TEACHERS' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2008

Sarah Palin, Governor

Prepared by

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

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

SARAH PALIN, GOVERNOR

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December 15, 2008

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) (System) for the fiscal year ended June 30, 2008.

This report is intended to provide comprehensive information on the financial operations of the System for the year. Responsibility for the accuracy, completeness and fairness of the information presented rests with the management of the System. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the System for the year ended June 30, 2008. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

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

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the administrative organization of the 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 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.

Profile of the System

The System 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 Defined Benefit (DB) Plan. Senate Bill 141, signed into law on July 27, 2005, closed the DB Plan effective July 1, 2006, to new members and created a Defined Contribution Retirement (DCR) Plan for members first hired on or after July 1, 2006. Beginning in fiscal year 2007, the System consists of : (1) the DB Plan and (2) the DCR Plan. This report includes both plans. The DB Plan includes the pension plan, the postemployment healthcare plan, and the new Alaska Retiree Health Care Trust that replaces the postemployment healthcare plan. The DCR Plan includes the DCR trust, occupational death and disability plan (OD&D), retiree major medical plan (RMP), and the health reimbursement arrangement plan (HRA).

	Years Ended June 30		
	2008	**2007**	**2006**
Net Assets (millions)	$4,823.2	4,900.2	4,300.0
Participating Employers	58	58	58

Reporting Entity

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

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

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

The ARMB is responsible for:

- adopting investment policies and developing investment objectives;

- providing a range of investment options and establishing the rules by which participants can direct their 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 System;
- coordinating with System Administrator to have actuarial valuations performed;
- reviewing actuarial assumptions and conducting experience analyses;
- contracting for an independent audit of actuarial valuations and external performance calculations; and
- reporting they Systems's financial condition to the governor, legislature, and individual employers participating in the System.

Major Initiatives

The Teachers' Retirement Board (governing board prior to July 1, 2005) examined ways to reduce costs to the employers and address the unfunded status of the TRS while also balancing the need of providing adequate benefits for effective recruitment and retention of new members. Senate Bill 141 passed during the 2005 legislative session created Tier 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 System continues to make progress on several on-going projects. Most of these efforts focused on the following improvements: technology, methods for employers to submit information, methods for members to obtain information, and continued compliance with accounting requirements of the GASB and the Financial Accounting Standards Board (FASB), as applicable.

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

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

Funding Requirements

The System's consulting actuary, Buck Consultants, presented the results of the June 30, 2007, 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 postemployment healthcare benefits) of 61.5%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately $2.8 billion. The unfunded liability continues to be addressed at all levels of the State. The Governor's budget proposed to deposit $206.3 million to the TRS in fiscal year 2009 and continues 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.

December 15, 2008

Independent Audit

The System's annual audit was conducted by the independent certified public accounting firm of KPMG LLP. The audit of the System was conducted in accordance with generally accepted auditing standards (GAAS). The independent auditors' report on the financial statements is the first item in the Financial Section of this report and precedes the MD&A and financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the System for the fiscal year ended June 30, 2008, are free of material misstatement. The audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation.

Investments

At June 30, 2008, the DB Plan's investment portfolio was valued at $4.7 billion and earned a -3.05% return for the fiscal year ended June 30, 2008. The DCR Plan's investment portfolio was valued at $4.7 million for the fiscal year ended June 30, 2008. Over the past five years ending June 30, 2008, the DB Plan's investments earned a +10.10% return. The ARMB has statutory oversight of the DB Plan's and DCR Plan's investments and the Department of Revenue, Treasury Division, provides staff for the ARMB. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The ARMB reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

Internal Controls

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

Actuarial Valuation

The System's consulting actuarial firm, Buck Consultants, completed the actuarial review and valuation as of June 30, 2007, 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 System. A list of consultants is provided in the Introductory Section with the exception of investment professional consultants, who are listed in the Investment Section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

December 15, 2008

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

Acknowledgements

The preparation of this report is made possible by the dedicated services of the staff of the Department of Administration, Division of Retirement and Benefits, Department of Law, and the Department of Revenue, Treasury Division. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the 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 System and the membership. The cooperation of the membership contributes significantly to the success of the System. We hope the employers and plan members find this report informative.

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

Respectfully submitted,

Annette Kreitzer
Commissioner

Rachael Petro
Deputy Commissioner

Pat Shier
Director

Kevin Worley
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alaska Teachers' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

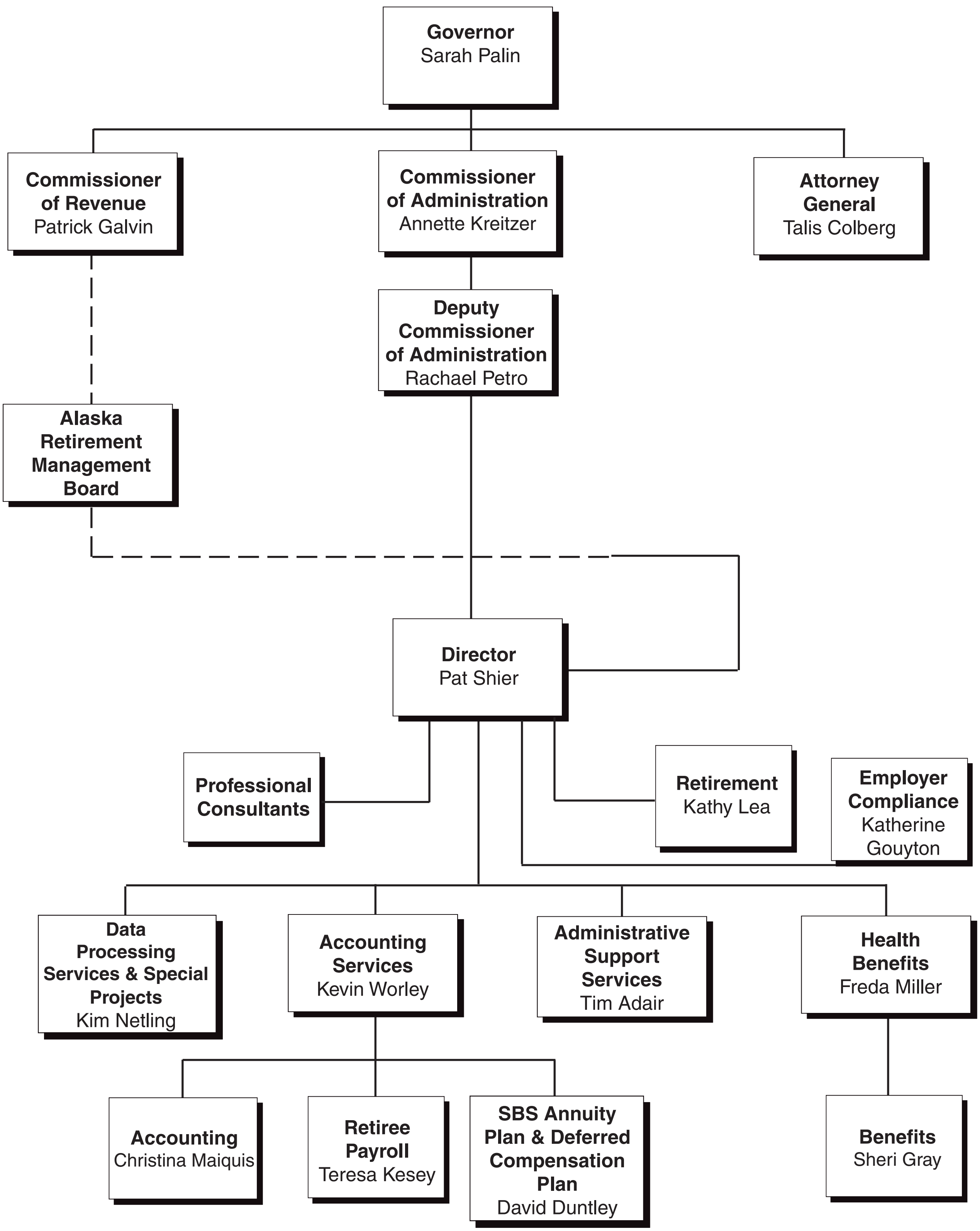
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

ORGANIZATION CHART



Section Responsibilities

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

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

The **Accounting Services Section** is responsible for maintaining the employee and employer records and accounts in each of the defined benefit plans administered by the Division, producing financial statements and reports, and assuring compliance with the Internal Revenue Service requirements for 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
Anne Johnson
Toby Steinberger
Assistant Attorney Generals
Juneau, Alaska
Ice Miller LLP
Indianapolis, Indiana

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

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

A list of investment consultants can be found on pages 77-78 and on the Schedule of External Management Fees on pages 86-87.

ALASKA RETIREMENT MANAGEMENT BOARD

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

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

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

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

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

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

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

Tom Richards 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 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 with an emphasis in information technology.

Vacant
One trustee position is currently vacant. The term of the vacant trustee position expires March 1, 2011.

