Alaska

Teachers' Retirement System

Defined Benefit Retirement Pension, Post Employment Healthcare Plan, and Defined Contribution Retirement Pension Trust Fund

A component unit of the State of Alaska

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

Sarah Palin, Governor

TEACHERS' RETIREMENT SYSTEM

Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2007

Sarah Palin, Governor

Prepared by

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Annette Kreitzer, Commissioner
Pat Shier, Director

Located at: 333 Willoughby Avenue
State Office Building, 6th floor
Toll-Free 800-821-2251 or in Juneau (907) 465-4460
www.state.ak.us/drb

This page intentionally left blank.

The Alaska Department of Administration complies with Title II of the 1990 Americans with Disabilities Act. This publication is available in alternative communication formats upon request. To make necessary arrangements, contact the ADA Coordinator for the Alaska Division of Retirement and Benefits at (907) 465-4460 or the TDD for the hearing impaired at (907) 465-2805.

TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal 1
Certificate of Achievement for Excellence in Financial Reporting 6
Organization Chart 7
Section Responsibilities and Professional Consultants 8
Alaska Retirement Management Board 9

Financial Section

Independent Auditors' Report 11
Management's Discussion and Analysis 13
Basic Financial Statements
  Statements of Plan Net Assets 22
  Statements of Changes in Plan Net Assets 24
  Notes to Financial Statements
    Note 1 - Description 26
    Note 2 - Summary of Significant Accounting Policies 33
    Note 3 - Investments 35
    Note 4 - Foreign Exchange, Foreign Exchange Contracts and
      Off-Balance Sheet Risk 54
    Note 5 - Securities Lending 55
    Note 6 - Transfer from Retirement Systems 56
    Note 7 - Funded Status and Funding Progress - DB Plans 56
    Note 8 - Commitments and Contingencies 59
Required Supplementary Information:
  GASB Statement No. 25:
    Schedule of Funding Progress - Pension Benefits 61
    Schedule of Funding Progress - Postemployment Healthcare Benefits 62
    Schedule of Contributions from Employers and the State of Alaska -
      Pension and Postemployment Healthcare Benefits 63
    Notes to Required Supplementary Information
      Note 1 - Description of Schedule of Funding Progress 64
      Note 2 - Actuarial Assumptions and Methods 64
Additional Information
  Schedule of Administrative and Investment Deductions 69
  Schedule of Payments to Consultants Other than Investment Advisors 70

Investment Section
Investment Consultant's Report 71
Treasury Division Staff and External Money Managers and Consultants 73
Investment Report 75
Schedule of Investment Results 78
Asset Allocation 79
Top Ten Holdings by Asset Type 81
Schedule of External Management Fees 82
Investment Summary Schedule 84
Recaptured Commission Fees 85
Net Securities Lending Income 85

Actuarial Section
Actuarial Certification 87
Summary of Actuarial Assumptions, Methods and Procedures 90
Unfunded Liability 104
Employer Contribution Rates 105
Schedule of Active Member Valuation Data 106
Schedule of Benefit Recipients Added to and Removed From Rolls 106
Solvency Test 107
Analysis of Financial Experience 108
Summary of Plan Provisions 109

Statistical Section
Changes in Net Assets 115
Additions by Source 116
Deductions by Type 117
Schedule of Benefit Deductions by Type 118
System Membership by Status 119
Schedule of Benefit Recipients by Type 120
Schedule of Benefit Recipients by Option Selected 120
Schedule of Benefit Recipients by Healthcare Coverage 121
Schedule of Average Benefit Payments—New Benefit Recipients 122
Principal Participating Employers 123

INTRODUCTORY SECTION

This page intentionally left blank.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

SARAH PALIN, GOVERNOR

P.O. BOX 110203
JUNEAU, ALASKA 99811-0203
TDD: (907) 465-2805
FAX: (907) 465-3086
PHONE: (907) 465-4460
TOLL-FREE 1-800-821-2251

December 14, 2007

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System (TRS) – Defined Benefit Retirement Pension and Post Employment Healthcare Plan (DB Plan) and Defined Contribution Retirement Pension Trust Fund (DCR Trust) for the fiscal year ended June 30, 2007.

This report is intended to provide comprehensive information on the financial operations of the DB Plan and DCR Trust for the year. Responsibility for the accuracy, completeness and fairness of the information presented rests with the management of the DB Plan and DCR Trust. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the DB Plan and DCR Trust for the year ended June 30, 2007. All disclosures necessary to enable the reader to gain an understanding of the DB Plan's and DCR Trust's activities have been included.

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

The CAFR is divided into five sections:

- **Introductory Section**, which contains this letter of transmittal, the administrative organization of the TRS, and a list of the members serving on the Alaska Retirement Management Board;
- **Financial Section**, which contains the Independent Auditor's Report, management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and additional information;
- **Investment Section**, which contains a report prepared by the investment consultant, a report on investment activity, investment results, and various investment schedules;

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

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

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

The TRS was established in 1955 to provide pension and postemployment healthcare benefits to teachers and other eligible participants. Normal service, survivor, and disability benefits are available to all members who attain the Plan's age and service requirements. During the fiscal year 2005 legislative session, a law was enacted that closed the DB Plan. Senate Bill 141, signed into law on July 27, 2005, closed the DB Plan effective July 1, 2006, to new members and created a defined contribution retirement plan for members first hired on or after July 1, 2006. Beginning in fiscal year 2007, the TRS consists of two plans: (1) the DB Plan and (2) the DCR Plan. This report includes the DB Plan and the DCR Trust. The DCR Plan includes the DCR trust, retiree major medical plan (RMP), and the health reimbursement arrangement (HRA) plan. The RMP and the HRA are reported for separately. That financial report can be requested from the division.

	Years Ended June 30		
	2007	**2006**	**2005**
Net Assets (millions)	$4,898.6	4,300.0	4,027.0
Participating Employers	58	58	58

Reporting Entity

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

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

The Alaska Retirement Management Board (ARMB) constituted effective October 1, 2005, replaced the Teachers' Retirement Board (effective July 1, 2005) and the Alaska State Pension Investment Board (ASPIB) (effective October 1, 2005). Prior to October 1, 2005, the ASPIB had statutory oversight of the TRS' investments and the authority to invest the TRS' financial resources.

The ARMB is responsible for:

- adopting investment policies and developing investment objectives;

- providing a range of investment options and establishing the rules by which participants can direct their investments among those options, when applicable;

- establishing crediting rates for members' individual contribution accounts, when applicable;

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

Major Initiatives

The Teachers' Retirement Board (governing board prior to July 1, 2005) looked at ways to reduce costs to the employers and address the unfunded status of the TRS while also balancing the need to provide adequate benefits in order to effectively recruit and retain new members. Senate Bill 141 passed during the 2005 legislative session and created Tier III in the TRS. This new tier, a hybrid plan referred to as the defined contribution retirement plan (DCR Plan) became effective for members entering the TRS on or after July 1, 2006. The TRS administrator continues to work with legal counsel to obtain plan qualification and various private ruling letters related to the new tier.

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

TRS Unfunded Actuarial Accrued Liability

The TRS consulting actuary, Buck Consultants, presented the results of the June 30, 2006, actuarial valuation report to the Plan Administrator and the ARMB. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report, the TRS has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and post employment healthcare benefits) of 57.3%. ***The DB Plan's <u>unfunded</u> actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately $3.1 billion.*** The unfunded liability is being addressed at all levels of the State. The Governor's budget proposes to deposit $450 million to the TRS in fiscal year 2008 and continue to provide funding to TRS employers in order to maintain an appropriate level of employer contributions while also paying the actuarial required contribution rate adopted by the ARMB.

Independent Audit

The TRS DB Plan and DCR Trust annual audit was conducted by the independent accounting firm of KPMG LLP. The auditors' report on the basic financial statements is included in the Financial Section of this report.

Investments

At June 30, 2007, the DB Plan's investment portfolio was valued at $4.9 billion and earned an 18.92% return for the fiscal year ended June 30, 2007. The DCR Trust's investment portfolio was valued at $5.1 million for the fiscal year ended June 30, 2007. Over the past five years ending June 30, 2007, the Plan's investments earned an 11.57% return. The ARMB has statutory oversight of the DB Plan's and DCR Trust's investments and the Department of Revenue, Treasury Division, provides staff for the ARMB. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The ARMB reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

Internal Controls

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

Actuarial Valuation

The TRS consulting actuarial firm, Buck Consultants, completed the actuarial review and valuation as of June 30, 2006, and served as technical advisor to the TRS. The actuarial certification and supporting statistics are included in the Actuarial Section of this report.

Professional Services

Professional consultants are retained to perform professional services that are essential to the effective and efficient operation of the TRS. 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.

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 TRS for its CAFR for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

The report is available on the web at www.state.ak.us/drb/trs/trscafr.shtml and mailed to those who submit a formal request. This report forms the link between the TRS and the membership. The cooperation of the membership contributes significantly to the success of the TRS. We hope the employers and plan members find this report informative.

December 14, 2007

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

Respectfully submitted,

Annette Kreitzer
Commissioner

Rachael Petro
Deputy Commissioner

Pat Shier
Director

Kevin Worley
Chief Financial Officer

Christina Maiquis
Accounting Supervisor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alaska Teachers' Retirement System

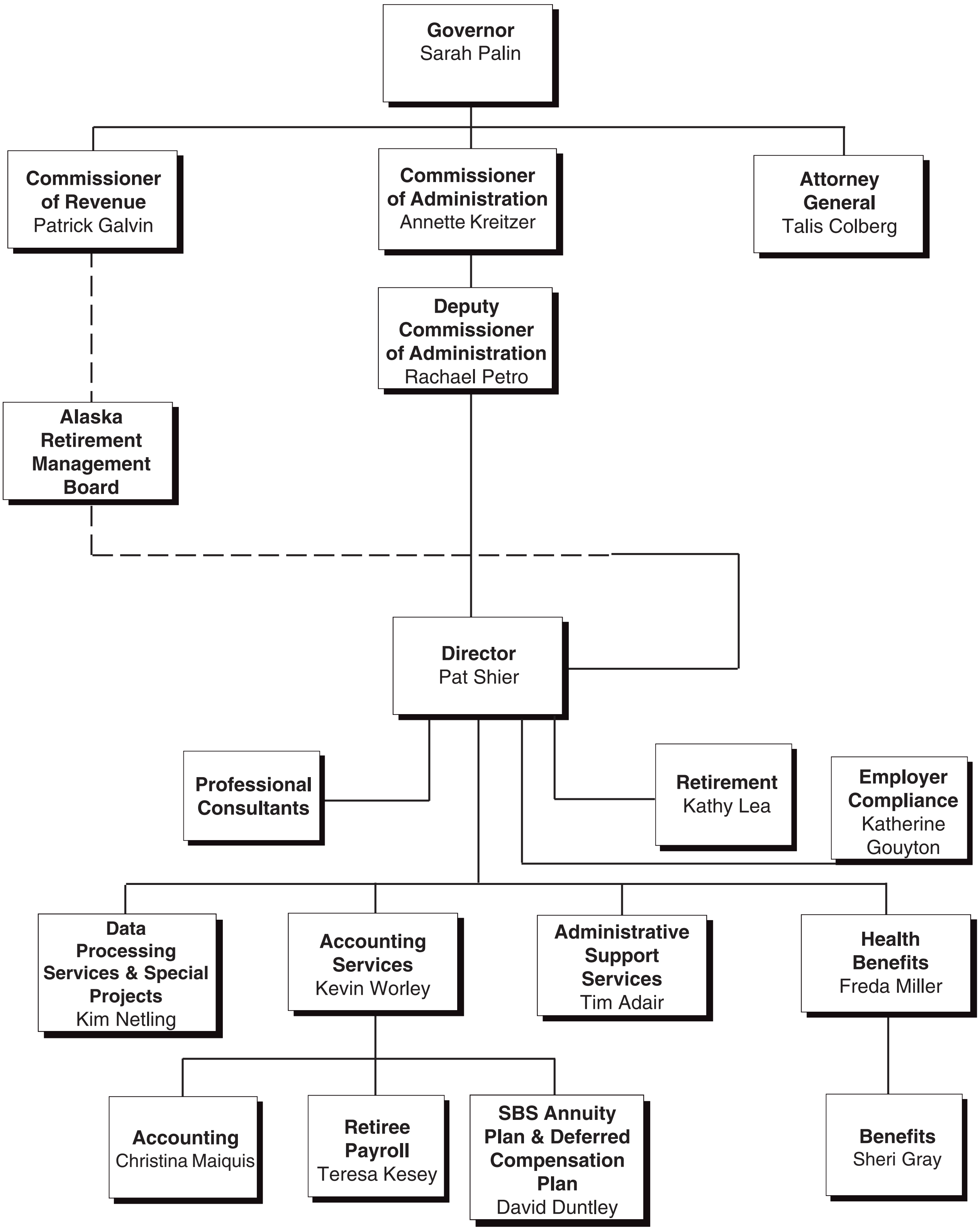
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

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

President

Executive Director

ORGANIZATION CHART



Section Responsibilities

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

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

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

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

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

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

PROFESSIONAL CONSULTANTS

Consulting Actuary
Buck Consultants
Denver, Colorado

Independent Auditors
KPMG LLP
Anchorage, Alaska

Benefits Consultant
Buck Consultants
Denver, Colorado

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

Legal Counsel
Virginia Ragle
Toby Steinberger
Assistant Attorney Generals
Juneau, Alaska
Ice Miller LLP
Indianapolis, Indiana

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

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

A list of investment consultants can be found on pages 73-74 and on the Schedule of External Management Fees on pages 82-83.

ALASKA RETIREMENT MANAGEMENT BOARD

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

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

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

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

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

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

Larry Semmens is currently the Finance Director of the City of Kenai where he has been employed since 1996. Mr. Semmens started his career with Price Waterhouse and Co. in Anchorage in 1980, then worked in the Kenai Peninsula Borough finance department for 15 years in various positions, including finance director, prior to moving to Kenai. He is a past president of the Alaska Government Finance Officers Association and currently is Secretary of the Alaska Municipal League Investment Pool Board, Vice-Chair of the Alaska Public Entities Insurance Pool Board, and Chair of the Aurora Borealis Charter School Board. Mr. Semmens is a certified public accountant and a U.S. Air Force Veteran. He holds a BBA in accounting from Boise State University.

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

Tom Richards is currently a mathematics and general education teacher at the Star of the North Charter School in Fairbanks. Mr. Richards previously taught mathematics, science and economics and was chair of the mathematics department at Lathrop High School. He also serves on the Alaska State Bond Reimbursement and Grant Review Committee. Mr. Richards received a bachelor of science from the University of Idaho (Moscow) in 1976 earning a major in zoology and a minor in chemistry, and obtained his State of Alaska teacher certification in 1978 with a secondary endorsement in biological science and mathematics. In 1999, he received a master of science in education from Western Oregon University (Monmouth) with an emphasis in information technology.

FINANCIAL SECTION

This page intentionally left blank.

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

Independent Auditors' Report

Alaska Retirement Management Board and
Division of Retirement and Benefits
State of Alaska Teachers Retirement System
Defined Benefit Retirement Pension and Post Employment Healthcare Plans
Defined Contribution Retirement Pension Trust Fund

We have audited the accompanying statements of net assets of the State of Alaska Teachers' Retirement System's Defined Benefit Retirement Pension and Post Employment Healthcare Plan and Defined Contribution Retirement Pension Trust Fund, as of June 30, 2007 and 2006, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Defined Benefit Retirement Pension and Post Employment Healthcare Plan and the Defined Contribution Retirement Pension Trust Fund and do not purport and do not present the net assets of the Teachers' Retirement System, a Component Unit of the State of Alaska, as of June 30, 2007 and 2006, and the changes in net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the State of Alaska Teachers' Retirement System's Defined Benefit Retirement Pension and Post Employment Healthcare Plan and Defined Contribution Retirement Pension Trust Fund, as of June 30, 2007 and 2006, and the changes in net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG

The accompanying required supplementary information of management's discussion and analysis on pages 13 to 21 and schedules of funding progress and employer contributions on pages 61 to 68 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 and 2 on pages 69 and 70 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of 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.

The introductory section on pages 1 through 10 and investment, actuarial and statistical data on pages 71-123 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subjeect to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

KPMG LLP

November 30, 2007

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

This section presents management's discussion and analysis (MD&A) of the Teachers' Defined Benefit Retirement Plan (DB) and the Defined Contribution Retirement Pension Trust Fund (DCR) financial position and performance for the years ended June 30, 2007 and 2006. The DCR Pension Trust Fund was established July 1, 2006. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to the financial statements, required supplementary and additional information to better understand the financial condition and performance of the Plans during the fiscal years ended June 30, 2007 and 2006. Information for fiscal year 2005 is presented for comparative purposes.

Financial Highlights

The DB Plan's total assets exceeded its total liabilities by $4,893,114,000 and $4,299,971,000 at the close of fiscal years 2007 and 2006, respectively. The DCR Pension Trust Fund's total assets exceeded its total liabilities by $5,507,000 at the close of fiscal year 2007.

The DB Plan's "Net assets held in trust for pension and post employment healthcare benefits" as of June 30, 2007 and 2006 increased by $593,143,000 or 13.8% and $272,976,000 or 6.8% in fiscal years 2006 and 2005, respectively. The DCR Pension Trust Fund's "Net assets held in trust for pension and post employment healthcare benefits" as of June 30, 2007 totaled $5,507,000.

The DB Plan's contributions received totaled $209,307,000 and $185,769,000 during fiscal years 2007 and 2006; an increase of $23,538,000 and $36,263,000 or 12.7% and 24.2% from fiscal years 2006 and 2005, respectively. The DCR Pension Trust Fund's contributions received totaled $5,292,000 during fiscal year 2007.

The DB Plan's net investment income increased from $451,689,000 in 2006 to $780,512,000 in 2007 and from $327,426,000 in 2005 to $451,689,000 in 2006; reflecting an increase of 72.8% and 38.0% from fiscal years 2006 and 2005, respectively. The DCR Pension Trust Fund's net investment income for fiscal year 2007 reflected as $251,000.

The DB Plan's pension benefit and post employment healthcare payments totaled $389,768,000 and $373,667,000 during fiscal years 2007 and 2006; reflecting an increase of $16,101,000 and $18,583,000 or 4.3% and 5.2% from fiscal years 2006 and 2005, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the DB Plan and DCR Pension Trust Fund's basic financial statements. The DB Plan and DCR Pension Trust Fund's basic financial statements are comprised of three components: (1) statement of net assets, (2) statement of changes in net assets, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Statement of Net Assets – This statement presents information regarding the assets, liabilities, and net assets. Net assets represent the total amount of assets less the total amount of liabilities.

Statement of Changes in Net Assets – This statement presents how the net assets changed during the fiscal year as a result of contributions, investment income, operating deductions, and transfers.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

The above statements represent resources available for investment and payment of benefits as of the fiscal year–end and the sources and uses of those funds during the fiscal year.

Notes to Financial Statements – The notes to the financial statements are an integral part of the financial statements and provide additional detailed information and schedules to better understand the financial statements.

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

Other Supplementary Schedules – Other supplementary schedules include detailed information on administrative and investment deductions incurred by the DB Plan and payments to consultants for professional services.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

Condensed Financial Information

NET ASSETS
(Dollars in thousands)

Description	Defined Benefit Plan 2007	2006	Increase/(Decrease) Amount	Percentage	2005	Defined Contribution Pension Trust Fund 2007
Assets:						
Cash, cash equivalents and receivables	$ 25,527	9,955	15,572	156.4%	4,695	$ 518
Securities lending collateral	531,810	423,385	108,425	25.6	308,847	-
Investments, at fair value	4,870,603	4,293,000	577,603	13.5	4,025,669	5,124
Other assets	27	33	(6)	18.2	48	-
Total assets	5,427,967	4,726,373	701,594	14.8	4,339,259	5,642
Liabilities:						
Accrued expenses	3,043	3,017	26	0.9	2,870	135
Securities lending collateral payable	531,810	423,385	108,425	25.6	308,847	-
Other liabilities	-	-	-	-	547	-
Total liabilities	534,853	426,402	108,451	25.4	312,264	135
Net Assets	**$ 4,893,114**	**4,299,971**	**593,143**	**13.8%**	**4,026,995**	**$ 5,507**

CHANGES IN NET ASSETS
(Dollars in thousands)

Description	Defined Benefit Plan 2007	2006	Increase/(Decrease) Amount	Percentage	2005	Defined Contribution Pension Trust Fund 2007
Net assets, beginning of year	$ 4,299,971	4,026,995	272,976	6.8	3,911,515	$ -
Additions:						
Contributions	209,307	185,769	23,538	12.7	149,533	5,292
Net investment income	780,512	451,689	328,823	72.8	327,426	251
Other additions	21	15	6	40.0	10	-
Transfer from Retiree Health Fund	-	15,175	(15,175)	100.0	-	-
Total additions	989,840	652,648	337,192	51.7	476,969	5,543
Deductions:						
Benefits	389,768	373,667	16,101	4.3	355,084	-
Refunds	4,535	3,832	703	18.3	4,376	20
Administrative	2,394	2,173	221	10.2	2,029	16
Total deductions	396,697	379,672	17,025	4.5	361,489	36
Increase in net Assets	593,143	272,976	320,167	117.3	115,480	5,507
Net assets, end of year	**$ 4,893,114**	**4,299,971**	**593,143**	**13.8%**	**4,026,995**	**$ 5,507**

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

Financial Analysis of the Plan

The Statement of Plan Net Assets as of June 30, 2007 and 2006 showed total DB Plan's assets exceeding total liabilities by $4,893,114,000 and $4,299,971,000. The Statement of Plan Net Assets as of June 30, 2007 showed total DCR Pension Trust Fund assets exceeding total liabilities by $5,507,000. These amounts represent the "Net assets held in trust for pension and post employment healthcare benefits". The entire amount is available to cover the DB Plan's and DCR Pension Trust Fund's obligations to pay pension and post employment healthcare benefits to its members and their beneficiaries.

