TEACHERS' RETIREMENT SYSTEM
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Actuarial Section

Statistical Section

December 15, 2000

The Honorable Tony Knowles, Governor
Members of the Alaska State Legislature
Teachers' Retirement Board
Alaska State Pension Investment Board
Employers and Members of the System

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System (TRS) (System) for the fiscal year ended June 30, 2000. This report is intended to provide comprehensive information on the financial operations of the System for the year. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation rests with the management of the System.

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board. Transactions of the System are reported on the accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

The FY 2000 CAFR is divided into five sections:

- an **Introductory** Section, which contains this letter of transmittal, the administrative organization of the System, and a list of the members serving on the Teachers' Retirement Board;
- a **Financial** Section, which contains the Independent Auditors' Report, Combining Financial Statements, Notes to Combining Financial Statements, Required Supplementary Information, and Notes to Required Supplementary Information;
- an **Investment** Section, which contains a message from the Chair of the Alaska State Pension Investment Board (ASPIB), a list of the members serving on the ASPIB, a report on investment activity, investment results, and various investment schedules;
- an **Actuarial** Section, which contains the Actuarial Certification letter and the results of the most current (June 30, 1999) annual actuarial valuation; and
- a **Statistical** Section, which includes graphs and tables of significant data.

The Alaska TRS was established in 1955 to provide pension and postemployment healthcare benefits for teachers and other eligible participants. Normal service, survivor, and disability benefits are available to all members who attain the age and service requirements of the Systems.

	TRS		
	FY00	**FY99**	**FY98**
Net Assets (millions)	$4,484.9	4,204.0	3,915.2
Participating Employers	60	60	62

December 15, 2000

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 blended component unit.

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 Teachers' Retirement Board prescribes policies and regulations, hears appeals, and approves employers' contribution rates prepared by the System's independent actuary.

The ASPIB has statutory oversight of the System's investments and the authority to invest the System's monies. Actual investing is performed by external investment firms and investment officers of the Department of Revenue, Treasury Division, listed in the Investment Section on pages 38 and 39. The Treasury Division is responsible for carrying out investment policies established by ASPIB.

Major Initiatives

The System continues to make progress on completing several on-going projects. Most of these efforts focused on improvements in technology, improving methods for members to obtain information about the System and their benefits, and continued compliance with accounting requirements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) as applicable in the circumstances.

During FY 2000, the System granted a discretionary cost-of-living increase, along with the statutorily required automatic cost-of-living increase.

Legislation

During the FY 2000 legislative session, there were four laws that affected the TRS:

- Senate Bill 85 - An act relating to credited service in the public employees' retirement system for temporary employment; and creating a public service benefit in the public employees' retirement system.
- House Bill 226 - An act relating to credited service under the teachers' retirement system for education employees on leave without pay or receiving workers' compensation benefits because of certain on-the-job injuries.
- House Bill 236 - An act relating to credited service in the teachers' retirement system for part-time employment.
- House Bill 335 - An Act relating to information contained in retirement system records; relating to retirement boards; relating to procedures and hearings under state retirement systems; relating to benefits for reemployed retired members of retirement systems; relating to eligibility for normal retirement for members of the teachers' retirement system who have Alaska BIA credited service; relating to disability benefits for members of state retirement systems; relating to deduction of premiums from retirement benefits; relating to protection of, and assignment and transfer of, amounts held in retirement systems; relating to retirement benefits for certain employees earning

high salaries; relating to qualified domestic relations orders in state retirement systems; relating to the definition of 'retirement fund' in the teachers' retirement system; relating to membership of state employees in the teachers' retirement system; relating to refund of contributions made to the judicial retirement system and repayment of refunded contributions in that system; relating to self-insurance and excess loss insurance for persons receiving benefits from a state retirement system; relating to participation of elected officials in the public employees' retirement system; relating to the level income option benefit under the public employees' retirement system; relating to participation of employees of political subdivisions and public organizations in the public employees' retirement system; relating to crimes for defrauding a state retirement system; relating to the definition of 'pension fund' in the public employees' retirement system; and relating to calculation of years of service and of benefits under the public employees' retirement system for noncertificated employees of certain educational employers.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 1999. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additions to Plan Net Assets

The revenues required to finance retirement benefits are accumulated through a combination of employer and employee contributions and investment income.

	Revenues			
	Millions		Inc/(Dec)	
	FY00	FY99	Amt	%
Employee Contributions	$ 48.5	48.3	0.2	0.4%
Employer Contributions	74.7	66.3	8.4	12.7%
Net Investment Income	406.6	397.5	9.1	2.3%
Total	**$ 529.8**	**512.1**	**17.7**	**3.5%**

The increase in employer contributions was primarily due to an increase in employer RIP contributions. Even though the rate of return on investments decreased from 10.67% to 10.15%, there was an increase in investment income as additions to the fund exceeded deductions for the year, which meant that the System had more to invest over the course of the year.

Deductions From Plan Net Assets

The primary expense of the System is the payment of pension benefits, the principal reason the System exists. These benefit payments, together with postemployment healthcare premiums, lump sum refunds made to former members, and the cost of administering the System comprise the costs of operation.

	Expenses			
	Millions		Inc/(Dec)	
	FY00	FY99	Amt	%
Pension Benefits	$ 202.9	187.1	15.8	8.5%
Healthcare Benefits	40.2	31.0	9.2	29.7%
Refunds	4.1	3.5	0.6	17.1%
Administrative Expenses	1.7	1.7	.0	0.0%
Total	**$ 248.9**	**223.3**	**25.6**	**11.5%**

The majority of the increase in pension benefits was the result of a continuing increase in the number of retirees. Also, the System granted a discretionary cost-of-living (post retirement pension adjustment (PRPA)) increase at the beginning of the fiscal year. The increase in health care benefits is due to the increase in retirees and rising costs of providing such benefits.

Investments

The investment of pension funds is a long-term undertaking. On an annual basis, ASPIB reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/reward level given the System's constraints and objectives. During FY 2000, ASPIB adopted an asset allocation that includes 41% in Domestic Equities, 17% in International Equities, 30% in Domestic Fixed Income, 5% in International Fixed Income, and 7% in Real Estate.

For FY 2000, TRS investments generated a 10.15% rate of return. The TRS annualized rate of return was 11.87% over the last three years and 13.61% over the last five years.

Funding

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to participants. The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY 2000 and a rolling amortization of the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. Over time, the contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities increased from 97.7% to 102.5% during the year, primarily due to continued favorable investment experience. Over the years, progress has been made toward achieving the funding objectives of the System.

December 15, 2000

There were no significant changes in the actuarial assumptions or actuarial methods used in the determination of System liabilities this year. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

Valuation Year	Millions 1999	1998
Valuation Assets	$3,815.6	3,446.1
Accrued Liabilities	3,721.0	3,528.8
Funding ratio	102.5%	97.7%

Professional Services

Professional consultants are retained to perform professional services that are essential to the effective and efficient operation of the System. Opinions of the independent certified public accountant and the consulting actuary are included in this report. 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.

Acknowledgments

The preparation of this report is made possible by the dedicated service of the staff of the System. 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 funds of the system.

The report is being mailed to all employer members of the System. They form the link between the System and the membership. Their cooperation contributes significantly to the success of the System. We hope the employers and their employees find this report informative.

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

Respectfully submitted,

Jim Duncan
Commissioner

Guy Bell
Director

Janet L. Parker
Deputy Director

Anselm Staack, CPA, JD
Chief Financial Officer

Kevin T. Worley, CPA
Defined Benefits Accounting Supervisor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alaska Teachers' Retirement System

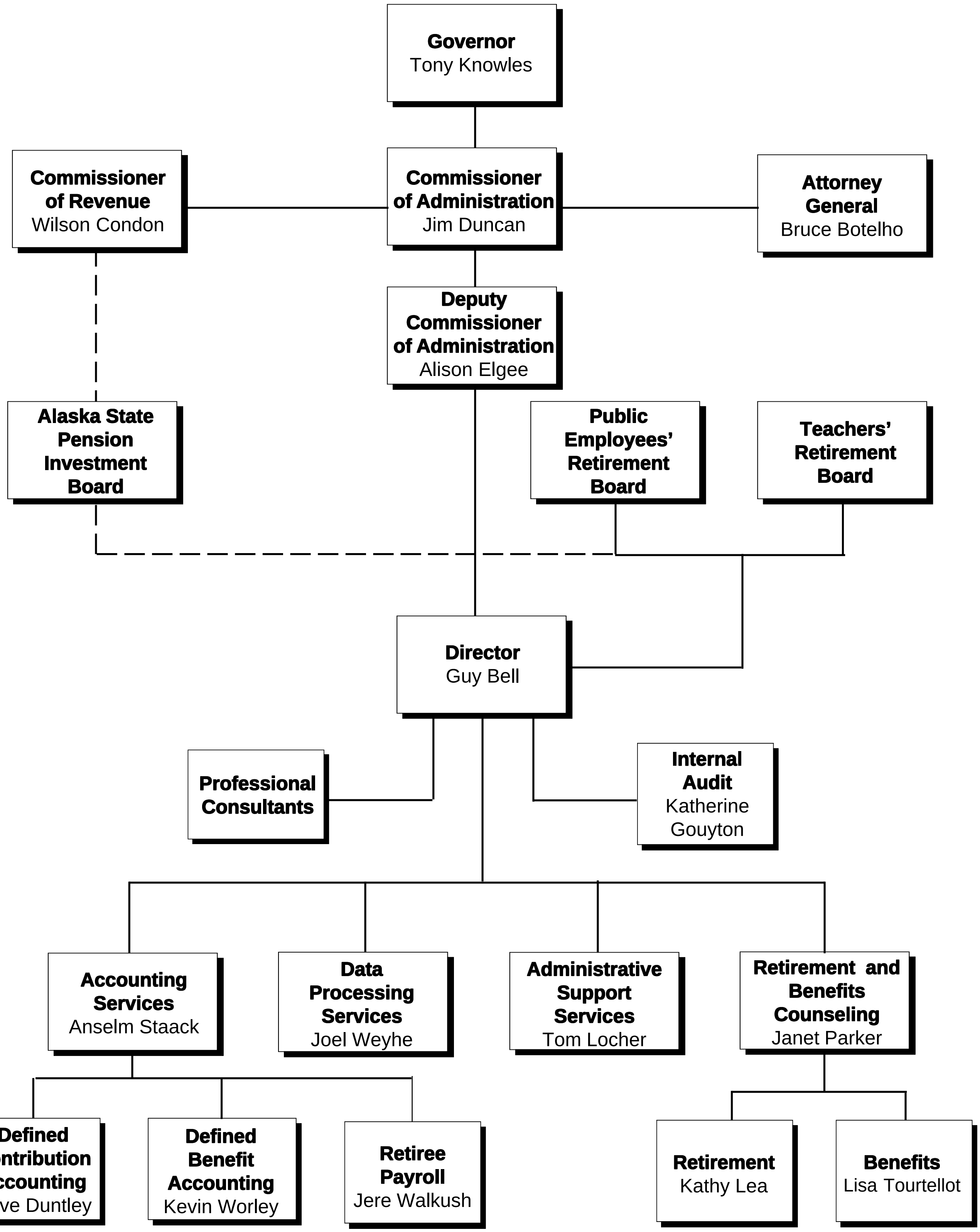
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

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. The section appoints members to retirement benefits and maintains benefit payment information.

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

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

The **Defined Contribution Accounting Section** is responsible for accounting, plan operations, and financial activities related to the defined contribution plan systems administered by the Division.

The **Data Processing Services Section** supports the information systems the Systems use. 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 members' physical records and performs other administrative functions, such as legislative tracking and personnel management.

The **Retiree Payroll Section** is responsible for issuing monthly and on demand retirement benefit payments to eligible retirees or their beneficiaries. The section maintains accurate records for reporting benefit recipient tax statements and reporting and paying withheld income taxes, garnishments, and IRS levies.

PROFESSIONAL CONSULTANTS

Consulting Actuary
William M. Mercer, Incorporated
Seattle, Washington

Independent Auditors
KPMG LLP
Anchorage, Alaska

Benefits Consultant
Deloitte & Touche, LLP
Minneapolis, Minnesota

Third Party Health Claim Administrator
Aetna Life Insurance Company
Walnut Creek, California

Legal Counsel
John Gaguine
Kathleen Strasbaugh
Assistant Attorney General
Juneau, Alaska

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

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

A list of external money managers and consultants for the System can be found on pages 38 and 39, and the Schedule of Investment Management Fees on page 47.

TEACHERS' RETIREMENT BOARD

Elizabeth Briggs Hertz, Chair
Term Expires: January 31, 2003

Elizabeth "Betty" Briggs Hertz arrived in Alaska in 1967. Ms. Hertz taught for 23 years in the Anchorage School District and retired in 1990. During her teaching career, she taught at West Anchorage High School and Steller Secondary School. Ms. Hertz has also held a variety of positions in the Anchorage Education Association. Since retirement, Ms. Hertz has taught English classes at the University of Alaska-Anchorage and management courses at the Alaska Pacific University. She and her husband started Windemere Consultants, a management consulting business specializing in interpersonal communications and career development planning.

Robert Salo, Vice President
Term Expires: January 31, 2001

Robert Salo first began teaching in Alaska in 1965. Before Mr. Salo retired in 1990 he spent 22 years teaching Physical Education and 3 years as Kenai Central High School's assistant principal. Mr. Salo's wife, Judith and his daughter, Holly, are teachers also. He currently resides in Kenai.

Mr. Salo has a long involvement with teaching and has served, in a leadership capacity, on many committees and boards including NEA, American Alliance of Health, National Interscholastic Association of Athletic Directors and Kenai Peninsula School Administrators Association.

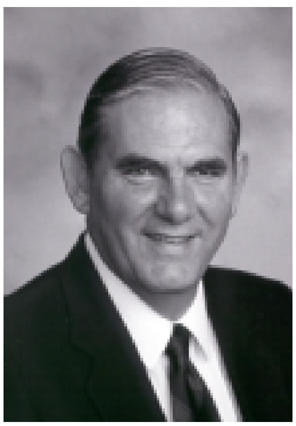
Charlie Arteaga
Term Expires: January 31, 2002

Charles Arteaga has been an Alaskan resident for 29 years. He resides in Ketchikan with his wife, Judith. He received his Bachelor's in Education at Arizona State University and his Masters in Counseling at the University of Oregon. He was an educator with the Ketchikan Gateway Borough School District until 1996.

Mr. Arteaga is a life-long Democrat and was appointed to the Teachers' Retirement Board by Governor Tony Knowles. He is now employed in other sectors of public service and intends to remain an active Alaskan citizen.

Gayle W. Harbo
Term Expires: June 30, 2002

Gayle Harbo arrived in Alaska in 1957, married Sam Harbo in 1958, and lived in Cold Bay, Juneau and Nome before settling in Fairbanks in 1962. She graduated from North Carolina State University in Raleigh with a BS in Mathematics and earned a Master of Arts in Teaching at the University of Alaska-Fairbanks. She taught at Lathrop High School for most of her twenty-five years in the Fairbanks District and served as coordinator of the school's Advanced Placement Program and on the District's Curriculum Committee. She worked on committees which wrote the evaluation documents used by the district and served on several budget committees. Since retiring in 1993, she has enjoyed travelling with her husband and assisting him with several building projects for each of their four children. She loves her home and garden and the opportunity to take care of any or all of their six grandchildren.



Gerald Patterson
Term Expires: June 30, 2002

Gerald "Jerry" Patterson began his Alaskan teaching career in Juneau in 1971 as a reading specialist but spent most of his time teaching fifth grade. He remained in the same school, Auke Bay Elementary, until his retirement in 1990 and currently resides in Juneau with his wife Carol, also a retired teacher. Mr. Patterson is a graduate of Western Washington State College where he received both his bachelors and masters degrees. During his teaching career, he was active with the Juneau Education Association, holding a variety of positions, and remains active with two retired teacher groups. In his spare time, Mr. Patterson enjoys traveling and taking advantage of the many outdoor opportunities available in Juneau.

