7	(286,775)
2002	100,639	94,769	-	(448,279)	-	10	(252,861)
2003	112,112	99,198	-	237,205	-	27	448,542
2004	118,554	105,585	-	1,064,605	-	13,876	1,302,620
2005	114,640	178,205	-	692,303	-	3	985,151
2006	119,566	253,922	18,427	974,006	-	34,947	1,400,868
2007	126,278	342,383	18,582	1,731,853	-	85	2,219,181
2008	134,151	380,825	185,000	(336,985)	3,490,576	47	3,853,614
2009	141,073	407,452	241,600	(2,191,482)	-	8,780	(1,392,577)

10-YEAR COMPARISON OF ADDITIONS BY SOURCE



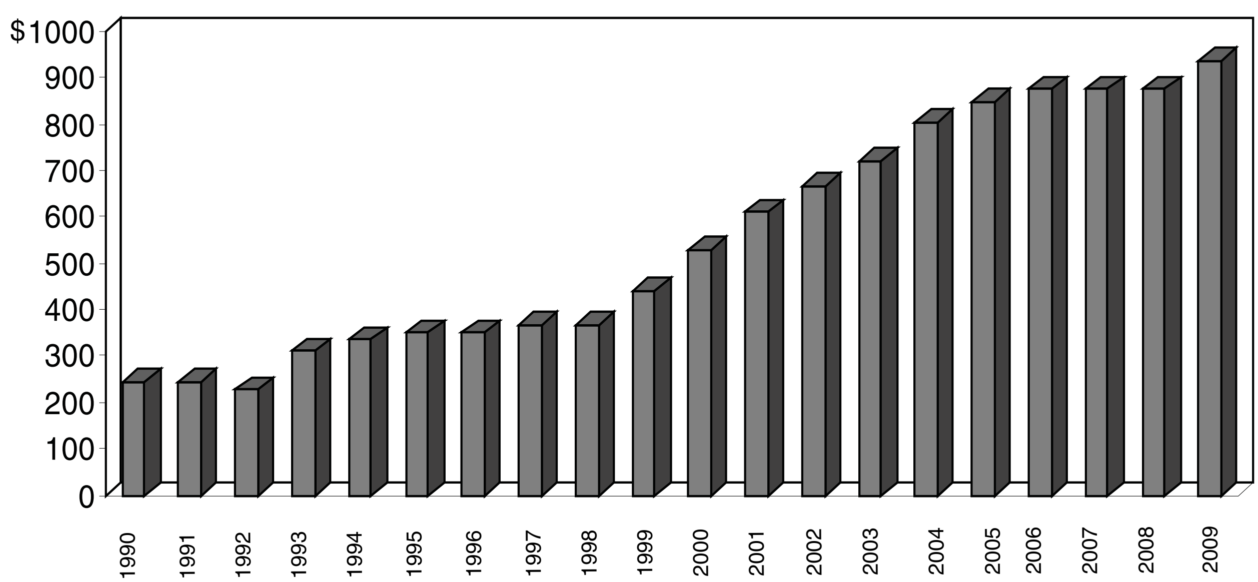
Public Employees' Retirement System Deductions by Type (In thousands)						
Year Ended June 30	Pension Benefits	Healthcare	Refunds of Contributions	Administrative Deductions	Transfer	Total
2000	$ 239,441	$ 83,794	$11,998	$ 4,247	$ -	$ 339,480
2001	259,771	103,846	13,134	4,672	-	381,423
2002	279,731	124,805	12,869	5,283	-	422,688
2003	307,684	143,331	13,025	5,880	-	469,920
2004	329,390	167,360	14,723	5,296	-	516,769
2005	357,763	192,349	16,587	5,006	-	571,705
2006	381,672	210,613	14,063	5,801	-	612,149
2007	410,545	224,553	14,953	6,277	-	656,328
2008	439,123	77,074	15,159	8,702	3,490,576	4,030,634
2009	466,085	256,408	13,884	20,718	-	757,095