FINANCIAL SECTION

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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

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

We conducted our audit 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 audit provides a reasonable basis for our opinion.

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, a Component Unit of the State of Alaska, as of June 30, 2008 and the changes in net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

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 65 to 71 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.

KPMG

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 and 2 on pages 72 and 73 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 the System's management, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section on pages 1 through 10 and investment, actuarial and statistical data on pages 75-130 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.

December 15, 2008

KPMG LLP

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

Management's Discussion and Analysis

June 30, 2008

This section presents management's discussion and analysis (MD&A) of the Teachers' Retirement System's (System) financial position and performance for the year ended June 30, 2008. 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 System during the fiscal year ended June 30, 2008.

Financial Highlights

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2008 is $4,823,247,000.

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2008 decreased by ($76,938,000) or -1.6% from June 30, 2007.

The System's contributions totaled $142,492,000 during fiscal years 2008; a decrease of ($73,629,000) or -34.1% from fiscal year 2007.

State of Alaska appropriations totaled $269,992,000 during fiscal year 2008. There were no State of Alaska appropriations in fiscal year 2007.

The System's net investment income in fiscal year 2008 is ($145,767,000); reflecting a decrease of ($926,572,000) or -118.7% from fiscal year 2007.

The System's pension benefit and postemployment healthcare payments totaled $336,183,000 during fiscal year 2008, reflecting a decrease of ($53,585,000) or -13.7% from fiscal year 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System'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 and other supplementary schedules.

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

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

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

Management's Discussion and Analysis

June 30, 2008

The above statements represent resources available for investment and payment of benefits as of June 30, 2008, and the sources and uses of those funds during fiscal years 2008 and 2007.

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

Required Supplementary Information – The required supplementary information consists of three schedules and related notes concerning the funded status of the Defined Benefit (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 System and payments to consultants (other than investment advisors) for professional services.

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

Management's Discussion and Analysis

June 30, 2008 and 2007

Condensed Financial Information

NET ASSETS
(Dollars in thousands)

Description	2008	2007	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Assets:				
Cash, cash equivalents and receivables	$1,192,256	26,502	1,165,754	4,398.7%
Securities lending collateral	-	531,810	(531,810)	n/a
Investments, at fair value	4,721,111	4,876,834	(155,723)	(3.2)
Other assets	17	27	(10)	(37.0)
Total assets	5,913,384	5,435,173	478,211	8.8
Liabilities:				
Accrued expenses	3,517	3,178	339	10.7%
Securities lending collateral payable	-	531,810	(531,810)	n/a
Other liabilities	1,086,620	-	1,086,620	n/a
Total liabilities	1,090,137	534,988	555,149	103.8
Net assets	**$4,823,247**	**4,900,185**	**(76,938)**	**(1.6)%**

CHANGES IN NET ASSETS
(Dollars in thousands)

Description	2008	2007	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Net assets, beginning of year	$4,900,185	4,299,971	600,214	14.0%
Additions:				
Contributions	142,492	216,121	(73,629)	(34.1)
State of Alaska appropriation	269,992	-	269,992	n/a
Net investment income (loss)	(145,767)	780,805	(926,572)	(118.7)
Transfers in	1,086,620	-	1,086,620	n/a
Other additions	34	21	13	61.9
Total additions	1,353,371	996,947	356,424	35.8
Deductions:				
Pension and postemployment healthcare benefits	336,183	389,768	(53,585)	(13.7)
Refunds	3,963	4,555	(592)	(13.0)
Administrative	3,543	2,410	1,133	47.0
Transfers out	1,086,620	-	1,086,620	n/a
Total deductions	1,430,309	396,733	1,033,576	260.5
Increase (decrease) in net assets	(76,938)	600,214	(677,152)	(112.8)
Net assets, end of year	**$4,823,247**	**4,900,185**	**(76,938)**	**(1.6)%**

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

Management's Discussion and Analysis

June 30, 2008 and 2007

Financial Analysis of the Plan

The Statements of Plan Net Assets as of June 30, 2008 and 2007 showed net assets held in trust for pension and postemployment healthcare benefits of $4,823,247,000 and $4,900,185,00, respectively. The entire amount is available to cover the System's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries.

These amounts represent a decrease in the System's net assets held in trust for pension and postemployment healthcare benefits of ($76,938,000) or -1.6% from fiscal year 2007 to 2008. Over the long term, plan member, employer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the System. The decrease in net assets is primarily due to the negative investment returns of the System.

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 Systems constraints and objectives. During fiscal year 2008, the ARMB adopted an asset allocation that includes 37% in domestic equities, 14% in international equities, 18% in domestic fixed income, 2% in international fixed income, 10% in real estate, 7% in private equity, 3% in high yield, 2% in emerging market equity, 4% in absolute return, and 2.5% in other investments. The asset allocation is expected to provide a five year median return of 8.12%.

For fiscal years 2008 and 2007, the System's investments generated a -3.05% and a +18.92% rate of return. The System's annualized rate of return was +8.84% over the last three years and +10.10% over the last five years.

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 during a fiscal year and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the Actuary and adopted by the ARMB. Contribution rates 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 61.5%, at June 30, 2007 (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.

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.

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For fiscal year 2008, the 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 contribution rate of 42.26% for fiscal year 2008.

	Valuation Year (Dollars in thousands)	
	2007	**2006**
Valuation Assets	$4,424,399	4,141,700
Actuarial Liabilities (total benefits)	7,356,826	7,229,851
Funding ratio	60.1%	57.3%

Contributions and Investment Income

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

Additions (in thousands)

			Increase/(Decrease)	
	2008	**2007**	**Amount**	**Percentage**
Plan member contributions	$ 59,579	58,516	1,063	1.8%
Employer contributions	82,913	157,605	(74,692)	(47.4)
State of Alaska appropriation	269,992	-	269,992	n/a
Net investment income (loss)	(145,767)	780,805	(926,572)	(118.7)
Transfer from postemployment health fund	1,086,620	-	1,086,620	n/a
Other additions	34	21	13	61.9
Total	**$1,353,371**	**996,947**	**356,424**	**35.8%**

The System's employer contributions decreased from $157,605,000 in fiscal year 2007 to $82,913,000 in fiscal year 2008, a decrease of ($74,692,000) or -47.4%. The State of Alaska provided $269,992,000 in employer on-behalf payments for fiscal year 2008 in House Bill 95, Section 15 (a). The employer contribution rate decreased from 26.00% in fiscal year 2007 to 12.56% in fiscal year 2008. The employer effective contribution rate of 12.56% for fiscal year 2008 was established in House Bill 95, Section 15 (b).

The System's net investment income in fiscal year 2008 decreased by ($926,572,000) or -118.7% from amounts recorded in fiscal year 2007. The System's total returns were -3.05, +18.92, +11.78 for years ending 2008, 2007 and 2006. Changes were due to the performance of the equity markets. The Domestic Equity Pool realized a return of -13.5% in 2008 compared to +20.1% in 2007. The Retirement Fixed Income Pool realized a return of +6.6% in 2008 compared to +6.2% in 2007. The International Equity Pool realized a

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return of -9.4% in 2008 compared to +27.9% in 2007. The Real Estate Pool realized a return of +5.7% in 2008 compared to +20.7% in 2007. The International Fixed Income Pool realized a return of +19.0% in 2008 compared to +2.0% in 2007. The Private Equity Pool realized a return of +13.2% in 2008 compared to +28.7% in 2007. The Emerging Markets Equity Pool realized a return of +4.0% in 2008 compared to +48.0% in 2007. The High Yield Pool realized a return of -0.9% in 2008 compared to +10.9% in 2007. The Other Investments Pool realized a return of +19.1% in 2008 compared to +11.3% in 2007. More than ninety-four percent of invested assets were invested in these pools.

The Defined Contribution Retirement (DCR) Pension Trust employer effective rate for fiscal year 2008 was 12.56%. The DCR Pension Trust employer contribution rate for Fiscal Year 2008 was 7.00%. The DCR Retiree Medical Fund rate for fiscal year 2008 was 0.99%. The DCR Occupational Death and Disability Fund rate for fiscal year 2008 was 0.62%. The rate for the Retiree Major Medical Insurance Fund was 0.99% per ARMB Resolution 2006-28, and the rate for the Health Reimbursement Arrangement Fund was set at 3% of the employer's average annual compensation per AS 39.30.370. Any remaining balance, if any, after subtracting the mandatory contributions from the total employer contribution rate of 12.56% was deposited in the DB Plan.

Over the long term, investment income has been a major component of additions to System assets. During fiscal year 2008, the System experienced a significant reduction in rates of return on investments. The rate of return used in the actuarial valuation report to determine liabilities of the DB Plan was 8.25%. The actual rate of return did not exceed the actuarial rate of return for fiscal year 2008 as it had for the four prior years.

During fiscal year 2008, the System transferred the $1,086,620,000 balance of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust as a result of the creation of the Alaska Retiree Healthcare Trust fund, which began on July 1, 2007.