These amounts represent an increase in the DB Plan's "Net assets held in trust for pension and post employment healthcare benefits" of $593,143,000 or 13.8% and $272,976,000 or 6.8% from fiscal years 2006 and 2005, respectively. The DCR Pension Trust Fund's "Net Assets held in trust for pension and post employment healthcare benefits" for fiscal year 2007 totaled $5,507,000. Over the long term, plan member and employer contributions, as well as investment income earned, are expected to sufficiently fund the pension benefit and post employment healthcare costs of the DB Plan and DCR Pension Trust Fund.

The investment of pension funds is a long–term undertaking. On an annual basis, the Alaska Retirement Management Board (ARMB) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the Plans constraints and objectives. During fiscal year 2007, the ARMB adopted an asset allocation for the DB Plan that includes 36% in domestic equities, 14% in international equities, 20% in domestic fixed income, 2% in international fixed income, 10% in real estate, 7% in private equity, 2% in high yield, 2% in emerging market equity, 4% in absolute return, and 3% in other investments. This asset allocation is expected to provide a five year median return of 7.83%. The ARMB adopted an asset allocation for the DCR Pension Trust Fund that includes 100% cash as the plan was in a startup year with minimal expense activity. This asset allocation is expected to provide a five year median return of 4.00%.

For fiscal years 2007 and 2006, the DB Plan's investments generated an 18.92% and an 11.78% rate of return, respectively. The DB Plan's annualized rate of return was 13.16% over the last three years and 11.57% over the last five years. For fiscal year 2007, the DCR Pension Trust Fund was maintained on a cash basis from July 1st through October 2006. The fiscal year 2007, rate of return for the DCR Pension Trust Fund was not calculated by the Division of Treasury.

Actuarial Valuations and Funding Progress – DB Plan

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing in fiscal year 2006 and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the Actuary and adopted by the ARMB. Employer contribution levels are recommended by the Actuary and adopted by the ARMB annually. Increasing healthcare costs and contribution shortfalls continue to impact the DB Plan's funding ratio. The ratio of assets to liabilities was 57.3%, at June 30, 2006 (the date of the DB Plan's latest actuarial valuation report). The goal for the DB Plan is to make progress toward achieving the funding objectives of the DB Plan.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

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

For fiscal year 2008, the employer normal cost rate decreased from 13.76% to 12.56%, the past service rate increased from 28.02% to 29.70%, thus producing a total fiscal year 2008 annual contribution rate of 42.26%. The ARMB adopted a DB Plan employer contribution rate of 54.03% for fiscal year 2008.

	Valuation Year (Dollars in thousands)	
	2006	**2005**
Valuation Assets	$ 4,141,700	3,958,939
Actuarial Liabilities (total benefits)	7,229,851	6,498,556
Funding ratio	57.3%	60.9%

Contributions, Investment Income and Transfer

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, investment income and a transfer.

Additions (in thousands)

	Defined Benefit Plan					Defined Contribution Pension Trust Fund
			Increase/(Decrease)			
	2007	**2006**	**Amount**	**Percentage**	**2005**	**2007**
Plan member contributions	$ 55,689	57,802	(2,113)	(3.7)%	55,993	$ 2,827
Employer contributions	153,618	127,967	25,651	20.0	93,540	2,465
Net investment income	780,512	451,689	328,823	72.8	327,426	251
Other additions	21	15	6	40.0	10	-
Transfer from Retiree Health Fund	-	15,175	(15,175)	(100.0)	-	-
Total	**$ 989,840**	**652,648**	**337,192**	**51.7%**	**476,969**	**$ 5,543**

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

DB Plan

The DB Plan's employer contributions increased from $127,967,000 in fiscal year 2006 to $153,618,000 in fiscal year 2007, an increase of $25,651,000 or 20.0%. Employer contributions increased from $93,540,000 in fiscal year 2005 to $127,967,000 in fiscal year 2006, an increase of $34,427,000 or 36.8%. The DB Plan's employer contribution rate increased from 21.00% in fiscal year 2006 to 26.00% in fiscal year 2007. Increases experienced in fiscal year 2007 are largely due to the contribution shortfalls related to contributions made in fiscal years 2005 and 2006. Increases experienced in fiscal year 2007 are largely due to changes in actuarial assumptions and methods implemented in the valuation for the period ending June 30, 2004 (the valuation used to set fiscal year 2007 employer contributions rates).

The DB Plan's net investment income in fiscal year 2007 increased by $328,823,000 or 72.8% from amounts recorded in fiscal year 2006. Net investment income in fiscal year 2006 increased by $124,263,000 or 38.0% from amounts recorded in fiscal year 2005. Changes in both years are due to the performance of the equity markets. The domestic equity pool realized a return of 20.1% in 2007 compared to 9.2% in 2006. The international equity pool realized a return of 27.9% in 2007 compared to 28.7% in 2006. The real estate pool realized a return of 20.8% in 2007 compared to 18.6% in 2006. The private equity pool realized a return of 28.7% in 2007 compared to 25.8% in 2006. The emerging markets equity pool realized a return of 48.0% in 2007 compared to 34.5 in 2006. The high yield pool realized a return of 10.9% in 2007 compared to 5.6% in 2006. The other investments pool realized a return of 11.3% in 2007 compared to 8.6% in 2006. More than seventy-six percent of invested assets were invested in these pools.

Over the long term, investment income has been a major component of additions to plan assets. During fiscal year 2007, the DB Plan continued to record significant rates of return on investments. The rate of return used in the actuarial valuation report to determine liabilities of the DB Plan was 8.25%. The actual rate of return exceeded the actuarial rate of return for the fourth consecutive year.

During 2006, a review was conducted of all DB Plan's medical reserve amounts in the Retiree Health Fund. No transfer occurred in 2007. However, in 2006 there was an excess reserve balance over those deemed necessary for the continued operation of the Retiree Health Fund. The excess amount was allocated to plans participating in the Retiree Health Fund. In fiscal year 2006, the Plan transferred $15,175,000 from the Retiree Health Fund.

DCR Pension Trust Fund

The DCR Pension Trust Fund's employer contributions in fiscal year 2007 totaled $2,465,000. The DCR employer contribution rate for fiscal year 2007 was established by Alaska Statute 14.25.350 and adopted by the ARMB at 7.0%.

The DCR Pension Trust Fund's net investment income in fiscal year 2007 totaled $251,000. For fiscal year 2007, the DCR Pension Trust Fund was invested in cash and cash equivalents from July 1st through October 2006; therefore no rate of return was calculated by the Division of Revenue.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

Benefits and Other Deductions

The primary deduction of the DB Plan and DCR Pension Trust Fund is the payment of pension benefits. These benefit payments, together with post employment healthcare premiums paid, lump sum refunds made to former plan members, and the cost of administering the Plans comprise the costs of operation. The DCR Pension Trust Fund started July 1, 2006.

Deductions (in thousands)

	Defined Benefit Plan					Defined Contribution Pension Trust Fund
			Increase/(Decrease)			
	2007	2006	Amount	Percentage	2005	2007
Pension benefits	$ 293,224	281,205	12,019	4.3%	269,414	$ -
Healthcare benefits	96,544	92,462	4,082	4.4	85,670	-
Refunds of contributions	4,535	3,832	703	18.3	4,376	20
Administrative	2,394	2,173	221	10.2	2,029	16
Total	$ 396,697	379,672	17,025	4.5%	361,489	$ 36

The DB Plan's pension benefit payments in 2007 and 2006 increased $12,019,000 and $11,791,000 or 4.3% and 4.4% from fiscal years 2006 and 2005, respectively. The majority of the increase in pension benefits was the result of a continuing increase in the number of retirees as well as a continuing increase in average benefits.

The DB Plan's post employment healthcare benefits in 2007 and 2006 increased $4,082,000 and $6,792,000 or 4.4% and 7.9% from fiscal years 2006 and 2005, respectively. Healthcare costs continue to rise year over year and this increase is directly related to the number of new retirees in the DB Plan.

The DCR Pension Trust Fund reflected $11,000 in administrative expenses, which are management services paid out in fiscal year 2007 for managed account fees.

Funding

Retirement benefits are financed by accumulations from employer and plan member contributions and income earned on Plans investments.

- The employer contributions are determined by the DB Plan's consulting actuaries and approved by the ARMB annually. For fiscal year 2007 and 2008, the DCR Pension Trust Fund's employer contribution rate was established by Alaska Statute 14.25.350 and adopted by the ARMB.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

- Plan member contributions are established by Alaska Statute 14.25.050 for the DB Plan and Alaska Statute 14.25.340 for the DCR Pension Trust Fund.

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

Legislation

During the fiscal year 2007 legislative session, two laws enacted that affects the DB Plan and DCR Pension Trust Funds are:

Senate Bill 123, passed by the twenty-fifth Alaska State Legislature, created the Alaska Retiree Healthcare Trust and conformed amendments between the DB Plan and DCR Pension Trust Fund.

House Bill 95, passed by the twenty-fifth Alaska State Legislature, appropriating $265.9 million from the general fund to the Department of Administration for deposit in the DB Plan's accounts in the teacher's retirement plan as partial payment of the participating teachers' retirement plan employers' contributions for the fiscal year ending June 30, 2008. This appropriation is intended to be the amount required to reduce the employer contribution rate of teachers' retirement plan employers to 12.56% for fiscal year 2008.

During the fiscal year 2005 legislative session, a law was enacted that closes the TRS defined benefit plan. Senate Bill 141, effective July 1, 2006, closed the TRS defined benefit plan to new members and creates a TRS defined contribution plan for members first hired on or after July 1, 2006.

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

The financial market environment continues to challenge investors. With the threat of inflation, interest rate increases by the Federal Reserve Bank, and continued turmoil in the Middle East, many forces once again pose challenges to Plan investments. The ARMB continues to diversify the portfolio of the DB Plan to maintain an optimal risk/return ratio.

The return on the DB Plan's investments exceeded its' actuarially assumed return of 8.25% for the third consecutive year. Even with investment returns exceeding the actuarial rate of return, the DB Plan will continue to see an increase in employer contribution rates due to rising medical costs and past contribution shortfalls. Effective with the 2004 valuation, the assumption used to value liabilities for retiree medical benefits were changed. The revised methods and assumption more accurately measured retiree medical liability and incorporated the expected impact on the TRS liabilities of changes in the medical program.

The consulting actuary recommended an increase from the DB Plan's employer contribution rate of 41.78% in fiscal year 2007 to 42.26% in fiscal year 2008. The ARMB adopted an average employer contribution rate of 54.03% for fiscal year 2008, up 28.03 points from the fiscal year 2007 employer contribution rate of 26.00%.

The June 30, 2006, actuarial valuation for the DB Plan reported a funding ratio of 57.3% and an unfunded liability of $3.1 billion for fiscal year 2006.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2007 and 2006

For fiscal year 2007, the DCR Pension Trust Fund's employer contribution rate was set at 7.00%. The DCR Pension Trust Fund fiscal year 2008 employer contribution rate has remained at 7.00%

Requests for Information

This financial report is designed to provide a general overview of the finances for all those with interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Alaska Teachers' Retirement System, Division of Retirement & Benefits, Accounting Section, P.O. Box 110203, Juneau, Alaska 99811–0203.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Statements of Plan Net Assets

June 30, 2007 and 2006 (in thousands)

	Defined Benefit Plan					
	2007			2006		
	Pension	Post-employment Healthcare	Total	Pension	Post-employment Healthcare	Total
Assets:						
Cash and Cash Equivalents (notes 3 and 5):						
Short-Term Fixed Income Pool	$ 8,224	3,720	11,944	371	146	517
Securities Lending Collateral	366,184	165,626	531,810	304,063	119,322	423,385
Great-West Account	-	-	-	-	-	-
Total Cash and Cash Equivalents	374,408	169,346	543,754	304,434	119,468	423,902
Receivables:						
Contributions	6,252	2,828	9,080	6,675	2,619	9,294
Due from State of Alaska General Fund	3,096	1,401	4,497	102	40	142
Other Accounts Receivable	4	2	6	1	1	2
Total Receivables	9,352	4,231	13,583	6,778	2,660	9,438
Investments (notes 3, 4, 5 and 8):						
Collective investment funds, as fair value:						
Participant directed	-	-	-	-	-	-
Domestic Equity Pool	1,651,292	111,819	1,763,111	1,510,424	126,536	1,636,960
Domestic Fixed Income Pool	600,204	271,473	871,677	670,088	262,959	933,047
International Equity Pool	568,060	256,934	824,994	458,689	180,001	638,690
Real Estate Pool	368,349	166,604	534,953	309,002	121,260	430,262
International Fixed Income Pool	61,959	28,024	89,983	64,427	25,283	89,710
Private Equity Pool	225,259	101,885	327,144	185,654	72,855	258,509
Emerging Markets Equity Pool	87,248	39,463	126,711	69,738	27,367	97,105
Other Investments Pool	39,260	17,758	57,018	23,327	9,154	32,481
High Yield Pool	59,386	26,860	86,246	48,042	18,853	66,895
Absolute Return Pool	129,977	58,789	188,766	78,526	30,815	109,341
Total Investments	3,790,994	1,079,609	4,870,603	3,417,917	875,083	4,293,000
Other:						
Loans and Mortgages, Net of Allowance for Loan Losses of $28 for both 2007 and 2006	18	7	25	24	9	33
Other Assets	1	1	2	-	-	-
Total Assets	4,174,773	1,253,194	5,427,967	3,729,153	997,220	4,726,373
Liabilities:						
Accrued Expenses	2,095	948	3,043	2,167	850	3,017
Securities Lending Collateral Payable (note 5)	366,184	165,626	531,810	304,063	119,322	423,385
Due to State of Alaska General Fund	-	-	-	-	-	-
Total Liabilities	368,279	166,574	534,853	306,230	120,172	426,402
Commitments and Contingencies (note 8)						
Net Assets Held in Trust for Pension and Postemployment Healthcare Benefits	**$3,806,494**	**1,086,620**	**4,893,114**	**3,422,923**	**877,048**	**4,299,971**

(Schedules of funding progress are presented on pages 61 and 62.)

See accompanying notes to financial statements.

(continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Statements of Plan Net Assets

June 30, 2007 and 2006 (in thousands)

Defined Contribution Pension Trust Fund

	2007 Participant Directed
Assets:	
Cash and Cash Equivalents (notes 3 and 5):	
Short-Term Fixed Income Pool	51
Securities Lending Collateral	-
Great-West Account	7
Total Cash and Cash Equivalents	58
Receivables:	
Contributions	214
Due from State of Alaska General Fund	246
Other Accounts Receivable	-
Total Receivables	460
Investments (notes 3, 4, 5 and 8):	
Collective investment funds, as fair value:	
Participant directed	5,124
Domestic Equity Pool	-
Domestic Fixed Income Pool	-
International Equity Pool	-
Real Estate Pool	-
International Fixed Income Pool	-
Private Equity Pool	-
Emerging Markets Equity Pool	-
Other Investments Pool	-
High Yield Pool	-
Absolute Return Pool	-
Total Investments	5,124
Other:	
Loans and Mortgages, Net of Allowance for Loan Losses of $28 for both 2007 and 2006	-
Other Assets	-
Total Assets	5,642
Liabilities:	
Accrued Expenses	135
Securities Lending Collateral Payable (note 5)	-
Due to State of Alaska General Fund	-
Total Liabilities	135
Commitments and Contingencies (note 8)	
Net Assets Held in Trust for Pension and Postemployment Healthcare Benefits	**5,507**

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Statements of Changes in Plan Net Assets

June 30, 2007 and 2006 (in thousands)

	Defined Benefit Plan					
	2007			2006		
	Pension	Post-employment Healthcare	Total	Pension	Post-employment Healthcare	Total
Additions:						
Contributions:						
Employers	$ 105,775	47,843	153,618	91,902	36,065	127,967
Plan Members	38,346	17,343	55,689	41,512	16,290	57,802
Total contributions	144,121	65,186	209,307	133,414	52,355	185,769
Investment Income:						
Net Appreciation in Fair Value (note 3)	431,298	195,077	626,375	235,464	92,402	327,866
Interest	39,239	17,748	56,987	39,941	15,675	55,616
Dividends	73,327	33,166	106,493	55,989	21,971	77,960
Net Recognized Loan Recovery	-	-	-	1	-	1
Total Investment Income	543,864	245,991	789,855	331,395	130,048	461,443
Less Investment Expense	7,250	3,279	10,529	7,659	3,006	10,665
Net Investment Income Before Security Lending Activities	536,614	242,712	779,326	323,736	127,042	450,778
Securities Lending Income (note 5)	16,259	7,354	23,613	11,023	4,326	15,349
Less Securities Lending Expenses (note 5)	15,442	6,985	22,427	10,369	4,069	14,438
Net Income from Securities Lending Activities	817	369	1,186	654	257	911
Net Investment Income	537,431	243,081	780,512	324,390	127,299	451,689
Other:						
Transfer from Retiree Health Fund (note 6)	-	-	-	10,898	4,277	15,175
Other	15	6	21	11	4	15
Total Additions	681,567	308,273	989,840	468,713	183,935	652,648
Deductions:						
Pension and postemployment Benefits	293,224	96,544	389,768	281,205	92,462	373,667
Refunds of Contributions	3,123	1,412	4,535	2,752	1,080	3,832
Administrative	1,649	745	2,394	1,560	613	2,173
Total Deductions	297,996	98,701	396,697	285,517	94,155	379,672
Net Increase	383,571	209,572	593,143	183,196	89,780	272,976
Net Assets Held in Trust for Pension and Postemployment Healthcare Benefits:						
Balance, Beginning of Year	3,422,923	877,048	4,299,971	3,239,727	787,268	4,026,995
Balance, End of Year	**$3,806,494**	**1,086,620**	**4,893,114**	**3,422,923**	**877,048**	**4,299,971**

See accompanying notes to financial statements.

(continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Statements of Changes in Plan Net Assets

June 30, 2007 and 2006 (in thousands)

Defined Contribution Pension Trust Fund

	2007 Participant Directed
Additions:	
Contributions:	
Employers	2,465
Plan Members	2,827
Total contributions	5,292
Investment Income:	
Net Appreciation in Fair Value (note 3)	-
Interest	251
Dividends	-
Net Recognized Loan Recovery	-
Total Investment Income	251
Less Investment Expense	-
Net Investment Income Before Security Lending Activities	251
Securities Lending Income (note 5)	-
Less Securities Lending Expenses (note 5)	-
Net Income from Securities Lending Activities	-
Net Investment Income	251
Other:	
Transfer from Retiree Health Fund (note 6)	-
Other	-
Total Additions	5,543
Deductions:	
Pension and postemployment Benefits	-
Refunds of Contributions	20
Administrative	16
Total Deductions	36
Net Increase	5,507
Net Assets Held in Trust for Pension and Postemployment Healthcare Benefits:	
Balance, Beginning of Year	-
Balance, End of Year	5,507

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Statements of Changes in Plan Net Assets

June 30, 2007 and 2006 (in thousands)

1) Description

The following brief description of the State of Alaska Teachers' Defined Benefit Retirement System (TRS) Defined Benefit Retirement Pension and Post Employment Healthcare Plan (DB) and Defined Contribution Retirement Trust Fund (DCR). TRS is a Component Unit of the State of Alaska. The DB Plan and DCR Pension Trust Fund do not purport and do not present the net assets of the TRS as of June 30, 2007 and 2006 and the changes in net assets for the years ended. The DCR Plan also consists of a Retiree Medical Fund and Health Reimbursement Arrangement Fund, both of which are reported in separate financial statements. Members should refer to the Plan agreement for more complete information then that noted in the notes to the financial statements.

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

	2007	2006
State of Alaska	1	1
School districts	53	53
Other	4	4
	58	58

Inclusion in the DB Plan and DCR Pension Trust Fund 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.

Defined Benefit Retirement Plan

General

The DB Plan is a defined benefit, cost–sharing, multiple employer plan within the public employee retirement system established and administered by the State of Alaska (State) to provide pension and post employment healthcare benefits for teachers and other eligible members. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The DB Plan is a plan within TRS, which includes the DB Retirement Pension Trust Fund, a Health Reimbursement Arrangement Fund and Retiree Medical Fund. TRS is a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report pension trust fund. With the passage of SB141, the TRS DB Plan is closed to all new members effective July 1, 2006.

STATE OF ALASKA
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

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

	2007	2006
Retirees and beneficiaries currently receiving benefits	9,669	9,349
Terminated plan members entitled to future benefits	814	734
	10,483	10,083
Active plan members:		
Vested	5,632	5,524
Nonvested	3,624	4,311
	9,256	9,835
	19,739	**19,918**

Pension Benefits

Vested members hired prior to July 1, 1990, are entitled to pension benefits beginning at normal retirement age, fifty–five, or early retirement age, fifty. For members hired after June 30, 1990, the normal and early retirement ages are sixty and fifty–five, respectively. Members 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 average base salary. The average base salary is based upon the members' three highest contract years' salaries.

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

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouse consents to another form of benefit or benefits are payable under the 1% supplemental contributions provision.

The DB 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 DB Plan's administrator, if the cost of living in the previous calendar year rises and the financial condition of the DB Plan's 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.

Post Employment Healthcare Benefits

When pension benefits begin, major medical benefits are provided without cost to (1) all members first hired before July 1, 1990, (2) members hired after July 1, 1990 with 25 years of membership service, and (3) members who are disabled or age sixty or older, regardless of their initial hire dates. Members first hired after June 30, 1990, may receive major medical benefits prior to age sixty by paying premiums.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

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

Death Benefits

When benefits are payable under the 1% supplemental contribution provision, the DB Plan member'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 DB Plan member's spouse, or guardian of the dependent child(ren). The amount of the pension or allowance is determined by the DB Plan member's base salary. DB Plan members first hired after June 30, 1982, are not eligible to participate in this provision.