10-YEAR COMPARISON OF DEDUCTIONS BY TYPE



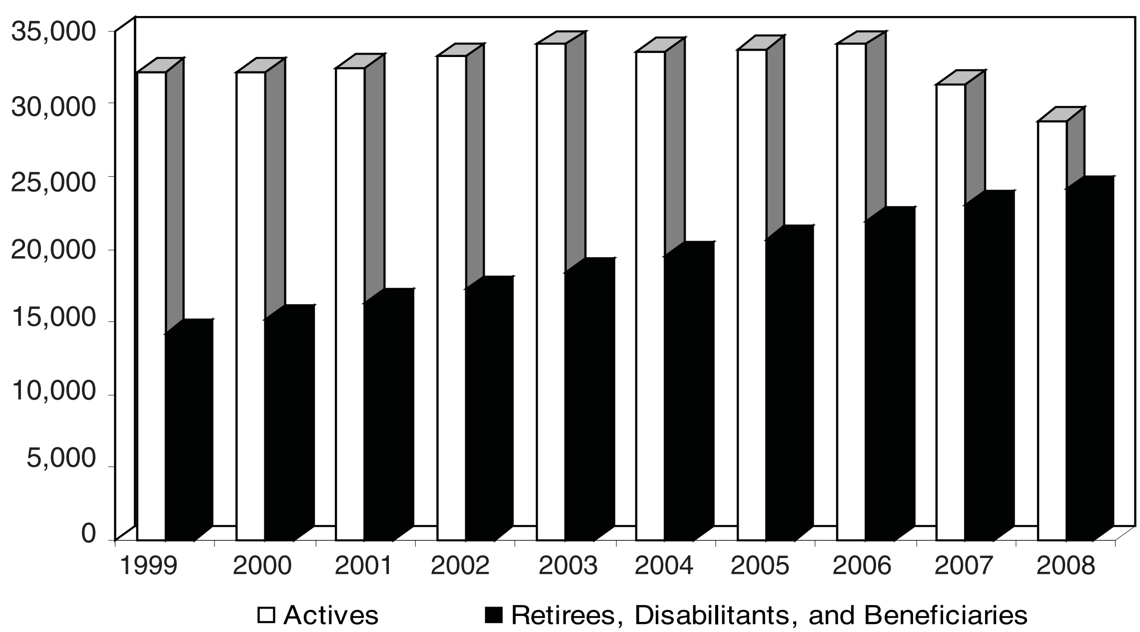
Public Employees' Retirement System Schedule of Benefit Deductions by Type (In thousands)						
Year Ended June 30	Service	Disability	Survivor	Dependent	Healthcare	Total
2000	$216,118	$9,669	$13,650	$ 4	$ 83,794	$ 323,235
2001	239,814	8,185	11,772	-	103,846	363,617
2002	258,189	8,379	13,163	-	124,805	404,536
2003	283,927	8,827	14,930	-	143,331	451,015
2004	305,047	8,691	15,652	-	167,360	496,750
2005	332,179	8,720	16,864	-	192,349	550,112
2006	355,841	7,779	18,052	-	210,613	592,285
2007	383,516	7,603	19,426	-	224,553	635,098
2008	405,775	8,460	24,888	-	235,474	674,597
2009	436,656	6,644	22,785	-	245,328	711,413

20-YEAR COMPARISON OF RETIREE MONTHLY HEALTHCARE PREMIUMS



Public Employees' Retirement System System Membership by Status					
Year Ended June 30	Active	Retirees, Disabilitants & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
1999	32,214	14,185	5,395	7,500	59,294
2000	32,134	15,174	5,433	11,465	64,206
2001	32,441	16,274	6,187	11,403	66,305
2002	33,242	17,215	5,702	11,301	67,460
2003	34,065	18,431	5,841	10,798	69,135
2004	33,612	19,572	5,965	11,860	71,009
2005	33,730	20,703	6,105	12,761	73,299
2006	34,071	21,901	6,219	14,155	76,346
2007	31,362	22,997	6,398	14,902	75,659
2008	28,850	24,082	6,627	14,930	74,489

10-YEAR COMPARISON OF ACTIVE MEMBERS, RETIREES, DISABILITANTS AND BENEFICIARIES



Public Employees' Retirement System
Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected
Valuation as of June 30, 2008