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Benefits and Other Deductions

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

Deductions (in thousands)

			Increase/(Decrease)	
	2008	2007	Amount	Percentage
Pension and postemployment healthcare benefits	$336,183	389,768	(53,585)	(13.7)%
Refunds of contributions	3,963	4,555	(592)	(13.0)
Administrative	3,543	2,410	1,133	47.0
Total	**$343,689**	**396,733**	**(53,044)**	**(13.4)%**

The System's pension and postemployment healthcare benefit payments in 2008 decreased ($53,585) or -13.7% from fiscal year 2007. The primary reason of the decrease was the change in how healthcare costs are reported in the System financial statements. The DB Plan ARHCT was established with Senate Bill 123 and became effective July 1, 2007. The ARHCT healthcare claims payments were $29,494,000 for fiscal year 2008. Prior to fiscal year 2008, the System was responsible for a healthcare premium paid directly to the Retiree Health Fund (RHF) for each retired member / beneficiary participating in the System. Beginning July 1, 2007, the System began funding the ARHCT via employer contributions. The RHF continued to pay healthcare claims for the three participating Systems until February 29, 2008. Beginning March 1, 2008, the ARHCT is responsible for payment of healthcare claims.

Funding

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

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

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

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- Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the contribution rate adopted by the ARMB for that fiscal year.

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

Legislation

During Fiscal Year 2008, the Twenty-Sixth Alaska State Legislature enacted three laws that affect the System:

- Senate Bill 125 establishes an employer contribution rate of 12.56 percent for all TRS employers.

- House Bill 310 appropriates $206.3 million from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2009. This appropriation is to fund the difference between the statutory required contribution established in Senate Bill 125 of 12.56 percent and the actuarially required contribution of 44.17 percent for fiscal year 2009.

- House Bill 13 authorizes the State of Alaska to issue pension obligation bonds to help reduce the Systems unfunded liability.

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

The financial market environment continues to challenge investors. The ARMB continues to diversify the portfolio of the System to maintain an optimal risk/return ratio. The return on the DB Plan's investments failed to meet or exceed its' actuarially assumed return of 8.25%. Even with investment returns exceeding the actuarial rate of return, the DB Plan will continue to see an increase in employer actuarial determined contribution rates due to rising medical costs and past contribution shortfalls.

The consulting actuary recommended an increase from the System's contribution rate of 41.78% in fiscal year 2007 to 42.26% in fiscal year 2008. The ARMB adopted a contribution rate of 54.03% for fiscal year 2008, up 28.03 points from the fiscal year 2007 contribution rate of 26.00%. The statutory contribution remained 12.56% for fiscal year 2007 and 2008.

The June 30, 2007, actuarial valuation for the DB Plan reported a funding ratio of 61.5% and an unfunded liability of $2.7 billion.

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For fiscal years 2008 and 2007, the DCR Pension Trust Fund's employer contribution rate was established at 7.00%. The DCR Pension Trust Fund retiree medical plan contribution rate was adopted by the ARMB to be 0.99% and 1.75% for fiscal years 2008 and 2007 respectively. The DCR Pension Trust Fund's occupational death and disability rate was established by Senate Bill 123 and approved by the ARMB for fiscal year 2008 to be 0.62%.

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:

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

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Statements of Plan Net Assets

June 30, 2008 (in thousands)

	Defined Benefit Plan 2008			
	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total
Assets				
Cash and cash equivalents (notes 3 and 5):				
Short-term fixed income pool	$ 4,303	2,148	7,838	14,289
Great West Account	-	-	-	-
Total cash and cash equivalents	4,303	2,148	7,838	14,289
Receivables:				
Contributions	3,196	-	1,714	4,910
Due from State of Alaska General Fund	12,963	-	5,697	18,660
Due from PERS Alaska Retiree Healthcare Trust	-	-	64,996	64,996
Due from Retiree Health Fund	-	-	754	754
Due from postemployment healthcare trust (note 6)	-	-	1,086,620	1,086,620
Other account receivable	5	-	56	61
Total receivables	16,164	-	1,159,837	1,176,001
Investments (notes 3, 4, 5, and 8):				
Domestic equity pool	1,471,637	55,250	-	1,526,887
Retirement fixed income pool	465,421	232,354	-	697,775
International equity pool	460,525	229,910	-	690,435
Real estate pool	387,754	193,580	-	581,334
International fixed income pool	65,454	32,677	-	98,131
Private equity pool	264,967	132,280	-	397,247
Emerging markets equity pool	87,448	43,657	-	131,105
Other investments pool	105,612	52,725	-	158,337
High yield pool	77,597	38,739	-	116,336
Absolute return pool	129,720	64,761	-	194,481
Treasury inflation protection pool	17,105	8,539	-	25,644
Collective investment funds, at fair value:				
Participant directed	-	-	-	-
Common trust funds	-	-	86,424	86,424
ERISA commingled and mutual funds	-	-	-	-
Total investments	3,533,240	1,084,472	86,424	4,704,136
Loans and mortgages, net of allowance for loan losses of $1 for 2008	17	-	-	17
Total assets	3,553,724	1,086,620	1,254,099	5,894,443
Liabilities:				
Accrued expenses	2,926	-	526	3,452
Due to Alaska Retiree Healthcare Trust - TRS (note 6)	-	1,086,620	-	1,086,620
Total liabilities	2,926	1,086,620	526	1,090,072
Commitment and contingencies (note 8)				
Net assets held in trust for pension and postemployment healthcare benefits	$ 3,550,798	-	1,253,573	4,804,371

See accompanying notes to financial statements.

(continued)

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Statements of Plan Net Assets

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	Defined Contribution Pension Trust Fund 2008					
	Participant directed	Occupational death and disability	Retiree medical plan	Health reimbursement arrangement	Total	SYSTEM TOTAL
Assets:						
Cash and cash equivalents (notes 3 and 5):						
Short-term fixed income pool	159	35	108	304	606	14,895
Great West Account	77	-	-	-	77	77
Total cash and cash equivalents	236	35	108	304	683	14,972
Receivables:						
Contributions	361	15	24	70	470	5,380
Due from State of Alaska General Fund	639	26	42	106	813	19,473
Due from PERS Alaska Retiree Healthcare Trust	-	-	-	-	-	64,996
Due from Retiree Health Fund	-	-	-	-	-	754
Due from postemployment healthcare trust (note 6)	-	-	-	-	-	1,086,620
Other account receivable	-	-	-	-	-	61
Total receivables	1,000	41	66	176	1,283	1,177,284
Investments (notes 3, 4, 5, and 8):						
Domestic equity pool	-	-	-	-	-	1,526,887
Retirement fixed income pool	-	-	-	-	-	697,775
International equity pool	-	-	-	-	-	690,435
Real estate pool	-	-	-	-	-	581,334
International fixed income pool	-	-	-	-	-	98,131
Private equity pool	-	-	-	-	-	397,247
Emerging markets equity pool	-	-	-	-	-	131,105
Other investments pool	-	-	-	-	-	158,337
High yield pool	-	-	-	-	-	116,336
Absolute return pool	-	-	-	-	-	194,481
Treasury inflation protection pool	-	33	110	276	419	26,063
Collective investment funds, at fair value:						
Participant directed	12,883	-	-	-	12,883	12,883
Common trust funds	-	-	-	-	-	86,424
ERISA commingled and mutual funds	-	291	962	2,420	3,673	3,673
Total investments	12,883	324	1,072	2,696	16,975	4,721,111
Loans and mortgages, net of allowance for loan losses of $1 for 2008	-	-	-	-	-	17
Total assets	14,119	400	1,246	3,176	18,941	5,913,384
Liabilities:						
Accrued expenses	65	-	-	-	65	3,517
Due to Alaska Retiree Healthcare Trust - TRS (note 6)	-	-	-	-	-	1,086,620
Total liabilities	65	-	-	-	65	1,090,137
Commitment and contingencies (note 8)						
Net assets held in trust for pension and postemployment healthcare benefits	14,054	400	1,246	3,176	18,876	4,823,247

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Statements of Changes in Plan Net Assets

June 30, 2008 (in thousands)

	Defined Benefit Plan 2008			
	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total
Additions:				
Contributions:				
Employers	$ 31,313	-	43,697	75,010
Plan members	54,121	-	111	54,232
Employer legislative relief	111,237	-	158,755	269,992
Total contributions	196,671	-	202,563	399,234
Investment income:				
Net appreciation (depreciation) in fair value (note 3)	(315,129)	-	(8,870)	(323,999)
Interest	58,061	-	2,386	60,447
Dividends	126,385	-	1,166	127,551
Net recognized loan recovery	11	-	-	11
Total investment income (loss)	(130,672)	-	(5,318)	(135,990)
Less investment expense	10,544	-	-	10,544
Net investment income (loss) before securities lending	(141,216)	-	(5,318)	(146,534)
Securities lending income (note 5)	17,913	-	-	17,913
Less securities lending expenses (note 5)	15,979	-	-	15,979
Net income from securities lending activities	1,934	-	-	1,934
Net investment income (loss)	(139,282)	-	(5,318)	(144,600)
Transfer from postemployment healthcare fund (note 6)	-	-	1,086,620	1,086,620
Other:				
Other	34	-	-	34
Total additions	57,423	-	1,283,865	1,341,288
Deductions:				
Pension and postemployment benefits	306,689	-	29,494	336,183
Refunds of contributions	3,761	-	-	3,761
Administrative	2,669	-	798	3,467
Total deductions	313,119	-	30,292	343,411
Transfer to Alaska Retiree Healthcare Trust (note 6)	-	1,086,620	-	1,086,620
Net increase (decrease)	(255,696)	(1,086,620)	1,253,573	(88,743)
Net assets held in trust for pension and postemployment healthcare benefits:				
Balance, beginning of year	3,806,494	1,086,620	-	4,893,114
Balance, end of year	$3,550,798	-	1,253,573	4,804,371

See accompanying notes to financial statements.