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

Disability Benefits

If a DB Plan member 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 DB Plan member 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 Plan member receives normal retirement benefits.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Contributions

DB Plan Member Contributions

The DB Plan members contribute 8.65% of their base salary as required by statute. The DB Plan's member contributions are deducted before federal tax is withheld. Eligible DB Plan members contribute an additional 1% of their salary under the supplemental contribution provision. Contributions are collected by employers and remitted to the DB Plan. DB Plan member contributions earn interest at the rate of 4.5% per annum, compounded annually.

Employer Contributions

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

Contributions from the State of Alaska

House Bill 95, passed by the twenty-fifty Alaska State Legislature, appropriating $265.9 million from the general fund to the Department of Administration for deposit in the DB Plan's accounts in the teacher's retirement plan as partial payment of the participating teachers' retirement plan employers' contributions for the fiscal year ending June 30, 2008. This appropriation is intended to be the amount required to reduce the employer contribution rate of teachers' retirement plan employers to 12.56% for fiscal year 2008.

Refunds

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

Administrative Costs

Administrative costs are financed through investment earnings.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Due From (To) State of Alaska General Fund

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

DCR Pension Trust Fund

General

The DCR Pension Trust Fund is a defined contribution, cost-sharing, multiple employer public employee retirement plan within TRS established and administrated by the State of Alaska (State) to provide pension and post employment healthcare benefits for eligible employees. Benefits and contribution provisions are established by State law and may be amended only by the State Legislature. The DCR Pension Trust Fund was created by State of Alaska Statutes effective July 1, 2006. A defined contribution plan is a plan in which savings are accumulated in an individual retirement account for the exclusive benefit of the member or beneficiaries.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, DCR Pension Trust Fund membership consisted of:

	2007
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to future benefits:	
25% Vested	1
50% Vested	-
75% Vested	1
100% Vested	3
Total terminated plan members entitled to future benefits	5
Total current and future benefits	5
Active plan members:	
25% Vested	2
50% Vested	-
75% Vested	-
100% Vested	4
Nonvested	635
Total active plan members	641
Total	**646**

Pension Benefits

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

Post Employment Healthcare Benefits

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

Death Benefits

If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

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

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

Disability Benefits

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

Contributions

Defined Contribution Retirement Pension Trust Fund Member Contributions

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

Employer Contributions

An employer shall contribute to each member's individual account an amount equal to 7.0% of the member's compensation.

Participant Accounts

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

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

Recordkeeping/administrative fees consisting of a fixed amount, applied in a lump-sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

account, applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record keeper and by the State. The investment management fees are netted out of the funds' performance.

Refunds

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

GASB Statements No. 25 and No. 43

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

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

Investments

Investments are recorded at fair value in accordance with GASB Statement No. 31. 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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

is, other than in a forced or liquidation sale." Security transactions are accounted for on a trade date (ownership) basis at the current fair value. Dividend income on equity securities is accrued on the ex-dividend date. 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 deductions consist of those administrative deductions directly related to the Plan's investment operations.

In fiscal year 2005, GASB Statement No. 40, *Deposits and Investment Risk Disclosures* (GASB 40) was implemented. GASB 40 addresses disclosures on deposits and investments, focusing on common investment risks related to interest rate risk, credit risk, foreign currency risk and concentration of credit risk.

Basis of Accounting

The schedules are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Net withdrawals represent contributions from employers and members, net of benefits paid to DB Plan and DCR Pension Trust Fund members as well as administrative and investment management expenses. Contributions, benefits paid and all expenses are recorded on a cash basis.

Valuation

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

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

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

Private equity securities 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 valuations reasonably reflect the underlying fair value of the investments.

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

The energy related investments in the other investments pool are valued quarterly by the general partner. The agricultural investments are valued quarterly by investment managers. Valuations are based on market conditions and knowledge of industry trends. Agricultural holdings are appraised once every three years, in conjunction with the purchase anniversary date, by independent appraisers.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

With the exception of real estate investment trust holdings, real estate investments are valued quarterly by investment managers based on market conditions and their knowledge of industry trends. Separate account real estate investments are appraised at least once every three years, in conjunction with the properties purchase anniversary date, by independent appraisers. Real estate investment trust holdings are valued each business day using prices obtained from a pricing service.

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

Mortgage loans are valued at their principal balance (cost) less an allowance for loan loss, the net result of which approximates fair value. At June 30, 2007 and 2006, the allowance for loan loss totaled $5,221 and is considered by management to be sufficient to cover any losses to the mortgage loan portfolio.

Collective investment funds are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plans. The unit value is determined by the Trustees based on fair value do the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Pooled investment funds, held in trust, are stated at fair valued based on the unit value as reported by the Trustees multiplied by the number of units held by the Plans. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

<u>Income Allocation</u>

Income in the fixed income and domestic and international equity pools is allocated to pool participants daily on a pro rate basis.

Income, in the emerging markets, private equity, absolute return, other investments, and real estate pools is allocated to pool participants monthly on a pro rata basis.

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

Contributions Receivable

Contributions from the DB Plan and DCR Pension Trust Fund members and employers for service through June 30 are accrued. These contributions are considered fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

Federal Income Tax Status

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

(3) Investments

The Alaska Retirement Management Board (ARMB) has statutory oversight of the DB Plan and DCR Pension Trust Fund's investments. As the fiduciary, the ARMB 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 pru-

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

dence, discretion and intelligence exercises in managing large investment portfolios.

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages the investments the ARMB has fiduciary responsibility for. Additionally, Treasury manages mix of pooled investments, collective investments, and mutual funds for the Defined Contributions plan, which includes Occupational Death and Disability Benefits. Actual investing is performed by investment officers in the State's Department of Revenue, Treasury Division, or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the Securities Lending Collateral, Collective Investment Pools, Defined Contribution Pooled Investment Funds, External Domestic Fixed Income Pool, International Fixed Income Pool, High Yield Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Other Investments Pool and, with the exception of real estate investment trust holdings the Real Estate Pool are manage by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, Short-term Fixed Income Pool, real estate investment trust holding and cash holding of certain external managers in addition to acting as oversight manage for all externally managed investments.

Defined Benefit Retirement Plan Pools

Short–Term Fixed Income Pool

The DB Plan participates in the State's internally managed short–term fixed income pool which was established March 15, 1993, with a start up and maintained share price of $1. Treasury staff determines the allocation between permissible securities. Each member owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Member shares also change at the beginning of each month when income is paid. At June 30, 2007 and 2006, the DB Plan had a 0.03% and 0.02% direct ownership in the short–term fixed income pool which included interest receivable of $14,559 and $15,402, respectively. The DB Plan had a 4.21% and 4.29% indirect ownership in the short–term fixed income pool at June 30, 2007 and 2006, respectively.

Enhanced Cash Fixed Income Pool

The DB Plan participated in the State's internally managed enhanced cash fixed income pool which was established in June 2007 with a startup and maintained share price of $1,000. The share price at June 30, 2007 was $1,000. Treasury staff determines the allocation between permissible securities. Each member owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Member shares also change at the beginning of each month when income is paid. At year end only one pool, the domestic fixed income pool was invested in the enhanced cash fixed income pool. At June 30, 2007 the DB Plan's invested assets included a 30.69% direct ownership in the enhanced cash fixed income pool.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Domestic Fixed Income Pool

The DB Plan participated in the ARMB's internally managed retirement fixed income pool which was established March 1, 1996, with a start up share price of $1,000. The share price at June 30, 2007, was $1,958. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan's invested assets included a 31.70% and 31.38% ownership in the retirement fixed income pool, respectively.

International Fixed Income Pool

The DB Plan participates in the ARMB's externally managed international fixed income pool which was established March 3, 1997, with a start up share price of $1,000. The share price at June 30, 2007, was $1,826. The manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 30.70% and 31.20% ownership in the international fixed income pool, respectively.

High Yield Pool

The DB Plan participates in the ARMB's externally managed high yield fixed income pool which was established April 15, 2005, with a start up share price of $1,000. The share price at June 30, 2007, was $1,189. The manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 31.67% and 31.20% ownership in the high yield pool, respectively.

Domestic Equity Pool

The domestic equity pool is comprised of an external large cap domestic equity pool and an external small cap domestic equity pool.

Large Cap Domestic Equity Pool

The DB Plan participates in the ARMB's externally managed large cap domestic equity pool which was established July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2007, was $1,368. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 30.63% and 31.16% ownership in the large cap domestic equity pool, respectively.

Small Cap Domestic Equity Pool

The DB Plan participates in the ARMB's externally managed small cap domestic equity pool which was established July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2007, was $1,375. Each manager independently determines the allocation between permissible securities. Ownership

in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 31.15% and 31.64% ownership in the small cap domestic equity pool, respectively.

International Equity Pool

The DB Plan participates in the ARMB's externally managed international equity pool which was established January 1, 1992, with a start up share price of $1,000. The share price at June 30, 2007, was $4,302. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the Plan had a 30.63% and 30.64% ownership in the international equity pool, respectively.

Emerging Markets Equity Pool

The DB Plan participates in the ARMB's externally managed emerging markets equity pool which was established May 2, 1994, with a start up share price of $1,000. The share price at June 30, 2007, was $3,870. 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 securities markets of developing countries. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 30.69% and 35.00% ownership in the emerging markets equity pool, respectively.

Private Equity Pool

The DB Plan participates in the ARMB's externally managed private equity pool which was established April 24, 1998, with a start up share

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

price of $1,000. The share price at June 30, 2007, was $2,214. Underlying assets in the pool are comprised of venture capital, buyouts, restructuring and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 30.96% and 31.85% ownership in the private equity pool, respectively.

Absolute Return Pool

The DB Plan participates in the ARMB's externally managed absolute return pool which was established October 31, 2004, with a start up share price of $1,000. The share price at June 30, 2007, was $1,248. Underlying assets in the pool are comprised of hedge fund limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 30.67% and 31.19% ownership in the absolute return pool, respectively.

Other Investments Pool

The DB Plan participates in the ARMB's externally managed other investments pool which was established March 18, 2004, with a start up share price of $1,000. The share price at June 30, 2007, was $1,286. Underlying assets in the pool are comprised of limited partnership interests in an energy related venture capital operating company and two agricultural entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 30.85% and 31.38% ownership in the other investments pool, respectively.

Real Estate Pool

The DB Plan participates in the ARMB's externally managed real estate pool which was established June 27, 1997, with a start up share price of $1,000. The share price at June 30, 2007, was $3,006. Underlying assets in the pool are comprised of separate accounts, commingled accounts, limited partnerships, and real estate investment trust holdings. With the exception of investments in real estate investment trusts, each manager independently determines which permissible investments are made. Treasury staff determines the permissible real estate investment trusts to invest in. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2007 and 2006, the DB Plan had a 30.87% and 31.17% ownership in the real estate pool, respectively.

Participant-directed DCR Pension Trust Fund Investments

Pooled Investment Funds

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate four participant-directed funds. At June 30, 2007 no participant-directed funds were invested in the T. Row Price Target 2025 Fund.

T. Rowe Alaska Balanced Trust

On July 1, 2006 the DCR Pension Trust Fund began participation in the Alaska balanced trust. The purpose of this fund is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for investors with a low to average risk tolerance. At June 30, 2007 the DCR Pension Trust Fund's invested assets included a 0.01% ownership in the Alaska balanced trust.

T. Rowe Long-Term Balanced Trust

On July 1, 2006 the DCR Pension Trust Fund began participation in the long-term balanced trust. The purpose of this fund is to provide a balanced and diversified mix of stocks, bonds, federally guaranteed mortgages and money market instruments for investors with an average risk tolerance. At June 30, 2007 the DCR Pension Trust Fund's invested assets included a 0.001% ownership in the long-term balanced trust.

T. Rowe Alaska Money Market Trust

On July 1, 2006 the DCR Pension Trust Fund began participation in the Alaska money market trust. Underlying assets are comprised of cash equivalent instruments with maturities of less than one year which include commercial paper, banker acceptances, and certificates of deposit with ratings of A1/P1 or better; as well as, obligations of the US Government and its agencies, and repurchase agreements collateralized by US Treasury Instruments with the goal of maintaining a $1.00 unit price. At June 30, 2007 the DCR Pension Trust Fund's invested assets included a 16.42% ownership in the Alaska money market trust

Collective Investment Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected are subject to the provision of the collective investment funds the ARMB has selected.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

SSGA Government/Corporate

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

SSGA S&P 500 Stock Index Fund

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

Global Balanced Fund

This fund invests in stocks and bonds of U.S. and international companies and government bonds issued by the U.S. and other governments.

Brandes Institutional International Equity Fund

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

Citizens Core Growth Fund

This fund invests primarily in U.S. large cap growth stocks, with an emphasis on those that are managed in a socially responsible manner

T. Rowe Small Cap Stock Fund

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

Money Market Fund

Consists of nonparticipant directed funds used to pay administrative costs of the plan.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, 2007, the DB Plan and DCR Pension Trust Fund's investments included the following:

	Fair value (In thousands)							
	Defined Benefit Plan Fixed Income Pools					Defined Contribution Pension Trust Fund		
	Short-term	Enhanced cash	Domestic	Intern'l	High yield	Pooled Investment Funds	Other	Total
Deposits	$ -	-	-	375	-	-	21,660	$ 22,035
Overnight sweep account (Imcs)	1,054	-	-	-	5,264	-	-	6,318
Money market fund (SL)	-	-	-	-	-	-	531,823	531,823
Short-term investment fund	6,856	-	-	319	-	1	-	7,176
Commercial paper	15,187	-	1,003	-	1,525	9	-	17,724
Domestic equity	-	-	-	-	-	24	-	24
International equity	-	-	-	-	-	1	-	1
Collective investment funds	-	-	-	-	-	-	4,918	4,918
U. S. Treasury bills	-	-	-	-	-	-	1,677	1,677
U. S. Treasury notes	-	-	94,850	-	-	11	-	94,861
U. S. Treasury strips	-	-	76	-	-	-	-	76
U. S. Treasury bonds	-	-	42,506	-	-	-	-	42,506
U.S. Government agency discount notes	-	-	59,432	-	-	-	-	59,432
U.S. Government agency	-	-	379	-	-	1	-	380
Municipal bonds	-	-	569	-	-	-	-	569
Foreign government bonds	-	-	-	54,125	-	-	-	54,125
Mortgage-backed	11,733	-	489,749	-	-	17	-	501,499
Other asset-backed	84,309	560	55,839	-	205	-	-	140,913
Corporate bonds	43,714	784	157,227	33,723	66,108	12	-	301,568
Convertible bonds	-	-	-	-	4,391	-	-	4,391
Yankees:								
Government	-	-	4,895	-	-	1	-	4,896
Corporate	9,221	-	17,485	-	6,751	1	-	33,458
Fixed income pools:								
Equity	-	-	-	-	724	-	-	724
Domestic equity pool:								
Limited partnership	-	-	-	-	-	-	145,052	145,052
Equity	-	-	-	-	-	-	1,589,433	1,589,433
International equity pool:								
Convertible bonds	-	-	-	-	-	-	801,616	801,616
Emerging markets equity pool	-	-	-	-	-	-	126,711	126,711
Private equity pool:								
Limited partnerships	-	-	-	-	-	-	326,946	326,946
Absolute return pool:								
Limited partnerships	-	-	-	-	-	-	188,766	188,766
Other investments pool:								
Limited partnerships	-	-	-	-	-	-	23,331	23,331
Agricultural holdings	-	-	-	-	-	-	33,687	33,687
Real estate pool:								
Real estate	-	-	-	-	-	-	172,480	172,480
Commingled funds	-	-	-	-	-	-	99,706	99,706
Limited partnerships	-	-	-	-	-	-	234,269	234,269
Real estate investment trusts	-	-	-	-	-	-	28,139	28,139
Mortgages	-	-	-	-	-	-	25	25
Net other assets (liabilities)	(767)	(237)	(187,118)	1,441	1,278	-	3,592	(181,811)
Other pool ownership	(159,363)	(1,107)	134,785	-	-	-	25,685	-
Unallocated deposits in transit	-	-	-	-	-	-	122	122
Total invested assets	$ 11,944	-	871,677	89,983	86,246	78	4,359,638	5,419,566

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, 2006, the DB Plan's investments included the following:

	Fair value (In thousands)					
	Fixed Income Pools					
	Short-term	Domestic	International	High yield	Other	Total
Deposits	$ -	-	-	-	1,533	1,533
Overnight sweep account	196	337	-	5,684	-	6,217
Money market fund	-	-	-	-	423,385	423,385
Short-term investment fund	4,836	-	543	-	9,679	15,058
Commercial paper	9,698	3,118	-	-	-	12,816
U. S. Treasury notes	-	51,257	-	-	-	51,257
U. S. Treasury bonds	-	54,944	-	-	-	54,944
U. S. Treasury strips	-	5,268	-	-	-	5,268
U.S. Government agency discount notes	-	44,097	-	-	-	44,097
U.S. Government agency	-	81,000	-	-	-	81,00
Municipal bonds	-	649	-	-	-	649
Foreign government bonds	-	-	51,060	-	-	51,060
Mortgage-backed	8,349	442,660	-	-	-	451,009
Other asset-backed	58,054	54,315	-	114	-	112,483
Corporate bonds	30,036	193,195	34,840	57,165	-	315,236
Convertible bonds	-	-	-	1,244	-	1,244
Yankees:						
Government	-	7,180	-	-	-	7,180
Corporate	1,233	624	-	2,132	-	3,989
Fixed income pools:						
Equity	-	-	-	17	-	17
Domestic equity pool:						
Limited partnership	-	-	-	-	91,729	91,729
Equity	-	-	-	-	1,526,971	1,526,971
International equity pool:						
Convertible bonds	-	-	-	-	628,800	628,800
Emerging markets equity pool	-	-	-	-	97,105	97,105
Private equity pool:						
Limited partnerships	-	-	-	-	258,509	258,509
Absolute return pool:						
Limited partnerships	-	-	-	-	109,341	109,341
Other investments pool:						
Limited partnerships	-	-	-	-	12,620	12,620
Agricultural holdings	-	-	-	-	19,861	19,861
Real estate pool:						
Real estate	-	-	-	-	243,968	243,968
Commingled funds	-	-	-	-	87,312	87,312
Limited partnerships	-	-	-	-	67,306	67,306
Real estate investment trusts	-	-	-	-	31,247	31,247
Mortgages	-	-	-	-	33	33
Net other assets (liabilities)	(58)	(102,489)	3,267	539	2,432	(96,309)
Other pool ownership	(111,827)	96,892	-	-	14,935	-
Total invested assets	$ 517	933,047	89,710	66,895	3,626,766	4,716,935

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Interest Rate Risk

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

Short–Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve–month prepay speeds for other securities. At June 30, 2007, the expected average life of individual fixed rate securities ranged from four days to seven months and the expected average life of floating rate securities ranged from less than one year to three years.

Other Fixed Income Pools

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the domestic fixed income portfolio to ± 20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2007, was 4.70 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the international fixed income portfolio to ± 25% of the Citigroup Non–U.S. World Government Bond Index. The effective duration for the Citigroup Non–U.S. World Government Bond Index at June 30, 2007, was 6.00 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the high yield portfolio to ± 20% of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2007, was 4.59 years. The High Yield pool was funded April 15, 2005.

Defined Contribution Pooled Investment Funds

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

> For government and corporate debt securities, duration is limited to ± 0.25 years of the Lehman Brothers Government/Credit Index. At June 30, 2007, the duration of the government and corporate debt securities was 5.12 years and the duration of the Lehman Brothers Government Credit Index was 5.01 years.
>
> For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At June 30, 2007, the duration of the mortgage-backed securities was 4.29 years and the duration of the Lehman GNMA Index 4.31 years.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

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

Collective Investment Funds

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the Collective investment fund that consisted solely of debt securities, the Government/Corporate Bond Fund, was 5.33 years at June 30, 2007.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100–basis point change in interest rates. The duration, for a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry–standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, options and other variable cash flows for purposes of the effective duration calculation.

At June 30, 2007, the effective duration of the DB Plan's fixed income pools, by investment type, was as follows:

	Effective duration (In years)			
	Enhanced Cash	**Domestic**	**International**	**High Yield**
U.S. Treasury notes	-	4.07	-	-
U.S. Government agency	-	4.52	-	-
Municipal bonds	-	12.33	-	-
Mortgage-backed	-	4.26	-	-
Other asset-backed	1.84	4.82	-	4.39
Corporate bonds	0.22	5.36	3.80	4.21
Convertible bonds	-	-	-	2.20
Yankees:				
Government	-	6.46	-	-
Corporate	-	11.03	8.86	3.88
Portfolio effective duration	0.08	3.99	4.81	3.82

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Credit Risk

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

The ARMB does not have a policy to limit the concentration of credit risk for the Collective Investment, ERISA Commingled, and Mutual Funds.

The DCR Pension Trust Fund invested assets in externally managed pools may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counter party to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

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

With the exception of the sweep account, short–term fixed income pool investments are limited to instruments with a long–term credit rating of at least A3 or equivalent and instruments with a short–term credit rating of at least A1 or equivalent. For securities with long–term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is A3 or equivalent. Asset–backed and nonagency mortgage securities may be purchased if only rated by one of the rating agencies mentioned above if they are rated AAA. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

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

Domestic fixed income:

Commercial paper must carry a rating of at least A1 or equivalent.

Corporate debt securities must be investment grade.

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

Enhanced Cash Fixed Income:

Commercial paper must carry a rating of at least A1 or equivalent.

No more than five percent of the portfolio's assets may be invested in securities rated below investment grade as determined by the Lehman Brothers rating methodology.