KPMG

601 West Fifth Avenue
Suite 700
Anchorage, AK 99501-2258

Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Teachers' Retirement Board
State of Alaska Teachers' Retirement System:

We have audited the accompanying combining statements of plan net assets of the State of Alaska Teachers' Retirement System (Plan), A Component Unit of the State of Alaska, as of June 30, 2000 and 1999, and the related combining 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 combining financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Teachers' Retirement System, A Component Unit of the State of Alaska, as of June 30, 2000 and 1999, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information on pages 28 to 32 and additional information on pages 33 and 34 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Plan's management, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

September 21, 2000

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

Combining Statements of Plan Net Assets
(000s omitted)

June 30, 2000 and 1999

	2000			1999		
	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare	Total
Assets:						
Cash and cash equivalents (notes 3 and 4)						
Short-term fixed income pool	$ 500	112	612	227	50	277
Receivables:						
Contributions	13,549	3,036	16,585	6,945	1,536	8,481
Retirement incentive program employer contributions (note 6)	6,994	1,567	8,561	11,212	2,479	13,691
Due from State of Alaska General Fund	-	-	-	160	35	195
Total receivables	20,543	4,603	25,146	18,317	4,050	22,367
Investments, at fair value (notes 3 and 4):						
Domestic equity pool	1,541,916	391,379	1,933,295	1,434,738	368,002	1,802,740
Retirement fixed income pool	874,540	195,983	1,070,523	991,787	219,265	1,211,052
International equity pool	667,801	149,653	817,454	554,822	122,660	677,482
Real estate pool	200,656	44,967	245,623	135,038	29,853	164,891
International fixed income pool	172,328	38,618	210,946	178,585	39,482	218,067
Private equity pool (note 7)	70,902	15,889	86,791	18,408	4,070	22,478
Emerging markets equity pool	42,955	9,626	52,581	36,026	7,965	43,991
External domestic fixed income pool	36,514	8,183	44,697	34,738	7,680	42,418
Total investments	3,607,612	854,298	4,461,910	3,384,142	798,977	4,183,119
Loans and mortgages, at fair value, net of allowance for loan losses of $216 in 2000 and $360 in 1999	433	97	530	1,074	237	1,311
Total assets	3,629,088	859,110	4,488,198	3,403,760	803,314	4,207,074
Liabilities:						
Accrued expenses	2,508	562	3,070	2,502	553	3,055
Due to State of Alaska General Fund	180	41	221	-	-	-
Alaska Department of Commerce settlement liability	4	1	5	-	-	-
Total liabilities	2,692	604	3,296	2,502	553	3,055
Net assets held in trust for pension and postemployment healthcare benefits	**$3,626,396**	**858,506**	**4,484,902**	**3,401,258**	**802,761**	**4,204,019**

(Schedules of funding progress are presented on pages 28 and 29)

See accompanying notes to combining financial statements.

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

Combining Statements of Changes in Plan Net Assets
(000s omitted)

June 30, 2000 and 1999

	2000			1999		
	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare	Total
Additions:						
Contributions:						
Employers	$51,183	11,470	62,653	50,352	11,132	61,484
Employees	38,728	8,679	47,407	39,096	8,643	47,739
Retirement Incentive Program - Employers (note 6)	9,853	2,208	12,061	3,916	866	4,782
Retirement Incentive Program - Employees (note 6)	897	201	1,098	461	102	563
Total contributions	100,661	22,558	123,219	93,825	20,743	114,568
Investment income:						
Net appreciation in fair value of investments (note 3)	217,207	48,675	265,882	210,928	46,632	257,560
Interest	78,298	17,546	95,844	84,412	18,662	103,074
Dividends	44,831	10,047	54,878	37,025	8,186	45,211
Net recognized mortgage loan recovery	113	26	139	615	136	751
	340,449	76,294	416,743	332,980	73,616	406,596
Less investment expense	8,279	1,855	10,134	7,450	1,647	9,097
Net investment income	332,170	74,439	406,609	325,530	71,969	397,499
Other	-	-	-	1	-	1
Total additions	432,831	96,997	529,828	419,356	92,712	512,068
Deductions:						
Benefits paid	202,927	40,183	243,110	187,085	30,987	218,072
Refunds to terminated employees	3,364	754	4,118	2,858	632	3,490
Administrative expenses	1,402	315	1,717	1,410	312	1,722
Total deductions	207,693	41,252	248,945	191,353	31,931	223,284
Net increase	225,138	55,745	280,883	228,003	60,781	288,784
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	3,401,258	802,761	4,204,019	3,173,255	741,980	3,915,235
Balance, end of year	**$3,626,396**	**858,506**	**4,484,902**	**3,401,258**	**802,761**	**4,204,019**

See accompanying notes to combining financial statements.

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

Notes to Combining Financial Statements
(000s omitted)

June 30, 2000 and 1999

(1) DESCRIPTION

The following brief description of the State of Alaska Teachers' Retirement System (Plan), A Component Unit of the State of Alaska, is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

(a) General

The Plan is a defined benefit, cost-sharing, multiple employer public employee retirement system established and administered by the State of Alaska (State) to provide pension and postemployment healthcare benefits for teachers and other eligible participants. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Plan is considered a component unit of the State financial reporting entity and is included in the State's financial reports as a pension trust fund.

At June 30, 2000 and 1999, the number of participating local government employers was:

School districts	53
Other	7
Total employers	**60**

Inclusion in the Plan is a condition of employment for permanent school district, University of Alaska and State Department of Education employees who meet the eligibility requirements for participation in the Plan. At June 30, 1999 and 1998, the dates of the most recent actuarial valuations, Plan membership consisted of:

	1999	1998
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to future benefits	7,636	7,043
Current employees:		
Vested	5,256	5,285
Nonvested	4,140	3,977
	9,396	9,262
	17,032	**16,305**

(b) Pension Benefits

Vested employees hired prior to July 1, 1990, are entitled to pension benefits beginning at normal retirement age, fifty-five, or early retirement age, fifty. For employees hired after June 30, 1990, the normal and early retirement ages are sixty and fifty-five, respectively. Employees may also retire at any age and receive a normal benefit when they accumulate the required credited service.

The normal annual pension benefit is based on years of service and the average base salary. The average base salary is based upon the employee's three highest years salaries.

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

Notes to Combining Financial Statements
(000s omitted)

June 30, 2000 and 1999

The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of twenty years is equal to 2% of the employee's average base salary. The benefit for each year over twenty years of service subsequent to June 30, 1990, is equal to 2-1/2% of the employee's base salary.

Minimum benefits for employees 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 spouses consent to another form of benefit, another person is eligible for benefits under a qualified domestic relations order or benefits are payable under the 1% supplemental contributions provision.

The Plan has two types of post-retirement 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 Plan Administrator, if the cost of living in the previous calendar year rises and the financial condition of the Plan permits. 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.

(c) Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided without cost to (1) all employees first hired before July 1, 1990, and (2) employees who are disabled or age sixty-five or older, regardless of their initial hire dates. Employees first hired after June 30, 1990, may receive major medical benefits prior to age sixty-five by paying premiums.

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), an internal service fund of the State, was established. The RHF is self-funded and provides major medical coverage to retirees of the Plan. Retirees of three other State retirement plans also participate in the RHF. The Plan, along with the other participating plans, retains the risk of loss of allowable claims. Each year, 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.

(d) Death Benefits

When benefits are payable under the 1% supplemental contribution provision, the employee's spouse is eligible for a spouse's pension if there is/are no dependent child(ren). If there is/are dependent child(ren), a survivor's allowance may be payable to the employee's spouse, or

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

Notes to Combining Financial Statements
(000s omitted)

June 30, 2000 and 1999

guardian of the dependent child(ren). The amount of the pension or allowance is determined by the employee's base salary. Employees first hired after June 30, 1982, are not eligible to participate in this provision.

If an active employee dies from occupational causes, the spouse may receive a monthly pension from the Plan. When death is due to occupational causes and there is no surviving spouse, the employee's dependent child(ren) may receive a monthly pension until they are no longer dependents. The amount of the occupational death pension changes on the date the employee's normal retirement would have occurred if the employee had lived. The new benefit is based on the employee's average base salary at the time of death and the credited service that would have accrued had the employee lived and continued to work until normal retirement. If benefits are payable under the 1% supplemental contribution provision, benefits are not payable under this provision. If the death was from nonoccupational causes, and the employee was vested, the spouse may receive a monthly survivor benefit based on a 50% joint and survivor option. If the employee is not married or vested, a lump sum death benefit is payable to the named beneficiary(ies).

(e) Disability Benefits

If an employee has been in membership service for five or more years for which contributions have been made, is not eligible for normal retirement benefits and becomes permanently disabled, the employee is entitled to a monthly benefit. The annual disability benefit is equal to 50% of the base salary at the time of the disability plus an additional 10% of his/her base salary for each dependent child up to a maximum of four children. At normal retirement age, a disabled employee receives normal retirement benefits.

(f) Contributions

Employee Contributions

Employees contribute 8.65% of their base salary as required by statute. The employee contributions are deducted before federal tax is withheld. Eligible employees contribute an additional 1% of their salary under the supplemental contribution provision. Contributions are collected by employers and remitted to the Plan and may be voluntarily or, under certain circumstances, involuntarily refunded to the employee or a garnishing agency sixty days after termination of employment. Employee contributions earn interest at the rate of 4.5% per annum, compounded annually.

Employer Contributions

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The Plan uses the level dollar method to amortize the unfunded

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liability or funding surplus over a rolling twenty-five year period.

(g) Administrative Costs

Administrative costs are financed through investment earnings.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Plan's financial statements are prepared using 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.

(b) 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.

(c) GASB Statements No. 25 and No. 26

Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 26 require that plan net assets be split between pension and postemployment healthcare. To meet these requirements, plan assets, liabilities, revenues and expenses not specifically identifiable to either plan are allocated to the pension and postemployment healthcare plans based on their proportionate share of actuarial accrued liabilities.

(d) Investments

Security transactions and any resulting gains or losses are accounted for on a trade date (ownership) basis.

Investments are recorded at fair value. Fair value is "the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale."

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value.

Investment expense consists of those administrative expenses directly related to the Plan's investment operations.

Real estate investments include commingled real estate equities, separate account limited partnerships, mortgage loans and other real estate acquired by foreclosure and judgments. Commingled real estate equities and separate account limited partnerships are valued quarterly

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by public market quotations, where a quoted market exists, or by independent appraisers, and are periodically adjusted by trustees of the investments when market conditions change. The cost of commingled real estate equities and separate account limited partnerships securities is determined on the average cost basis. Mortgage loans are valued at their principal balance (cost) less an allowance for loan loss, the net result of which approximates fair value. The allowance for loan loss is considered by management to be sufficient to cover any losses to the mortgage loan portfolio. Real estate acquired by foreclosure and judgments is carried at estimated net realizable value.

Venture capital investments in the private equity pool are comprised of limited partnerships in privately held companies of which equity ownership is not traded on a national or international exchange. Investments in the private equity pool are valued quarterly by the general partners and investment sponsors. The private equity oversight manager is held to a standard of reasonable care in verifying that the general partners' valuations reasonably reflect the underlying value of the investments. The cost of investments in the private equity pool is determined on the average cost basis.

The Plan holds shares, rather than specific securities, in the emerging markets equity pool, a closed-end mutual fund-like commingled equity investment pool. Underlying securities within the pool are priced on the last business day of each week and each month. Equity securities are valued using the last reported sale price on the exchange on which the securities are traded as of the close of business on the day the securities are being valued, or, in the absence of any sales price, at the last reported bid price. Fixed income securities are valued at prices obtained from a bond pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type. Short-term securities with 60 days or less to maturity are amortized to maturity based on cost. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing market rates. Forward currency contracts are valued at the mid-point of representative quoted bid and asked prices. Securities and assets for which representative market quotations are not readily available are valued at fair value as determined in good faith under policies approved by the commingled equity fund's board of directors.

The fair value of all other debt and equity securities is determined by the custodial agent each business day. The custodian determines fair value using pricing services or prices quoted by one or more independent brokers. Equity securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, if applicable, defaulting to current bid price if a particular security was not traded that day. Fair value of debt securities has been established as the midpoint between the bid and asked prices. The cost of debt and equity investments is determined on the average cost basis.

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(e) Contributions Receivable

Contributions from employees 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.

(f) Federal Income Tax Status

The Plan purports to be a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

(3) INVESTMENTS

GASB Statement No. 3 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the Plan's deposits or securities fails. Deposits and those investments represented by specific, identifiable securities are classified into three categories of credit risk: Category 1 – Insured or registered, or securities held by the State or its custodian in the State's name; Category 2 – Uninsured or unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State's name. Category 1 is the highest level of safekeeping security as defined by GASB.

At June 30, 2000 and 1999, the Plan's cash and cash equivalents and investments other than mortgage-related assets are represented by participation in investment pools rather than specific, identifiable securities. Although pooled investments represent the Plan's share of ownership in the pool rather than ownership of specific securities, all of the underlying securities in the pools in which the Plan participates are considered to be Category 1 as defined by GASB Statement No. 3, except: (A) investments in the mutual fund-like emerging markets equity pool which are considered to be Category 2, and (B) shares in the private equity pool and the real estate pool which, like the Plan's mortgage-related assets, are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

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The cost and fair value of the Plan's investments at June 30, 2000 and 1999 are as follows:

	Cost	**Fair Value**
2000:		
Domestic equity pool	$ 1,421,609	1,933,295
Retirement fixed income pool	1,106,222	1,070,523
International equity pool	728,583	817,454
Real estate pool	232,875	245,623
International fixed income pool	233,522	210,946
Private equity pool	73,015	86,790
Emerging markets equity pool	48,569	52,581
External domestic fixed income pool	44,821	44,697
	$ 3,889,216	**4,461,909**
1999:		
Domestic equity pool	$ 1,249,977	1,802,740
Retirement fixed income pool	1,241,871	1,211,052
International equity pool	614,882	677,482
International fixed income pool	229,635	218,067
Real estate pool	153,180	164,891
Emerging markets equity pool	47,691	43,991
External domestic fixed income pool	42,045	42,418
Private equity pool	23,475	22,478
	$ 3,602,756	**4,183,119**

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During 2000 and 1999, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in value as follows:

	2000	1999
Investments measured by quoted fair value in an active market:		
Domestic equity pool	$161,050	234,905
Retirement fixed income pool	(32,897)	(59,881)
International equity pool	125,337	71,966
Real estate pool	2,010	6,157
International fixed income pool	(19,143)	(2,872)
Private equity pool	22,162	(998)
Emerging markets equity pool	7,713	7,866
External domestic fixed income pool	(350)	417
	$265,882	**257,560**

Based on the Plan's percentage of ownership in each investment pool as of June 30, 2000 and 1999, the Plan held no individual investments which exceeded 5% of net assets held in trust for pension and postemployment healthcare benefits.

The Alaska State Pension Investment Board (ASPIB) has statutory oversight of the Plan's investments and the authority to invest the Plan's monies. As the fiduciary, ASPIB 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. Actual investing is performed by the investment officers of the Division of Treasury of the Department of Revenue or by contracted external investment managers.

(4) POOLED INVESTMENTS

(a) Short-Term Fixed Income Pool

The Plan, along with other State funds and retirement systems, participates in an internally managed short-term fixed income pool, which was established March 15, 1993, with a start up unit price of $1 per share. Each participant owns shares in the pool, the number of which fluctuates daily with contributions, withdrawals and income. A share price of $1 is maintained, giving each participant one share for every dollar invested in the short-term fixed income pool. The assets of the short-term fixed income pool are comprised of money market instruments, U.S. Treasuries, U.S. Government agency debt, corporate debt and other U.S. dollar denominated bonds.