(continued)

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Statements of Changes in Plan Net Assets

June 30, 2008 (in thousands)

	Defined Contribution Pension Trust Fund 2008					
	Participant directed	Occupational death and disability	Retiree medical plan	Health reimbursement arrangement	Total	SYSTEM TOTAL
Additions:						
Contributions:						
Employers	4,717	408	651	2,127	7,903	82,913
Plan members	5,347	-	-	-	5,347	59,579
Employer legislative relief	-	-	-	-	-	269,992
Total contributions	10,064	408	651	2,127	13,250	412,484
Investment income:						
Net appreciation (depreciation) in fair value (note 3)	(1,579)	(10)	(51)	(116)	(1,756)	(325,755)
Interest	340	2	53	184	579	61,026
Dividends	-	-	3	7	10	127,561
Net recognized loan recovery	-	-	-	-	-	11
Total investment income (loss)	(1,239)	(8)	5	75	(1,167)	(137,157)
Less investment expense	-	-	-	-	-	10,544
Net investment income (loss) before securities lending	(1,239)	(8)	5	75	(1,167)	(147,701)
Securities lending income (note 5)	-	-	-	-	-	17,913
Less securities lending expenses (note 5)	-	-	-	-	-	15,979
Net income from securities lending activities	-	-	-	-	-	1,934
Net investment income (loss)	(1,239)	(8)	5	75	(1,167)	(145,767)
Transfer from postemployment healthcare fund (note 6)	-	-	-	-	-	1,086,620
Other:						
Other	-	-	-	-	-	34
Total additions	8,825	400	656	2,202	12,083	1,353,371
Deductions:						
Pension and postemployment benefits	-	-	-	-	-	336,183
Refunds of contributions	202	-	-	-	202	3,963
Administrative	76	-	-	-	76	3,543
Total deductions	278	-	-	-	278	343,689
Transfer to Alaska Retiree Healthcare Trust (note 6)	-	-	-	-	-	1,086,620
Net increase (decrease)	8,547	400	656	2,202	11,805	(76,938)
Net assets held in trust for pension and postemployment healthcare benefits: Balance, beginning of year	5,507	-	590	974	7,071	4,900,185
Balance, end of year	14,054	400	1,246	3,176	18,876	4,823,247

See accompanying notes to financial statements.

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June 30, 2008

1) Description

The following brief description of the State of Alaska Teachers' Defined Benefit Retirement System (TRS) Defined Benefit Retirement Pension and Postemployment Healthcare Plan (DB) and Defined Contribution Retirement Trust Fund (DCR). TRS is a Component Unit of the State of Alaska. The DCR Plan consists of a Participant Directed Fund, Retiree Medical Fund, Health Reimbursement Arrangement Fund, and Occupational Death and Disability Fund. Members should refer to the System 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 was:

	2008	2007
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 System established and administered by the State of Alaska (State) to provide pension and postemployment 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 the System, which includes the DB Retirement Pension Trust Fund and Alaska Retiree Healthcare Trust Fund. TRS is a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a pension trust fund. With the passage of Senate Bill 141, the TRS DB Plan is closed to all new members effective July 1, 2006.

Senate Bill 123 was passed during the 2007 legislative session and created the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT fund was established and effective July 1, 2007.

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

	2008	2007
Retirees and beneficiaries currently receiving benefits	9,992	9,669
Terminated plan members entitled to future benefits	794	814
	10,786	10,483
Active plan members:		
Vested	5,678	5,632
Nonvested	3,004	3,624
	8,682	9,256
	19,468	**19,739**

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.

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Postemployment 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.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the State, was established. The RHF is self-funded and provides major medical coverage to retirees of the DB Plan. Retirees of three other State administered retirement Systems 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.

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

Death Benefits

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

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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.

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 postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial cost method of funding. The DB Plan uses the level percentage of pay method to amortize the unfunded liability over a twenty-five year fixed period. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year.

Contributions from the State of Alaska

Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the contribution rate adopted by the ARMB for that fiscal year.

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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 postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they re-establish an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not re-established an employee relationship with a participating DB Plan employer by June 30, 2010, will not be eligible to reinstate voluntarily refunded service and will forfeit any claim to DB Plan membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

Administrative Costs

Administrative costs are financed through investment earnings.

Due From (to) State of Alaska General Fund

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

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 postemployment 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.

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

	2008
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to future benefits:	
25% Vested	77
50% Vested	-
75% Vested	1
100% Vested	3
Total terminated plan members entitled to future benefits	81
Total current and future benefits	81
Active plan members:	
25% Vested	378
50% Vested	2
75% Vested	-
100% Vested	5
Nonvested	818
Total active plan members	1,203
Total	**1,284**

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.

Postemployment Healthcare Benefits

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

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Death Benefits

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

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

Disability Benefits

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

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.

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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 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 Systems 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.

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

Investments

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

Basis of Accounting

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

Valuation

Defined Benefit Pension and Postemployment Healthcare Investments

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

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

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

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

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

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

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

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

Defined Benefit Alaska Retiree Healthcare Trust Investments

With the exception of the SSgA emerging markets strategy which is valued bi-monthly following the third Wednesday and last business day of each month, common trust funds are valued daily. Equity investments for which market quotations are readily available are valued at the last reported sale price or close for certain markets on their principal exchange on the valuation date. If no sales are reported for that day, investments are valued at the more recent of the last published sale price or the mean between the last reported bid and asked prices, or at the fair value as determined in good faith by the Trustee.

Defined Contribution Pension Participant Direct Investments

Pooled investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the System. 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.

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Collective Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the System. 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.

Occupational Death and Disability, Retiree Medical and Health Reimbursement Arrangement Investments

ERISA commingled and mutual funds are valued daily. Equity investments for which market quotations are readily available are valued at the last reported sale price or official close for certain markets on their principal exchange on valuation date. If no sales are reported for that day, investments are valued at the more recent of the last published sale price or the mean between the last reported bid and asked prices, or at the fair value determined in good faith by the Trustee.

Income Allocation

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

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

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

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

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

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).

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(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 prudence, 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 a mix of common trust pooled investments, collective investments, ERISA commingled and mutual funds for the Alaska Retiree Healthcare Trust, and the following Defined Contribution Retirement plans; which includes Participant Direct Pension, Occupational Death and Disability, Retiree Medical, and Health Reimbursement Arrangement Plans.

Actual investing is performed by investment officers in 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 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, real estate pool investments (with the exception of real estate investment trust holdings), common trust funds, pooled investment funds, collective investment funds, ERISA commingled funds, and mutual funds are managed by external management companies. Treasury manages the retirement fixed income pool, enhanced cash pool, treasury inflation protected securities pool, real estate investment trust holdings and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

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

Both Defined Benefit and Defined Contribution Pension Trust Plan invested assets participate in two internally managed fixed income pools.

(a) Short-Term Fixed Income Pool

The System participates in the State's internally managed short-term fixed income pool which was established March 15, 1993, with a startup 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, 2008 the System had a 0.34% direct ownership in the short-term fixed income pool which included interest receivable of $21,704. The System had a 1.30% indirect ownership in the short-term fixed income pool at June 30, 2008.

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(b) Treasury Inflation Protected Securities (TIPS) Pool

The System participates in the State's internally managed TIPS pool which was established May 24, 2006 with a startup price of $1,000. The share price at June 30, 2008 was $1,177. 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, 2008 System's invested assets included a 29.15% ownership in the TIPS Pool.

Defined Benefit Investments - Pension Plan Investments

(c) Retirement Fixed Income Pool

The System participated in the ARMB's internally managed retirement fixed income pool which was established March 1, 1996, with a startup share price of $1,000. The share price at June 30, 2008, was $2,083. 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, 2008 the System's invested assets included a 29.37% ownership in the retirement fixed income pool.