No more than two percent of the portfolio's assets may be invested in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

International fixed income:

Corporate and asset–backed obligations must be investment grade.

Domestic and international equity:

Corporate debt obligations must carry a rating of at least A or equivalent.

High yield:

No more than ten percent of the portfolio's assets may be invested in securities rated A3 or higher.

No more than twenty–five percent of the portfolio's assets may be invested in securities rated below B3.

No more than five percent of the portfolio's assets may be invested in unrated securities.

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

Daily cash surpluses that arise in this pool are invested in the custodian's repurchase agreement sweep account. This account is secured by U.S. Government or Agency securities. As such, the ARMB does not consider this investment subject to the credit risk limitations above.

Defined Contribution Pooled Investment Funds:

All government and corporate fixed income securities must be rated BBB or better at the time of purchase.

All mortgage-backed securities must be issued by the Government National Mortgage Association and Commercial paper and other short-term debt obligations must be rated A1 or equivalent.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, 2007, the DB Plan and DCR Pension Trust Fund's investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

		Defined Benefit				
		Internally managed fixed income pools				
	Rating[1]	Short-term	Enhanced cash	Domestic	International	High yield
Overnight sweep account	Not Rated	0.61%	-%	-%	-%	6.10%
Money market fund	Not Rated	-	-	-	-	-
Short-term investment account	Not Rated	3.96	-	-	0.36	-
Commercial paper	AA	1.88	-	-	-	-
Commercial paper	A	3.09	-	-	-	1.77
Commercial paper	Not Rated	3.86	-	0.14	-	-
U. S. government agency discount notes	Not Rated	-	-	8.07	-	-
U. S. government agency	AAA	-	-	-	-	-
U. S. government agency	Not Rated	-	-	0.05	-	-
Mortgage-backed	AAA	6.50	-	51.10	-	-
Mortgage-backed	A	0.32	-	-	-	-
Mortgage-backed (agency)	Not Rated	-	-	15.36	-	-
Other asset-backed	AAA	40.98	2.65	5.14	-	-
Other asset-backed	AA	0.91	-	0.27	-	-
Other asset-backed	A	6.34	-	0.09	-	-
Other asset-backed	BBB	-	1.00	0.74	-	-
Other asset-backed	BB	-	-	-	-	0.24
Other asset-backed	Not Rated	0.78	-	1.34	-	-
Municipal bonds	AA	-	-	0.08	-	-
Corporate bonds	AAA	1.97	-	1.89	25.92	-
Corporate bonds	AA	15.13	0.60	4.28	11.43	-
Corporate bonds	A	8.31	3.46	6.98	-	-
Corporate bonds	BBB	-	1.04	7.15	-	1.56
Corporate bonds	BB	-	-	-	-	21.55
Corporate bonds	B	-	-	-	-	41.49
Corporate bonds	CCC	-	-	-	-	11.57
Corporate bonds	D	-	-	-	-	0.48
Corporate bonds	Not Rated	-	-	1.03	0.28	3.59
Convertible bonds	BBB	-	-	-	-	0.20
Convertible bonds	BB	-	-	-	-	0.06
Convertible bonds	B	-	-	-	-	1.19
Convertible bonds	D	-	-	-	-	0.05
Yankees:						
Government	AAA-BBB	-	-	0.66	56.57	-
Government	Not Rated	-	-	-	3.83	-
Corporate	AAA	3.09	-	-	-	-
Corporate	AA	1.75	-	-	-	-
Corporate	A	-	-	1.47	-	-
Corporate	BBB	-	-	0.61	-	0.35
Corporate	BB	-	-	-	-	1.06
Corporate	B	-	-	-	-	5.88
Corporate	CCC	-	-	-	-	0.21
Corporate	Not Rated	0.52	-	0.30	-	0.32
No credit exposure		-	91.25	(6.75)	1.61	2.33
		100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**

[1]Rating modifiers are not disclosed

(continued)

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

	Defined Contribution Pooled investment funds			
	GNMA	Govt/Corp	Money market	Collective Investment funds
Overnight sweep account	-%	-%	-%	-%
Money market fund	-	-	-	0.26
Short-term investment account	7.40	0.84	-	-
Commercial paper	-	-	-	-
Commercial paper	-	-	-	-
Commercial paper	-	-	6.22	-
U. S. government agency discount notes	-	-	83.66	-
U. S. government agency	-	2.42	-	-
U. S. government agency	-	-	-	-
Mortgage-backed	88.91	17.08	-	-
Mortgage-backed	-	-	-	-
Mortgage-backed (agency)	3.69	-	-	-
Other asset-backed	-	-	-	-
Other asset-backed	-	-	-	-
Other asset-backed	-	-	-	-
Other asset-backed	-	-	-	-
Other asset-backed	-	-	-	-
Other asset-backed	-	-	-	-
Municipal bonds	-	-	-	-
Corporate bonds	-	1.67	3.13	-
Corporate bonds	-	6.70	3.13	-
Corporate bonds	-	15.45	6.25	-
Corporate bonds	-	11.42	-	-
Corporate bonds	-	-	-	-
Corporate bonds	-	-	-	-
Corporate bonds	-	-	-	-
Corporate bonds	-	-	-	-
Corporate bonds	-	-	-	-
Convertible bonds	-	-	-	-
Convertible bonds	-	-	-	-
Convertible bonds	-	-	-	-
Convertible bonds	-	-	-	-
Yankees:				
Government	-	2.85	-	-
Government	-	-	-	-
Corporate	-	0.27	-	-
Corporate	-	0.96	-	-
Corporate	-	0.91	-	-
Corporate	-	0.71	-	-
Corporate	-	-	-	-
Corporate	-	-	-	-
Corporate	-	-	-	-
Corporate	-	-	-	-
No credit exposure	-	38.72	(2.39)	99.74
	100.00%	**100.00%**	**100.0%**	**100.0%**

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Securities lending collateral was invested in a registered 2(a)–7 money market fund that was not rated.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2007, the DB Plan had the following uncollateralized and uninsured deposits:

	Amount (In thousands)
International equity pool	$ 1,641

Foreign Currency Risk

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

The ARMB's policy with regard to foreign currency risk in the international fixed income pool is to restrict obligations to those issued in the currencies of countries represented in the Citibank Non–U.S. World Government Bond Index. In addition, the ARMB's asset allocation policy permits the Plan to hold up to four percent of total investments in international fixed income.

The ARMB's policy with regard to foreign currency risk in the international equity pool and the emerging markets pool is to permit the DB Plan and DCR Pension Trust Fund to hold up to eighteen percent of total investments in these two pools combined.

The ARMB's policy with regard to foreign currency risk in the private equity pool is to permit the DB Plans' to hold up to ten percent of total investments in private equity.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, 2007, the DB Plan had exposure to foreign currency risk with the following investment pools:

	Amount (In thousands) Defined Benefit	
Currency	**International fixed income pool**	**International equity pool**
Australian Dollar	$ -	158
Canadian Dollar	-	1
Euro Currency	-	(432)
Hong Kong Dollar	-	201
Japanese Yen	115	1,074
Mexican Peso	261	-
New Zealand Dollar	-	3
Norwegian Krone	-	52
Pound Sterling	-	553
Swedish Krona	-	30
Swiss Franc	-	1
	$ 376	**1,641**

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, 2007, the DB Plan and DCR Pension Trust Fund had exposure to foreign currency risk with the following investments:

	Amount (In thousands)				
	Defined Benefit			Defined Contribution	
	Fixed income				
	International fixed income pool		International equity pool	Private equity pool	International trust pool
Currency	Foreign government	Corporate	Equity	Limited partnerships	Equity
Australian Dollar	$ 1,820	861	17,944	-	-
Canadian Dollar	-	-	16,092	-	-
Danish Krone	-	-	915	-	-
Euro Currency	42,613	-	300,071	12,216	1
Hong Kong Dollar	-	-	11,494	-	-
Japanese Yen	7,952	32,863	162,203	-	-
Mexican Peso	1,739	-	-	-	-
New Taiwan Dollar	-	-	2,894	-	-
New Zealand Dollar	-	-	3,262	-	-
Norwegian Krone	-	-	6,235	-	-
Pound Sterling	-	-	149,113	1,428	-
Singapore Dollar	-	-	8,018	-	-
South African Rand	-	-	617	-	-
South Korean Won	-	-	12,079	-	-
Swedish Krona	-	-	13,988	-	-
Swiss Franc	-	-	50,334	-	-
	$ 54,124	**33,724**	**755,259**	**13,644**	**1**

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, 2007, the DB Plan also had exposure to foreign currency risk in the emerging markets equity pool. This pool represents an investment in commingled investment funds; therefore, no disclosure of specific currencies is made.

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk for the short–term fixed income pool is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

The ARMB's policy with regard to concentration of credit risk for the domestic fixed income, international fixed income and high yield pools is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

At June 30, 2007, the DB Plan's investments included $250 million in Federal National Mortgage Association securities which represented 5% of the DB Plan's total investments. Federal National Mortgage Association securities are not classified as corporate bonds.

The DB Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in value as follows (in thousands) for the years ending June 30:

	2007	2006
Domestic equity pool	$279,378	118,022
Retirement fixed income pool	7,579	(45,360)
International equity pool	160,612	145,413
Real estate pool	73,078	47,846
International fixed income pool	(1,492)	(5,738)
Private equity pool	59,618	45,762
Emerging markets equity pool	26,244	10,931
Other investment pool	2,736	791
Absolute return pool	17,594	11,895
High yield	1,028	(1,696)
	$ 626,375	**327,866**

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Collective Investment Funds

The DCR Pension Trust Fund's investments include the following collective investment funds at June 30:

	2007		
	Units owned	**Unit value**	**Balance** (In thousands)
Global balanced fund	$ 3,081	35.090	$ 108
Alaska balanced trust	2,015	33.828	68
Brandes INST international equity fund	52,411	26.700	1,400
Citizens core growth fund	53,198	19.150	1,019
S&P 500 stock index fund	43,815	28.223	1,237
Alaska long-term balanced trust	127	14.285	2
Daily government/corporate bond fund	108	21.757	2
T. Rowe Price small cap stock trust	25,011	46.090	1,153
Money market fund	8,282	1.000	8
Unallocated Deposits in Transit	-	-	127
Total collective investment funds			**$ 5,124**

(4) Foreign Exchange, Foreign Exchange Contracts and Off-Balance Sheet Risk

The international fixed income and international equity pool's investment income includes the following at June 30:

	2007	**2006**
Net realized gain on foreign currency	$19,348,152	13,922,461
Net unrealized loss on foreign currency	(4,545)	(13,005)
Net realized gain (loss) on foreign exchange contracts	95,812	117,351

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

The international equity pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The maturity periods for these contracts range from eight to one hundred and twenty-four days. The Plan had net unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, as follows:

	2007	2006
Net contract sales	$ 699,849	1,405,109
Less fair value	695,676	1,408,914
Net unrealized gains (losses)	**$ 4,173**	**(3,805)**

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

(5) Securities Lending

Alaska Statute 37.10.071 authorizes the ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The ARMB has entered into an agreement with State Street Corporation (Bank) to lend equity and domestic fixed income securities. The Bank, acting as the ARMB's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2007 and 2006, the fair value of securities on loan allocable to the DB Plan's invested assets totaled $547,635,829 and $417,202,476, respectively. There is no limit to the amount that can be loaned and the ARMB is able to sell securities on loan. International equity security loans are collateralized at not less than 105% of their fair value. All other security loans are collateralized at not less than 102% of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral in the amount of $531,810,023 is invested in a registered 2(a)–7 money market fund which is valued at amortized cost, approximating fair value. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. Securities collateral in the amount of $32,449,425 may be pledged or sold upon borrower default. Since the ARMB does not have the ability to pledge or sell securities collateral unless the borrower defaults, they are not recorded on the financial statements. Securities on loan, cash collateral and cash collateral payable are recorded on the financial statements at fair value. The Bank, the DB Plan and the borrower receive a fee from earnings on invested collateral. The bank and the DB Plan share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since the ARMB is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnifies the ARMB against loss due to borrower rebates in excess of earnings on cash

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2007 and 2006, there were no losses incurred as a result of securities lending transactions and there were neither significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

(6) Transfer to Retirement Systems

During fiscal year 2006, a review was conducted of all medical reserve amounts in the Retiree Health Fund. An analysis was conducted which considered: (1) the medical portion of net assets held in trust for benefits and other purposes, (2) prior and current year amounts incurred but not paid, (3) the amount necessary for the contingency reserve, and (4) the amount necessary for a premium stabilization reserve. Such an analysis is conducted periodically to determine that reserves are adequate, but not excessive. The result was no excess reserve balances over those deemed necessary for the continued operation of the Retiree Health Fund. No review or transfer occurred in 2007.

(7) Funded Status and Funding Progress - DB Plan

The funded status of the defined benefit retirement post employment healthcare benfeit plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
June 30, 2006	$844,766	4,288,707	3,443,941	19.7%	$574,409	599.6%

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

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

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	**June 30, 2006**
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	22 years
Asset valuation method	5 year smoothed market

Actuarial Assumptions

Investment rate of return 4.50%

Health cost trend –

	Medical	**Prescription Drugs**
FY07	9.0%	13.0%
FY08	8.5%	12.0%
FY09	8.0%	11.0%
FY10	7.5%	10.0%
FY11	7.0%	9.0%
FY12	6.5%	8.0%
FY13	6.0%	7.0%
FY14	5.5%	6.0%
FY15	5.0%	5.0%
FY16 and later	5.0%	5.0%

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

TRS' retiree healthcare benefits are partially funded. GASB 43 outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of annual required contribution actually being contributed to the plan. The State of

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

Alaska has utilized the second methodology to develop a discount rate of 4.50% as of June 30, 2006 to be used for 2007's disclosure.

(8) Commitments and Contingencies

Commitments

The ARMB entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2007, the DB Plan's member share of the unfunded commitment totaled $3,968,095. This commitment can be withdrawn annually in December with ninety days notice.

The ARMB entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2007 the DB Plan's member share of these unfunded commitments totaled $226,378,224. These commitments are estimated to be paid through 2014.

The ARMB entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the other investment portfolio. At June 30, 2007, the DB Plan's member share of this unfunded commitment totaled $28,075,210 to be paid through 2017.

The ARMB entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2007, the DB Plan's member share of these unfunded commitments totaled $143,549,368 to be paid through the year 2011.

Contingencies

The Department of Administration determined that statutory changes were needed to ensure that the Defined Benefit Retiree Health Program is funded in compliance with the Internal Revenue Code. Consequently, during the fiscal year 2007 legislative session, a law was enacted that created the Alaska Retiree Health Care Trusts (ARHCT), two separate irrevocable trusts. Senate Bill 123 (SB 123), effective June 7, 2007, directs all separately calculated employer contributions for the retiree health benefits, and appropriations, earning and reserves for payment of retiree medical obligations, to be credited to the ARHCT. Pursuant to SB 123, Treasury and the Department of Administration established and implemented the ARHCT effective as of July 1, 2007. The ARHCT will be funded through contributions from employers and premiums paid by retirees.

The Department of Administration intends to seek a tax determination letter from the Internal Revenue Service during the filing cycle beginning on February 1, 2008, and ending on January 31, 2009, concerning the status of the pension plans it administers as qualified governmental plans under Internal Revenue Code Sections 401(a) and 414(d). The Department of Administration also intends to seek private letter rulings regarding the status of the ARHCT. Finally, The Department of Administration intends to seek rulings and/or guidance from the Internal Revenue Service with respect to the prior structure of the Defined Benefit Retiree Health Program. As a result, invested assets may need to be reallocated between net assets available for pension benefits and net assets available for retiree health benefits, which could require a transfer of assets

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

included in the accompanying schedule of invested assets into the ARHCT. At this time, The Department of Administration is unable to predict the exact timing of the making of its intended filing with the Internal Revenue Service, the timing of any guidance that may be obtained from the Internal Revenue Service, the results or impact of such guidance on the statements of invested assets and changes therein, or the amount of a transfer, if any to the ARHCT.

Approximately 50 Plan members have filed administrative challenges to the DB Plan administrator's refusal to include leave cashin payments in the compensation used to calculate the members' retirement benefits. The members were all first hired by DB Plan employers before July 1, 1977, and claim that they have a constitutional right, based on the DB Plan statutes in effect before that date, to have leave cashin payments included. The DB Plan's prior board, which heard appeals from decisions of the Plan administrator, had ruled on two of the appeals, and those rulings had in turn been appealed to the Alaska Superior Court. The remaining appeals have been stayed by the DB Plan's board. In addition, a class action lawsuit, raising the same issues, had been filed in the superior court, but has been put on hold until final resolution of the members' claim. On January 27, 2006, the Alaska Supreme Court decided one such member's case in the State's favor. The administrator intends to vigorously contest all of the remaining claims and believes that the State's success to date will result in dismissal of the remaining cases and pending claims. The Plan has not recorded an accrual related to any of these cases or pending claims, because an unfavorable outcome in these matters is, in management's opinion, not considered probable but rather only possible, and the potential loss, if any, cannot be reasonably estimated at this time. If an unfavorable outcome occurs, the costs would be passed through to employers through the normal contribution process.

The State was a defendant in a class action lawsuit involving a constitutional challenge to DB Plan statutes that provide a 10% cost of living adjustment (COLA) to retirees and other benefit recipients who reside in the state of Alaska. The plaintiffs claimed that these statutes violate the right to travel of nonresident benefit recipients, and therefore, the 10% COLA should be paid to all benefit recipients, regardless of residence. On summary judgment motions, the superior court first ruled in favor of the plaintiffs on the issue of whether, if the residency requirements are unconstitutional, the residency requirements are severable from the COLA statutes. On summary judgment motions addressing the constitutionality of the statutes, the superior court ruled against the state, holding that the COLA statutes violate the constitutional right to travel. The court ordered payment of COLA to retirees and survivors in high-cost areas of other states. The State appealed to the Alaska Supreme Court. The Superior Court ruled against the plaintiffs on the issue of past damages, and has cross-appealed to the Alaska Supreme Court. On December 29, 2006, the State received a favorable ruling from the Alaska Supreme Court that reversed the Superior Court's ruling against the plaintiffs on the issue.

An IRS assessment may eventually result from the statutory provision and the Plan's practice under which retiree medical benefits were paid to some survivors' spouses and dependents who were not eligible dependents under the IRC, or

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2007 and 2006

from the manner in which retiree health benefits were funded before June 6, 2007. However, management believes that any such assessment would be paid from the State's general fund, not from the Plan's assets. Furthermore, the Plan's statutes under which payment of medical benefits was made for ineligible dependents was corrected by SB 141, effective January 1, 2006, and the funding of retiree medical benefits was clarified and corrected by SB 123, which was effective June 6, 2007. Finally, although there were press reports of possible legal action regarding amendments to the PERS and TRS statutes by HB 161 (rehired retiree legislation), no litigation has been served on the Plan challenging provisions of that legislation. Management is not aware of any other specific unasserted claims or assessments against the Plan.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Pension Benefits

June 30, 2007
(Dollars in thousands)

Actuarial Valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2001	$ 3,468,310	3,651,488	183,178	95.0%	496,188	36.9%
2002	2,699,445	3,959,958	1,260,513	68.2	509,437	247.4
2003	2,694,785	4,190,970	1,496,185	64.3	532,630	280.9
2004	2,647,777	4,216,480	1,568,703	62.8	522,421	300.3
2005	2,640,642	4,334,585	1,693,943	60.9	561,038	301.9
2006	3,296,934	4,859,336	1,562,402	67.8	574,409	272.0

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Postemployment Healthcare Benefits

June 30, 2007
(Dollars in thousands)

Actuarial valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2001	$ 903,919	951,659	47,740	95.0%	496,188	9.6%
2002	989,591	1,451,684	462,093	68.2	509,437	90.7
2003	1,057,500	1,644,639	587,139	64.3	532,630	110.2
2004	1,197,593	1,907,120	709,527	62.8	522,421	135.8
2005	1,318,297	2,163,971	845,674	60.9	561,038	150.7
2006	844,766	4,288,707	3,443,941	19.7	574,409	599.6

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

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

June 30, 2007
(Dollars in thousands)

Year Ended June 30	Actuarial Valuation Date as of June 30[1]	Pension Annual Required Contribution	Post-employment Healthcare Annual Required Contribution	Total Annual Required Contribution	Pension Percentage Contributed	Post-employment Healthcare Percentage Contributed	Total Percentage Contributed
2002	1999	$ 32,331	7,245	39,576	155.0%	155.0%	155.0%
2003	2000	37,800	9,570	47,370	133.0	133.0	133.0
2004	2001	65,571	17,089	82,660	83.0	83.0	83.0
2005	2002	152,168	55,783	207,951	45.0	45.0	45.0
2006	2003	170,019	66,719	236,738	54.0	54.0	54.0
2007	2004	169,974	76,879	246,853	62.0	62.0	62.0

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

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information

June 30, 2007

(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the valuation as of June 30, 2006 are as follows:

(a) Actuarial cost method – entry age, unfunded actuarial accrued liability or funding excess amortized over a fixed 25-year period as a level percentage of pay amount.

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

(c) Valuation of medical and prescription drug benefits – base claims cost rates are incurred healthcare cost expressed as a rate per member per year. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility of free part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data. Valuation assumes 7.5% of the current retiree population does not receive part A coverage.

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

(e) Salary scale – inflation 3.5% per year, merit 2.0% per year for the first 5 years of employment grading down to 0% after 15 years, and productivity 0.5% per year.

(f) Payroll growth – 4.0% per year.

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information

June 30, 2007

(h) Mortality (Pre-retirement) – Based upon the 2001-2005 actual experience. 60% of 1994 Group Annuity Table 1994 Base Year for females and 55% for males. All deaths are assumed to result from non-occupational causes.