At June 30, 2000 and 1999, the Plan has a .03% and .02% direct ownership in the short-term fixed income pool totaling $612 and $277 respectively. These amounts include interest receivable of $39 and $25, respectively.

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(b) Domestic Equity Pool

The Plan, along with three other State retirement systems, participates in an externally managed domestic equity pool. The pool was established July 1, 1991, with a start up unit price of $1,000 per share. All income, including interest, dividends and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested.

At June 30, 2000 and 1999, the Plan's investment in the domestic equity pool totaled 33.82% and 33.85%, respectively, and consisted of the following:

	2000	1999
Domestic equity securities	$1,887,184	1,732,160
Available cash held in the short-term fixed income pool, and other short-term debt instruments and currency	46,721	73,386
Net payables	(610)	(2,806)
	$1,933,295	**1,802,740**

(c) Retirement Fixed Income Pool

The Plan, along with three other State retirement systems, participates in an externally managed retirement fixed income pool. The pool was established March 1, 1996, with a start up unit price of $1,000 per share. 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 units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the date of the transaction.

At June 30, 2000 and 1999, the Plan's investment in the retirement fixed income pool totaled 32.56% and 33.54%, respectively, and consisted of the following:

	2000	1999
Corporate	$ 254,801	398,520
U.S. Treasury	218,042	394,092
U.S. Government agency	104,087	147,900
Mortgage related	320,816	101,067
Asset backed	12,175	12,654
Yankees	131,180	125,823
Available cash held in the short-term fixed income pool	185,069	5,629
Net receivables (payables)	(155,647)	25,367
Total	**$1,070,523**	**1,211,052**

(d) International Equity Pool

The Plan, along with three other State retirement systems, participates in an externally

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managed international equity pool. The pool was established January 1, 1992, with a start up unit price of $1,000 per share. Each manager may independently determine the allocation between equities and short-term debt instruments. All income, including interest, dividends and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested.

At June 30, 2000 and 1999, the Plan's investment in the international equity pool totaled 33.79% and 34.12%, respectively, and consisted of the following:

	2000	1999
International equity securities	$ 789,763	647,330
Available cash held in short-term debt instruments and foreign currency	25,821	26,779
Net receivables	1,870	3,373
	$ 817,454	**677,482**

(e) Real Estate Pool

The Plan, along with one other State retirement system, participates in an externally managed real estate pool. The pool was established June 27, 1997, with a start up unit price of $1 per share. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction. All income, including interest, income from operations, and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis. All income is reinvested except for cash distributions which are transferred to the retirement fixed income pool based on a pro rata ownership in the originating pool.

At June 30, 2000 and 1999, the Plan has a 34.43% direct ownership in the real estate pool totaling $245,623 and $164,891 respectively.

(f) International Fixed Income Pool

The Plan, along with one other State retirement system, participates in an externally managed international fixed income pool. The pool was established March 3, 1997, with a start up unit price of $1,000 per share. 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 units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction.

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At June 30, 2000 and 1999, the Plan's investment in the international fixed income pool totaled 34.38% and consisted of the following:

	2000	1999
International fixed income securities	$ 202,700	209,614
Available cash held in short-term debt instruments and foreign currency	1,543	3,248
Net receivables	6,703	5,205
	$ 210,946	**218,067**

(g) Private Equity Pool

The Plan, along with one other State retirement system, participates in an externally managed private equity pool. The pool was established April 24, 1998, with a start up unit price of $1,000 per share. Ownership in the pool is based on the number of shares held by each participant. Underlying assets in the pool are composed of venture capital, buyouts and special situation investments through limited partnership agreements. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction. All income, including interest and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested.

At June 30, 2000 and 1999, the Plan has a 34.50% direct ownership in the private equity pool totaling $86,790 and $22,478.

(h) Emerging Markets Equity Pool

The Plan, along with one other State retirement system, participates in an emerging markets equity pool. The pool was established May 2, 1994, with a start up unit price of $1,000 per share. The pool participates in two externally managed commingled investment funds through ownership of equity shares. The commingled funds, comprised of various institutional investors, invest in the equity markets of developing countries.

At June 30, 2000 and 1999, the Plan had a 35.00% ownership in the pool totaling $52,581 and $43,991, respectively.

(i) External Domestic Fixed Income Pool

The Plan, along with three other State retirement systems, participates in an externally managed domestic fixed income pool. The pool was established June 25, 1999 with a start up unit price of $1,000 per share. 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 units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction.

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At June 30, 2000 and 1999, the Plan had a 33.59% ownership in the pool and consisted of the following:

	2000	1999
Corporate	$ 8,706	1,947
U.S. Treasury	5,964	19,032
U.S. Government agency	2,187	1,533
Municipal	502	-
Asset backed	3,507	-
Mortgage related	22,668	11,871
Yankees	334	-
Available cash held in short-term debt instruments	8	21,166
Net receivables (paybles)	821	(13,131)
	$ 44,697	**42,418**

(5) FOREIGN EXCHANGE CONTRACTS AND OFF-BALANCE SHEET RISK

The Plan, through its investment in the international equity pool, entered into 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 in these currencies. The maturity periods for these contracts range from one to three months. The Plan had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, as follows:

	2000	1999
Net contract sales	$ 6,362	13,889
Less: fair value	6,353	13,727
Net unrealized gains on contracts	**$ 9**	**162**

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

(6) RETIREMENT INCENTIVE PROGRAM

House Bill 354 (Chapter 65, SLA 96) was passed on June 18, 1996, and provides for a retirement incentive program (RIP or program) for members of school district employers and employees of Mt. Edgecumbe and the Alaska Vocational Technical Center. The RIP encourages eligible employees to retire up to three years earlier than they had planned as a cost savings for school districts. The incentive program may be implemented if the program will produce an

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overall cost savings to the employer. The application and retirement deadlines are determined by the employer when they establish a program. The original application period for school district employees under House Bill 354 was June 30, 1996 through December 31, 1996. During fiscal year 1997, Senate Bill 130 (Chapter 92, SLA 97) was passed which amended the original program. Senate Bill 130 allowed for additional application periods of 30-60 days, ending no later than June 30, 1999.

Employers who participate in the RIP are required to reimburse the Plan for the actuarial equivalent of the difference between the benefits each employee receives after the addition of the retirement incentive under the program and the amount the employee would have received without the incentive, less any amount the employee was indebted as a result of retiring under the program. Reimbursements from employers are due in minimum equal annual installments so that the entire balance is paid within three years after the end of the fiscal year in which each employee retires.

Employers are also required to reimburse the Plan for the estimated costs of administering the program. The Plan establishes a receivable for employer reimbursements and administrative costs as employees retire. During fiscal years 2000 and 1999, the Plan recognized $12,061 and $4,782, respectively, of additions to plan net assets for contributions from employers for required reimbursements related to the RIP.

When employees terminate employment to participate in the program, they are indebted to the Plan for 25.95% of their annual compensation for the calendar year in which they terminate. Any outstanding indebtedness at the time an employee is appointed to retirement results in an actuarial adjustment of his/her benefit amount. During fiscal years 2000 and 1999, the Plan recognized $1,098 and $563, respectively, of additions to plan net assets for contributions from employees related to the RIP.

(7) COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Plan, through its investment in the private equity pool, entered into agreements through an external investment manager to provide capital funding for limited and general partnerships as it continues to build a private equity portfolio. At June 30, 2000, the Plan's share of these unfunded commitments totaled $88,047 to be paid through the year 2005.

(b) Contingencies

The Plan is a defendant in four similar lawsuits, three of which are class action suits. The lawsuits pertain to whether recent changes to the retiree health insurance program under the Plan resulted in violations of members' constitutional rights to retirement benefits. The Plan will vigorously contest these suits. An unfavorable outcome could result in the Plan having to rescind certain changes to the retiree health insurance program.

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The State is a defendant in a lawsuit filed by the Alaska Civil Liberties Union and six same-sex couples with regards to the statutes limiting retiree health insurance coverage to retirees and their spouses and dependents, thus excluding coverage for domestic partners of retirees. An adverse ruling against the State would increase the number of persons that would be covered by insurance paid by the Plan.

Although the ultimate outcome of the litigation discussed above is uncertain at this point in time, the Plan believes that unfavorable outcomes, if rendered, would not have a material adverse effect on its financial position or funding status. The Plan has not recorded an accrual related to the above lawsuits, because unfavorable outcomes in these matters are, in management's opinion, not considered probable but rather only possible, and the potential loss, if any, cannot be reasonably estimated at this time.

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Schedule of Funding Progress
Pension Benefits
(000s omitted)

Actuarial valuation year ended 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
1994	$2,042,890	2,281,178	238,288	89.6%	476,098	50.1%
1995	2,178,011	2,396,911	218,900	90.9%	477,205	45.9%
1996	2,335,295	2,402,020	66,725	97.2%	465,182	14.3%
1997	2,563,693	2,728,050	164,357	94.0%	466,455	35.2%
1998	2,825,528	2,893,325	67,797	97.7%	469,433	14.4%
1999	3,120,951	3,043,509	(77,442)	102.5%	466,414	(16.6%)

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Schedule of Funding Progress
Postemployment Healthcare Benefits
(000s omitted)

Actuarial valuation year ended 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
1994	$ 430,067	480,231	50,164	89.6%	476,098	10.5%
1995	469,381	516,556	47,175	90.9%	477,205	9.9%
1996	523,461	538,417	14,956	97.2%	465,182	3.2%
1997	556,351	592,019	35,668	94.0%	466,455	7.6%
1998	620,542	635,432	14,890	97.7%	469,433	3.2%
1999	694,682	677,445	(17,237)	102.5%	466,414	(3.7%)

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Schedule of Employer Contributions
Pension and Postemployment Healthcare Benefits
(000s omitted)

Year ended June 30	Pension annual required contribution	Postemployment healthcare annual required contribution	Total annual required contribution	Pension percentage contributed (note 3)	Postemployment healthcare percentage contributed (note 3)	Total percentage contributed (note 3)
1995	$55,126	11,694	66,820	90%	90%	90%
1996	52,262	11,346	63,608	96%	96%	96%
1997	62,831	14,170	77,001	80%	80%	80%
1998	62,787	13,717	76,504	80%	80%	80%
1999	44,142	9,759	53,901	114%	114%	114%
2000	55,448	12,426	67,874	92%	92%	92%

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(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 is prepared by William M. Mercer, Incorporated. The significant actuarial assumptions used in the valuation as of June 30, 1999 are as follows:

(a) Actuarial cost method – projected unit credit, unfunded accrued benefit liability or funding surplus amortized over a rolling twenty-five year period.

(b) Mortality basis – 1984 Unisex Pension Mortality Table set forward one year for male members and set backward four years for female members. All deaths are assumed to result from nonoccupational causes.

(c) Retirement age – retirement rates based on the 1991-1995 actual experience.

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

(e) Health cost inflation – FY98 6.5% and FY99 and thereafter 5.5% per annum.

(f) Salary scale – inflation 4.0%, productivity 0.5%, merit (first five years) 1.0%, for a total of 5.5% per annum.

(g) Inflation – total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually.

(h) Cost of living allowance (domicile in Alaska) – 62% of those benefit recipients who are eligible for the allowance are assumed to remain in Alaska and receive the allowance.

(i) Contribution refunds – 100% of those terminating after age thirty-five who are vested will leave their contributions in the Plan and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.

(j) Turnover and disability assumptions are based upon the 1991-1995 actual experience of the Plan.

(k) Asset valuation method – recognized 20% of the investment gain or loss in each of the current and preceding four years. All assets

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June 30, 2000 and 1999

are valued at fair value. Valuation assets cannot be outside a range of 80% to 120% of the fair value of assets.

(l) Valuation of medical benefits for retirees – a pre-age sixty-five cost and lower post-age sixty-five cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health cost inflation assumption.

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.

All significant accounting policies, benefit provisions and actuarial assumptions are the same for the required supplementary information and the financial statements except as follows:

- Effective June 30, 1994, there was a change in the economic actuarial assumptions and asset valuation method. The total inflation assumption was changed from 5% to 4% annually. This affected the economic assumptions, including investment return, salary scale and health cost trend. The revised asset valuation method smoothes the difference between expected investment return and actual return during a given year by spreading the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years.

- Effective June 30, 1996, the investment return was increased from 8% to 8.25% per year. Turnover, retirement and disability assumptions were revised based on actual experience in 1991-1995. The cost of living allowance was decreased from 66% to 62% participation. In addition, the amortization period for funding surpluses was changed from five years to a rolling twenty-five year period.

(3) ENHANCED ACTUARIAL PROJECTION SYSTEM

The Plan's actuary, at the request of the Teachers' Retirement Board, uses an enhanced actuarial projection system to determine annual employer contribution rates. Although the same actuarial cost method is used by the Plan's actuary, the enhanced system projects population growth patterns and their associated liabilities twenty-five years into the future.

The purpose of the enhanced actuarial projection system is to level out contribution rates in order to provide employers with a more stable long-term contribution pattern.

The Plan's utilization of the enhanced actuarial projection system resulted in 1994-1998 and 2000 employer contributions being less than the annual required contribution and 1999 employer contributions being more than the annual required contribution.

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

Schedule of Administrative and Investment Expenses
(000s omitted)

Year ended June 30, 2000
with comparative totals for 1999

	Administrative expenses	Investment expenses	Totals 2000	Totals 1999
Personal services:				
Wages	$ 806	358	1,164	1,152
Benefits	273	107	380	377
Other	2	-	2	1
Total personal services	1,081	465	1,546	1,530
Travel:				
Transportation	25	33	58	57
Per diem	27	25	52	47
Moving	-	2	2	-
Honorarium	-	8	8	11
Total travel	52	68	120	115
Contractual services:				
Accounting and auditing	16	388	404	420
Management and consulting	77	8,934	9,011	7,871
Legal	11	15	26	31
Medical specialists	5	-	5	7
Data processing	170	16	186	271
Other professional services	86	46	132	149
Communications	76	22	98	86
Transportation	1	2	3	3
Advertising and printing	23	90	113	114
Repairs and maintenance	6	1	7	6
Rentals/leases	20	22	42	32
Other services	11	39	50	102
Total contractual services	502	9,575	10,077	9,092
Other:				
Equipment	63	19	82	54
Supplies	19	7	26	28
Total other	82	26	108	82
Total administrative and investment expenses	**$ 1,717**	**10,134**	**11,851**	**10,819**

See accompanying independent auditors' report.

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

Schedule of Payments to Consultants Other than Investment Advisors (000s omitted)

Years ended June 30, 2000 and 1999

Firm	Services	2000	1999
State Street Bank and Trust Company	Custodian banking services	$ 579	474
The Retirement Concepts Group, Ltd.	Data processing consultants	101	62
Powertech Toolworks, Inc.	Data processing consultants	78	109
William M. Mercer, Inc.	Actuarial services	75	77
KPMG LLP	Auditing services	32	17
State of Alaska, Department of Law	Legal services	29	21
Wohlforth, Vassar, Johnson and Brecht	TRS Board legal services	11	12
		$ 905	**772**

See accompanying independent auditors' report.

WILLIAM M.
MERCER

March 9, 2000

State of Alaska
Teachers' Retirement Board
Department of Administration
Division of Retirement & Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Dear Members of the Board:

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Teachers' Retirement System has been prepared as of June 30, 1999 by William M. Mercer, Incorporated. The purposes of the report include:

(1) a review of experience under the Plan for the year ended June 30, 1999;

(2) a determination of the appropriate contribution rate for all employers in the System;

(3) 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

(2) Schedule of active member valuation data

(3) Schedule of retirants and beneficiaries added to and removed from rolls

(4) Solvency test

(5) Analysis of financial experience

William M. Mercer, Incorporated
One Union Square, Suite 3200
600 University Street
Seattle WA 98101-3137

Phone 206 808 8800

A Marsh & McLennan Company

WILLIAM M.
MERCER

Teachers' Retirement Board
March 9, 2000
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In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the System's staff and financial information provided by the audited report from KPMG Peat Marwick, LLP, to determine a sound value for the System liability. This 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 the Board in October 1996.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY00 and a rolling amortization of the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. Over time, the contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities increased from 97.7% to 102.5% during the year, primarily due to continued favorable investment experience. Over the years, progress has been made toward achieving the funding objectives of the System.