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit 1	2	3	Option Selected 1	2	3	4	5
Other									
$ 1 - 300	1,811	1,453	349	9	801	353	257	61	339
301 - 600	4,023	3,468	514	41	1,943	1,011	614	229	226
601 - 900	3,183	2,796	361	26	1,497	796	476	214	200
901 - 1,200	2,631	2,330	255	46	1,200	682	416	173	160
1,201 - 1,500	2,077	1,855	178	44	901	580	316	129	151
1,501 - 1,800	1,605	1,456	111	38	658	462	266	117	102
1,801 - 2,100	1,370	1,255	73	42	534	410	231	100	95
2,101 - 2,400	995	920	51	24	365	338	162	55	75
2,401 - 2,700	808	762	31	15	288	259	152	59	50
2,701 - 3,000	650	626	19	5	225	237	114	36	38
3,001 - 3,300	582	555	23	4	185	230	101	34	32
3,301 - 3,600	392	375	13	4	124	154	59	31	24
3,601 - 3,900	345	339	5	1	112	142	55	18	18
3,901 - 4,200	268	265	2	1	74	124	44	17	9
over 4,200	806	799	5	2	224	342	147	61	32
Totals	21,546	19,254	1,990	302	9,131	6,120	3,410	1,334	1,551
Peace Officer/Firefighter									
$ 1 - 300	46	27	19	0	23	9	2	0	12
301 - 600	134	93	39	2	58	34	17	11	14
601 - 900	127	81	43	3	67	36	6	10	8
901 - 1,200	151	103	45	3	80	31	15	9	16
1,201 - 1,500	144	114	27	3	63	35	19	13	14
1,501 - 1,800	132	104	22	6	50	39	25	12	6
1,801 - 2,100	174	132	27	15	76	50	21	13	14
2,101 - 2,400	203	168	22	13	73	80	24	15	11
2,401 - 2,700	203	182	13	8	60	85	33	15	10
2,701 - 3,000	244	231	9	4	53	127	34	16	14
3,001 - 3,300	184	175	7	2	55	88	21	12	8
3,301 - 3,600	180	172	7	1	46	85	25	16	8
3,601 - 3,900	159	157	1	1	35	80	21	15	8
3,901 - 4,200	137	135	2	0	27	74	14	13	9
over 4,200	318	313	5	0	62	187	33	24	12
Totals	2,536	2,187	288	61	828	1,040	310	194	164

Type of Pension Benefit
1 - Regular retirement
2 - Survivor payment
3 - Disability

Option Selected
1 - Whole Life Annuity
2 - 75% Joint and Contingent Annuity
3 - 50% Joint and Contingent Annuity
4 - 66-2/3% Joint and Survivor Annuity
5 - Level Income Option

Public Employees' Retirement System
Schedule of Average Benefit Payments
New Benefit Recipients

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Other							
Period 7/1/02 - 6/30/03:							
Average Monthly Benefit	$ 984	$ 678	$1,022	$1,601	$2,201	$3,116	$4,004
Number of Recipients	202	379	290	219	179	99	77
Period 7/1/03 - 6/30/04:							
Average Monthly Benefit	$ 659	$ 745	$ 806	$ 968	$ 917	$1,163	$1,488
Number of Recipients	28	300	231	218	234	109	58
Period 7/1/04 - 6/30/05:							
Average Monthly Benefit	$ 423	$ 516	$1,008	$1,571	$2,249	$3,176	$3,369
Number of Recipients	40	363	266	211	213	118	76
Period 7/1/05 - 6/30/06:							
Average Monthly Benefit	$ 519	$ 536	$ 950	$1,464	$2,212	$3,247	$3,837
Number of Recipients	72	319	271	246	197	184	50
Period 7/1/06 - 6/30/07:							
Average Monthly Benefit	$1,026	$ 564	$1,084	$1,773	$2,509	$3,699	$4,132
Number of Recipients	97	320	263	207	190	183	44
Period 7/1/07 - 6/30/08:							
Average Monthly Benefit	$ 586	$ 548	$1,044	$1,655	$2,668	$3,642	$4,561
Number of Recipients	69	315	249	222	172	170	56
Peace Officer/Firefigher							
Period 7/1/02 - 6/30/03:							
Average Monthly Benefit	$1,594	$ 697	$1,131	$2,043	$3,013	$4,079	$4,313
Number of Recipients	1	9	20	20	79	11	3
Period 7/1/03 - 6/30/04:							
Average Monthly Benefit	$1,644	$2,392	$2,298	$2,093	$2,435	$2,895	$2,546
Number of Recipients	4	78	46	43	61	30	8
Period 7/1/04 - 6/30/05:							
Average Monthly Benefit	$ 277	$ 700	$1,209	$1,823	$2,852	$3,804	$3,846
Number of Recipients	1	14	20	23	66	13	3
Period 7/1/05 - 6/30/06:							
Average Monthly Benefit	$1,556	$ 748	$1,280	$2,236	$2,931	$3,595	$4,190
Number of Recipients	5	11	9	26	29	13	3
Period 7/1/06 - 6/30/07:							
Average Monthly Benefit	$ 925	$ 858	$1,304	$2,385	$3,180	$4,198	$4,942
Number of Recipients	4	13	9	26	40	12	4
Period 7/1/07 - 6/30/08:							
Average Monthly Benefit	$ 1,522	$950	$1,171	$2,378	$3,179	$3,837	$6,014
Number of Recipients	6	13	13	20	32	18	3

"Average Monthly Benefit" includes post-retirement pension adjustments and cost-of-living increases.

Public Employees' Retirement System
Principal Participating Employers
June 30, 2009

Employer	Non-retired Members	Rank	Percentage of of Total Non-retired Members
State of Alaska	24,558	1	41.6%
Anchorage School District	4,919	2	8.3
University of Alaska	4,670	3	7.9
Total	**34,147**		**57.8%**

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