(i) Mortality (Post-retirement) – Based upon the 2001-2005 actual experience. 1-year set-back of the 1994 Group Annuity Table Base Year for females and 3-year setback for males.

(j) Turnover – select and ultimate rates based upon the 2001–2005 actual withdrawal experience.

(k) Disability – incidence rates based upon the 2001–2005 actual experience. Post–disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. All disabilities are assumed to result from non-occupational causes.

(l) Retirement – retirement rates based on the 2001–2005 actual experience.

(m) Marriage and age difference – wives are assumed to be three years younger than husbands. 85% of male members and 75% of female members are assumed to be married.

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

(o) Contribution refunds – 10% of those terminating are assumed to have their contributions refunded.

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

(q) Sick leave – 4.7 days of unused sick leave for each year of service are assumed to be available to be credited once the member is retired.

(r) Post–retirement pension adjustment (PRPA) – 50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic PRPA as specified in the statute.

(s) Expenses – all expenses are included in the investment return assumption.

(t) Part–time status – part–time members are assumed to earn 0.55 years of credited service per year.

(u) Service – total credited service is provided by the State. The actuary assumes that this service is the only service that should be used to calculate benefits. Additionally, the State provided claimed serviced (including Bureau of Indian Affairs Service). Claimed service is used for vesting and eligibility purposes.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information

June 30, 2007

(v) Per capita claim cost - sample claims cost rates for FY07 medical benefits are show below:

	Medical	Prescription Drugs
Total	$9,095	$2,414
Medicare Part A & B	$8,133	N/A
Medicare Part B Only	$7,171	N/A
Medicarel Part D	N/A	$ 516

(w) Trend Rate for Retired Member Contributions –

FY08	8.0%
FY09	7.7%
FY10	7.3%
FY11	7.0%
FY12	6.7%
FY13	6.3%
FY14	6.0%
FY15	5.7%
FY16	5.3%
FY17 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations leads us to recommend the new assumptions above for the contribution trends. Note that actual FY07 retired member medical contributions are reflected in the valuation so trend on such contribution during FY07 is not applicable.

(x) Health cost trend –

Fiscal year	Medical	Prescription
2007	9.0%	13.0%
2008	8.5	12.0
2009	8.0	11.0
2010	7.5	10.0
2011	7.0	9.0
2012	6.5	8.0
2013	6.0	7.0
2014	5.5	6.0
2015	5.0	5.0
2016 and later	5.0	5.0

For the June 30, 2005 valuation, graded Healthcare Cost Trend Rates (HCCTR) were reinitialized. A survey of healthcare trends in the past year has revealed a general lowering of HCCTR. No reinitialization is required this year, so the trend rates will follow the same pattern as of the 2005 valuation.

(y) Aging Factors –

Age	Medical	Prescription Drugs
0-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-74	4.0%	1.5%
75-84	1.5%	0.5%
85+	0.5%	0.0%

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information

June 30, 2007

(z) Retired member contributions for medical Benefits – currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/ Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY07 contributions based on monthly rates shown below for calendar 2006 and 2007 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members assumed to retire prior to age 60 with less than 30 years of service:

Coverage Category	FY07 Annual Contribution	Calendar 2007 Monthly Contribution	Calendar 2006 Monthly Contribution
Retiree Only	$ 7,080	$ 590	$ 590
Retiree and Spouse	$14,148	$1,179	$1,179
Retiree and Child(ren)	$ 9,996	$ 883	$ 883
Retiree and Family	$17,076	$1,423	$1,423
Composite	$10,512	$ 876	$ 876

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.

Effective June 30, 2006, there was a change in the actuarial cost methods. The cost method was changed from Projected Unit Credit to Entry Age Normal. The ARMB adopted the changes to the demographic and economic assumptions recommended by the actuary based on the results of an experience analysis performed of the population experience from June 30, 2001 through June 30, 2005. The changes in assumptions were adopted by the ARMB during the October 2006 ARMB meeting. Additionally, the trend rate table for the retiree medical contributions was updated and the assumed lag between t he medical claims incurred and paid dates was changed from 3 months to 2 months.

Changes in Assumptions since the Last Valuation

(a) Salary scale – based on actual experience from 2001 to 2005.

(b) Payroll Growth – 4.0%

(c) Pre-retirement mortality – 55% of the 1994 Group Annuity Table, 1994 base year for males and 60% for females.

(d) Post-retirement mortality – 1-year setback fo the 1994 Group Annuity Table, 1994 base year for females and 3-year setback for males.

(e) Turnover – rates adjusted based on actual experience form 2001 to 2005.

(f) Disability – Female rates increased by 10% and male rates are unchanged based on actual experience form 2001 to 2005.

(g) Retirement – rates adjusted based on actual experience from 2001 to 2005.

(h) Marriage and age difference – male 85% married, female 75% married, and males 3 years older.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information

June 30, 2007

(i) Dependent children – married members have two dependent children from age 25 through 45.

(j) Contribution refunds – 10% for all ages and vested status.

(k) COLA – of all benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive COLA.

(l) Healthcare – included effect of Medicare Part A & B vs. Medicare Part B only. Active employees hired after April 1, 1986 are assumed to be covered by Medicare Parts A& B. 7.5% of current retirees are assumed to be covered by Part B only. Changed the assumed lag between medical claims incurred and paid dates form 3 months to 2 lag months. Changed trend rate table for retiree medical contributions to start at 8.0% and grade down to 5.0%.

Schedule 1

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Years ended June 30, 2007
with Summarized Financial Information for 2006
(In thousands)

	Administrative	Investment	Totals 2007	Totals 2006
Personal Services:				
Wages	$ 850	554	1,404	1,240
Benefits	520	250	770	609
Total Personal Services	1,370	804	2,174	1,849
Travel:				
Transportation	14	38	52	55
Per Diem	3	3	6	7
Moving	-	-	-	-
Honorarium	-	-	-	7
Total Travel	17	41	58	69
Contractual Services:				
Management and Consulting	268	8,975	9,243	9,644
Accounting and Auditing	24	418	442	453
Other Professional Services	40	1	41	87
Advertising and Printing	145	138	283	41
Data Processing	56	20	76	323
Communications	66	20	86	52
Rentals/Leases	248	40	288	83
Legal	2	8	10	95
Medical Specialists	2	5	7	3
Repairs and Maintenance	20	1	21	30
Transportation	83	16	99	3
Securities Lending	-	22,427	22,427	14,438
Total Contractual Services	954	32,069	33,023	25,252
Other:				
Equipment	18	7	25	63
Supplies	35	35	70	43
Total Other	53	42	95	106
Total Administrative and Investment Deductions	**$ 2,394**	**32,956**	**35,350**	**27,276**

See accompanying independent auditors' report.

Schedule 2

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Pension and
Post Employment Healthcare Plan
Defined Contribution Retirement Pension Trust Fund
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants Other than Investment Advisors

Years ended June 30, 2007 and 2006
(In thousands)

Firm	Services	2007	2006
State Street Corporation	Custodian Banking Services	$ 411	617
Buck Consultants	Actuarial Services	314	126
Mercer Human Resource Consulting	Actuarial Services	-	79
Systems Central Services Inc.	Data Processing Consultants	82	92
Wostmann & Associates, Inc.	Data Processing Consultants	-	58
KPMG LLP	Auditing Services	21	21
State of Alaska, Department of Law	Legal Services	41	25
First National Bank	Banking Services	10	-
		$ 879	**1,018**

See accompanying independent auditors' report.

INVESTMENT SECTION

This page intentionally left blank.

CALLAN ASSOCIATES INC

CAI

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

October 15, 2007

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

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2007.

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

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

Fiscal year 2007 was an excellent year for domestic equities and even better performance for international stocks. The Russell 3000 Index, a measure of the broad U.S. equity market achieved a strong return of 20.07%. International stocks, as measured by the MSCI-EAFE Index, posted an exceptional overall return of 27.00%. Interest rates declined thereby raising bond prices and performance. The Lehman Aggregate Bond Index, a widely used measure of the investment grade domestic bond market, achieved an overall return of 6.12%. Equity real estate enjoyed another strong year with returns of more than 17%.

For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of 18.88% and the Teachers Retirement System (TRS) had a time-weighted total return of 18.92%. Both Systems exceeded their strategic policy benchmark target return of 16.99% and ranked in the 9th percentile of Callan's Public Fund database. The policy benchmark was largely unchanged during the year. Over the trailing 3-year period, a span that includes three years of strong equity market and real estate returns, PERS and TRS have achieved annualized returns of 13.11% and 13.16% respectively. These results were better than the policy target index return of 12.17% and ranked in the 34th and 37th percentile of the Callan Public Fund database. Over the longest period for which Callan has detailed data (15 ¾ years), PERS and TRS have achieved annualized total returns of 9.50% and 9.56% respectively while the policy benchmark return for the same span was 9.32%.

Both systems are well diversified and currently have asset allocation policies that, in our opinion, are consistent with achievement of a "real" return slightly greater than 5%.

In summary, fiscal 2007 was an unusually strong year during which the Systems participated fully in robust global financial markets.

Sincerely,

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

Department of Revenue
Treasury Division
Staff

Commissioner
Patrick Galvin

Deputy Commissioner
Brian Andrews

Chief Investment Officer
Gary Bader

Comptroller
Pamela Green

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

Investment Officers
Bob G. Mitchell
Stephen R. Sikes
Philip Bartlett
Zachary Hanna
Victor Djajalie
James McKnight
Casey Colton
Clay Cummins
Nicholas Orr
Ryan Bigelow
Bree Simpson

ARMB Liaison Officer
Judy Hall

External Money Managers and Consultants

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

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

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

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

Domestic Equity Large Capitalization
Capital Guardian Trust Co.
Los Angeles, CA
Dresdner RCM Global Investors
San Francisco, CA
McKinley Capital Management, Inc.
Anchorage, AK
Relational Investors LLC
San Diego, CA

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

Domestic Equity Index Fund
State Street Global Advisors
Boston, MA

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

Global Equity
Lazard Freres Asset Management
New York, NY

External Money Managers and Consultants (con't)

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

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

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

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

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

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

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

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

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

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

Independent Auditors
KPMG LLP
Anchorage, AK

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

Teachers' Retirement System
Investment Report

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

INVESTMENTS

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

During the 2007 fiscal year[1], ARMB's target asset allocation was 36% domestic equities, 16% international equities, 20% domestic fixed income, 2% international fixed income, 10% real estate, 7% private equity, 4% absolute return, 2% high yield fixed income, and 3% other (farmland, energy and treasury inflation protected securities).

For the 2007 fiscal year, TRS investments generated a 18.92% rate of return. The TRS annualized rate of return was 11.57% over the last five years. The annualized rate of return over the last fifteen and three-quarter years has been 9.56%.

INVESTMENT OVERVIEW

The diversification of the TRS investment portfolio continued to protect overall returns. For the 2007 fiscal year, the real estate portfolio gained 20.75% and the international equity portfolio gained 30.15%. The U.S equity portfolio generated a 20.11% return up from 9.23% the previous year.

EQUITIES

The Total Domestic Equity Pool is diversified across large cap value, large cap growth, core, small cap value and small cap growth equity styles so as to gain broad market exposure. For the 2007 fiscal year, the pool posted a return of 20.11%. This was greater than the target return of 19.91%. The annualized domestic equity return for the five year period was 10.26%, up from 2.44% in the 2006 fiscal year. Investment guidelines for all asset classes are approved by ARMB and govern investment objectives, program risk management and implementation, procedures for investment, and other operational requirements. Equity investment guidelines include policies with regard to the types of permissible equity investments, limitations on holding and investment of cash, proxy voting, and restrictions/prohibitions on the use of leverage and derivatives.

Within the International Equity pool the Non-U.S. Equity Style managers invest their assets only in non-U.S. equity securities. The International Equity pool return was 30.15% which was greater than the target return of 29.25%. The international equity return for the five year period was 19.26% from 11.21% in fiscal year 2006.

FIXED-INCOME

The domestic fixed-income portfolio represented 18.0% of the total assets of TRS as of June 30, 2007. 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. The benchmark for the TRS bond portfolio is the Lehman Brothers Aggregate Bond Index. Fixed income investment guidelines include policies with regard to duration, credit quality, sector concentration, issue concentration, and company concentration.

[1] July 1, 2006 – June 30, 2007

Teachers' Retirement System
Investment Report

Over the 2007 fiscal year, the TRS domestic bond portfolio gained 6.20%, up from .06% the year before. The Lehman Brothers Aggregate Bond Index returned 6.12%, versus a negative .81% during 2006 fiscal year. The annualized domestic fixed-income return for the five year period was 4.86% from 5.24% in the 2006 fiscal year.

The international fixed-income portfolio, which represented about 1.8% of the total assets of TRS, returned 1.97% over the 2007 fiscal year, compared with a 2.20% posted by the Salomon Brothers Non U.S. Government Index. The annualized international fixed-income return for the five year period was 8.37% from 12.43% in the 2006 fiscal year. International fixed income guidelines include policies with regard to duration, credit quality, sector concentration, issue concentration, company concentration, country restrictions, and currency hedging.

The High Yield portfolio, which represented 1.8% of the total assets of TRS, returned 10.89% over the 2007 fiscal year. This was less than the target return of 11.69%. High yield fixed income guidelines include policies with regard to duration, credit quality, geographic concentration, sector concentration, issuer concentration, and restrictions/prohibitions on the use of leverage and derivatives.

REAL ESTATE

At the end of the 2007 fiscal year, TRS had 11.2% of its portfolio invested in real estate. The portfolio is primarily invested in specific institutional properties geographically diversified across the U.S. Property types include apartments, office, industrial, and retail. The portfolio is also invested in value-added real estate funds and REIT equity securities. Investing in real estate helps diversify the overall portfolio due to its low correlation to stocks and bonds. Real estate adds a stable source of income and provides a degree of inflation hedge. Real estate guidelines include policies with regard to property quality, geographic concentration, property size, property type, leverage, insurance coverage, and environmental evaluations.

The total return for real estate, net of fees, was 20.75% in fiscal year 2007 compared to 18.58% for the 2006 fiscal year. The five year annualized net total return was 15.37% from 12.28% in the 2006 fiscal year.

PRIVATE EQUITY

TRS had 6.7% of its portfolio is invested in Private Equity for long-term return enhancement and diversification. Investments are made through three investment managers. These investment managers have invested in over 100 private equity partnerships focused on venture capital, buyouts, or special situations. The private equity portfolio is well diversified by strategy, industry, geography, manager, and time. Private equity policies and procedures include guidelines with regard to investment quality, diversification, investment structure, and operation of the program.

During the 2007 fiscal year, the Private Equity component of the TRS portfolio had a net return of 28.74% with a five year annualized return of 14.65%.

ABSOLUTE RETURN

During the 2006 fiscal year the TRS portfolio began investing in absolute return strategies for additional diversification. Absolute return investments are made through three fund-of-fund managers and are 3.9% of the total portfolio. Each fund is well diversified by strategy and manager and targets a 5% real return with low correlation to equity and fixed income markets. Absolute return policies and procedures include guidelines with regard to investment objectives, investment structure, investment quality, leverage, liquidity, strategy, manager concentration, risk management, and operation of the program. Absolute Return returned 10.00% over the 2007 fiscal year. This was more than the target return of 9.53%.

Teachers' Retirement System
Investment Report

OTHER

The TRS portfolio is also invested in farmland and energy investments. These investments are relatively new and are focused on providing the portfolio with additional diversification. The farmland investments are made through two separate account managers responsible for assembling a well diversified portfolio. The energy investment manager is focused on creating a balanced and diversified portfolio of oil, gas, and electric investments. Collectively, farmland and energy investments represent 1.2% of the overall portfolio and had a net return of 11.28% for the 2007 fiscal year.

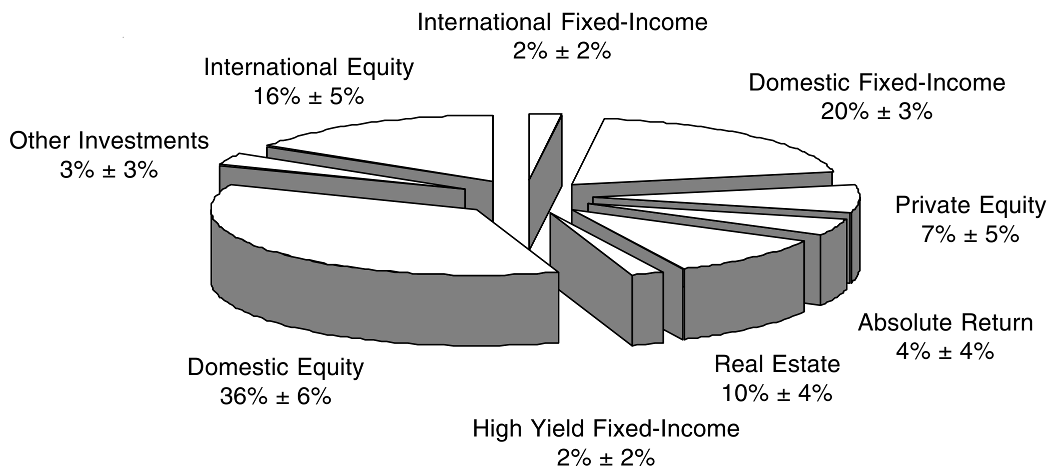
Teachers' Retirement System
Schedule of Investment Results
Fiscal Years Ended June 30

	2003	2004	2005	2006	2007	Annualized 3 Year	Annualized 5 Year
Total Fund							
TRS	3.68%	15.09%	9.01%	11.78%	18.92%	13.16%	11.57%
Actuarial Earnings Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
U.S. Common Stock Returns							
TRS Domestic Equities	(0.97%)	20.06%	4.48%	9.23%	20.11%	11.08%	10.26%
S&P 500/Russell 2000 Composite	0.25%	19.11%	6.87%	9.67%	20.59%	11.68%	10.71%
International Stock Returns							
TRS International Equities	(5.11%)	31.70%	15.17%	28.80%	30.15%	24.52%	19.26%
Morgan Stanley Capital International EAFE	(6.46%)	32.37%	13.65%	26.56%	27.00%	22.24%	17.73%
Domestic Fixed-Income							
TRS	10.70%	0.61%	7.10%	0.06%	6.20%	4.41%	4.86%
Lehman Brothers Aggregate Index	10.40%	0.32%	6.80%	(0.81%)	6.12%	3.98%	4.48%
International Fixed-Income							
TRS	24.48%	7.52%	9.84%	(0.26%)	1.97%	3.76%	8.37%
Salomon Non-U.S. Government	17.90%	7.60%	7.75%	(0.01%)	2.205	3.26%	6.91%
Real Estate Equity							
TRS	8.97%	11.55%	17.43%	18.58%	20.75%	18.91%	15.37%
NCREIF	7.64%	10.83%	18.02%	18.79%	17.24%	17.98%	14.40%

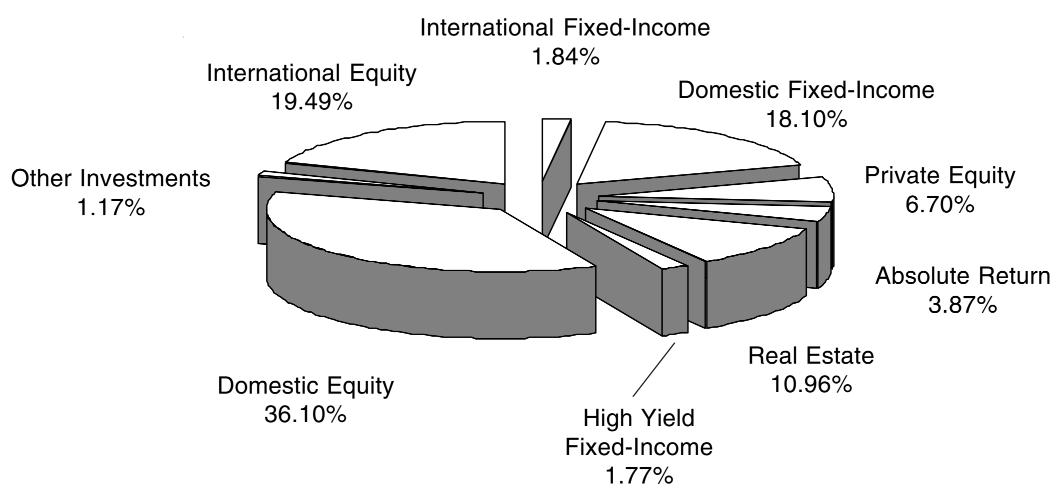
S&P 500 = Standard & Poor's Domestic Equity Stock Index
EAFE = Europe, Australia, and Far East Stock Index
NCREIF = National Council of Real Estate Investment Fiduciaries Index

Teachers' Retirement System Trust Fund
Asset Allocation
June 30, 2007

Policy

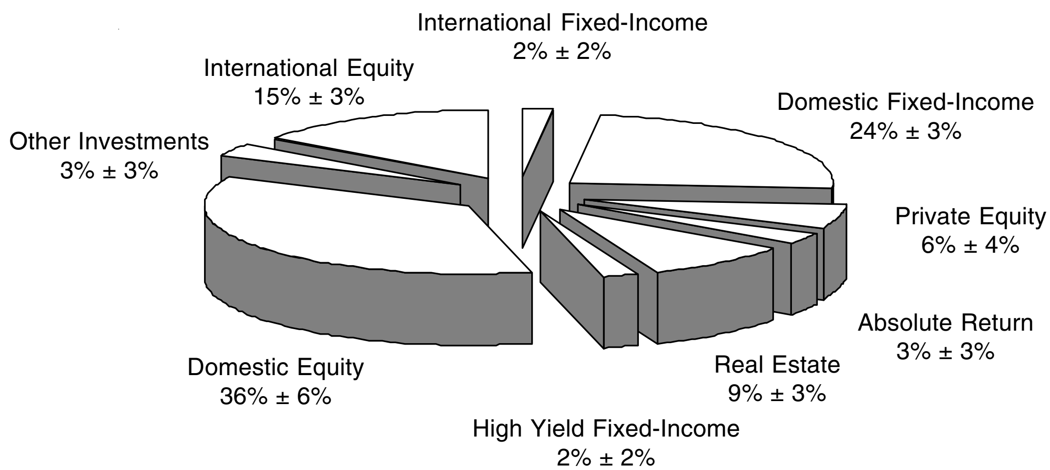


Actual

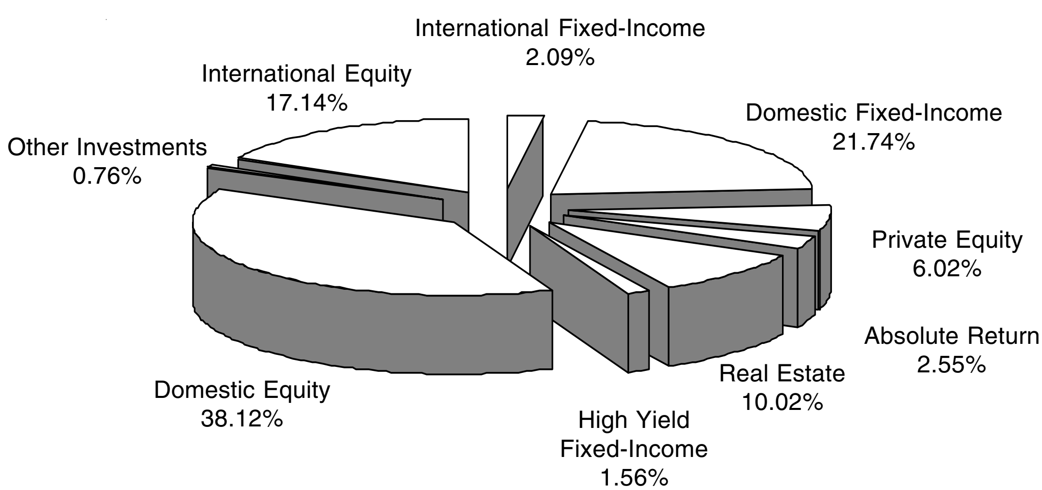


Teachers' Retirement System Trust Fund
Asset Allocation
June 30, 2006

Policy



Actual



Alaska Retirement Management Board
Top Ten Holdings by Asset Type
June 30, 2007

Invested assets under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created twelve different mutual fund-like pools to accomplish the investment asset allocation policies of the ARMB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ARMB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Following are the ten largest bond holdings and the ten largest equity holdings by market value as of June 30, 2007.