There were no significant changes in the actuarial assumptions or actuarial methods used in the determination of system liabilities this year. The assumptions and methods, 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.

The undersigned are members of the American Academy of Actuaries and the Society of Actuaries and are fully qualified to provide actuarial services to the State of Alaska.

WILLIAM M.
MERCER

Teachers' Retirement Board
March 9, 2000
Page 3

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 27.

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,

Brian R. McGee, FSA, MAAA

James W. Jacobson, ASA, MAAA

CMB/JWJ/kmm(jls)

Teachers' Retirement System
Summary of Actuarial Assumptions and Methods

The demographic and economic assumptions used in this valuation were recommended by William M. Mercer, Incorporated and were adopted at the Fall 1996 TRS Board Meeting. These assumptions were the result of an experience study performed in the Fall of 1996. The funding method used in this valuation was adopted June 30, 1985. The five-year smoothing method used to determine valuation assets was changed effective June 30, 1994.

Valuation of Liabilities

A. Actuarial Method - Projected Unit Credit (no change). Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. Any funding surpluses or unfunded accrued liability is amortized over a rolling 25 years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

B. Actuarial Assumptions

1.	Investment Return	8.25% per year, compounded annually, net of expenses.
2.	Salary Scale	Inflation - 4.0% per year Productivity - 0.5% per year Merit (first 5 years of employment) - 1.0% per year
3.	Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually.
4.	Health Cost Trend	FY99 and later - 5.5%

Teachers' Retirement System
Summary of Actuarial Assumptions and Methods

5.	Mortality	1984 Unisex Pension Mortality Table, set forward one year for male members and set backward four years for female members. All deaths are assumed to result from nonoccupational causes.
6.	Turnover	Based upon the 1991-95 actual total turnover experience. (See Table 1 on page 59.)
7.	Disability	Incidence rates based upon the 1991-95 actual experience, in accordance with Table 2 on page 60. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security.
8.	Retirement Age	Retirement rates based upon the 1991-95 actual experience in accordance with Table 3 on page 61.
9.	Spouse's Age	Wives are assumed to be four years younger than husbands.
10.	Dependent Children	Benefits to dependent children have been valued assuming members who are not single have one dependent child.
11.	Contribution Refunds	100% of those terminating after age 35 who are vested will leave their contributions in the fund and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.
12.	C.O.L.A.	Of those benefit recipients who are eligible for the C.O.L.A., 62% are assumed to remain in Alaska and receive the C.O.L.A.
13.	New Entrants	Growth projections are made for the active TRS population under three scenarios: Pessimistic: 0% per year Median: 1% per year Optimistic: 2% per year
14.	Sick Leave	4.7 days of unused sick leave for each year of service will be available to be credited once the member is retired.
15.	Post-Retirement Pension Adjustment	50% and 75% of assumed inflation is valued for the automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute.
16.	Expenses	Expenses are covered in the investment return assumption.

Teachers' Retirement System
Summary of Actuarial Assumptions and Methods

Valuation of Assets

Effective June 30, 1994, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements provided by KPMG Peat Marwick, LLP. Valuation assets cannot be outside a range of 80% to 120% of the market value of assets.

Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

For the June 30, 1999 valuation, the pre-65 monthly premium is $633.47 and the post-65 premium is $241.30, based on an assumed total blended premium of $484.59. For the time period January 1, 2000 to December 31, 2000, the actual blended premium as provided by the State of Alaska, Division of Retirement and Benefits is $530.00.

Teachers' Retirement System
Summary of Actuarial Assumptions and Methods

Table 1
Total Turnover Assumptions

Select Rates of Turnover During the First 8 Years of Employment

Year of Employment	Rate
1	.15
2	.14
3	.12
4	.11
5	.09
6	.08
7	.07
8	.07

Ultimate Rates of Turnover After the First 8 Years of Employment

Ages	Rate
20+	.04

Teachers' Retirement System
Summary of Actuarial Assumptions and Methods

Table 2
Disability Rates
Annual Rates Per 1,000 Employees

Age	Rate
20	.28
21	.28
22	.29
23	.29
24	.30
25	.30
26	.30
27	.31
28	.32
29	.33
30	.34
31	.34
32	.35
33	.36
34	.37
35	.38
36	.40
37	.41
38	.43
39	.44
40	.46
41	.48
42	.51
43	.54
44	.59
45	.65
46	.70
47	.76
48	.83
49	.89
50	.96
51	1.04
52	1.14
53	1.27
54	1.42
55	1.60
56	1.84
57	2.14
58	2.44
59	2.88
60	3.37
61	3.90
62	4.52
63	5.22
64	5.96

Teachers' Retirement System
Summary of Actuarial Assumptions and Methods

Table 3
Retirement Rates

Age at Retirement	Retirement Rate
50	.05
51	.05
52	.05
53	.05
54	.05
55	.15
56	.13
57	.10
58	.10
59	.10
60	.10
61	.10
62	.10
63	.17
64	.17
65	.50
66	1.00

For ages less than 50, teachers are assumed to retire two years after the earliest age they are eligible to retire.

Teachers' Retirement System
Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll (000s)	Annual Average Pay	Average Increase/ (Decrease) In Average Pay	Number of Participating Employers
June 30, 1999	9,396	$466,414	$49,640	(2.1)%	61
June 30, 1998	9,262	469,433	50,684	(0.4)%	61
June 30, 1997	9,164	466,455	50,901	1.3%	61
June 30, 1996	9,259	465,182	50,241	(0.5)%	61
June 30, 1995	9,452	477,205	50,487	0.6%	61
June 30, 1994	9,489	476,098	50,174	3.2%	61
June 30, 1993	9,459	459,746	48,604	0.2%	61
June 30, 1992	9,238	448,186	48,515	2.2%	62
June 30, 1991	8,903	422,655	47,473	4.6%	62
June 30, 1990	8,586	389,702	45,388	1.8%	60

Teachers' Retirement System
Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
June 30, 1999	598	$19,014,567	91	$ 2,893,521	6,486	$185,848,446	9.50%	$28,654
June 30, 1998	674	24,479,595	38	1,380,155	5,979	169,727,400	15.75%	28,387
June 30, 1997	583	29,988,351[1]	43	2,211,834[1]	5,343	146,627,960	23.37%	27,443
June 30, 1996	376	8,410,895	32	441,353	4,803	118,851,443	7.19%	24,745
June 30, 1995	368	10,386,432	43	94,443	4,459	110,881,901	10.23%	24,867
June 30, 1994	280	8,923,551	37	616,360	4,134	100,589,912	9.00%	24,332
June 30, 1993	344	6,874,777	55	1,044,709	3,891	92,282,721	6.74%	23,717
June 30, 1992	120	5,799,044	62	1,436,106	3,602	86,452,653	5.31%	24,001
June 30, 1991	519	14,827,829	159	3,535,365	3,544	82,089,715	15.95%	23,163
June 30, 1990	208	6,181,779	122	2,648,864	3,184	70,797,251	5.25%	22,235

* Numbers are estimated, and include other internal transfers.

[1]Includes additional benefits to current retirees from a one time retroactive ad hoc Post-Retirement Pension Adjustments.

Teachers' Retirement System Solvency Test

Valuation Date	Aggregate Accrued Liability For: (1) Active Member Contributions (000s)	(2) Inactive Members (000s)	(3) Active Members (Employer-Financed Portion) (000s)	Valuation Assets (000s)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
June 30, 1999	$469,068	$2,571,345	$680,541	$3,815,633	100%	100%	100.0%
June 30, 1998	449,383	2,344,263	735,111	3,446,070	100%	100%	88.8%
June 30, 1997	483,735	2,095,843	780,491	3,120,044	100%	100%	69.2%
June 30, 1996[2]	451,249	1,689,636	799,552	2,858,756	100%	100%	89.8%
June 30, 1995	437,089	1,531,406	944,972	2,647,392	100%	100%	71.8%
June 30, 1994[1][2]	398,990	1,419,506	942,913	2,472,957	100%	100%	69.4%
June 30, 1993	370,667	1,223,220	835,569	2,261,082	100%	100%	79.8%
June 30, 1992[1]	341,204	1,110,981	779,561	2,001,864	100%	100%	70.5%
June 30, 1991[2]	293,136	1,056,453	725,816	1,779,579	100%	100%	59.2%
June 30, 1990[3]	269,491	940,475	685,064	1,662,242	100%	100%	66.0%

(1) Change in Asset Valuation Method.
(2) Change of Assumptions.
(3) Change in Plan Provisions.

Teachers' Retirement System Analysis of Financial Experience

Change in Average Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience

Type of Gain or Loss	Change in Employer Contribution Rate During Fiscal Year 99	98	97	96	95
Health Experience	-	-	-	-	-
Salary Experience	(0.64)%	(0.84)%	(0.05)%	(0.62)%	(0.29)%
Investment Experience	(3.73)%	(2.70)%	(1.80)%	(0.69)%	(0.05)%
Demographic Experience	0.80%	0.54%	1.56%	0.68%	0.32%
Gain (Loss) During Year from Experience	(3.57)%	(3.00)%	(0.29)%	(0.63)%	(0.02)%
Non-recurring changes					
Asset Valuation Method	-	-	-	-	-
Assumption Changes	-	-	-	(3.79)%	-
Ad hoc PRPA	0.11%	0.55%	2.77%	-	-
Composite Gain (Loss) During Year	(3.46)%	(2.45)%	2.48%	(4.42)%	(0.02)%
Beginning Total Employer Contribution Rate	10.55%	13.00%	10.52%	14.94%	14.96%
Ending Total Employer Contribution Rate	7.09%	10.55%	13.00%	10.52%	14.94%
Board Adopted Employer Contribution Rate	11.00%	12.00%	12.00%	12.00%	12.00%

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through June 30, 1999. Chapter 97, 1990 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the TRS before July 1, 1990, are eligible for different benefits than members hired after June 30, 1990.

(2) Administration of Plan

The Commissioner of Administration is responsible for administering the system. The Teachers' Retirement Board prescribes policies and regulations and performs other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division is responsible for investing TRS funds. The Attorney General represents the system in legal proceedings.

(3) Membership

Membership in the Alaska TRS is mandatory for the following employees:

- certificated full-time and part-time elementary and secondary teachers, certificated school nurses, and certificated employees in positions requiring teaching certificates;
- the Commissioner of the Alaska Department of Education and certificated supervisors employed by the Department of Education in permanent positions requiring teaching certificates;
- University of Alaska full-time and part-time teachers, and full-time administrative employees in positions requiring academic standing if approved by the TRS administrator;
- certain full-time or part-time teachers of Alaska Native language or culture who have elected to be covered under the TRS;
- members on approved sabbatical leave under AS 14.20.310; and
- certain State legislators who have elected to be covered under the TRS.

Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the TRS.

Employees who work half-time in the TRS and Public Employees' Retirement System (PERS) simultaneously are eligible for half-time TRS and PERS credit.

(4) Credited Service

TRS members receive a year of membership credit if they work a minimum of 172 days during the school year (July 1 through June 30 of the following year). Fractional credit is determined based on the number of days worked. Members receive one-half membership credit for each day of part-time service. Credit is granted for all Alaskan public school service.

Members may claim other types of service, including:

- Outside teaching service in out-of-state schools or Alaska private schools (not more than ten years may be claimed);
- Military service (not more than five years of military service or ten years of combined outside and military service may be claimed);
- Alaska Bureau of Indian Affairs (BIA) service;

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

- Retroactive Alaskan service that was not creditable at the time it occurred, but later became creditable because of legislative change;
- Unused sick leave credit after members retire; and
- Leave of absence without pay.

Except for retroactive Alaska service that occurred before July 1, 1955, and unused sick leave, contributions are required for all claimed service.

Members receiving TRS disability benefits continue to earn TRS credit while disabled.

(5) Employer Contributions

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

(6) Member Contributions

Mandatory Contributions: Members are required to contribute 8.65% of their base salaries. Members' contributions are deducted from gross salaries before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described above in (4) Credited Service.

1% Supplemental Contributions: Members who joined the system before July 1, 1982, and elected to participate in the supplemental contributions provision, are required to contribute an additional 1% of their salaries. Under the supplemental provision, an eligible spouse or dependent child will receive a survivor's allowance or spouse's pension if the member dies (see (11) Death Benefits).

Interest: Members' contributions earn 4.5% interest, compounded annually on June 30.

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts, which includes their mandatory 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 TRS service may be reinstated upon reemployment in the TRS. 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.

(7) Retirement Benefits

Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 60[1], or early retirement at age 55, if they have at least:

(i) eight years of paid-up membership service;

(ii) 15 years of paid-up creditable service, the last five years which are membership service, and they were first hired under the TRS before July 1, 1975;

(iii) five years of paid-up membership service and three years of paid-up Alaska Bureau of Indian Affairs service;

(iv) 12 years of combined part-time and full-time paid-up membership service; or

[1] Members participating before July 1, 1990 are eligible for normal retirement at age 55 or early retirement at age 50.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(v) two years of paid-up membership service if they are vested in the Public Employees' Retirement System (PERS).

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

(i) 25 years of paid-up creditable service, the last five years of which are membership service;

(ii) 20 years of paid-up membership service;

(iii) 20 years of combined paid-up membership and Alaska Bureau of Indian Affairs service, the last five years of which are membership service; or

(iv) 20 years of combined paid-up part-time and full-time membership service.

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 to retire at any age under (b) above. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

Members may also select joint and survivor options. Under those options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculation: Retirement benefits are calculated by multiplying the average base salary (ABS) times the total TRS service times the percentage multiplier. The ABS is determined by averaging the salaries earned during the three highest school years. Members must earn at least 115 days of credit in a school year to include it in the ABS calculation. The TRS pays a minimum benefit of $25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers are 2% for the first 20 years and 2.5% for all remaining service. Service before July 1, 1990, is calculated at 2%.

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

(8) Reemployment of Retired Members

Retirement benefits are suspended while retired members are reemployed under the TRS. During reemployment, members earn additional TRS service and contributions are withheld from their wages.

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

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

(b) owe the TRS 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; and

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(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.

(9) Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided without cost to (1) all employees first hired before July 1, 1990, and (2) employees who are disabled or age sixty-five or older, regardless of their initial hire dates. Employees first hired after June 30, 1990, may receive major medical benefits prior to age sixty-five by paying premiums.

(10) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. To be eligible, members must have at least five years of paid-up membership service.

Disability benefits are equal to 50% of the member's base salary at the time of disability. The benefit is increased by 10% of the base salary for each minor child, up to a maximum of 40%. Members continue to earn TRS service until eligible for normal retirement.

Members are appointed to normal retirement on the first of the month after they become eligible.

(11) 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 supplemental contributions provision or occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

<u>Occupational Death</u>: When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse, unless benefits are payable under the supplemental contributions provision (below). The pension equals 40% of the member's base salary 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 average base salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date.

<u>Nonoccupational Death</u>: 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, unless benefits are payable under the supplemental contributions provision (below). The monthly benefit is calculated on the member's average base salary and TRS service accrued at the time of death.