Enhanced Cash Fixed Income Pool

The System participated in the State's internally managed enhanced cash fixed income pool which had only one investor, the retirement fixed income pool. The enhanced cash fixed income pool was established on June 27, 2007 with a startup price of $1,000. The share price at June 30, 2008 was $1,009. 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, 2008 System invested assets included a 29.37% indirect ownership in the Enhanced Cash Fixed Income Pool.

(d) Internal Fixed Income Pool

The System participates in the ARMB's externally managed international fixed income pool which was established March 3, 1997, with a startup share price of $1,000. The share price at June 30, 2008, was $2,172. The manager independently determines the allocation between permissible

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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, 2008 the System had a 30.64% ownership in the international fixed income pool.

(e) High Yield Pool

The System participates in the ARMB's externally managed high yield fixed income pool which was established April 15, 2005, with a startup share price of $1,000. The share price at June 30, 2008, was $1,179. 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, 2008 the System had a 30.58% ownership in the high yield pool.

(f) 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 System participates in the ARMB's externally managed large cap domestic equity pool which was established July 1, 2004, with a startup share price of $1,000. The share price at June 30, 2008, was $1,182. 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, 2008 the System had a 30.52% ownership in the large cap domestic equity pool.

Small Cap Domestic Equity Pool

The System participates in the ARMB's externally managed small cap domestic equity pool which was established July 1, 2004, with a startup share price of $1,000. The share price at June 30, 2008, was $1,194. 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.

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Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 the System had a 30.46% ownership in the small cap domestic equity pool.

(g) International Equity Pool

The System participates in the ARMB's externally managed international equity pool which was established January 1, 1992, with a startup share price of $1,000. The share price at June 30, 2008, was $3,899. 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, 2008 the System had a 30.43% ownership in the international equity pool.

(h) Emerging Markets Equity Pool

The System participates in the ARMB's externally managed emerging markets equity pool which was established May 2, 1994, with a startup share price of $1,000. The share price at June 30, 2008, was $4,023. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each 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, 2008 the System had a 30.70% ownership in the emerging markets equity pool.

(i) Private Equity Pool

The System participates in the ARMB's externally managed private equity pool which was established April 24, 1998, with a startup share price of $1,000. The share price at June 30, 2008, was $2,507. 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, 2008 the System had a 30.89% ownership in the private equity pool.

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(j) Absolute Return Pool

The System participates in the ARMB's externally managed absolute return pool which was established October 31, 2004, with a startup share price of $1,000. The share price at June 30, 2008, was $1,267. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each fund administrator 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, 2008 the System had a 30.64% ownership in the absolute return pool.

(k) Other Investments Pool

The System participates in the ARMB's externally managed other investments pool which was established March 18, 2004, with a startup share price of $1,000. The share price at June 30, 2008, was $1,532. 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, 2008 the System had a 30.88% ownership in the other investments pool.

(l) Real Estate Pool

The System participates in the ARMB's real estate pool which was established June 27, 1997, with a startup share price of $1,000. The share price at June 30, 2008, was $3,273. 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, managers independently determine permissible investments. 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 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, 2008 the System had a 30.62% ownership in the real estate pool.

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Alaska Retiree Health Care Trust Investments

The Board Contracts with an external manager who manages a mix of Common Trust Funds.

(m) Domestic Equity

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

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

(n) SSgA International Equity

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

(o) SSgA Emerging Markets

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

(p) SSgA Domestic Fixed Income

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

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(q) SSgA International Fixed Income

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

(r) SSgA High Yield Bond Index

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

(s) SSgA TIPS

The purpose of the U.S. Treasury Inflation Protected Securities Index Strategy is to replicate the returns and characteristics of the Lehman Brothers Inflation Notes Index.

Defined Contribution Pension Trust Fund Participant Directed 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.

(t) T. Rowe Alaska Target 2025 Trust

On July 1, 2006 the DCR Pension Trust Fund began participation in the Target 2025 Trust. The purpose of this fund is to provide a diverse mix of stocks, bonds, and cash for long-term investors with a high tolerance for risk. Underlying investments are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, and money market instruments. At June 30, 2008 the DCR Pension Trust Fund's invested assets included a 0.04% ownership in the Alaska Target 2025 Fund.

(u) T. Rowe Alaska Balance 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, 2008 the DCR Pension Trust Fund's invested assets included a 0.01% ownership in the Alaska balanced trust.

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(v) T. Rowe Long-Term Balance 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, 2008 the DCR Pension Trust Fund's invested assets included a 0.16% ownership in the long-term balanced trust.

(w) 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, 2008 the DCR Pension Trust Fund's invested assets included a 13.70% ownership in the Alaska money market trust

Collective Investment Funds

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

(x) SSgA Government/Corporate Bond Fund

The purpose of this fund was to match or exceed the return of the Lehman Brothers Government/Credit Bond Index. This fund was liquidated in September 2007 and replaced by the Barclays government/corporate bond fund.

(y) SSgA S&P 500 Stock Index Fund

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

(z) Barclays Government/Corporate Bond Fund

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

(aa) Capital Guardian Global Balanced Fund

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

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(bb) Brandes Institutional International Equity Fund

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

(cc) Citizens Core Growth Fund

The purpose of this fund is to invest primarily in U.S. large cap growth stocks, with an emphasis on those that are managed in a socially responsible manner. This fund was liquidated in April 2008 and replaced by the sentinel sustainable opportunities fund.

(dd) Sentinel Sustainable Opportunities Fund

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

(ee) 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.

Defined Contribution Health and Occupational Death and Disability Investments

ERISA Commingled and Mutual Funds

The ARMB Contracts with external managers who manage a mix of ERISA and Mutual Funds.

(ff) Domestic Equity

The Health Care Trust Investments in domestic equity are comprised of two externally managed ERISA Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

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(gg) SSgA International Equity

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

(hh) SSgA Domestic Fixed Income

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

(ii) SSgA International Fixed Income

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

(jj) SSgA Real Estate

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

(kk) Lazard Emerging Markets Mutual Fund

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

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

	Fair value (In thousands)								
	Short-term	Retirement	Enhanced cash	Interna-tional	High yield	TIPS	Pooled investments funds	Other	Total
Deposits	$ -	-	-	360	-	-	1	2,289	2,650
Overnight sweep account (lmcs)	-	-	-	-	4,577	-	-	-	4,577
Short-term investment fund	-	-	-	615	-	-	10	13,380	14,005
Commercial paper	4,815	-	-	-	-	-	38	-	4,853
Domestic equity	-	-	-	-	24	-	230	-	254
International equity	-	-	-	-	-	-	14	-	14
Bridge loans	-	-	-	-	1,726	-	-	-	1,726
U.S. treasury notes	-	69,045	-	-	-	18,926	-	-	87,971
U.S. treasury bonds	-	27,901	-	-	-	6,882	17	-	34,800
U.S. treasury - TIPS	-	-	-	-	-	-	33	-	33
U.S. government agency	31,160	12,505	-	-	-	-	29	-	43,694
Municipal bonds	-	255	-	-	-	-	4	-	259
Foreign government bonds	-	-	-	54,504	-	-	-	-	54,504
Mortgage-backed	2,504	370,048	4,358	-	-	-	58	-	376,968
Other asset-backed	14,516	37,246	5,379	-	224	-	-	-	57,365
Corporate bonds	13,738	138,979	2,162	41,634	70,945	-	51	-	267,509
Convertible bonds	-	-	-	-	292	-	1	-	293
Yankees:									
Government	-	3,251	-	-	-	-	4	-	3,255
Corporate	4,120	17,942	1,220	-	7,128	-	8	-	30,418
Domestic equity pool:									
Limited partnership	-	-	-	-	-	-	-	69,152	69,152
Convertible bonds	-	-	-	-	-	-	-	218	218
Treasury bills	-	-	-	-	-	-	-	507	507
Equity	-	-	-	-	-	-	-	1,436,932	1,436,932
International equity pool:									
Convertible bonds	-	-	-	-	-	-	-	349	349
Equity	-	-	-	-	-	-	-	671,208	671,208
Emerging markets equity pool	-	-	-	-	-	-	-	131,105	131,105
Private equity pool:									
Limited partnerships	-	-	-	-	-	-	-	397,247	397,247
Absolute return pool:									
Limited partnerships	-	-	-	-	-	-	-	194,481	194,481
Other investments pool:									
Limited partnerships	-	-	-	-	-	-	-	23,827	23,827
Agricultural holdings	-	-	-	-	-	-	-	134,509	134,509
Real estate pool:									
Real estate	-	-	-	-	-	-	-	282,232	282,232
Commingled funds	-	-	-	-	-	-	-	106,892	106,892
Limited partnerships	-	-	-	-	-	-	-	168,367	168,367
Real estate investment trusts	-	-	-	-	-	-	-	23,486	23,486
Mortgages	-	-	-	-	-	-	-	17	17
Mutual funds	-	-	-	-	31,315	-	-	102,436	133,751
Net other assets (liabilities)	(17)	(21,735)	(1,093)	1,018	105	223	(3)	(1,953)	(23,455)
Other pool ownership	(55,941)	42,338	(12,026)	-	-	32	-	25,597	-
Unallocated deposits in transit	-	-	-	-	-	-	-	33	33
Total invested ssets	$ 14,895	697,775	-	98,131	116,336	26,063	495	3,782,311	4,736,006

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(ll) Interest Rate Risk

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

(mm) 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, 2008, the expected average life of individual fixed income securities ranged from eight days to less than three months.