	Rank	Security	Par Values/ Fair Value	Shares
Fixed-Income	1	Federal Farm Credit Discount Note 7/5/2007	$ 99,393,00	99,393,000
	2	Federal Home Loan Discount Note 7/2/2007	94,198,000	94,198,000
	3	United States Treasury 4.875 6/30/2012	94,200,000	93,935,061
	4	United States Treasury 6.25 8/15/2023	81,696,000	90,733,625
	5	United States Treasury 4.875 6/30/2009	82,720,000	82,707,075
	6	FNMA 5.00 Aug 2007 Mortgage Backed Security TBA	72,118,000	67,520,478
	7	United States Treasury 4.50 5/15/2017	68,313,000	65,495,089
	8	FNMA 5.50 Aug 2007 Mortgage Backed Security TBA	64,638,000	62,335,271
	9	FNMA 6.00 Aug 2007 Mortgage Backed Security TBA	51,000,000	50,398,358
	10	United States Treasury 4.75 2/28/2009	47,300,000	47,174,359

Note: As of June 30, 2007, the above pool of fixed income securities was owned by the following retirement systems: PERS—68.50%; TRS—30.70%; JRS—0.45%; NGNMRS —0.36%

	Rank	Shares	Fair Value	Security
Equities	1	$1,367,372	114,695,163	Exxon Mobil Corp.
	2	$2,666,800	102,085,104	General Electric
	3	$1,959,852	81,333,858	AT&T
	4	$2,452,800	72,284,016	Microsoft Corp.
	5	$1,211,364	62,130,860	Citigroup
	6	$1,154,972	55,958,393	JP Morgan Chase
	7	$1,961,600	54,630,560	Cisco Systems
	8	$1,102,661	53,909,096	Bank America Corp.
	9	$1,905,300	48,718,521	Pfizer Inc.
	10	$673,100	47,211,234	Altria Group Inc.

Note: As of June 30, 2007, the above pool of fixed income securities was owned by the following retirement systems: PERS—68.50%; TRS—30.70%; JRS—0.45%; NGNMRS —0.36%

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

Teachers' Retirement System
Schedule of External Management Fees
Year Ended June 30, 2007

	Fair Value	Fees
Investment Management Fees		
International Fixed-Income		
Mondrian Investment Partners	$ 89,982,950	170,097
High Yield Pool		
ING Investment Management	43,375,310	226,761
MacKay Shields, LLC	42,870,945	208,057
Total High Yield	86,246,256	434,818
Domestic Equity Pool		
Cap Guardian Trust Co.	122,398,815	197,658
SSgA S&P 500 Index Fund	-	48,032
TCW Asset Management Company	6,260	525,181
Jennison Associates, LLC	65,049,647	446,919
Lord Abbett & Co	64,863,015	402,697
Luther King Capital Management	56,269,315	268,795
Lazard Freres	131,219,513	455,124
McKinley Capital Management	121,384,708	376,189
RCM	126,033,788	373,627
Relational Investors, LLC	145,051,634	919,039
Tukman, Value	276,632	544,849
Turner Investment Partners	62,899,218	440,159
SSgA Russell 2000 ERISA	4,504,707	582
SSgA Russell 2000 Value	73,125,111	2,989
SSgA Russell 200	30,604,491	1,205
SSgA Russell 1000 Growth	267,129,800	18,912
SSgA Russell 1000 Value	396,671,331	25,431
SSgA Futures Small Cap	2,080,033	7,585
SSgA Futures Large Cap	2,045,267	8,284
Barrow, Haney, Mewhinnwy & Strauss	45,742,664	-
Quantitative Management Assoc.	45,754,799	-
Invesco Realty Advisors	-	10,521
Total Domestic Equity Pool	1,763,110,749	4,998,269
Private Equity Pool		
Blum Capital Partners-Strategic	15,498,358	-
Blum Capital Partners-Public	19,427,255	202,211
Pathway Capital Management LLC	118,732,384	326,129
Abbott Capital	173,486,118	377,858
Total Private Equity	327,144,115	906,198
International Equity Pool		
Brandes Investment Partners	207,598,887	731,046
Cap Guardian Trust Co	172,093,460	424,825
Lazard Freres	163,292,062	352,214
McKinley Capital Management	144,017,937	606,594
State Street Global Advisors	135,417,018	575,749
State Street Global Advisors Futures International	2,574,659	5,803
Total International Equities	824,994,024	2,696,232

Teachers' Retirement System
Schedule of External Management Fees (con't)
Year Ended June 30, 2007

	Fair Value	Fees
Absolute Return Pool		
Mariner Investment Group	$ 73,939,577	649,495
Cadogan Management LLC	37,945,276	446,569
Crestline Investors, Inc.	76,881,241	845,169
Total Absolute Return	188,766,094	1,941,234
Other Investment Pool		
TCW Energy Fund	19,319,790	180,797
UBS Agrivest, LLC	18,615,246	134,607
Hancock Agricultural Investment Group	15,072,194	53,516
TCW Energy Fund XIV-A	4,010,744	-
Total Other Investment	57,017,975	368,920
Emerging Markets Equity Pool		
JP Morgan Investment Management	56,455,109	449,642
The Capital Group Inc.	70,255,673	340,726
Total Emerging Market	126,710,782	790,368
Real Estate Pool		
Cornerstone Real Estate Advisors	63,384,687	317,534
Lasalle Investment Management	76,636,249	430,714
Coventry Real Estate Advisors	15,776,259	255,652
Lowe Hospitality Investment Partners	16,271,483	207,070
Tishman Speyer Real Estate Venture VI	29,051,028	203,456
Rothschild Five Arrows	9,821,382	188,124
Cornerstone Rotational Fund	8,708,905	119,299
ING Clarion Partners	10,485,052	129,637
Lehman Brothers Real Estate Partners	35,083,648	515,552
J.P. Morgan Strategic Partners	72,087,639	540,869
UBS Brinson Consolidated Account	27,618,760	210,111
UBS Brinson Separate Account	107,487,032	577,044
Sentinel Real Estate Corporation	25,770,338	113,743
BlackRock Diamond Property Fund	4,664,987	6,155
LaSalle Medical Office Fund II	596,520	132,063
Total Real Estate	505,443,969	3,947,023
Total	$ 3,969,416,913	16,253,159
Custodian		
State Street Corporation		410,781
Investment Advisory		
Callan Associates		17,165
The Townsend Group		84,065
Total Investment Advisory		81,230
Investment Performance Measurement		
Callan Associates		76,972
Total External Management Fees		$ 18,822,142

Teachers' Retirement System
Investment Summary Schedule
June 30, 2007

	Asset Allocation Policy	Asset Allocation Range	Market Value	% of Asset Class	% of Total Assets
Participation in Pools Owning Fixed-Income Securities					
Domestic					
Short-Term			$ 11,944,340	1.35%	0.24%
Retirement			871,676,977	98.65%	17.85%
External Domestic			-	0.00%	0.00%
Total Domestic Fixed-Income	20%	17-23%	883,621,317	**100.00%**	18.10%
International					
International Fixed Income Pool	2%	0-4%	89,982,950	**100.00%**	1.84%
High Yield					
High Yield Fixed Income Pool	2%	0-4%	86,246,256	**100.00%**	1.77%
Total Fixed-Income	**24%**	**17-31%**	**1,059,850,523**		**21.71%**
Participation in Pools Owning Domestic Equities					
Small cap[1]	6%	3-9%	328,797,306	18.65%	6.73%
Large cap	30%	27-33%	1,434,313,443	81.35%	29.38%
Total Domestic Equities	**36%**	**30-42%**	**1,763,110,749**	**100.00%**	**36.11%**
Participation in Pools Owning International Equities					
International	14%	11-17%	824,994,024	86.69%	16.90%
Emerging Markets	2%	0-4%	125,710,782	13.31%	2.60%
Total International Equities	**16%**	**11-21%**	**951,704,806**	**100.00%**	**19.49%**
Participation in Pools owning Alternative Investments					
Private Equity	**7%**	**2-12%**	**327,144,116**	**100.00%**	**6.70%**
Other Investments	**3%**	**0-6%**	**57,017,975**	**100.00%**	**1.17%**
Absolute Return	**4%**	**8%**	**188,766,094**	**100.00%**	**3.87%**
Participation in Real Estate					
Mortgages, net of allowances			24,546	0.00%	0.00%
Real Estate Pool	10%	6-14%	534,953,408	100.00%	10.96%
Total Real Estate	**10%**	**6-12%**	**534,977,954**	**100.00%**	**10.96%**
Total Invested Assets	**100%**		**$ 4,882,572,217**		**100.00%**

[1] Includes only securities held by those managers with small cap mandates. Does not include small cap holdings which may be held in other managers' portfolios.

Alaska Teachers' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2007

Domestic Equity	International Equity	Total
$ 189,210	23,500	212,710

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

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

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

Net Securities Lending Income
Year Ended June 30, 2007

Securities lending income	$ 23,612,704
Less securities lending expense	22,426,985
Net income from securities lending activities	$ 1,185,719

Alaska Statute 37.10.071 authorizes the ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The ARMB has entered into an agreement with State Street Corporation (the Bank) to lend equity and domestic fixed-income securities. The Bank, acting as the ARMB's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

Cash collateral is invested in a registered 2(a)-7 money market fund which is valued at amortized cost approximating fair value. The ARMB does not have the ability to pledge or sell securities collateral unless the borrower defaults, therefore securities collateral is not recorded on the financial statements.

This page intentionally left blank.

ACTUARIAL SECTION

This page intentionally left blank.

buckconsultants
an ACS company

December 13, 2007

State of Alaska
Alaska Retirement Management Board
Department of Administration
Division of Retirement and 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, 2006 by Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the Plan as of June 30, 2006;

(2) a review of experience under the Plan for the year ended June 30, 2006;

(3) a determination of the appropriate contribution rate for all employers in the System which will be applied for the fiscal year ending June 30, 2009; and

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

The following schedules that we have prepared are included in the Actuarial Section:

(1) Summary of actuarial assumptions and methods

(2) Schedule of active member valuation data

(3) Schedule of benefit recipients added to and removed from rolls

(4) Solvency test

(5) Analysis of financial experience

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

Alaska Retirement Management Board
December 13, 2007
Page 2

In addition, we have provided the data necessary for the schedules of Funding Progress and the Notes to Required Supplementary Information included in the Financial Section.

In preparing the 2006 actuarial valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. 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 and adopted by the Board in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY07 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 60.9% to 57.3% during the year. The 2006 actuarial valuation provides an analysis of the factors that led to the decrease. The Actuarial Section and the 2006 actuarial valuation report also provide a history of the funding ratio of the System.

The assumptions, when applied in combination, fairly represent past and anticipated future experience in 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. We believe that the assumptions and methods used for funding purposes and for the disclosures presented satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

buckconsultants
an ACS company

Alaska Retirement Management Board
December 13, 2007
Page 3

We believe that the 2006 actuarial valuation 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.

It is our understanding that most of the information presented in the Required Supplementary Information in the Financial Section and in the supporting schedules in the Actuarial and Statistical Sections of this annual financial report was taken from the State of Alaska Teachers' Retirement System Actuarial Valuation Report as of June 30, 2006, that was prepared by Buck Consultants.

Sincerely,

David H. Slishinsky, A.S.A., E.A.
Principal, Consulting Actuary

Michelle Reding DeLange, F.S.A.,E.A.
Director, Consulting Actuary

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

Melissa Krumholz, A.S.A., M.A.A.A.
Senior Consultant, Health & Productivity

buckconsultants
an ACS company

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

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

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

Valuation of Liabilities

A. Actuarial Method - Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay amount. Payroll is assumed to increase 4.0% per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

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

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

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

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

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Changes in Methods from the Prior Valuation

The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal effective with the June 30, 2006 valuation.

B. Valuation of Assets

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

C. Valuation of Medical Benefits

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

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

We analyzed Aetna management-level reporting for calendar 2003 through fiscal 2006 and derived recommended base claims cost rates as described in the following steps:

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

2. Available reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. We used summary statistics provided to split claims and enrollment into Medicare and non-Medicare buckets each year.

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

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The larger the no-Part A population, the more accrued liabilities will decrease.

Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I TRS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 7.5% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 7.5% of the current retiree population does not receive Part A coverage.

We are working with the State to compile census records for no-Part A members to build an historic claims database isolating no-Part A members.

Due to data constraints, we were unable to establish credible rates for Medicare A&B and Medicare B only. We therefore conservatively set Medicare A&B rates relatively close to aggregate Medicare rates previously established and then set Medicare B only rates to reflect a reasonable no-Part A cost to the State's plan. To the extent future data specific to Medicare subgroups becomes credible, we can modify this conservative assumption.

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four calendar years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription drug claims cost rates reflect differing average ages. We converted paid claims data to incurred cost rates projected from each historical data period to the valuation year and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is 2 months. This "trend and blend" methodology differs mechanically from the prior method that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year's data in the 4-year experience period at 25% and further averaging such results with expected claims cost rates based on prior valuation methodology. Because prior methodology produces significantly greater claims costs for Medicare members we have assumed that resulting per capita claims cost rates are sufficient to cover administrative costs. In the future, we will incorporate actual administrative costs and may recommend weighting recent experience more heavily and/or reducing the experience period analyzed back to a 3-year period.

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

June 30, 2006 Valuation – FY 2007 Claims Cost Rates

	Medical				
	Pre-Medicare	Medicare A&B	Medicare B Only	Prescription Drugs	Total
Calendar 2003 Paid Claims	**$123,938,420**	**$4,006,301**	**$1,087,554**	**$57,596,427**	**$186,628,703**
Membership	31,619	15,748	1,277	48,644	48,644
Paid Claims Cost Rate	$3,920	$254	$852	$1,184	$3,837
Trend to FY2007	1.383	1.383	1.383	1.592	
FY 2007 Paid Cost Rate	$5,422	$352	$1,178	$1,885	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	**$5,503**	**$357**	**$1,196**	**$1,899**	
Calendar 2004 Paid Claims	**$139,793,036**	**$7,336,033**	**$1,379,219**	**$69,523,105**	**$218,031,393**
Membership	32,858	17,096	1,386	51,340	51,340
Paid Claims Cost Rate	$4,254	$429	$995	$1,354	$4,247
Trend to FY2007	1.252	1.252	1.252	1.385	
FY 2007 Paid Cost Rate	$5,326	$537	$1,246	$1,875	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	**$5,405**	**$545**	**$1,264**	**$1,889**	
Calendar 2005 Paid Claims	**$163,066,241**	**$11,021,966**	**$1,863,519**	**$80,293,244**	**$256,244,971**
Membership	33,343	18,114	1,469	52,926	52,926
Paid Claims Cost Rate	$4,891	$608	$1,269	$1,517	$4,842
Trend to FY2007	1.143	1.143	1.143	1.215	
FY 2007 Paid Cost Rate	$5,591	$696	$1,450	$1,843	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	**$5,674**	**$706**	**$1,472**	**$1,856**	
Fiscal 2006 Paid Claims	**$166,902,156**	**$10,350,915**	**$1,660,228**	**$87,341,702**	**$266,255,001**
Membership	35,601	16,777	1,360	53,738	53,738
Paid Claims Cost Rate	$4,688	$617	$1,221	$1,625	$4,955
Trend to FY2007	1.090	1.090	1.090	1.130	
FY 2007 Paid Cost Rate	$5,110	$672	$1,331	$1,837	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	**$5,186**	**$682**	**$1,350**	**$1,850**	
Weighted Average 7/2006 – 6/2007 Incurred Claims Cost Rates					
At average age	$5,442	$573	$1,320	$1,873	
At age 65*	$9,112	$395	$793	$2,635	
Prior Methodology FY2007 Incurred Cost Rates (6/2005 valuation with trend):					
At age 65*	$9,078	$1,528	$3,056	$2,193	
Final Base Cost Rates at age 65	**$9,095**	**$962**	**$1,924**	**$2,414**	

* Final Medicare rates are adjusted so that net plan cost for members with Parts A & B are one-half of net plan costs for members with Part B only. Also, prior methodology did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A&B and B only rates based on the 7.5% of membership assumed to lack Part A.

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

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

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

Below are the results of this analysis:

Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2006 through June 30, 2007

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug and Medicare Retiree Drug Subsidy
45	$ 5,037	$ 5,037	$ 1,273
50	5,699	5,699	1,512
55	6,448	6,448	1,796
60	7,658	7,658	2,082
65	962	1,924	1,898
70	1,170	2,341	2,045
75	1,390	2,779	2,181
80	1,497	2,994	2,236

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

D. Actuarial Assumptions

1.	Investment Return/ Discount Rate	8.25% per year, compounded annually, net of expenses.
2.	Salary Scale	Inflation - 3.5% per year Merit - 2.0% per year for the first 5 years of employment grading down to 0% after 15 years. Productivity - 0.5% per year
3.	Payroll Growth	4.0% per year
4.	Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.5% annually.
5.	Mortality (Pre-Retirement)	Based upon the 2001-2005 actual mortality experience (see Table 1). 60% of the 1994 Group Annuity Table, 1994 Base Year for females and 55% for males. All deaths are assumed to result from non-occupational causes.
6.	Mortality (Post-Retirement)	Based upon the 2001-2005 actual mortality experience (see Table 2). 1-year setback of the 1994 Group Annuity Table 1994 Base Year for females and 3-year setback for males.
7.	Turnover	Select and ultimate rates based upon the 2001-2005 actual withdrawal experience. (See Table 3.)
8.	Disability	Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 4. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. All disabilities are assumed to result from non-occupational causes.
9.	Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Table 5.
10.	Marriage and Age Difference	Wives are assumed to be three years younger than husbands. 85% of male members and 75% of female members are assumed to be married.
11.	Dependent Children	Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
12.	Contribution Refunds	10% of terminated members are assumed to have their contributions refunded.
13.	COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

14. Sick Leave — 4.7 days of unused sick leave for each year of service are assumed to be available to be credited once the member is retired.

15. Post-Retirement Pension Adjustment — 50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute.

16. Expenses — Expenses are covered in the investment return assumption.

17. Part-Time Status — Part-time employees are assumed to earn 0.55 years of credited service per year.

18. Service — Total credited service is provided by the State. We assume that this service is the only service that should be used to calculate benefits. Additionally, the State provides claimed service (including Bureau of Indian Affairs Service). Claimed service is used for vesting and eligibility purposes as described in Section 2.1.

19. Per Capita Claims Cost — Sample claims cost rates for FY07 medical and prescriptions are shown below:

	Medical	Prescription Drugs
Total	$9,095	$2,414
Medicare Parts A & B	$8,133	N/A
Medicare Part B Only	$7,171	N/A
Medicare Part D	N/A	$516

20. Health Cost Trend

	Medical	Rx
FY07	9.0%	13%
FY08	8.5%	12%
FY09	8.0%	11%
FY10	7.5%	10%
FY11	7.0%	9%
FY12	6.5%	8%
FY13	6.0%	7%
FY14	5.5%	6%
FY15	5.0%	5%
FY16	5.0%	5%
FY17 and later	5.0%	5%

For the June 30, 2005 valuation, graded Healthcare Cost Trend Rates (HCCTR) were reinitialized. A survey of healthcare trends in the past year has revealed a general lowering of HCCTR. No reinitialization is required this year, so the trend rates will follow the same pattern as for the 2005 valuation.