<u>Lump Sum Benefit</u>: Upon the death of an active member who has less than one year of service or an inactive member who is not vested, the designated beneficiary receives the member's contribution account, which includes mandatory contributions, indebtedness payments, and interest earned. Any supplemental contributions will also be refunded. If the member has more than one year of TRS service, the beneficiary also receives $1,000 and $100 for each year of TRS service, up to a maximum of $3,000. An additional $500 may be payable if the member is survived by dependent children.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Supplemental Contributions Provision: Members are eligible for supplemental coverage if they joined the TRS before July 1, 1982, elected to participate in the supplemental provision, and made the required contributions. A survivor's allowance or spouse's pension (below) may be payable if the member made supplemental contributions for at least one year and dies while in membership service or while disabled under the TRS. In addition, the allowance and pension may be payable if the member dies while retired or in deferred vested status if supplemental contributions were made for at least five years.

(a) Survivor's Allowance: If the member is survived by dependent children, the surviving spouse and dependent children are entitled to a survivor's allowance. The allowance for the spouse is equal to 35% of the member's base salary at the time of death or disability, plus 10% for each dependent child up to a maximum of 40%. The allowance terminates and a spouse's pension becomes payable when there is no longer an eligible dependent child.

(b) Spouse's Pension: The spouse's pension is equal to 50% of the retirement benefit that the deceased member was receiving or would have received if retired at the time of death. The spouse's pension begins on the first of the month after the member's death or termination of the survivor's allowance.

Death After Retirement: If a joint and survivor option was selected at retirement, the eligible spouse receives continuing, lifetime monthly benefits after the member dies. A survivor's allowance or spouse's pension may be payable if the member participated in the supplemental contributions provision. If a joint and survivor option was not selected and benefits are not payable under the supplemental contributions provision, the designated beneficiary receives the member's contribution account, less any benefits already paid.

(12) Post Retirement Pension Adjustments

Post retirement 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, 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 TRS 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 under age 60 if the recipient has been receiving benefits for at least eight years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990, if the CPI increases and the financial condition of the fund will permit an increase.

(13) 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. The following benefit recipients are eligible:

(a) members who were first hired under the TRS before July 1, 1990, and their survivors;

(b) members who were first hired under the TRS after June 30, 1990, and their survivors if they are at least age 65; and

(c) all disabled members.

Message from the Chair

I am pleased to present the 2000 Annual Report of Investments for the period ending June 30, 2000 to you, the participants and beneficiaries of this retirement trust fund.

The 12 months ending June 30, 2000 were challenging for investors. Market volatility increased significantly and investors were buffeted by large month to month swings in attitudes and preferences. On balance, returns were positive, although significantly below those recorded in many recent years. Importantly, the U.S. stock market broadened markedly. The average stock and the smaller company stock indexes outperformed the capitalization-weighted benchmarks such as the S&P 500. U.S. stocks registered a total return of 7.24% as measured by the Standard & Poor 500 Stock Index, while the Russell 2000 Stock Index (comprised of the smallest 2000 of the top 3000 companies ranked by market capitalization) returned 14.32%. International stocks, as measured by the MSCI-EAFE Index, provided a very attractive 17.15% total return. The real estate markets continued to show solid income and appreciation. Rising interest rates resulted in poor bond total returns.

TRS successfully met these challenges with a well-diversified investment approach. TRS posted very attractive total returns that handsomely exceeded policy targets. In each asset class level (with the exception of international fixed income), ASPIB's managers exceeded the benchmark returns.

The retirement funds continued to show good performance results for fiscal year 2000. TRS registered a full year return of 10.15%. While the fund's actual return for the fiscal year exceeded the actuarial earnings target of 8.25%, it also comfortably outperformed the policy benchmark target of 8.96%. Over the longer term, fund performance exceeds the returns of the policy benchmark, and funding status continues to well-exceed the funding status of the average pension fund, including funding for future health care obligations not accounted for in many pension fund plans.

The trustees work hard to achieve an asset mix that provides the highest expected return for a given level of risk. Working closely with our dedicated staff in the Department of Revenue and our investment advisors and consultants, we established an investment mix that we believe will provide enhanced returns while maintaining a prudent level of risk. The asset allocation plan adopted by the trustees on March 24, 1999 called for an investment distribution as follows: 41% in domestic equities, 17% in international equities, 30% in domestic fixed income, 5% in international fixed income, and 7% in real estate.

ASPIB represents over 60,000 participants and beneficiaries. The trustees strongly believe that you should be kept well informed about the performance of your retirement funds, and about what we as fiduciaries are doing on your behalf. To this end, we are proud of the ASPIB web site, which can be accessed at http://www.revenue.state.ak.us/treasury/aspib/index.htm. We continue to encourage member participation at our meetings, and welcome your letters and comments.

On behalf of all the trustees, thank you for giving us the opportunity to serve as your fiduciaries.

Gary M. Bader

Gary M. Bader, Chair

ALASKA STATE PENSION INVESTMENT BOARD

Gary M. Bader, Chair

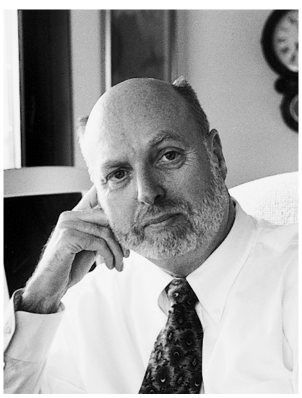
PERS Representative

Gary M. Bader, Chair, was elected by the Public Employees' Retirement System. Mr. Bader has held numerous positions in State government including three years in the Office of Management and Budget and seven years in the Department of Administration, where he was Deputy Commissioner and Director of Retirement and Benefits. He is currently Superintendent of Schools for the Juneau School District. Mr. Bader has a B.S. in Business Administration and a master's degree in Education Administration. He was previously employed with a major Wall Street investment firm where he was licensed with the New York Stock Exchange. Mr. Bader's term expires December 31, 2002.

Jeffrey E. Sinz, Vice Chair

Appointed by the Governor

Jeffrey E. Sinz, Vice Chair, was appointed to the board by Governor Knowles. Mr. Sinz is currently Director of Finance for the Kenai Peninsula Borough. He has over twenty years experience in public sector finance including thirteen years with the Municipality of Anchorage where he was Municipal Accounting Officer, Director of Finance for the Anchorage Telephone Utility, Finance Manager for the Solid Waste Services Utility, and a Senior Budget Analyst for the municipal general government. He also worked for two years as a financial planner and supervisor with the Alaska Railroad Corporation, and for five years as a financial administrator with a Wisconsin public school district. Mr. Sinz currently serves on the Board of Directors for the Kenai Peninsula Economic Development District and the Alaska Municipal League Investment Pool. He has an MBA in Management from the University of Alaska-Anchorage and a BBA in Finance from the University of Wisconsin Eau Claire. Mr. Sinz's term expires December 31, 2000.



William "Riley" Snell, Secretary

Appointed by the Governor

William (Riley) Snell, Secretary, was appointed to the board by Governor Knowles. Mr. Snell has held numerous positions in State government. He served as the Executive Director of the Alaska Industrial Development and Export Authority (AIDEA) from July 1992 until November of 1996 overseeing banking and development programs. Four years prior to the Executive Director position, Riley served as Deputy Director-Development at AIDEA. From 1985 until July 1989 he served as Deputy Commissioner for the Central Region of the Department of Transportation and Public Facilities. Riley possesses over 27 years of experience in State Transportation and Public Facilities Development and Public Financing. Currently Riley is Vice President and General Manager of Cable and Entertainment for General Communications Inc. (GCI). His responsibilities at GCI include CATV product management as well as construction and maintenance of all outside plant facilities for the company. Mr. Snell's term expires December 31, 2002.

Gail R. Schubert

Appointed by the Governor

Gail R. Schubert was appointed to the board by Governor Knowles. She is currently a partner for the law firm of Foster, Pepper, Rubini & Reeves in Anchorage. Her practice includes health care and fisheries issues, tax, estate planning, and corporation law. From 1992 to 1995, Ms. Schubert practiced law at Birch, Horton, Bittner & Cherot, and prior to that, from 1982 to 1992, Ms. Schubert practiced law in New York at the firms of Rogers & Wells, Fried & Frank, Harris, Shriver & Jacobson, and at the Federal Reserve Bank of New York. Ms. Schubert attended the School of Law at Cornell University, the Johnson School of Management (MBA) at Cornell, and Stanford University. She served on Governor Knowles' Fiscal Policy Transition Team, and serves on the Alaska Native Heritage Center, and on the boards of the Bering Straits Native Corporation, Akeela Treatment Services, and the Alaska Native Justice Center. Ms. Schubert's term expires December 31, 2003.

Wilson L. Condon

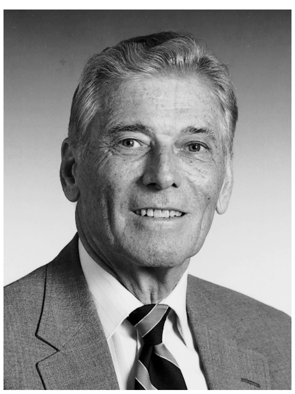
Statutory Representative

Wilson L. Condon was appointed Revenue Commissioner in February 1995. He oversees an agency that has very diverse responsibilities, including tax collection, investing state funds, child support enforcement and distributing permanent fund dividends. He was a partner in a private law firm from 1983-1995. Wilson was lead counsel for the state in a series of oil and gas royalty and tax cases. He served as Attorney General from 1980-1982 and as Deputy Attorney General from 1975-1980. He holds an A.B. Political Science degree and a J.D. degree from Stanford University. As Revenue Commissioner, he also sits on nine boards, including the Board of Trustees of the Alaska Permanent Fund Corporation.

Dorothy Wells

TRS Representative

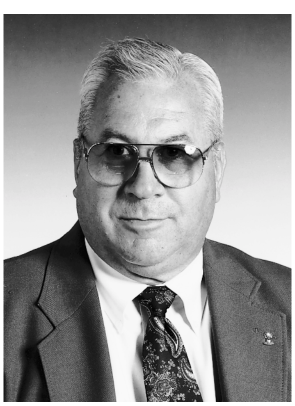
Dorothy Wells was elected by the Teachers' Retirement System. A resident of Alaska for 37 years, Ms. Wells is a retired teacher who taught business education at Eielson Air Force Base, and business classes for the University of Alaska night school program at Eielson. She obtained her undergraduate degree from the University of Minnesota and did graduate work both there and at the University of Alaska-Fairbanks. Ms. Wells served on the Teachers' Retirement Board for 20 years, and is active with NEA-Alaska/Retired. Ms. Wells' term expires December 31, 2001.



Merritt C. Olson

TRS Representative

Merritt C. Olson served as a member of the Teachers' Retirement System Board for 14 years, a portion of that time as Chair. He has been an Alaska resident for 46 years and resides in Anchorage. Appointed by Governor Egan to serve on the committee that organized the Student Loan Fund, he also served as a member of AARP's State Legislative Committee. Now a retired secondary mathematics teacher from the Anchorage schools and adjunct instructor of psychology at Alaska Methodist University and the University of Alaska-Anchorage, Mr. Olson earned his Ph. D. from Rutger's University and was a Fulbright Scholar in 1957-58. He is Past President of NEA-Alaska/Retired and served on the NEA-Retired (national) Advisory Council for six years. Mr. Olson's term expires December 31, 2003.



James "Pat" Wellington

PERS Representative

James "Pat" Wellington was elected by the Public Employees' Retirement System. Mr. Wellington was born in Ketchikan, Alaska and graduated from Douglas High School. He served two years in the U.S. Army and started his law enforcement career with the Seward Police Department in late 1955. He served as Deputy U.S. Marshal, Alaska State Troopers, Chief of Police of Juneau, Deputy Commissioner and Commissioner of the Department of Public Safety, and retired in 1977 as Director of the Alaska State Troopers. Mr. Wellington is also the Chairman of the Public Employees' Retirement Board. He resides in Anchorage. Mr. Wellington's term expires December 31, 2004.

Department of Revenue
Treasury Division
S T A F F

Commissioner
Wilson L. Condon

Deputy Commissioner
Neil Slotnick

Chief Investment Officer
John R. Jenks, CFA

Comptroller
Betty Martin, CPA

ASPIB Liaison Officer
Judy Hall

Investment Officers
Lee Livermore, CFA, Marketable Debt
Bob Mitchell
Steve Sykes
Christine Vea

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

External Money Managers and Consultants

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

Domestic Fixed Income
BlackRock Financial Management, Inc.
New York, NY

Domestic Equity Large Capitalization
Ark Asset Management Co., Inc.
New York, NY
American Express Asset Management Group
Minneapolis, MN
Capital Guardian Trust Co.
Los Angeles, CA
Dresdner RCM Global Investors
San Francisco, CA
Invesco Capital Management, Inc.
Atlanta, GA
McKinley Capital Management, Inc.
Anchorage, AK
Tukman Capital Management, Inc.
San Francisco, CA

Domestic Equity Small Capitalization
Capital Guardian Trust Co.
San Francisco, CA
Dresdner RCM Global Investors
San Francisco, CA
John McStay Investment Counsel
Dallas, TX

Domestic Equity Index Fund
State Street Global Advisors
Boston, MA

Domestic Enhanced Index
Invesco Capital Management, Inc.
New York, NY

Emerging Markets
Capital Guardian Trust Co.
Los Angeles, CA
J.P. Morgan Investment Management, Inc.
New York, NY

Global Equity
Lazard Freres Asset Management
New York, NY

International Equity—EAFE
Bank of Ireland Asset Management (US) Ltd
Santa Monica, CA
Brandes Investment Partners, L.P.
San Diego, CA

External Money Managers and Consultants (con't)

International Equity—European
Citibank Global Asset Management
London, England

International Equity—Pacific Basin EX Japan
Invesco Asia Limited
Hong Kong
Wellington Management Co. LLP
Boston, MA

International Fixed Income
Delaware International Advisers Ltd.
London, England

Private Equity
Abbott Capital Management, L.P.
New York, NY

Performance Measurement
Callan Associates Inc.
Denver, CO

Real Estate Management—Commingled Funds
Heitman Capital Management
Chicago, IL
JP Morgan Investment Management Inc.
New York, NY
Sentinel Real Estate Corporation
New York, NY
USB Realty Investors, LLC
Hartfort, CT

Real Estate—Core Separate Accounts
PM Realty Advisors
Newport Beach, CA
Sentinel Real Estate Corporation
New York, NY
USB Realty Investors, LLC
San Francisco, CA

Real Estate—Value Added Separate Accounts
Invesco Realty Advisors
Dallas, TX
Lowe Enterprises Investment Management Inc.
Los Angeles, CA

Investment Advisory Council
Shlomo Benartzi
Los Angeles, CA
Jerrold Mitchell
Wayland, MA
Timothy O'Brien
Denver, CO

Independent Auditors
KPMG LLP
Anchorage, AK

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

Legal Counsel
Wohlforth, Vassar, Johnson & Brecht
Anchorage, AK

Supplemental Benefits System
Barclays Global Investors, N.A.
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, N.A.
San Francisco, CA
Capital Guardian Trust Company
Los Angeles, CA
T. Rowe Price Investment Services
Baltimore, MD & Glen Allen, VA

Teachers' Retirement System
Investment Report

The Investment Report was prepared by the State of Alaska, Department of Revenue, Treasury Division.

INVESTMENT OVERVIEW

The Alaska State Pension Investment Board's (ASPIB) investments continued to earn double-digit returns for the Teachers' Retirement System (TRS). For Fiscal Year 2000, TRS earned 10.15%, down slightly from 10.67% in Fiscal Year 1999. The annualized return for the last five years was 13.61%, well ahead of the 8.25% actuarial assumption rate.

For FY00, the TRS investment portfolio continued to benefit from the bull market in global equities. For the year, the U.S. equity portfolio earned 10.41% and the international equity portfolio returned 20.59% (versus 16.56% and 14.75%, respectively in FY1999). The U.S fixed-income market rebounded in the last six months of the fiscal year to recover from a poor first half to generate a 4.56% return, up from last year's modest return of 2.28%.