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

(nn) Other Defined Benefit 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 retirement 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, 2008, was 4.68 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 enhanced cash fixed income portfolio to one year.

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 Salomon Non-U.S. World Government Bond Index. The effective duration for the Salomon Non-U.S. World Government Bond Index at June 30, 2008, was 6.24 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, 2008, was 4.49 years.

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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 TIPS portfolio to a band which may not exceed ± 20% around the duration of the Lehman Brothers Global Inflation-Linked U.S. TIPS Index, or a reasonable proxy thereof. The duration of the proxy index at June 30, 2008, was 6.19 years.

At June 30, 2008, the effective duration of the DB Plan's fixed income pools, by investment type, was as follows:

	Effective duration (In years)				
	Retirement	**Enhanced cash**	**International**	**High yield**	**TIPS**
U.S. treasury notes	7.24	-	-	-	3.52
U.S. treasury bonds	13.48	-	-	-	12.66
U.S. government agency	4.85	-	-	-	-
Municipal bonds	10.96	-	-	-	-
Mortgage-backed	4.37	0.73	-	-	-
Other asset-backed	2.58	0.18	-	3.25	-
Corporate bonds	4.91	(0.02)	-	4.46	-
Convertible bonds	-	-	-	5.91	-
Yankees					
Government	11.93	-	6.65	-	-
Corporate	5.48	(0.76)	4.09	4.04	-
Portfolio effective duration	**4.57**	**0.20**	**5.49**	**2.99**	**5.95**

Defined Benefit Common Trust Funds

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the common trust investment funds that consists solely of debt securities, domestic fixed income, high yield, international fixed income, and TIPS were 4.69, 4.45, 6.31, and 7.83 years at June 30, 2008, respectively.

Defined Contribution Pension Trust 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. 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, 2008, the duration of the government and corporate debt securities was 5.32 years and the duration of the Lehman Brothers Government Credit Index was 5.30 years.

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For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At June 30, 2008, the duration of the mortgage-backed securities was 4.14 years and the duration of the Lehman GNMA Index was 4.25 years.

The weighted average maturity of the money market portfolio was forty-five days at June 30, 2008.

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

Defined Contribution Pension Trust 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 5.18 years at June 30, 2008.

Defined Contribution Pension Trust Occupational Death and Disability, Retiree Medical, and Health Reimbursement ERISA Commingled and Mutual Funds

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the ERISA commingled investment funds that consists solely of debt securities, domestic fixed income and international fixed income, were 4.69 and 6.31 years at June 30, 2008, respectively.

(oo) Credit Risk

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

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

Short-term fixed income pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Asset-backed and non-agency mortgage securities that are not rated by both Standard & Poor's and Moody's may be purchased if they have an AAA rating by two of the following: Standard & Poor's, Moody's or Fitch. 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.

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

Retirement Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.
Corporate debt securities must be investment grade.
Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.
No more than 40% of the portfolio's assets may be invested in investment grade corporate debt.
No more than 15% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard and Poor's Corporation or the equivalent by Moody's or Fitch.

Enhanced Cash Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.
The average portfolio credit quality shall be A3 or higher.
No more than 10% 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 2% 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.

International Fixed Income:

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

High Yield:

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

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

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.

TIPS:

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's.

Corporate debt securities must be investment grade.

No more than 5% percent of the portfolio's assets may be invested in investment grade corporate debt.

No more than 5% percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.

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

Domestic equity, international equity and emerging markets:

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

Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

The ARMB does not have a policy to limit the concentration of credit risk for the common trust funds, defined contribution pooled investment funds, collective investment funds, ERISA commingled funds or mutual funds.

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At June 30, 2008, the System's investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

		Fixed income pool						
	Rating	Short-term	Retirement	Enhanced cash	Intern'l	High yield	TIPS	Pooled investment funds
Commercial paper	Not rated	6.80%	-%	-%	-%	-%	-%	3.86%
Bridge loans	Not rated	-	-	-	-	1.48	-	-
Short term investment fund	Not rated	-	-	-	-	-	-	2.45
U.S. treasury notes	AAA	-	9.89	-	-	-	72.62	9.29
U.S. treasury bonds	AAA	-	4.00	-	-	-	26.41	4.74
U.S. government agency Discount notes	AAA	-	-	-	-	-	-	0.04
U.S. government agency	AAA	44.00	1.34	-	-	-	-	7.19
U.S. government agency	Not rated	-	0.46	-	-	-	-	-
Municipal bonds	AA	-	0.04	-	-	-	-	-
Municipal bonds	A	-	-	-	-	-	-	0.28
Municipal bonds	Not rated	-	-	-	-	-	-	0.14
Mortgage-backed	AAA	2.99	45.33	19.37	-	-	-	13.97
Mortgage-backed	AA	0.20	-	-	-	-	-	-
Mortgage-backed	A	0.12	-	-	-	-	-	-
Mortgage-backed	BBB	-	-	2.36	-	-	-	-
Mortgage-backed	Not rated	0.24	7.68	7.70	-	-	-	1.43
Other asset-backed	AAA	16.17	3.88	23.11	-	-	-	-
Other asset-backed	AA	0.63	0.22	0.43	-	-	-	-
Other asset-backed	A	2.53	0.24	0.13	-	-	-	-
Other asset-backed	BBB	0.24	0.47	11.75	-	-	-	-
Other asset-backed	BB	0.92	0.53	0.92	-	0.16	-	-
Other asset-backed	Not rated	-	-	-	-	0.03	-	-
Corporate bonds	AAA	2.01	1.23	1.50	-	-	-	0.81
Corporate bonds	AA	12.20	4.42	3.42	-	-	-	2.19
Corporate bonds	A	4.10	9.07	6.41	-	-	-	6.67
Corporate bonds	BBB	-	4.69	2.46	-	3.38	-	4.14
Corporate bonds	BB	-	-	-	-	20.92	-	0.05
Corporate bonds	B	-	-	-	-	29.01	-	-
Corporate bonds	CCC	-	-	-	-	4.42	-	-
Corporate bonds	D	-	-	-	-	0.07	-	-
Corporate bonds	Not rated	1.09	0.51	0.80	-	3.19	-	0.06
Convertible bonds	AA	-	-	-	-	-	-	0.07
Convertible bonds	BBB	-	-	-	-	0.10	-	-
Convertible bonds	B	-	-	-	-	0.15	-	-
Yankees:								
Government	AAA	-	-	-	19.32	-	-	0.13
Government	AA	-	-	-	6.52	-	-	0.35
Government	A	-	-	-	21.96	-	-	0.37
Government	BBB	-	0.25	-	-	-	-	0.28
Government	Not rated	-	0.22	-	7.74	-	-	-
Corporate	AAA	-	-	-	28.78	-	-	0.61
Corporate	AA	3.81	0.62	2.92	13.00	-	-	0.27
Corporate	A	1.26	1.16	0.92	-	-	-	0.57
Corporate	BBB	-	0.58	0.93	-	0.15	-	0.72
Corporate	BB	-	-	-	-	2.50	-	-
Corporate	B	-	-	-	-	2.50	-	-
Corporate	CCC	-	-	-	-	0.29	-	-
Corporate	D	-	-	-	-	0.12	-	-
Corporate	Not rated	0.74	0.22	3.47	0.65	0.57	-	-
No credit exposure		(0.05)	2.95	11.40	2.03	30.96	0.97	39.32
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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(pp) 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, 2008, the System had the following uncollateralized and uninsured deposits:

	Amount (In thousands)
International fixed income pool	$ 360
International equity pool	2,293

(qq) 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 System 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 System to hold up to twenty-one 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 System to hold up to twelve percent of total investments in private equity.

The ARMB has no policy regarding foreign currency risk in the common trust, defined contribution pooled investment funds, collective investment funds, ERISA commingled and mutual funds.