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

21. Aging Factors

Age	Medical	Prescription Drugs
00-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-74	4.0%	1.5%
75-84	1.5%	0.5%
85+	0.5%	0.0%

22. Retired Member Contributions for

Currently contributions are required for ERS members who are under age 60 and have less than 30 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY07 contributions based on monthly rates shown below for calendar 2006 and 2007 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members assumed to retire prior to age 60 with less than 30 years of service.

Coverage Category	FY07 Annual Contribution	Calendar 2007 Monthly Contribution	Calendar 2006 Monthly Contribution
Retiree Only	$ 7,080	$ 590	$ 590
Retiree and Spouse	$ 14,148	$ 1,179	$ 1,179
Retiree and Child(ren)	$ 9,996	$ 883	$ 883
Retiree and Family	$ 17,076	$ 1,423	$ 1,423
Composite	$ 10,512	$ 876	$ 876

23. Trend Rate for Retired Member Medical Contributions

FY08	8.0%
FY09	7.7%
FY10	7.3%
FY11	7.0%
FY12	6.7%
FY13	6.3%
FY14	6.0%
FY15	5.7%
FY16	5.3%
FY17 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations leads us to recommend the new rates above for the contribution trends. Note that actual FY07 retired member medical contributions are reflected in the valuation so trend on such contribution during FY07 is not applicable.

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 1
Alaska TRS
Mortality Table (Preretirement)

Age	Male	Female
20	.030%	.018%
21	.031	.019
22	.033	.019
23	.035	.019
24	.037	.019
25	.039	.019
26	.041	.019
27	.043	.019
28	.045	.020
29	.046	.021
30	.047	.023
31	.049	.024
32	.050	.026
33	.050	.027
34	.050	.029
35	.050	.031
36	.051	.033
37	.053	.036
38	.056	.039
39	.059	.042
40	.063	.046
41	.068	.050
42	.074	.053
43	.080	.057
44	.086	.060
45	.093	.063
46	.102	.067
47	.112	.072
48	.124	.073
49	.138	.085
50	.153	.092
51	.170	.101
52	.190	.112
53	.212	.123
54	.235	.135
55	.262	.148
56	.293	.165
57	.330	.188
58	.373	.217
59	.419	.249
60	.472	.286
61	.532	.329
62	.600	.376
63	.678	.431
64	.765	.492

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 2
Alaska TRS
Mortality Table (Postretirement)

Age	Male	Female
50	.204%	.141%
51	.226	.154
52	.250	.169
53	.277	.186
54	.309	.205
55	.346	.224
56	.385	.247
57	.428	.276
58	.476	.314
59	.532	.361
60	.600	.415
61	.677	.477
62	.762	.548
63	.858	.627
64	.966	.718
65	1.091	.819
66	1.233	.929
67	1.391	1.042
68	1.563	1.157
69	1.746	1.265
70	1.939	1.367
71	2.135	1.476
72	2.336	1.608
73	2.552	1.775
74	2.791	1.972
75	3.063	2.192
76	3.355	2.439
77	3.661	2.723
78	4.001	3.050
79	4.393	3.412
80	4.857	3.802
81	5.399	4.236
82	6.007	4.726
83	6.670	5.285
84	7.378	5.899
85	8.122	6.557

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 3
Alaska TRS
Turnover Assumptions

Select Rates of Turnover
During the First 8 Years of Employment:

Year of Employment	Male	Female
1	15%	13%
2	15	13
3	13	12
4	13	11
5	12	11
6	10	09
7	09	08
8	07	07

Ultimate Rates of Turnover
After the First 8 Years of Employment

Age	Male	Female	Age	Male	Female
15	4.9538%	4.3747%	40	4.7988%	4.2658%
16	4.9475	4.3714	41	4.7850	4.2559
17	4.9425	4.3692	42	4.7675	4.2460
18	4.9375	4.3681	43	4.7513	4.2372
19	4.9350	4.3670	44	4.7300	4.2262
20	4.8963	4.3351	45	4.7063	4.2130
21	4.8938	4.3351	46	4.6813	4.2009
22	4.8888	4.3340	47	4.6500	4.1844
23	4.8850	4.3340	48	4.6138	4.1657
24	4.8788	4.3329	49	4.5763	4.1470
25	4.8738	4.3329	50	4.5338	4.1250
26	4.8688	4.3318	51	4.4838	4.0997
27	4.8638	4.3307	52	4.4250	4.0700
28	4.8588	4.3274	53	4.3600	4.0348
29	4.8538	4.3241	54	4.2875	3.9974
30	4.8500	4.3208	55	4.2050	3.9523
31	4.8475	4.3186	56	4.1050	3.8940
32	4.8438	4.3142	57	3.9825	3.8192
33	4.8413	4.3109	58	3.8488	3.7345
34	4.8400	4.3065	59	3.6875	3.6267
35	4.8375	4.3021	60	3.5063	3.5046
36	4.8338	4.2955	61	3.3050	3.3682
37	4.8288	4.2900	62	3.0713	3.2131
38	4.8200	4.2823	63	2.8050	3.0360
39	4.8100	4.2746	64	2.5163	2.8435
			65+	5.0000	4.4000

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 4
Alaska TRS
Disability Table

Age	Male	Female
20	.028%	.025%
21	.028	.025
22	.029	.026
23	.029	.026
24	.030	.027
25	.030	.027
26	.030	.027
27	.031	.028
28	.032	.029
29	.033	.030
30	.034	.031
31	.034	.031
32	.035	.032
33	.036	.032
34	.037	.033
35	.038	.034
36	.040	.036
37	.041	.037
38	.043	.039
39	.044	.040
40	.046	.041
41	.048	.043
42	.051	.046
43	.054	.049
44	.059	.053
45	.065	.059
46	.070	.063
47	.076	.068
48	.083	.075
49	.089	.080
50	.096	.086
51	.104	.094
52	.114	.103
53	.127	.114
54	.142	.128
55	.160	.144
56	.184	.166
57	.214	.193
58	.244	.220
59	.288	.259
60	.337	.303
61	.390	.351
62	.452	.407
63	.522	.470
64	.596	.536

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 5
Alaska TRS
Retirement Table

Age at Retirement	Retirement Rate: Reduced Male	Reduced Female	Unreduced Male	Unreduced Female
<50	N/A	N/A	5.60%	5.70%
50	6.00%	6.30%	20.00	12.50
51	6.80	6.80	17.50	15.00
52	6.80	6.70	20.00	15.00
53	7.90	8.90	15.00	20.00
54	7.80	10.00	25.00	20.00
55	5.90	7.20	22.50	22.50
56	5.80	7.10	19.50	19.50
57	5.50	6.90	17.50	17.50
58	6.20	8.50	17.50	20.00
59	6.30	8.30	25.00	20.00
60	N/A	N/A	20.00	20.00
61	N/A	N/A	20.00	20.00
62	N/A	N/A	12.50	25.00
63	N/A	N/A	25.50	29.75
64	N/A	N/A	34.00	34.00
65	N/A	N/A	25.00	50.00
66	N/A	N/A	20.00	30.00
67	N/A	N/A	20.00	30.00
68	N/A	N/A	20.00	25.00
69	N/A	N/A	20.00	30.00
70	N/A	N/A	100.00	100.00

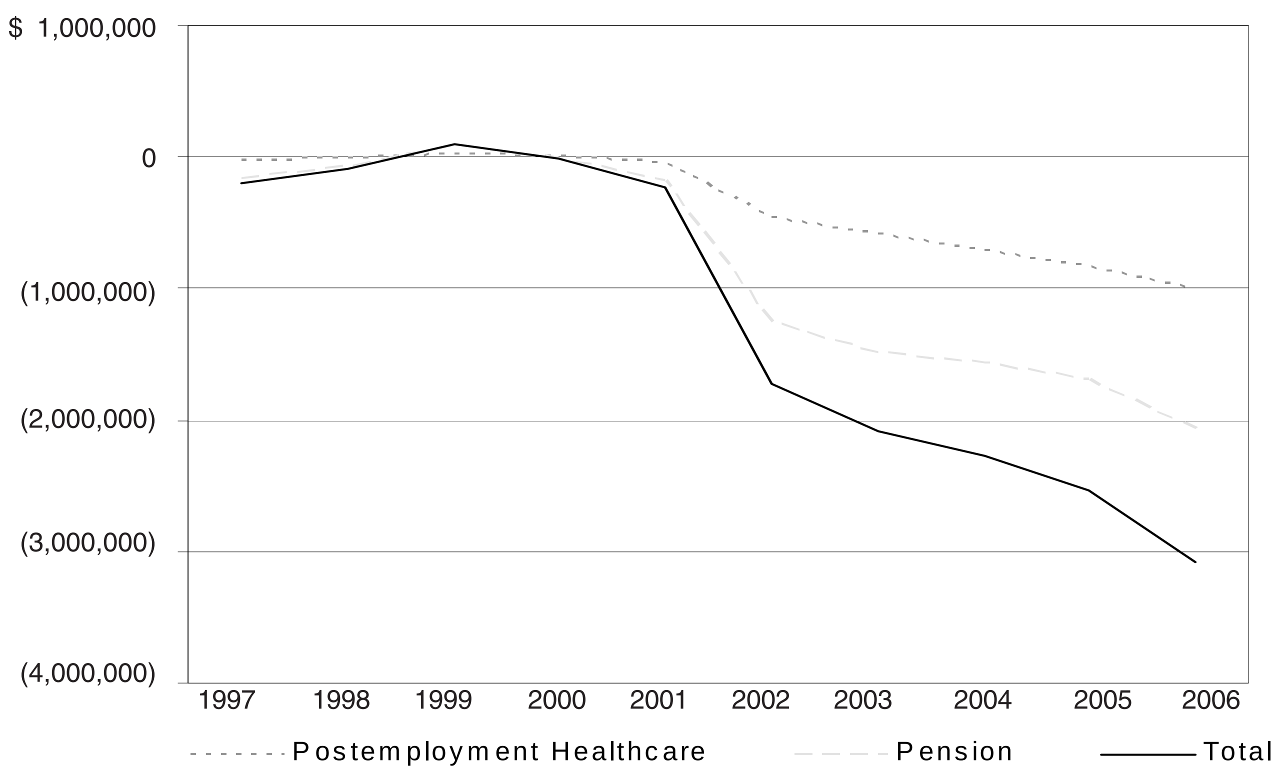
Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2005	June 30, 2006
Salary Scale	Based on actual experience from 1997 to 1999	Rates adjusted on actual experience from 2001 to 2005.
Payroll Growth	4.25%	4.0%
Preretirement Mortality	1994 Group Annuity Table, 1994 Base Year.	55% of the 1994 Group Annuity Table, 1994 Base Year for males. 60% for females. (See Table 1.)
Postretirement Mortality	1994 Group Annity Table, 1994 Base Year.	1-year setback of the 1994 Group Annuity Table, 1994 Base Year for females and 3-year setback for males. (See Table 2.)
Turnover	Based on actual experience from 1997 to 1999	Rates adjusted based on actual experience from 2001 to 2005. (See Table 3.)
Disability	Based on actual experience from 1991 to 1995	Female rates were decreased by 10% and male rates are unchanged based on actual experience from 2001 to 2005. (See Table 4.)
Retirement	Based on actual experience from 1997 to 1999	Rates were adjusted based on actual experience from 2001 to 2005. (See Table 5.)
Marriage and Age Difference	If married as of the valuation date, remain married until retirement; same if single. Males 4 years older.	Male: 85% married Females: 75% married. Males 3 years older.
Dependent Children	Married members will always have one dependent child	Married members have two dependent children from age 25 through 45.
Contribution Refunds	100% for those vested and under age 35 and nonvested, 0% otherwise	10% for all ages and vested status.
COLA	65% receiving Alaska Residency COLA.	60% receiving Alaska Residency COLA.
Healthcare	Aggregate post-65 claims cost rate. Trend rates for retiree medical contributions started at 10.2% and graded down to 5.0%.	Included effect of Medicare Part A & B vs. Medicare Part B only. Active employees hired after April 1, 1986 are assumed to be covered by Medicare Parts A & B. 7.5% of current retirees are assumed to be covered by Part B only. Changed assumed lag between medical claim incurred and paid dates from 3 months to 2 lag months. Changed trend rate table for the retiree medical contributions to start at 8.0% and graded down to 5.0%.

Teachers' Retirement System Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	**Postemployment Healthcare**	**Pension**	**Total Funding Excess/ (Unfunded Liability)**	**Funded Ratio**
1997	$ (35,668)	$ (164,357)	$ (200,025)	94.0
1998	(14,890)	(67,797)	(82,687)	97.7
1999	17,237	77,442	94,679	102.5
2000	(3,001)	(11,852)	(14,853)	99.6
2001	(47,740)	(183,178)	(230,918)	95.0
2002	(462,093)	(1,260,513)	(1,722,606)	68.2
2003	(587,139)	(1,496,185)	(2,083,324)	64.3
2004	(709,527)	(1,568,703)	(2,278,230)	62.8
2005	(845,674)	(1,693,934)	(2,539,608)	60.9
2006	(1,012,540)	(2,075,617)	(3,088,157)	57.3

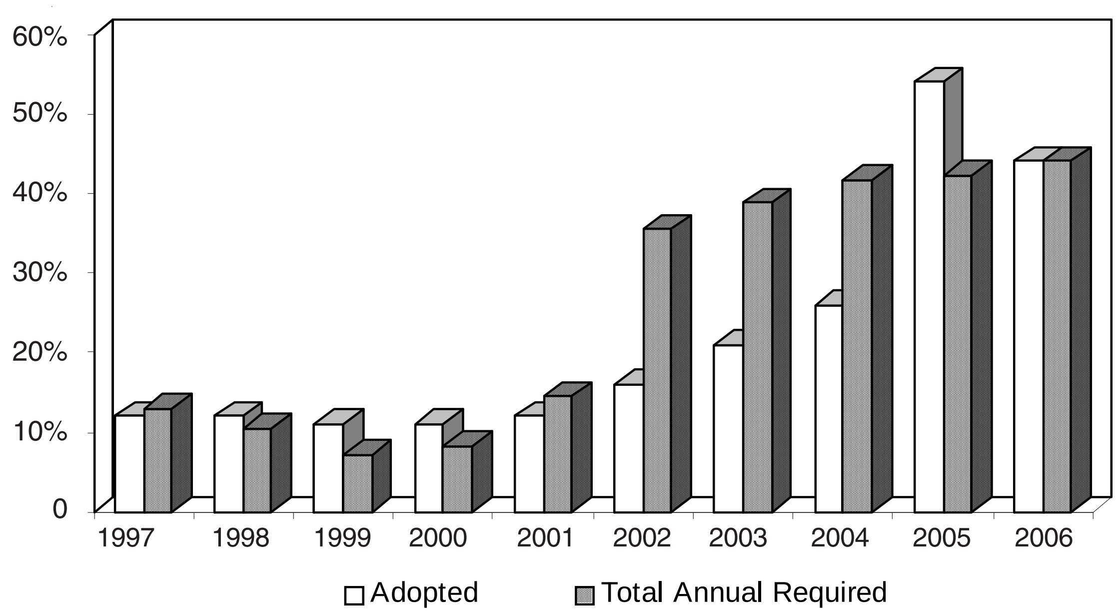
10-YEAR TREND OF UNFUNDED LIABILITY



Teachers' Retirement System Employer Contribution Rates					
	Actuarially Determined				
Year Ended June 30	Actuarial Valuation Year Ended June 30	Normal Cost[1]	Past Service	Total Annual Required	Adopted
2000	1997	9.21	3.79	13.00	12.00
2001	1998	8.99	1.56	10.55	12.00
2002	1999	8.88	(1.79)	7.09	11.00
2003	2000	8.02	0.27	8.29	11.00
2004	2001	10.33	4.11	14.44	12.00
2005	2002	14.76	20.81	35.57	16.00
2006	2003	14.28	24.57	38.85	21.00
2007	2004	13.76	28.02	41.78	26.00
2008	2005	12.56	29.70	42.26	54.03[2]
2009	2006	9.37	34.80	44.17	44.17

[1]Also referred to as the consolidated rate.
Valuations are used to set contribution rates in future years.
[2]The ARMB recognized the fact that the Plan became a closed Plan on July 1, 2006, and set a rate reflecting no payroll growth.

10-YEAR COMPARISON OF EMPLOYER CONTRIBUTION RATES



Teachers' Retirement System
Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) In Average Earnings	Number of Participating Employers
June 30, 2006	9,710	$574,409	$59,156	6.6%	58
June 30, 2005	9,656	535,837	55,493	2.9%	58
June 30, 2004	9,688	522,421	53,925	0.0	58
June 30, 2003	9,873	532,630	53,948	2.7	57
June 30, 2002	9,690	509,437	52,535	3.9	57
June 30, 2001	9,815	496,188	50,544	1.8	60
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

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

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Benefits	Average Annual Benefits
	No.*	Annual Benefits*	No.*	Annual Benefits*	No.	Annual Benefits		
June 30, 2006	487	$12,731,292	121	$ (50,838)	9,386	$278,528,280	4.81%	$29,675
June 30, 2005	446	11,243,448	121	13,053,612	9,020	265,746,150	(0.68)%	29,462
June 30, 2004	491	17,867,366	96	5,503,666	8,707	267,556,314	4.84	30,729
June 30, 2003	599	21,475,421	91	3,377,352	8,312	255,192,614	7.63	30,702
June 30, 2002	589	24,789,896	118	4,966,397	7,804	237,094,545	9.12	30,381
June 30, 2001	1,057	39,213,327	210	7,790,727	7,333	217,271,046	16.91	29,629
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

* 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 Adjustment.

Teachers' Retirement System
Solvency Test

Valuation Date	Aggregate Accrued Liability For: (1) Active Member Contributions (In thousands)	(2) Inactive Members (In thousands)	(3) Active Members (Employer-Financed Portion (In thousands)	Valuation Assets (In thousands)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
June 30, 2006	$615,207	$4,925,922	$1,688,722	$4,141,700	100%	71.65	0.0%
June 30, 2005	589,169	4,694,176	1,215,211	3,958,939	100	71.8	0.0
June 30, 2004[2]	569,435	4,423,036	1,131,129	3,845,370	100	74.1	0.0
June 30, 2003	548,947	4,105,445	1,181,217	3,752,285	100	78.0	0.0
June 30, 2002[1][2][3]	523,142	3,755,882	1,132,618	3,689,036	100	84.3	0.0
June 30, 2001	533,752	3,213,431	855,964	4,372,229	100	100	73.0
June 30, 2000[1][2][3]	490,176	2,872,250	836,442	4,184,015	100	100	98.2
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

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

Teachers' Retirement System
Analysis of Financial Experience

Change in Employer 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				
	2006	2005	2004	2003	2002
Health Experience	(2.52)%	1.47%	-%	-%	3.85%
Salary Experience	0.79	(0.26)	0.54	0.10	(0.11)
Investment Experience	0.36	(0.02)	0.06	0.43	15.03
Demographic Experience	(0.27)	(2.10)	(0.85)	1.35	4.21
Contribution Shortfall	1.21	1.42	1.24	1.40	-
(Gain) or Loss During Year from Experience	(1.15)	(0.51)	0.99	3.28	22.98
Non-recurring changes					
Asset Valuation Method	-	-	-	-	0.03
Past Service Amortization Change	-	-	-	-	(9.08)
Assumption and Method Changes	3.06	-	1.94	-	6.84
System Benefit Changes	-	-	-	-	-
Administrative System Changes	-	-	-	-	-
Ad hoc PRPA	-	-	-	-	0.36
Change Due to Revaluation of Plan Liability as of June 30, 2004	-	(0.03)	-	-	-
Composite (Gain) Loss During Year	1.91	0.48	2.93	3.28	21.13
Beginning Total Employer Contribution Rate	42.26	41.78	38.85	35.57	14.44
Ending Total Employer Contribution Rate	44.17%	42.26%	41.78%	38.85%	35.57%
Board Adopted Employer Contribution Rate	44.17%	54.03%	26.00%	21.00%	16.00%
Fiscal Year above rate is applied	FY09	FY08	FY07	FY06	FY05

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through July 1, 2006. 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 Attorney General represents the system in legal proceedings.

Prior to June 30, 2005, the Teachers' Retirement Board prescribes policies and adopted 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.

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

(3) Employers Included

Currently, there are 58 employers participating in the TRS, including the State of Alaska and 53 school districts and other eligible organizations.

(4) 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;
- positions requiring a teaching certificate as a condition of employment in the Department of Education and Early Development and the Department of Labor and Workforce Development;
- 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;
- certain State legislators who have elected to be covered under the TRS; and
- a teacher who has filed for workers' compensation benefits due to an on the job assault and who, as a result of the physical injury, is placed on leave without pay.

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 PERS simultaneously are eligible for half-time TRS and PERS credit.

(5) 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. Part-time members who work at least 50% of full time receive membership credit for each day in proportion to full-time service. Credit is granted for all Alaskan public school service.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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;
- 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.

Members whose survivors are receiving occupational death benefits continue to earn TRS credit while occupational survivor benefits are being paid.

(6) Employer Contributions

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

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

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

Employer rates cannot be less than the consolidated normal cost rate.

(7) 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 in (5) above.

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. Supplemental contributions are deducted from gross salaries before federal income taxes are withheld. 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 (12) below].

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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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

(8) 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 of 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;

(v) two years of paid-up membership service if they are vested in the PERS; or

(vi) one year of paid-up membership service if they are retired from the 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 select joint and survivor options and a last survivor option. 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%.

[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

Indebtedness: Members who terminate and refund 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.

(9) Reemployment of Retired Members

Retirees who return to work in a permanent full-time or part-time TRS position after a Normal Retirement have two options available, the Standard Option or the Waiver Option.

Under the Standard Option, retirement and retiree healthcare 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.