ASPIB continued the systematic increase in TRS' investments in real estate and private equity. The real estate portfolio earned 8.43% for FY00 versus 10.56% in FY99. TRS' private equity investments, while only 2% of the portfolio, came on strong to generate a 49.21% return.

DOMESTIC ECONOMY

The U.S. economy surged during FY00, up 6.1% over FY99, which was itself up 4.1% over FY98. The strong job market gave consumers the confidence to go on a spending binge last year. During FY00, the economy created an average of 251,000 jobs a month compared to 268,000 per month in FY99. Heavy census worker hiring in the spring of this year distorts this number on the high side. Even though the pace of job growth slowed this year, the overall unemployment rate ratcheted down to 4.1% from 4.3% in June of 1999.

The housing sector prospered as the low jobless rate gave people the confidence to build homes. Sales of new homes averaged 897,000 in FY00 up from 800,000 the year before. Sales of existing homes also remained strong and finished the year at 5.1 million units, down from the record pace of 5.5 million units in FY99. Housing prices rose modestly with the median price up 2.4% versus a rise of 4.3% last year. Retail sales had another strong year, up 8.2% versus an increase of 7.8% in FY99.

Even after 10 years of economic growth, inflation remained tame. However, the inflation trend picked up with the Consumer Price Index (CPI) rising 3.7% in FY00 compared to only 2.0% in FY99. The Producer Price Index (PPI) was also higher at 4.3% versus 1.4% last year. Much of those increases are due to the surge in energy prices. Interestingly, the low price for West Texas Intermediate crude in the last twelve months was its closing level on the last day of FY99 of $19.13 per barrel. The high price for the FY00 was $32.47, exactly 12 months later on June 30, 2000. Taking out the surge in energy prices, the core-CPI rose a more moderate 2.4% and the core-PPI was up only 1.4%.

Business activity in the U.S. continued to dominate the world economy. Even with a rebound in Asia and Europe the U.S trade deficit ballooned to $323 billion in FY00, up from $200 billion in FY99. This deficit is just over 3% of the gross national product, up from 2% last year. The strong U.S. dollar helped attract investments from foreign investors in amounts sufficient to fund the trade deficit.

The Federal Reserve reversed its monetary policy from easing during FY99 to one of tightening in FY00. In June of 1999 the Fed raised the overnight funds rate by 0.25%, the first of six rate hikes that eventually took the yield from its initial level of 4.75% to 6.50% at FY00 year end. The last hike was 0.50% on May 16 and the markets have, to date, interpreted this to reflect the end of the Federal

Teachers' Retirement System
Investment Report

Reserves tightening phase. The Fed has been particularly concerned about the tight labor markets in the U.S. and less focused on the rise in oil prices.

EQUITIES

The TRS portfolio continued to benefit from the strong U.S. equity markets, earning a 10.41% rate of return for the fiscal year. The annualized return for the last five years was 20.58%.

As in previous years, large-company growth-oriented managers generated excellent returns relative to those generated by managers with a value mandate for large companies. Small-company growth-oriented managers also provided excellent returns to the pension funds, rebounding from FY99. For the year, the median large-company growth manager earned 22.7% and the average large-company value manager lost -7.5%. The same story was true in smaller capitalization companies with median returns of 54.1% for growth-oriented managers and only 1.0% median results for those invested in value-oriented companies

Returns for international managers were strong across most major regions. Pacific Basin median manager returns were north of 21% and European managers earned close to 22%. Those invested in Japanese stocks had an excellent year with the median managers returning over 36%. For the year, the median core-international equity manager gained 21.2%, handily beating the Morgan Stanley EAFE Index return of 17.2%

As for TRS, its international equity portfolio earned just slightly less than the median manager with a return of 20.59%. The annualized return for the past five years was 13.82%.

FIXED INCOME MARKET

The domestic fixed-income portfolio represented approximately 25% of the total assets of TRS as of June 30, 2000. The fixed-income portfolio uses a core-oriented strategy investing in U.S. Treasury securities, U.S. government agency securities, investment-grade corporate bonds, and mortgage-backed securities. On April 1, 2000, the benchmark for the TRS bond portfolio was changed from the Lehman Brothers Government/Corporate index to the Lehman Brothers Aggregate Bond Index.

FY00 started out with a positive tone after surviving the events that roiled the domestic and international bond markets during FY99. In the fall of 1998, fixed income markets were impacted by currency devaluations in Asia and Russia. Exacerbating the crisis was the near-demise of hedge fund manager Long Term Capital Management. These events caused volatility to increase in the fixed-income markets and took corporate, high-yield, and emerging market bond spreads to historical wides.

To combat those financial problems, the Federal Reserve lowered interest rates three times during the first half of FY99. This and other worldwide intervention helped re-establish the growth path of the global economy. The strength of the domestic economy was such that by the last day of FY99, the Fed began a program of raising rates. Over the course of FY00, the Fed ratcheted up the overnight funds rate six times taking it from 4.75% to 6.50%.

FY00 was a particularly interesting year for the bond markets because of the numerous crosscurrents. As mentioned, monetary policy was restrictive with the Federal Reserve raising interest rates. On the other hand, due to the budget surplus, the U.S. Treasury was issuing fewer bonds than were maturing and was even buying back some securities in the open market. The idea that the government might actually pay off the national debt pushed down the yields of longer Treasury securities at the same time that Fed policy was pushing up the yields on shorter notes. This caused the Treasury curve to invert for the first time since 1989. At its peak inversion for FY00, the 2-year Treasury note was yielding 75 basis points more than the 30-year Treasury bond.

Teachers' Retirement System
Investment Report

The other important crosscurrent was the divergence between yields for U.S. Treasuries and those for agency, corporate and mortgage bonds. In the second half of FY00, the yields on U.S Treasury securities came down while the yields of other sectors held steady or increased slightly. With projected budgets surpluses mounting into the trillions of dollars, investors behaved like the U.S. Treasury debt market was going to disappear. U.S. Treasuries became disconnected from the other sectors of the bond market and were the best performing sector in FY00

Strong bond portfolio results during the second half of FY00 (4.36%) combined with virtually flat performance for the first half (0.14%) to generate a moderate 4.56% fiscal year return for TRS.

The international fixed-income portfolio represented just under 5% of the total assets of TRS. During FY00, the international bond portfolio had a loss of –3.27%, compared to a gain in the Salomon Brothers Non U.S. Government Index of 2.41%. The strength of the U.S. economy and the dollar made it hard going for international fixed-income markets in FY00. Global economies continued to recover but the specter of higher oil prices began to weigh heavily upon the outlook, particularly for the Asian countries.

The Euro continued to struggle in FY00. Introduced at the end of calendar year 1998, the Euro slid 13% against the U.S. dollar in its first six months of existence. During FY00 the Euro fell from $1.0351 to $0.9525, another drop of 8%. The low point was reached in May at $0.8895. The European Central Bank has been forced to raise rates to support the Euro and combat the inflation that comes with a weak currency.

PRIVATE MARKETS (REAL ESTATE AND PRIVATE EQUITY)

In FY 2000, TRS Real Estate and Private Equity investments increased by 75.2% to $332.4 million. The funded and committed positions in both programs are over 50% of the combined TRS target allocation of 11%. The characteristics of these investments offer attractive risks and returns, and help to diversify the total TRS portfolio.

Real Estate

At the end of FY 2000, TRS had 5.5% of its portfolio invested in real estate, compared to a target level of 8%. During the year, two new Separate Account Managers were added, one investing in "core properties" and the other in "value enhanced properties." The real estate portfolio is well diversified in terms of property type and geography.

Total returns for FY 2000 were slightly ahead of expectations. The nature of the Separate Account Program provides a higher percentage of cash returns in earlier years, and cash and appreciation during latter years as the properties mature. For FY 2000, the total return for real estate, net of fees, was 8.43%. The three-year and five-year returns were 11.95% and 11.36%, respectively.

Real estate fundamentals remain good, with demand and supply in relative balance. Reflecting better information gathered by the real estate community about current occupancy and rents, industry observers anticipate modest increases in the national supply of office buildings, shopping centers, industrial buildings and apartments, over the next few years. Assuming that the economy continues to be healthy, thus causing growth in demand for space, real estate fundamentals would remain favorable. However, the supply of funds seeking real estate investment has grown to the point where too many dollars are competing for too few projects. The resulting increase in the pricing of existing properties has reached levels where the purchase of these projects may not produce targeted investment returns. Thus, it is anticipated that ASPIB's future commitment level may decline moderately as the Fund becomes more selective in real estate investments.

Teachers' Retirement System
Investment Report

Private Equity

At year-end FY 2000, TRS investment in private-equity limited partnerships was 1.9% of its' total portfolio, compared to a long-term target of 3.0%. TRS mandate is to invest in private-equity limited partnership interests in professionally managed private-equity funds (Venture Capital, Leveraged Buyouts, Restructuring, Special Situations, Subordinated Debt and International). As of 6/30/00, the cost of TRS investment was $86.8 million, an increase of 286.1% from the prior year-end level. For FY 2000, Private Equity had a total return of 49.2%, led by returns in Venture Capital and Special Situations. The portfolio is well diversified by type of investment and by type of company.

TRS investment history in Private Equity is now two and one half years old. The portfolio is designed to provide superior long-term returns from these investments. However, the returns from Private Equity are expected to be somewhat volatile, especially in the earlier years of the program, due to the nature of the investment and accounting conventions to measure the performance of the investments. In early years, an investment might well show negative returns because the investment may be in start up companies where capital investment is high and operating losses can occur. As the companies mature, profitability should be achieved and grow, thus increasing the value of the company and the TRS investment. This type of investment profile is often referred to as the "J curve effect."

A factor affecting the future of the Private-Equity market has been a sharp increase in the amount of institutional capital seeking the attractive returns expected for this type of investment. The net result is increased competition for the best investment opportunities and a possible reduction in anticipated investment returns. However, many institutions have or are reaching their allocation level for Private Equity, which could ameliorate this condition. A second factor, the volatility of the NASDAQ market in the year 2000, could affect total returns as investors reduce their anticipated returns for dot.com and technology companies. Despite these factors, the outlook for attractive returns in Private Equity remains good.

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

	1996	1997	1998	1999	2000	Annualized 3 Year	Annualized 5 Year
Total Fund							
TRS	14.35%	18.12%	14.83%	10.67%	10.15%	11.87%	13.61%
Actuarial Earnings Rate	8.00%	8.25%	8.25%	8.25%	8.25%	N/A	N/A
U.S. Common Stock Returns							
TRS Domestic Equities	25.13%	27.43%	24.21%	16.56%	10.41%	16.93%	20.58%
S&P 500	26.14%	34.66%	30.27%	22.76%	7.24%	19.67%	23.80%
International Stock Returns							
TRS International Equities	15.78%	18.47%	.66%	14.75%	20.59%	11.68%	13.82%
Morgan Stanley Capital International EAFE	13.28%	12.84%	6.10%	7.62%	18.11%	9.46%	11.12%
Domestic Fixed Income							
TRS	4.57%	7.96%	11.52%	2.28%	4.56%	6.05%	6.13%
*Lehman Brothers Aggregate Index**	4.65%	7.76%	11.28%	2.69%	1.69%	6.79%	7.13%
International Fixed Income							
TRS	-	-	.36%	5.27%	(3.27)%	.73%	-
Salomon Non-U.S. Government	-	-	.89%	4.87%	2.42	-	-
Real Estate Equity							
TRS	7.68%	13.37%	16.99%	10.56%	8.44%	11.95%	11.36%
NCREIF	9.57%	11.29%	17.21%	11.24%	11.61%	13.93%	12.10%

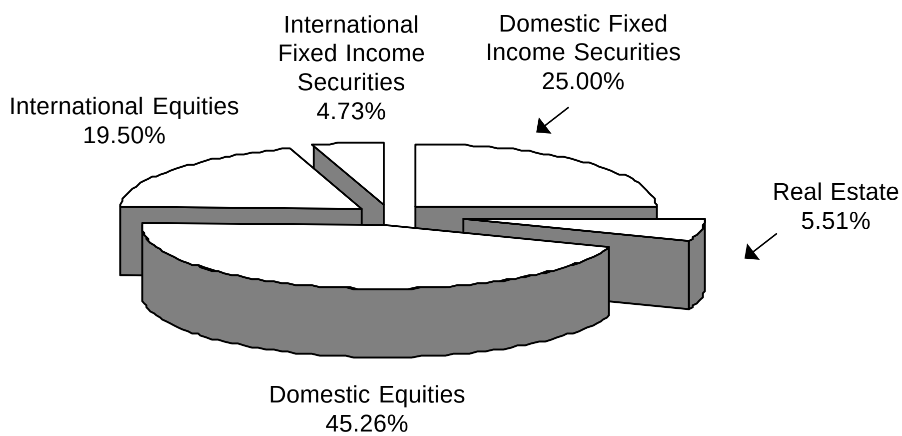
S&P 500 = Standard & Poor's Domestic Equity Stock Index
EAFE = Europe, Australia, and Far East Stock Index
NCREIF = National Council of Real Estate Investment Fiduciaries Index

The calculation of investment results were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards.

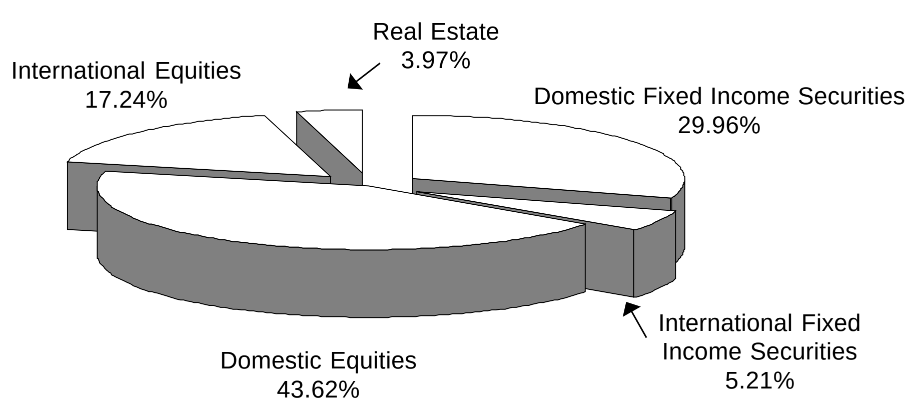
**Lehman Brothers Government/Corporate Index prior to 3/31/2000.*

Teachers' Retirement System
Actual Asset Allocation

June 30, 2000



June 30, 1999



Alaska State Pension Investment Board
Top Ten Holdings by Asset Type
June 30, 2000

Invested assets under the fiduciary responsibility of the Alaska State Pension Investment Board (ASPIB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created nine different mutual fund-like pools to accomplish the investment asset allocation policies of the ASPIB. 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. Treasury can thus increase the return on funds not needed for daily cash operations. Second, pooling investments significantly reduces accounting, budgeting and administrative costs. Finally, the ASPIB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Following are the 10 largest holdings of the four major pools by asset type.