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At June 30, 2008, the System had exposure to foreign currency risk with the following deposits:

	Amount (In thousands)	
Currency	**Fixed income pool**	**International equity pool**
Australian Dollar	$ -	(8)
Brazilian Real	-	10
Canadian Dollar	-	14
Danish Krone	-	157
Euro Currency	1	398
Hong Kong Dollar	-	148
Japanese Yen	191	1,381
Mexican Peso	168	-
New Zealand Dollar	-	18
Norwegian Krone	-	72
Pound Sterling	-	58
Swedish Krona	-	35
Swiss Franc	-	1
	$ 360	**2,284**

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At June 30, 2008, the System had exposure to foreign currency risk with the following investments:

	Amount (In thousands)				
	International fixed income		**International equity pool**	**Private equity pool**	**Pool investment funds**
Currency	**Foreign government**	**Corporate**	**Equity**	**Limited partnerships**	**Equity**
Australian Dollar	$ -	-	15,221	-	1
Brazilian Real	-	-	2,964	-	-
Canadian Dollar	-	-	20,088	-	-
Danish Krone	-	-	5,382	-	-
Euro Currency	34,488	1,515	198,835	67,659	5
Hong Kong Dollar	-	-	15,765	-	1
Indonesian Rupah	-	-	1,956	-	-
Japanese Yen	9,278	40,119	146,294	-	3
Mexican Peso	10,738	-	290	-	-
New Taiwan Dollar	-	-	719	-	-
New Zealand Dollar	-	-	975	-	-
Norwegian Krone	-	-	5,129	-	1
Polish Zloty	-	-	113	-	-
Pound Sterling	-	-	126,099	4,377	2
Singapore Dollar	-	-	5,025	-	-
South African Rand	-	-	2,869	-	-
South Korean Won	-	-	4,194	-	-
Swedish Krona	-	-	9,254	-	-
Swiss Franc	-	-	55,628	-	1
	$ 54,504	**41,634**	**616,800**	**72,036**	**14**

At June 30, 2008, the System also had exposure to foreign currency risk in the emerging markets equity pool. This pool consists of investments in commingled funds; therefore no disclosure of specific currencies is made.

(rr) 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 retirement fixed income, international fixed income and high yield pools is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group. The ARMB does not have a policy with regard to concentration of credit for the enhanced cash and TIPS pools.

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At June 30, 2008, the System invested assets did not have exposure to any one issuer greater than 5% of total invested assets.

(ss) Collective Investment Funds

The DCR Pension Trust Fund's investments include the following collective investment funds at June 30, 2008:

	Units owned	Unit value	Balance (In thousands)
Global balanced fund	$ 39,860	31.270	$ 1,246
Government/credit bond fund	496	25.359	13
Alaska long-term balanced trust	24,854	13.537	336
Alaska balanced trust	3,459	33.794	117
Alaska target 2025 trust	353	11.229	4
Brandes INST international equity fund	185,453	19.770	3,666
T. Rowe Price small cap stock trust	50,014	38.110	1,906
S&P 500 stock index fund	100,744	24.527	2,471
Sentinel sustainable core opportunities	236,364	12.850	3,037
Money market fund	37,236	1	37
Unallocated deposits in transit			50
Total collective investment funds			$ 12,883

(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:

	2008 (In thousands)
Net realized gain on foreign currency	$44,006
Net unrealized gain (loss) on foreign currency	14
Net realized gain (loss) on foreign exchange contracts	(39)

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The international fixed income and 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 two to one hundred and fifty-five days. The System had net unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, as follows:

	2008 (In thousands)
Contract sales	$ 18,938
Less fair value	18,926
Net unrealized gains (losses) on contracts	**$ 12**

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. In February of 2008, the ARMB voted to suspend its securities lending agreement with State Street Corporation (the Bank) which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the ARMB's agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agreed to return the collateral for the same securities in the future. There were no outstanding securities on loan at June 30, 2008.

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

There is no cash collateral at June 30, 2008. Cash collateral in the amount of $531,810,023 at June 30, 2007 was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Collateral securities could have been pledged or sold upon borrower default. Securities under loan, cash collateral and cash collateral payable were recorded on the financial statements at fair value in prior years. The Bank, the DB Plan received a fee from earnings on invested collateral. The Bank and the DB Plan shared a fee paid by the borrower for loans not collateralized with cash.

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

(6) Transfers

During fiscal year 2008, the System transferred the $1,086,620,000 balance of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust as a result of the creation of the Alaska Retiree Healthcare Trust fund, which began on July 1, 2007.

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

(7) Funded Status and Funding Progress - DB Pension and Postemployment Healthcare Benefit Plan

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) entry age	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Pension						
June 30, 2007	$3,441,867	5,043,448	1,601,581	68.2%	$554,245	289.0%
Postemployment healthcare						
June 30, 2007	$ 982,532	2,313,378	1,330,846	42.5%	$554,245	240.1%

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

The accompanying schedule of 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, 2007
Actuarial cost method	Entry age normal level percentage of pay for pension; level dollar for healthcare
Amortization method	Level dollar, closed
Equivalent single amortization period	21 years
Asset valuation method	5 year smoothing market
Actuarial Assumptions:	
Investment rate of return	8.25% for pension, 4.50% for healthcare (includes inflation at 3.5%)
Projected salary increases	6.0% for first 5 years of service grading down to 4.0% after 15 years
Cost-of-living adjustment	Postretirement pension adjustment

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Health cost trend –

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

TRS retiree healthcare benefits are partially funded. GASB 43 outlines two reason able 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 Alaska has utilized the second methodology to develop a discount rate of 4.50% as of June 30, 2007 to be used for fiscal 2008 disclosure.

(8) Commitments and Contingencies

Commitments

The ARMS entered into an agreement through and external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2008, the DB Plan's member share of the unfunded commitment totaled $26,145,874. 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, 2008 the DB Plan's member share of these unfunded commitments totaled $220,349,814. These commitments are estimated to be paid through 2019.

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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, 2008, the DB Plan's member share of this unfunded commitment totaled $25,951,218 to be paid through 2018.

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, 2008, the DB Plan's member share of these unfunded commitments totaled $89,382,437 to be paid through the year 2018.

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 is funded through employer contributions, premiums paid by retirees, and investment income.

The Department of Administration has received a favorable 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). In addition, the Department of Administration engaged counsel to submit a voluntary compliance filing with respect to the retiree health program administered by the System. The voluntary compliance program filing provided, among other things, that the Department of Administration would transfer sufficient funds from pension assets to properly fund assets available to pay postemployment healthcare benefits. Verbal approval from the Internal Revenue Service has been received, and the Department of Administration believes that it is unlikely that the Internal Revenue Service will reverse its verbal approval. Pursuant to the filing, the accompanying financial statements reflect a transfer in the amount of $1,086,620 which will be made subsequent to year end.

Approximately 50 Plan members have filed administrative challenges to the DB Plan administrator's refusal to include leave cash-in 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 cash-in payments included. The DB Plan's prior board, which heard appeals from decisions of the System 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

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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 System 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 System's practice under which retiree medical benefits were paid to some survivors' spouses and dependents who were not eligible dependents under the IRC, or 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 System's assets. Furthermore, the System'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 System challenging provisions of that legislation. Management is not aware of any other specific unasserted claims or assessments against the System.

(9) Subsequent Event

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short-term liquidity associated with certain investments held by the System, which could impact the value of investments after the date of these financial statements. Estimated losses through November 30, 2008 are $1.0 billion, which could ultimately affect the funded status of the System. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual actuarial valuation report for the year ended June 30, 2010 is performed.

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Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Pension Benefits

June 30, 2008
(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
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
2007	3,441,867	5,043,448	1,601,581	68.2	554,245	289.0

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

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Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Postemployment Healthcare Benefits

June 30, 2008
(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
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
2007	982,532	2,313,378	1,330,846	42.5	554,245	240.1

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

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Required Supplementary Information (Unaudited)

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

June 30, 2008
(Dollars in thousands)

		Annual required contribution			Pension percentage contributed		Postemployment healthcare percentage contributed		
Year ended June 30	Actuarial valuation date as of June 30[1]	Pension	Postemployment healthcare	Total	By employer (note 3)	By State of Alaska (note 3)	By employer (note 3)	By State of Alaska (note 3)	Total percentage contributed (note 3)
2003	2000	$ 37,800	9,570	47,370	132.7%	-%	132.7%	-%	132.7%
2004	2001	65,571	17,089	82,660	83.1	-	83.1	-	83.1
2005	2002	152,168	55,783	207,951	45.0	-	45.0	-	45.0
2006	2003	170,019	66,719	236,738	54.1	-	54.1	-	54.1
2007	2004	169,974	76,879	246,853	62.2	-	62.2	-	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	23.6	85.7	107.9

[1] Actuarial valuation related to annual required contribution for fiscal year.

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

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June 30, 2008

(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 System 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, 2007 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 health-care 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 nonprescription 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 5.0% of the current retiree population does not receive Part A coverage.

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

(e) Salary scale – inflation 3.5% per year, 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.

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(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 nonoccupational causes.

(i) Mortality (Post-retirement) – Based upon the 2001-2005 actual experience. 1-year setback 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.

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

(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. Disability benefits are loaded by 9% to account for the immediate COLA of 75% of assumed inflation or 2.625%.

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

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

(u) Re-employment option – the actuary assumes all re-employed retirees return to work under the Standard Option.

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June 30, 2008

(v) 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.

(w) Per capita claim cost – sample claims cost rates for FY08 medical benefits are show below:

	Medical	Prescription Drugs
Total	$7,196	$2,173
Medicare Part A & B	$1,151	2,173
Medicare Part B Only	$2,805	2,173
Medicare Part D	N/A	$ 465

(x) Third party administrator fees – $146.18 per person per year; assumed trend rate of 5% per year.