If an Alaska school district has established that there is a shortage of teachers in a particular discipline or specialty and has passed a resolution to that effect, a retiree returning to work in a permanent full-time or part-time TRS position with that school district may exercise the Waiver Option. The Waiver Option allows a retiree who retired under a Normal Retirement to reemploy with a TRS employer and continue to receive a retirement benefit by signing a waiver of participation in the TRS. The Waiver Option became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is no longer available after June 30, 2009.

The Waiver Option is not available to members who retired early or under the Retirement Incentive Program (RIP).

Members retired under the RIP who return to employment under the TRS, PERS, Judicial Retirement System (JRS) 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

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

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

(10) Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided by the TRS to (1) all employees first hired before July 1, 1990, and (2) members who have twenty-five years of membership service, are disabled or age sixty or older, regardless of their initial hire dates. Employees first hired after June 30, 1990, may receive major medical benefits prior to age sixty by paying premiums.

(11) 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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.

(12) 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.

Occupational Death: 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.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump-sum benefit, 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.

Lump-Sum Death Benefit: 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.

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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 and the member's last benefit check.

(13) 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 funding ratio is at least 105%.

In a year where an Ad Hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

(14) 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.

(15) Changes in Plan Provisions Since the Prior Valuation

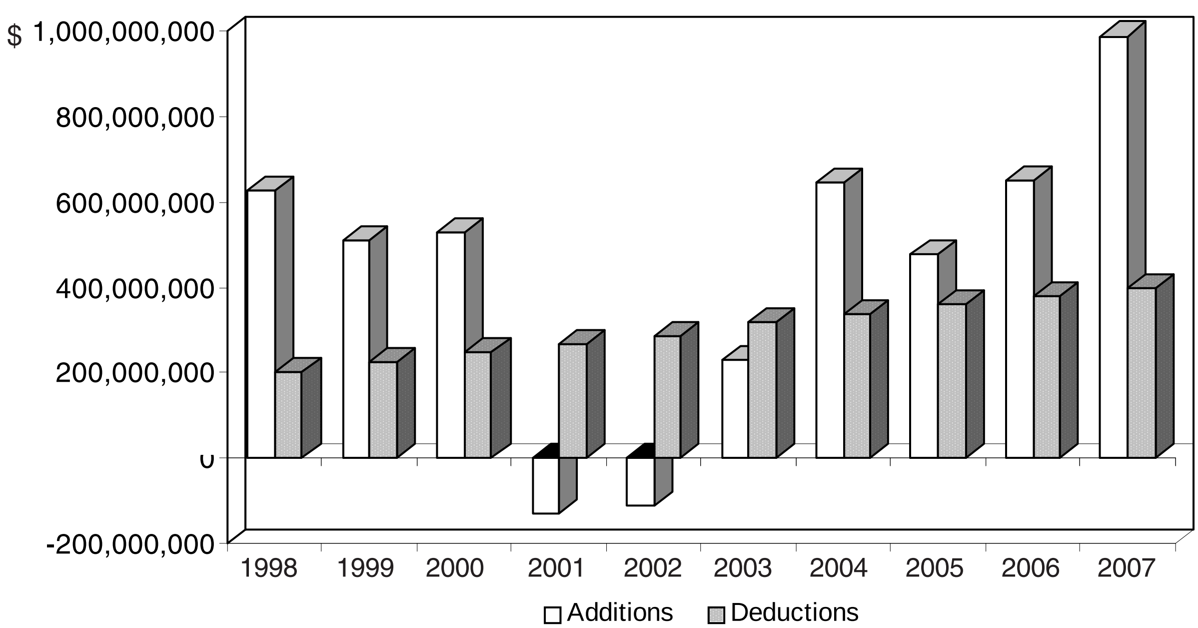
There have been no changes in plan provisions since the prior valuation.

STATISTICAL SECTION

This page intentionally left blank.

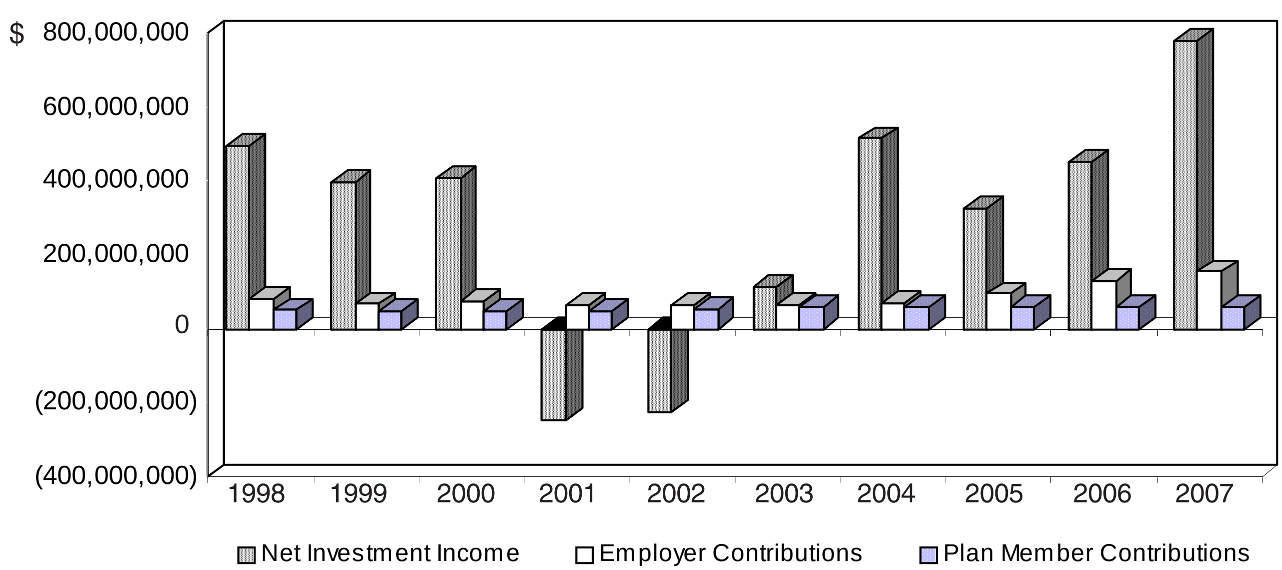
Teachers' Retirement System Changes in Net Assets (In thousands)					
Year Ended June 30	**Net Assets, Beginning of Year**	**Additions**	**Deductions**	**Increase / (Decrease) in Net Assets**	**Net Assets, End of Year**
1998	3,492,071	624,838	201,674	423,164	3,915,235
1999	3,915,235	512,068	223,284	288,784	4,204,019
2000	4,204,019	529,828	248,945	280,883	4,484,902
2001	4,484,902	(132,501)	265,553	(398,054)	4,086,848
2002	4,086,848	(112,754)	285,058	(397,812)	3,689,036
2003	3,689,036	230,234	316,651	(86,417)	3,602,619
2004	3,602,619	646,298	337,402	308,896	3,911,515
2005	3,911,515	476,969	361,489	115,480	4,026,995
2006	4,026,995	652,648	379,672	272,976	4,299,971
2007	4,299,971	989,840	396,697	593,143	4,893,114

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS



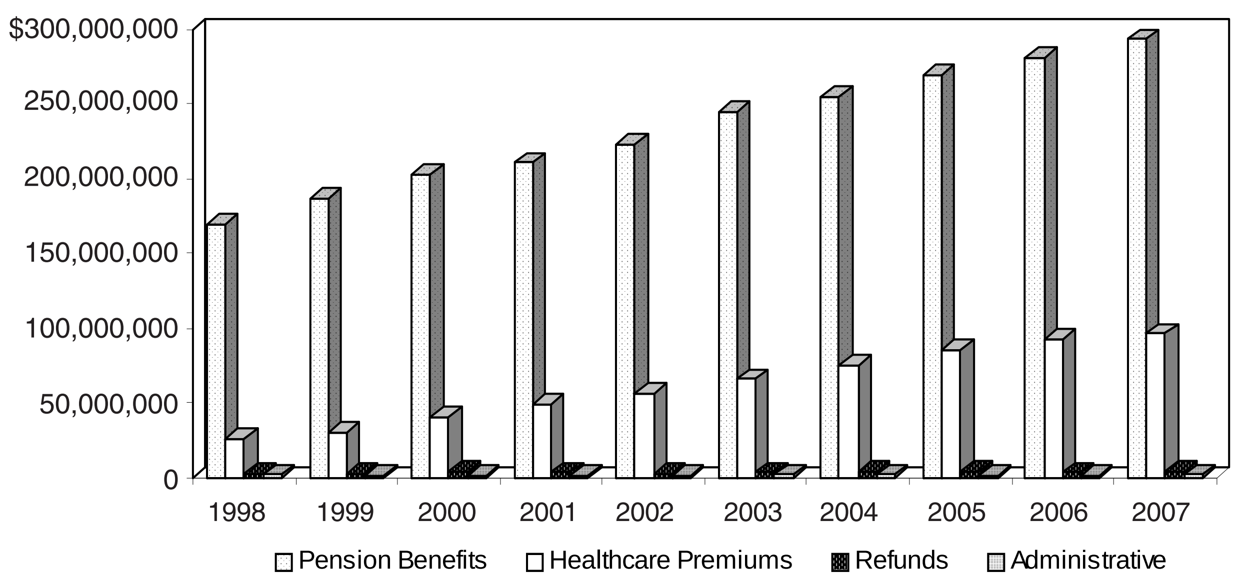
Teachers' Retirement System Additions by Source (In thousands)					
Year Ended June 30	Plan Member Contributions	Employer Contributions	Net Investment Income (Loss)	Other	Total
1998	$ 50,056	$ 77,782	$ 496,990	$ 10	$ 624,838
1999	48,302	66,266	397,499	1	512,068
2000	48,505	74,714	406,609	-	529,828
2001	48,725	64,141	(245,363)	(4)	(132,501)
2002	51,074	61,402	(225,234)	4	(112,754)
2003	55,789	62,856	111,575	14	230,234
2004	57,365	68,692	513,964	6,277	646,298
2005	55,993	93,540	327,425	10	476,968
2006	57,802	127,967	451,689	15,190	652,648
2007	55,689	153,618	780,512	21	989,840

10-YEAR COMPARISON OF ADDITIONS BY SOURCE



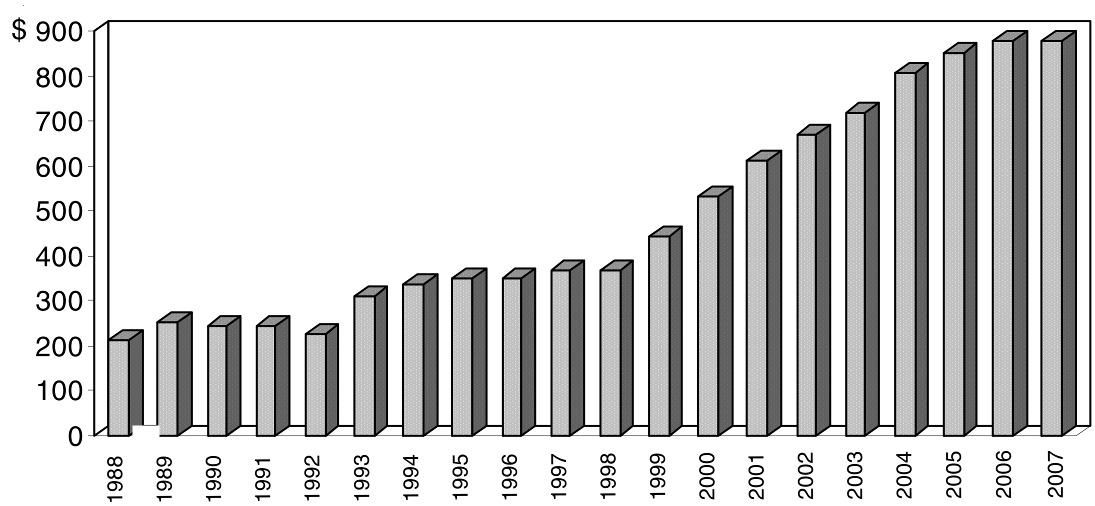
Teachers' Retirement System Deductions by Type (In thousands)					
Year Ended June 30	**Pension Benefits**	**Healthcare Premiums**	**Refunds of Contributions**	**Administrative Deductions**	**Total**
1998	$169,831	$26,123	$ 3,489	$ 2,231	$ 201,674
1999	187,085	30,987	3,490	1,722	223,284
2000	202,927	40,183	4,118	1,717	248,945
2001	210,945	48,928	3,742	1,938	265,553
2002	222,897	56,946	3,120	2,095	285,058
2003	244,518	65,898	3,840	2,395	316,651
2004	255,409	75,601	4,189	2,203	337,402
2005	269,414	85,670	4,376	2,029	361,489
2006	281,205	92,462	3,832	2,173	379,672
2007	293,224	96,544	4,535	2,394	396,697

10-YEAR COMPARISON OF DEDUCTIONS BY TYPE



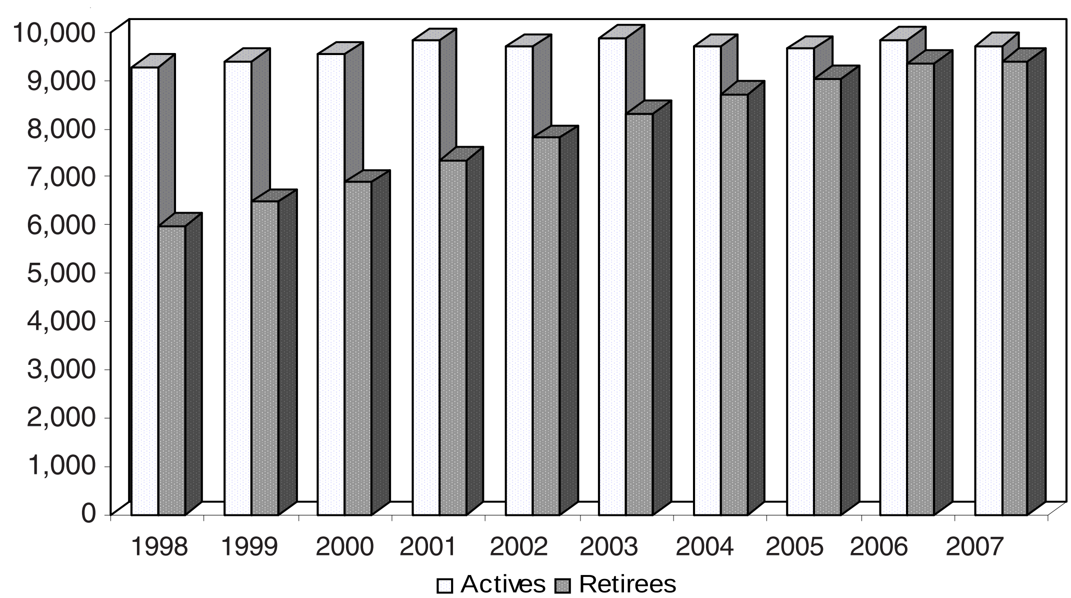
Teachers' Retirement System Schedule of Benefit Deductions by Type (In thousands)						
Year Ended June 30	Service	Disability	Survivor	Dependent	Healthcare	Total
1998	$160,409	$3,693	$5,691	$ 38	$26,123	$195,954
1999	176,830	3,775	6,384	96	30,987	218,072
2000	191,138	4,601	7,059	129	40,183	243,110
2001	201,338	3,410	5,784	413	48,928	259,873
2002	213,106	2,979	6,320	492	56,946	279,843
2003	234,253	2,872	6,901	492	65,898	310,416
2004	245,122	2,483	7,345	459	75,601	331,010
2005	258,998	2,400	7,695	321	85,670	355,084
2006	270,504	2,342	8,353	6	92,462	373,667
2007	281,879	2,193	9,146	6	96,544	389,768

20-YEAR COMPARISON OF RETIREE MONTHLY HEALTHCARE PREMIUMS



Teachers' Retirement System System Membership by Status					
Year Ended June 30	**Active**	**Retirees & Beneficiaries**	**Vested Terminations**	**Nonvested Terminations w/Balance**	**Total**
1998	9,262	5,979	1,064	1,285	17,590
1999	9,396	6,486	1,150	1,297	18,329
2000	9,529	6,887	610	2,353	19,379
2001	9,815	7,333	767	2,207	20,122
2002	9,690	7,804	783	2,447	20,724
2003	9,873	8,312	708	2,327	21,220
2004	9,688	8,707	724	2,746	21,865
2005	9,656	9,020	826	2,874	22,376
2006	9,835	9,349	734	3,027	22,945
2007	9,710	9,386	795	3,085	22,976

10-YEAR COMPARISON OF ACTIVE AND RETIRED MEMBERS



Teachers' Retirement System
Schedule of Benefit Recipients by Type
June 30, 2007

Amount of Monthly Benefit	Number of Recipients	Type of Benefit: Service	Survivor/QDRO	Disability
$ 0 - 300	152	121	31	-
301 - 600	325	255	70	-
601 - 900	586	466	120	-
901 - 1,200	568	465	103	-
1,201 - 1,500	583	487	96	-
1,501 - 1,800	596	504	91	1
1,801 - 2,100	786	727	53	6
2,101 - 2,400	936	887	35	14
2,401 - 2,700	1,012	981	19	12
2,701 - 3,000	909	890	13	6
3,001 - 3,300	802	783	10	9
3,301 - 3,600	628	622	2	4
3,601 - 3,900	470	463	4	3
3,901 - 4,200	288	284	-	4
over 4,200	745	740	1	4
Totals	9,386	8,675	648	63

Schedule of Benefit Recipients by Option Selected
June 30, 2007

Amount of Monthly Benefit	Number of Recipients	Option Selected: 1	2	3	4
$ 0 - 300	152	82	33	28	9
301 - 600	325	173	66	69	17
601 - 900	586	316	123	118	29
901 - 1,200	568	333	130	89	16
1,201 - 1,500	583	321	109	135	18
1,501 - 1,800	596	330	125	122	19
1,801 - 2,100	786	407	156	196	27
2,101 - 2,400	936	499	182	233	22
2,401 - 2,700	1,012	527	192	264	29
2,701 - 3,000	909	510	151	233	15
3,001 - 3,300	802	472	109	209	12
3,301 - 3,600	628	370	75	169	14
3,601 - 3,900	470	280	54	130	6
3,901 - 4,200	288	169	28	86	5
over 4,200	745	421	80	224	20
Totals	9,386	5,210	1,613	2,305	258

Options
1 - Whole Life Annuity
2 - Whole Life Annuity with Survivors Allowance
3 - 75% Joint and Survivor Annuity
4 - 50% Joint and Survivor Annuity

Teachers' Retirement System
Schedule of Benefit Recipients by Healthcare Coverage
June 30, 2007

Amount of Monthly Benefit	Number of Recipients	Medical			Other Member Paid		
		1	2	3	DVA	LTC	Life
$ 0 - 300	149	28	-	121	31	20	-
301 - 600	314	38	-	276	126	85	1
601 - 900	572	40	2	530	294	207	-
901 - 1,200	558	26	-	532	343	240	-
1,201 - 1,500	551	16	2	533	359	246	-
1,501 - 1,800	579	8	2	569	413	304	1
1,801 - 2,100	692	10	1	681	519	383	5
2,101 - 2,400	895	9	-	886	718	517	4
2,401 - 2,700	962	6	-	956	779	586	6
2,701 - 3,000	838	1	1	836	685	548	6
3,001 - 3,300	833	2	-	831	699	576	2
3,301 - 3,600	650	-	-	650	574	453	6
3,601 - 3,900	495	1	1	493	426	354	1
3,901 - 4,200	381	1	-	380	345	270	5
over 4,200	880	1	-	879	782	646	9
Totals	9,349	187	9	9,153	7,093	5,435	46

Type of Medical Coverage
1 - None
2 - Member paid
3 - Plan paid

Type of Other Coverage
DVA = Dental, Vision, and Audio
LTC = Long-term Care
Life = Life Insurance

Teachers' Retirement System
Schedule of Average Benefit Payments
New Benefit Recipients

	Years of Credited Service						
	0 - 4	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
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 Recipients	23	43	67	81	176	153	55
Period 7/1/99 - 6/30/01:							
Average Monthly Benefit	$1,514	$1,021	$1,488	$1,935	$2,435	$2,551	$2,864
Number of Recipients	2	33	101	237	374	201	109
Period 7/1/01 - 6/30/02:							
Average Monthly Benefit	$ 532	$ 795	$1,168	$1,706	$2,455	$3,126	$3,915
Number of Recipients	4	36	62	78	180	137	92
Period 7/1/02 - 6/30/03:							
Average Monthly Benefit	$ 236	$ 899	$1,153	$2,350	$2,835	$3,969	$5,133
Number of Recipients	16	40	69	91	264	87	32
Period 7/1/03 - 6/30/04:							
Average Monthly Benefit	$ 251	$ 896	$1,243	$2,044	$2,782	$3,640	$4,860
Number of Recipients	21	51	75	85	178	64	17
Period 7/1/04 - 6/30/05:							
Average Monthly Benefit	$1,287	$1,106	$1,575	$2,255	$2,932	$3,534	$4,018
Number of Recipients	119	24	33	69	105	31	16
Period 7/1/05 - 6/30/06:							
Average Monthly Benefit	$1,078	$ 960	$1,110	$1,982	$2,695	$3,388	$4,563
Number of Recipients	9	50	63	90	124	68	26

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

Teachers' Retirement System
Principal Participating Employers
June 30, 2006

Employer	Non-retired Members	Rank	Percentage of Total Non-retired Members
Anchorage School District	4,475	1	32.2%
Matanuska-Susitna Borough School District	1,286	2	9.2
Fairbanks North Star Borough School District	1,247	3	9.0
Total	**7,008**		**50.4%**

This page intentionally left blank.