	Rank	Fair Value	Security	Coupon	Due	Credit Rating
Domestic Fixed Income	1	154,350,400	Federal National Mtg Assn.	7.000%	7/31/30***	AAA
	2	140,204,550	U.S. Treasury Bond	8.125%	8/15/21	AAA
	3	122,914,000	U.S. Treasury Bond	10.375%	11/15/12	AAA
	4	100,913,840	Fed Home Loan Mtg Corp.	6.500%	7/31/30***	AAA
	5	97,609,000	Federal National Mtg Assn.	6.500%	7/31/30***	AAA
	6	93,953,000	Federal National Mtg Assn.	5.125%	2/13/04	AAA
	7	88,961,050	U.S. Treasury Bond	8.750%	5/15/17	AAA
	8	87,730,500	U.S. Treasury Bond	12.000%	8/15/13	AAA
	9	68,578,500	Federal National Mtg Assn.	6.000%	7/31/30***	AAA
	10	61,374,219	Gov Nat Mortgage Assn.	6.500%	6/15/30	AAA
International Fixed Income	1	71,844,325	German Federal Republic	4.000%	7/4/09	AAA
	2	59,988,497	German Federal Republic	6.000%	1/4/07	AAA
	3	49,937,692	Netherlands	8.75%%	9/15/01	AAA
	4	46,707,247	Spain	5.150%	7/30/09	AA2
	5	39,850,460	German Federal Republic	6.500%	7/15/03	AAA
	6	37,407,338	New Zealand	8.000%	11/15/06	AAA
	7	31,175,230	Republic of Italy	4.500%	5/1/09	AA3
	8	24,551,860	Netherlands	5.750%	2/15/07	AAA
	9	23,599,700	Australia Commonwealth	6.750%	11/15/06	AAA
	10	22,901,270	New Zealand	7.000%	7/15/09	AAA**
Domestic Equities	1	144,001,000	General Electric Co.			
	2	110,038,181	Intel Corp.			
	3	96,302,178	American Intl Group Inc.			
	4	94,920,000	Microsoft Corp.			
	5	91,185,600	Pfizer, Inc.			
	6	85,618,688	Cisco Sys, Inc.			
	7	76,673,933	Exxon Mobil Corp.			
	8	74,708,614	Citigroup Inc.			
	9	73,402,725	Wal Mart Stores Inc.			
	10	60,688,750	American Home Products			
International Equities	1	88,048,127	Emerging Markets Growth Fund*			
	2	62,171,410	MGT Emerging Markets Equity Fund*			
	3	57,827,895	ING Groep NV			
	4	46,862,088	Vodafone Airtouch			
	5	46,013,932	Total Fina Elf			
	6	42,639,177	Alcatel			
	7	42,054,156	Hitachi			
	8	32,738,278	Diageo			
	9	32,564,362	Nestle SA			
	10	28,938,474	Allied Zurich			

* The PERS and TRS retirement trust funds hold an equity share in the Emerging Markets Equity Pool.

** Standard and Poor's rating.

*** Pending purchases in 30 year mortgage pools in which specific securities are not yet issued. Maturity date may vary based upon actual pools purchased.

Teachers' Retirement System
Schedule of Investment Management Fees
Year Ended June 30, 2000

	Fair Value of Pooled Assets Under Management of all Retirement Funds in Pool as of June 30, 2000	Fees
External Management Fees		
Domestic Fixed		
BlackRock	$ 133,058,944	$ 103,309
International Fixed		
Delaware	613,491,292	269,802
Alaska Retirement Fixed Income		
State Street Global Advisors	3,287,777,805	118,725
Domestic Equity		
American Express Asset Management*	-	195,110
Ark Asset Management*	-	337,324
Capital Guardian Trust	1,183,524,557	761,179
Invesco	474,177,958	443,716
Invesco Enhanced	328,015,562	49,000
John McStay	381,557,695	762,881
McKinley Capital	324,886,912	317,098
Dresdner RCM	1,062,476,891	1,117,539
State Street Global Advisors	1,152,586,305	87,357
Tukman	359,853,189	176,136
Total	5,267,079,069	4,247,340
Alternative Investments		
Abbott Capital	251,556,716	267,849
International Equity		
Bank of Ireland	569,119,393	559,131
Brandes	674,098,039	787,610
Citibank	313,770,804	514,503
Invesco	111,501,065	208,145
Wellington	134,360,009	219,325
Total	1,802,849,310	2,288,714
Global Equity		
Lazard	1,066,353,897	1,166,026

*Inactivated on April 1, 2000

Teachers' Retirement System
Schedule of Investment Management Fees
Year Ended June 30, 2000

	Fair Value of Pooled Assets Under Management of all Retirement Funds in Pool as of June 30, 2000 (con't)	Fees (con't)
Other Management Fees		
Emerging Market		
Capital Guardian Trust	$ 88,048,127	$ 171,029
JP Morgan	62,176,728	211,149
Total	150,224,855	382,178
Total External Management Fees	**$12,572,391,888**	8,843,943
Custodian		
State Street Corporation		372,676
Investment Advisory		
Callan Associates		25,620
Investment Advisory Council		24,173
The Townsend Group		40,250
Total		90,043
Investment Performance Measurement		
Callan Associates		52,836
Total Other Management Fees		515,555
Total Investment Management Fees		**$ 9,359,498**

Teachers' Retirement System
Investment Summary Schedule
June 30, 2000

	Asset Allocation Policy	Asset Allocation Range	Market Value	% of Asset Class	% of Total Assets
Participation in Pools Owning Fixed Income Securities					
Domestic					
Short-Term Fixed Income Pool			$ 612,422	0.05%	0.01%
Retirement Fixed Income Pool			1,070,522,653	95.94%	23.99%
External Domestic Fixed Income Pool			44,696,899	4.01%	1.00%
Total Domestic Fixed Income	30%	20-40%	1,115,831,974	**100.00%**	25.00%
International					
International Fixed Income Pool	5%	2-8%	210,946,463	**100.00%**	4.73%
Total Fixed Income Securities	**35%**	**22-48%**	**1,326,778,437**		**29.73%**
Participation in Pools Owning Domestic Equities					
Small cap[1] and Alternative Investments					
In Domestic Equity Pool			521,260,605	25.80%	11.68%
In Private Equity Pool			86,790,330	4.30%	1.94%
Total Small Cap Domestic Equities and Alternative Investment	12%	9-15%	608,050,935	30.10%	13.62%
Large cap					
In Domestic Equity Pool-active			911,328,150	45.11%	20.42%
In Domestic Equity Pool-passive			500,706,157	24.79%	11.22%
Total Large Cap Domestic Equities	29%	24-34%	1,412,034,307	69.90%	31.64%
Total Domestic Equities	**41%**	**33-49%**	**2,020,035,242**	**100.00%**	**45.26%**
Participation in Pools Owning International Equities					
International Equity Pool			817,453,781	93.96%	18.32%
Emerging Markets EquityPool			52,581,338	6.04%	1.18%
Total International Equities	**17%**	**13-21%**	**870,035,119**	**100.00%**	**19.50%**
Participation in Real Estate					
Mortgages, net of allowances			530,438	0.22%	0.01%
Real Estate Pool			245,623,161	99.78%	5.50%
Total Real Estate	**7%**	**4-10%**	**246,153,599**	**100.00%**	**5.51%**
Total Invested Assets	**100%**		**$ 4,463,002,397**		**100.00%**

[1] Includes only securities held by those managers with small cap mandates. Does not include small cap holdings.

Teachers' Retirement System
Credit Risk of Investments
Pension Trust Funds
(Expressed in Thousands)
June 30, 2000

	Category 1	Category 2	Category 3	Fair Value
Marketable debt securities				
Domestic fixed income	$ 1,115,220			1,115,220
International fixed income	210,946			210,946
Equity securities				
Domestic equities	1,933,295			1,933,295
International equities	817,454			817,454
Emerging market equities	-	52,581	-	52,581
	$ 4,076,915	**$ 52,581**	**$ -**	4,129,496
Not Categorized				
Cash and cash equivalents				612
Venture capital limited partnerships				86,790
Real estate equities				245,623
Mortgage-related assets				531
Total investments not categorized				333,556
Total investments				**4,463,052**

The Governmental Accounting Standards Board (GASB) Statement No. 3 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the Fund's deposits or securities fails. Deposits and those investments represented by specific, indentifiable securities are classified into three categories of credit risk: Category 1 - Insured or registered, or securities held by the State or its custodian in the State's name; Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State's name. Category 1 is the highest level of safekeeping securities as defined by GASB.

The Fund's investments other than mortgage-related assets are represented by participation in investment pools rather than specific, identifiable securities. Although pooled investments represent the Fund's share of ownership in the pool rather than ownership of specific securities, all of the underlying securities in the pools in which the Fund participates are considered to be Category 1 as defined by GASB Statement No. 3, except: (A) investments in the mutual fund-like Emerging Markets Equity Pool which are considered to be Category 2, and (B) shares in the Private Equity Pool and the Real Estate Equity Pool which, like the Fund's mortgage-related assets, are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

Alaska State Pension Investment Board
Recaptured Commission Fees Received in FY00

	Domestic Equity	International Equity	Total
PERS	$ 1,028,971	560,471	1,589,442
TRS	529,910	288,961	818,871
Judicial	6,677	5,341	12,018
Military	1,400	631	2,031
Total	**$ 1,566,958**	**855,404**	**2,422,362**

The Alaska State Pension Investment Board (ASPIB) entered into a commission recapture program in late June 1995 with three large block brokerage firms. A commission recapture program is a form of directed brokerage that allows the plan sponsor to "recapture" a portion of commission dollars paid to broker-dealer firms for executing trades. In June 1995, the large capitalization domestic equity managers were asked to participate in the program targeting 20% of their trading value. The equity managers were asked to consider best execution first and foremost, but encouraged to participate in the commission recapture program when possible. In July 1996, ASPIB raised the level of elective participation for the large capitalization domestic equity managers from 20% to 30% of total trading activity. At that time ASPIB also requested that small capitalization managers participate in the commission recapture program when the opportunity was available to them.

In January 1998, the Alaska State Pension Investment Board (ASPIB) augmented its commission recapture program to include external managers that conduct international equity trades. As a result, a portion of the commission recapture payments received since January have resulted from international equity trades.

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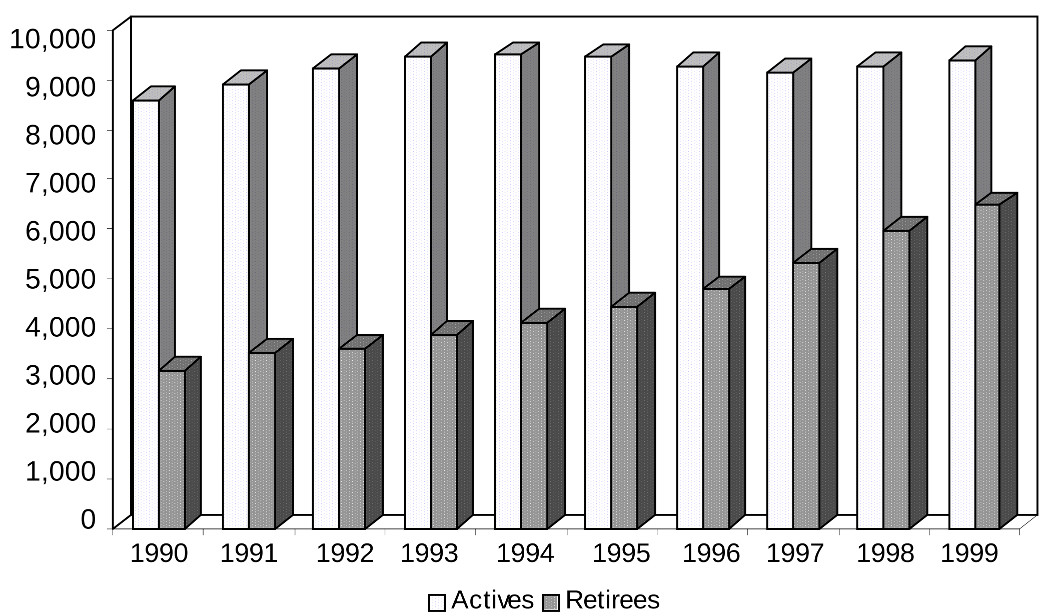
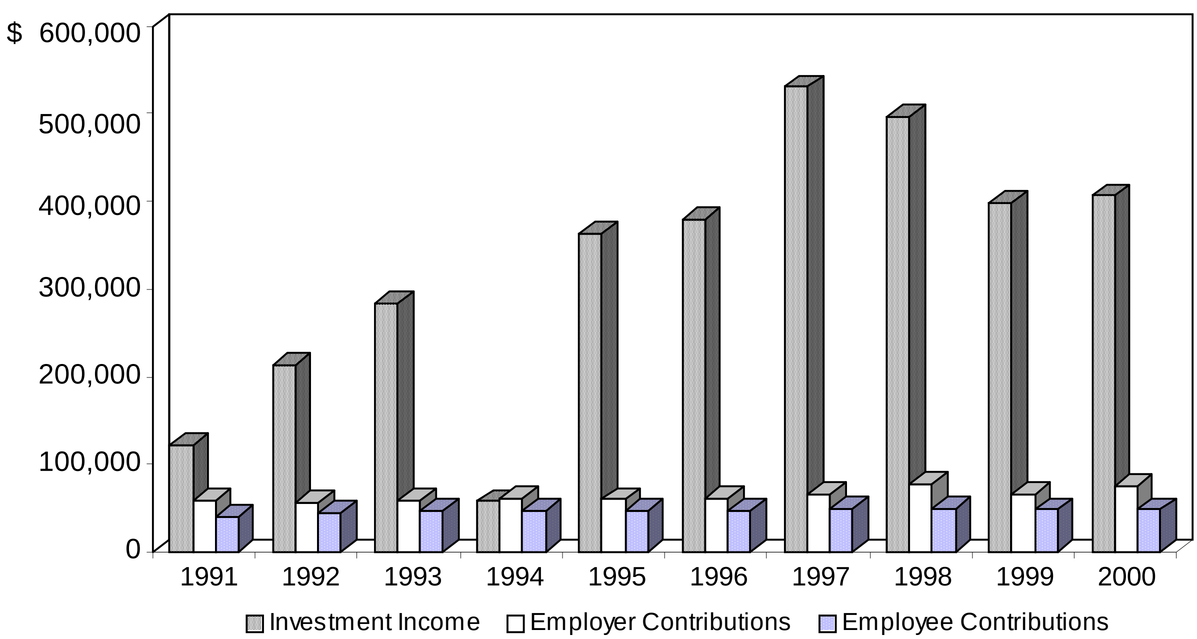
Teachers' Retirement System System Membership by Status					
Year	**Active**	**Retirees & Beneficiaries**	**Vested Terminations**	**Nonvested Terminations w/Balance**	**Total**
1990	8,586	3,184	816	985	13,571
1991	8,903	3,544	645	1,003	14,095
1992	9,238	3,602	710	1,057	14,607
1993	9,459	3,891	823	1,013	15,186
1994	9,489	4,134	930	1,090	15,643
1995	9,452	4,459	859	1,140	15,910
1996	9,259	4,803	1,116	1,195	16,373
1997	9,164	5,343	1,279	1,310	17,096
1998	9,262	5,979	1,064	1,285	17,590
1999	9,396	6,486	1,150	1,297	18,329

TEACHERS' RETIREMENT SYSTEM
10-YEAR COMPARISON OF ACTIVE AND RETIRED MEMBERS



Teachers' Retirement System Revenues by Source (000s omitted)						
Year ended June 30	**Employee Contributions**	**Employer Contributions**	**Investment Income**	**Other**	**Total**	**Employer contribution as a % of annual covered payroll**
1991	$ 40,059	$ 57,982	$122,849	$ -	220,890	14.10
1992	44,338	57,071	212,752	-	314,161	12.40
1993	46,497	58,130	283,576	26	388,229	12.20
1994	47,904	60,490	57,683	(30)	166,047	11.70
1995	47,477	60,018	363,645	(6)	471,134	12.08
1996	47,980	61,162	379,312	27	488,481	13.29
1997	49,581	66,347	530,568	-	646,496	13.23
1998	50,056	77,782	496,990	10	624,838	15.28
1999	48,302	66,266	397,499	1	512,068	14.25
2000	48,505	74,714	406,609	-	529,828	16.02

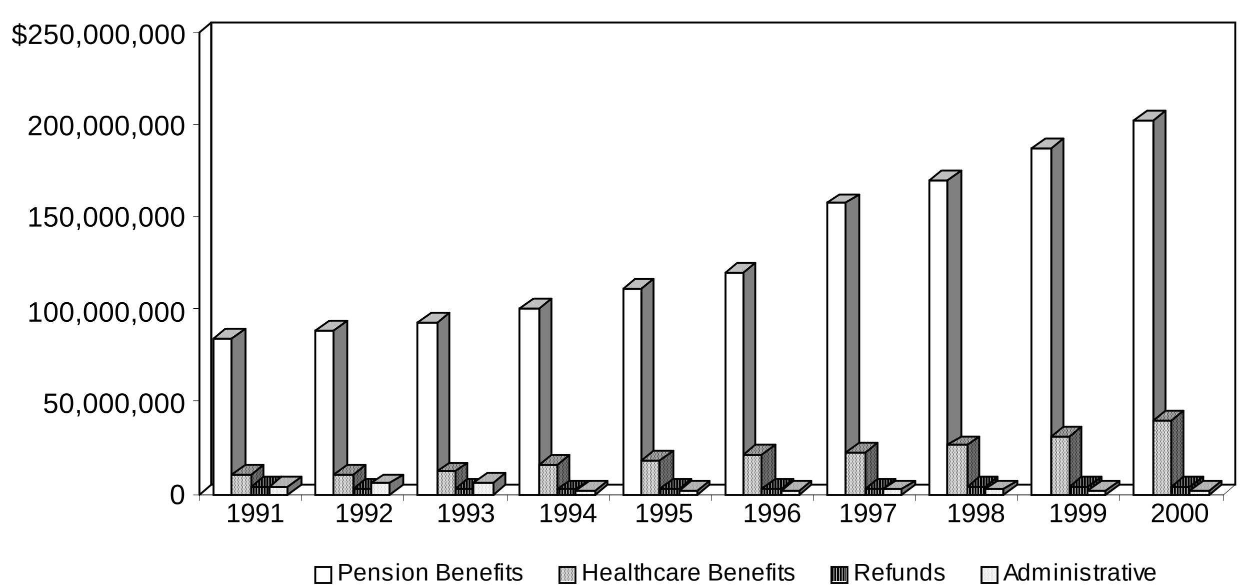
TEACHERS' RETIREMENT SYSTEM
10-YEAR COMPARISON OF REVENUES BY SOURCE



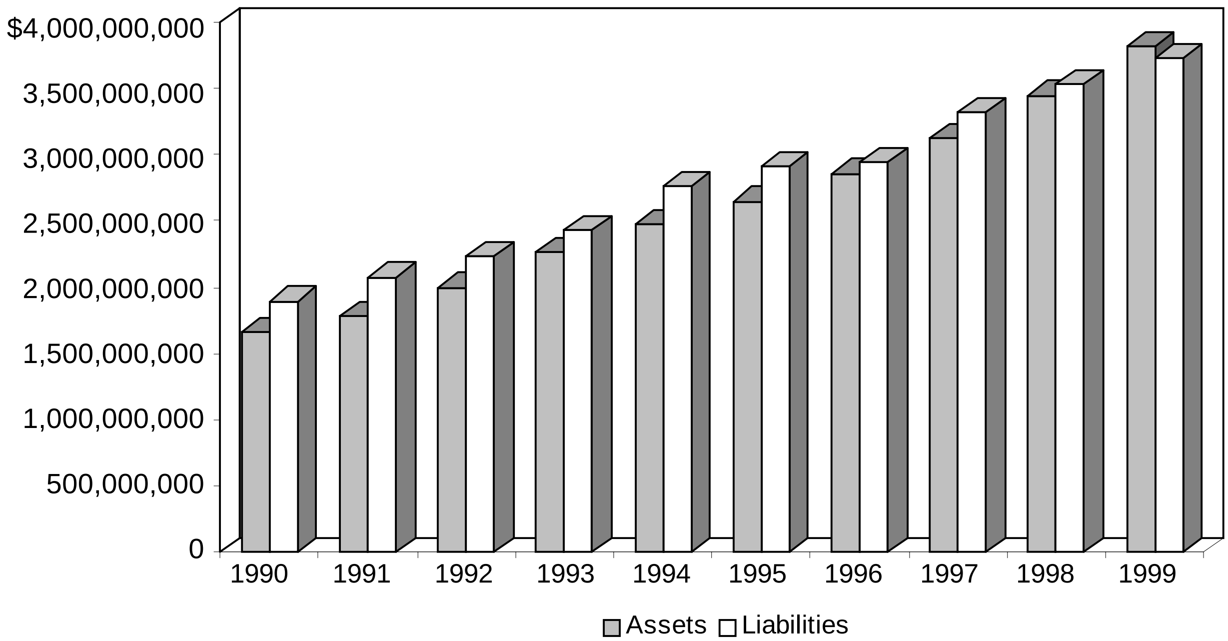
Teachers' Retirement System Expenses by Type (000s omitted)					
Year ended June 30	**Pension Benefits**	**Healthcare Benefits**	**Refunds**	**Administrative Expenses***	**Total**
1991	$ 84,443	$10,654	$ 3,510	$ 3,966	$102,573
1992	88,648	10,111	2,641	5,612	107,012
1993	92,703	12,089	2,448	6,424	113,664
1994	100,767	15,725	2,258	2,081	120,831
1995	111,498	18,264	2,819	1,821	134,402
1996	119,949	21,655	2,629	2,055	146,288
1997	157,567	22,653	2,626	2,223	185,069
1998	169,831	26,123	3,489	2,231	201,674
1999	187,085	30,987	3,490	1,722	223,284
2000	202,927	40,183	4,118	1,717	248,945

*For all years prior to FY94, administrative expenses include investment expenses. Separate accounting of investment expenses since FY94 is due to a new accounting system.

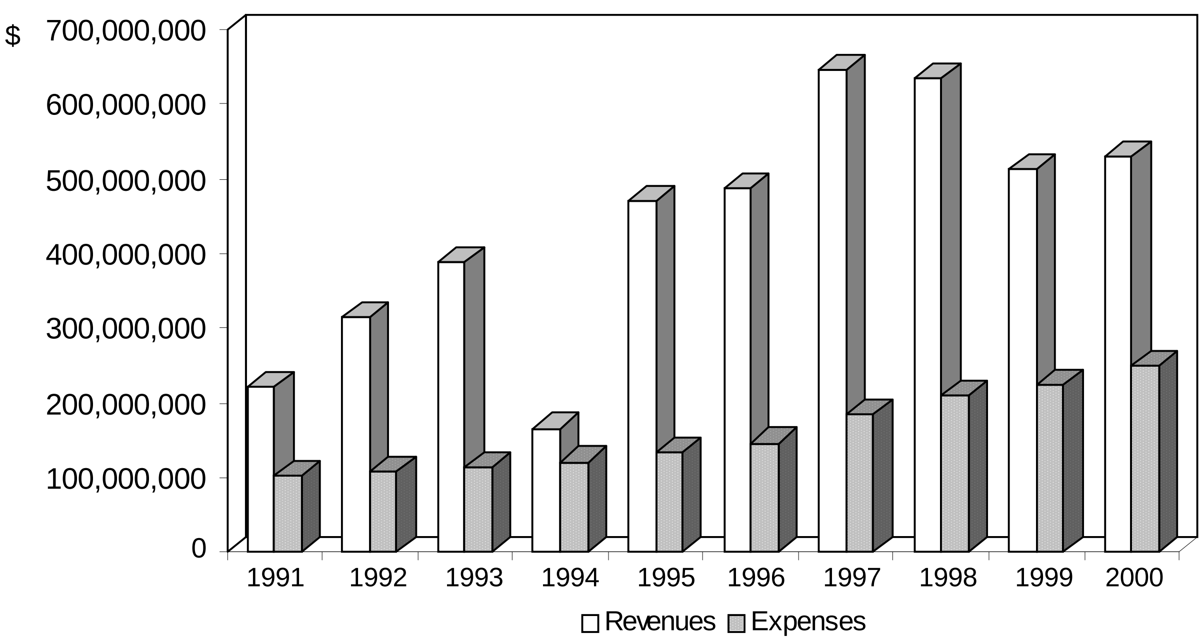
TEACHERS' RETIREMENT SYSTEM
10-YEAR COMPARISON OF EXPENSES BY TYPE



TEACHERS' RETIREMENT SYSTEM
10-YEAR COMPARISON OF VALUATION ASSETS AND ACCRUED LIABILITIES



TEACHERS' RETIREMENT SYSTEM
10-YEAR COMPARISON OF REVENUES AND EXPENSES



Teachers' Retirement System
Schedule of Benefit Expenses by Type
(000s omitted)

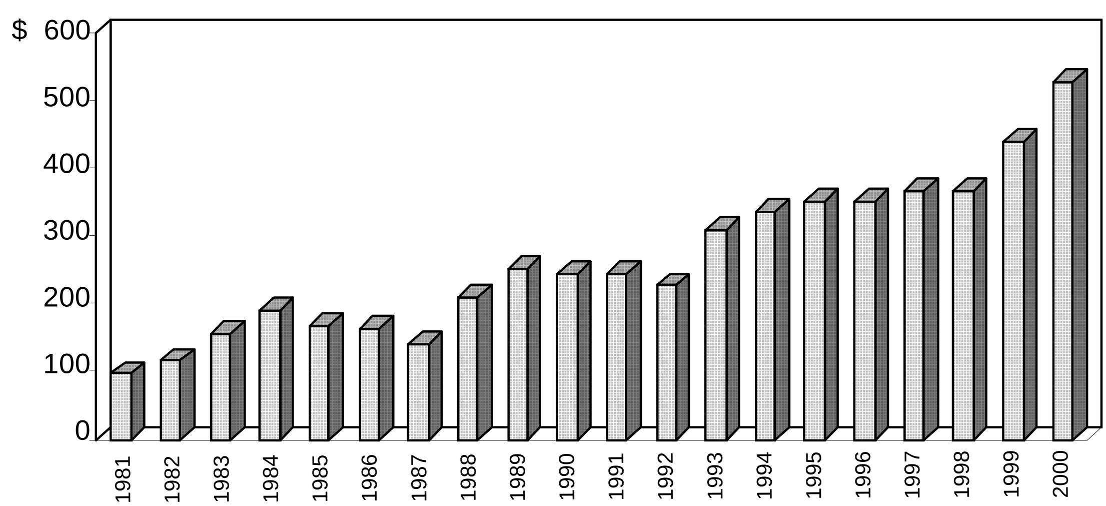
Fiscal Year	Service	Disability	Survivor	Dependent[1]	COLA[2]	PRPA[3]	Healthcare	Total
1991	$65,275	$2,324	$1,532	-	$4,663	$10,649	$10,654	$ 95,097
1992	67,502	2,451	1,668	-	4,584	12,443	10,111	98,759
1993	70,478	2,500	1,929	-	4,638	13,158	12,089	104,792
1994	76,735	2,579	2,260	-	4,991	14,202	15,725	116,492
1995	85,933	2,546	2,513	-	5,642	14,864	18,264	129,762
1996	93,089	2,798	2,618	-	6,082	15,362	21,655	141,604
1997[1]	147,259	3,943	6,322	43	-	-	22,653	180,220
1998	160,409	3,693	5,691	38	-	-	26,123	195,954
1999	176,830	3,775	6,384	96	-	-	30,987	218,072
2000	191,138	4,601	7,059	129	-	-	40,183	243,110

(1) Due to the implementation of a new computer system, COLA and PRPAs can now be combined with the appropriate base benefit and dependent benefits can be separated from survivor and disability benefits.

(2) Cost-of-Living in Alaska (COLA)

(3) Post-Retirement Pension Adjustment (PRPA)

TEACHERS' RETIREMENT SYSTEM
20-YEAR COMPARISON OF RETIREE MONTHLY HEALTH INSURANCE PREMIUMS



Teachers' Retirement System
Schedule of Retired Members by Type of Retirant and Option Selected
June 30, 1999

Amount of Monthly Benefit	Number of Retirees	Type of Retirement 1	Type of Retirement 2	Type of Retirement 3	Option Selected # Opt. 1	Opt. 2	Opt. 3	Opt. 4
$ 1 - $ 300	74	58	16	0	49	12	12	1
301 - 600	235	154	81	0	174	26	25	10
601 - 900	398	308	90	0	287	56	39	16
901 - 1200	414	322	90	2	300	72	33	9
1201 - 1500	432	371	60	1	317	62	43	10
1501 - 1800	428	376	51	1	340	48	35	5
1801 - 2100	590	552	25	13	464	56	60	10
2101 - 2400	723	682	18	23	561	90	56	16
2401 - 2700	723	692	10	21	554	83	76	10
2701 - 3000	696	672	4	20	566	66	54	10
3001 - 3300	534	516	2	16	441	40	46	7
3301 - 3600	403	395	2	6	337	29	28	9
3601 - 3900	268	260	2	6	216	25	23	4
over 3900	568	566	0	2	485	40	30	13
Total	**6,486**	**5,924**	**451**	**111**	**5,091**	**705**	**560**	**130**

Type of Retirement

1 - Normal retirement
2 - Survivor payment
3 - Disability retirement

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

Teachers' Retirement System Schedule of Average Benefit Payments
New Retirees

	Years of Credited Service 0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/93 - 6/30/94:							
Average Monthly Benefit	$ 1,161	$ 576	$1,151	$1,605	$2,354	$3,176	$3,685
Number of Active Retirants	7	11	35	24	107	72	24
Period 7/1/94 - 6/30/95:							
Average Monthly Benefit	$ 1,204	$ 748	$1,033	$1,716	$2,398	$3,041	$3,958
Number of Active Retirants	7	22	47	36	129	89	38
Period 7/1/95 - 6/30/96:							
Average Monthly Benefit	$ 952	$ 836	$1,145	$1,731	$2,389	$3,138	$3,317
Number of Active Retirants	15	24	40	31	115	86	30
Period 7/1/96 - 6/30/97:							
Average Monthly Benefit	$ 996	$ 828	$1,042	$1,692	$2,493	$3,353	$3,812
Number of Active Retirants	19	42	71	77	151	153	52
Period 7/1/97 - 6/30/98:							
Average Monthly Benefit	$ 1,051	$ 850	$1,095	$1,842	$2,590	$3,443	$4,280
Number of Active Retirants	26	51	80	105	240	154	57
Period 7/1/98 - 6/30/99:							
Average Monthly Benefit	$ 1,230	$ 820	$1,152	$1,691	$2,510	$3,285	$3,756
Number of Active Retirants	23	43	67	81	176	153	55

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

Teachers' Retirement System
Participating Employers

Alaska Department of Education
Alaska Gateway School District
Alaska, University of
Alaska Geophysical Institute, University of
Alaska State Legislature
Aleutian Region School District
Aleutians East Borough School District
Anchorage School District
Annette Island School District

Bering Strait School District
Bristol Bay Borough School District

Chatham School District
Chugach School District
Copper River School District
Cordova Public Schools
Craig City School District

Delta-Greely School District
Denali Borough School District
Dillingham City School District

Fairbanks North Star Borough School District

Galena City School District

Haines Borough School District
Hoonah City School District
Hydaburg School District

Iditarod Area School District

Juneau School District, City and Borough of

Kake City School District
Kashunamuit School District
Kenai Peninsula Borough School District
Ketchikan Gateway Borough School District
Klawock City School District
Kodiak Island Borough School District
Kuspuk School District

Lake and Peninsula School District
Lower Kuskokwim School District
Lower Yukon School District

Matanuska-Susitna Borough School District

National Education Association - Alaska
Nenana Public Schools
Nome Public School
North Slope Borough School District
Northwest Arctic Borough School District

Pelican School District
Petersburg Public Schools
Pribilof School District

Saint Mary's School District
Sitka School District
Skagway City School District
Southeast Island School District
Southeast Regional Resource Center
Southwest Region Schools
Special Education Service Agency

Tanana City School District

Unalaska School District

Valdez City Schools

Wrangell Public Schools

Yakutat City School District
Yukon Flats School District
Yukon-Koyukuk School District
Yupiit School District

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