(y) Health cost trend –

	Medical	Prescription
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

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 and 2006 valuations.

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June 30, 2008

(z) 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

(aa) Retired member contributions for medical Benefits – currently contributions are required for TRS members who are underage 60 and have less than 30 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY08 contributions based on monthly rates shown below for calendar 2007 and 2008 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	FY08 annual contribution	Calendar 2008 monthly contribution	Calendar 2007 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

(bb) Trend Rate for Retired Member Contributions –

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

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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.

(cc) Healthcare participation – 100% of members are assumed to elect healthcare benefits as soon as they are eligible.

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

Effective June 30, 2007, 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 on 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 the medical claims incurred and paid dates was changed from 3 months to 2 months.

Changes in Assumptions since the Last Valuation

(a) Healthcare – 5.0% of current retirees are assumed to be covered by Part B only. Change assumed lag between medical claim incurred and paid dates from 2 months for medical and prescription combined to 2.3 months for medical and 0.6 months for prescription. Added explicit TPA fees based on current admin contract and assumed to increase at 5%. Partially reflected Alaska-specific trend rates to bring forward experience period claims to the base year.

(3) Contributions - State of Alaska

Alaska Statute 14.25.085 states that the State of Alaska shall contribute to the System each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions of 12.56 percent, is sufficient to pay the DB Plan's past service liability at the consolidated actuarially required contribution (ARC) adopted by the Alaska Retirement Management Board (Board) for the fiscal year. During fiscal year 2008, the actuarially required contribution adopted by the Board was 54.03 percent. The additional state contribution is sufficient to contribute the 41.47 percent difference between the ARC and the employer contribution rate of 12.56 percent.

Schedule 1

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Schedule of Administrative and Investment Deductions

Year ended June 30, 2008
(In thousands)

	Administrative	Investment	2008
Personal Services:			
Wages	$ 995	616	1,611
Benefits	559	266	825
Total Personal Services	1,554	882	2,436
Travel:			
Transportation	15	59	74
Per Diem	4	9	13
Total Travel	19	68	87
Contractual Services:			
Management and Consulting	1,137	8,805	9,942
Accounting and Auditing	31	419	450
Advertising and Printing	25	6	31
Data Processing	229	182	411
Communications	39	21	60
Rentals/Leases	-	-	-
Legal	37	53	90
Medical Specialists	2	9	11
Repairs and Maintenance	11	7	18
Other professional services	159	45	204
Securities Lending	-	15,979	15,979
Transportation	22	2	24
Total Contractual Services	1,692	25,528	27,220
Other:			
Equipment	239	7	246
Supplies	39	38	77
Total Other	278	45	323
Total Administrative and Investment Deductions	**$ 3,543**	**26,523**	**30,066**

See accompanying independent auditors' report.

Schedule 2

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

Schedule of Payments to Consultants Other than Investment Advisors

Year ended June 30, 2008

(In thousands)

Firm	Services	2008
State Street Corporation	Custodian banking services	$ 416
Buck Consultants	Actuarial services	168
CTG Computer Task Group	Data processing consultants	100
Wostmann & Associates, Inc.	Data processing consultants	31
KPMG LLP	Auditing services	28
State of Alaska, Department of Law	Legal services	19
First National Bank	Banking services	9
		$ 771

See accompanying independent auditors' report.

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INVESTMENT SECTION

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CALLAN ASSOCIATES INC

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

December 8, 2008

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, 2008.

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 2008 was a very difficult time for domestic and international equities. The Russell 3000 Index, a measure of the broad U.S. equity market lost 12.69%. International stocks, as measured by the MSCI-EAFE Index, posted a slightly better return then the broad domestic equity market declining 10.61%. In the last fiscal year, the Lehman Aggregate Bond Index, a widely used measure of the investment grade domestic bond market, achieved an overall return of 7.12%. The strong performance was driven by returns in the first half of the fiscal year. Spreads fluctuated during the period, most notably between the third and fourth quarters when spreads tightened considerably. Equity real estate enjoyed another strong year with returns of more than 9%.

For the fiscal year, the Public Employees Retirement System (PERS) had a timeweighted total return of -3.13% and the Teachers Retirement System (TRS) had a timeweighted total return of -3.12%. Both Systems exceeded their strategic policy benchmark target return of -4.73% and ranked in the 23rd 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 two years of strong equity market returns, PERS and TRS have achieved annualized returns of 8.78% and 8.81% respectively. These results were better than the policy target index return of 7.15% and ranked in the 13th and 11th percentile of the Callan Public Fund database. Over the longest period for which Callan has detailed data (16 3/4 years), PERS and TRS have achieved annualized total returns of 8.71% and 8.76% respectively while the policy benchmark return for the same span was 8.42%.

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 2008 was an unusually difficult year for equities and a strong year for fixed income. The Systems held up well in this volatile environment.

Sincerely,

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

Department of Revenue
Treasury Division
Staff

Commissioner
Patrick Galvin

Acting Deputy Commissioner
Jerry Burnett

Chief Investment Officer
Gary Bader

Comptroller
Pamela Green, CPA

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

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

ARMB Liaison Officer
Judy Hall

External Money Managers and Consultants

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

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

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

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

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

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

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

Global Equity
Lazard Freres Asset Management
New York, NY

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

External Money Managers and Consultants (con't)

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

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

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

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

Real Estate – Value Added Separate Accounts
Invesco Realty Advisors
Dallas, TX
Lowe Enterprises Investment Management Inc.
Los Angeles, 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 basis of presentation for the data reported in the investment section is in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards.

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 2008 fiscal year, ARMB's target asset allocation was 37% domestic equities, 16% international equities, 18.5% domestic fixed income, 2% international fixed income, 10% real estate, 7% private equity, 4% absolute return, 3% high yield fixed income, and 2.5% other (farmland, energy and Treasury inflation-protected securities).

For the 2008 fiscal year, TRS investments generated a -3.05% rate of return. The TRS annualized rate of return was 10.10% over the last five years. The annualized rate of return over the last sixteen and three-quarter years has been 8.77%.

INVESTMENT OVERVIEW

The diversification of the TRS investment portfolio continued to protect overall returns. For the 2008 fiscal year, the private equity portfolio gained 13.19% and the international fixed income portfolio gained 18.95%. The U.S fixed income portfolio generated a 6.50% return, up from 6.20% the previous year. Investments in farmland, energy, Treasury inflation-protected securities produced the highest returns of any asset class in the 2008 fiscal year, gaining 19.12%. Unfortunately, farmland/energy, private equity, and international fixed income traditionally make up a smaller portion of the pool's total assets. Asset classes with larger allocations, such as domestic and international equity, saw returns of -13.53% and -7.48% respectively.

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 2008 fiscal year, the pool posted a return of -13.53%. This was greater than the target return of -13.68%. The annualized domestic equity return for the five year period was 7.31%, down from 10.26% in the 2007 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 -7.48% which was greater than the target return of -8.72%. The international equity return for the five year period was 18.66%.

Teachers' Retirement System
Investment Report

FIXED INCOME

The domestic fixed-income portfolio represented 15.8% of the total assets of TRS as of June 30, 2008. 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.

Over the 2008 fiscal year, the TRS domestic bond portfolio gained 6.50%, up from 6.20% the year before. The Lehman Brothers Aggregate Bond Index returned 7.33%. The annualized domestic fixed-income return for the five year period was 4.05%, versus 3.90% for the benchmark.

The international fixed-income portfolio, which represented about 2.1% of the total assets of TRS, returned 18.95% over the 2008 fiscal year, compared with a 18.72% posted by the Citigroup Non U.S. Government Index. The annualized international fixed-income return for the five year period was 7.39%, down from 8.37% in the 2007 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 2.5% of the total assets of TRS, returned -0.9% over the 2008 fiscal year. This was more than the target return of -2.11%. 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 2008 fiscal year, TRS had 12.5% 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 5.71% in fiscal year 2008 compared to 20.70% for the 2007 fiscal year. The five year annualized net total return was 14.75%, down from 15.36% in the 2007 fiscal year.

PRIVATE EQUITY

TRS had 8.6% of its portfolio is invested in Private Equity for long-term return enhancement and diversification. Investments are made through outside 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.

Teachers' Retirement System
Investment Report

During the 2008 fiscal year, the Private Equity component of the TRS portfolio had a net return of 13.19% with a five year annualized return of 21.34%.

ABSOLUTE RETURN

Absolute return investments are made through fund-of-fund managers and are 4.2% 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 1.53% over the 2008 fiscal year. This was less than the target return of 8.36%.

OTHER

The TRS portfolio is also invested in farmland, energy, and Treasury inflation-protected securities. 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, other investments represent 3.2% of the overall portfolio and had a net return of 19.12% for the 2008 fiscal year.

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

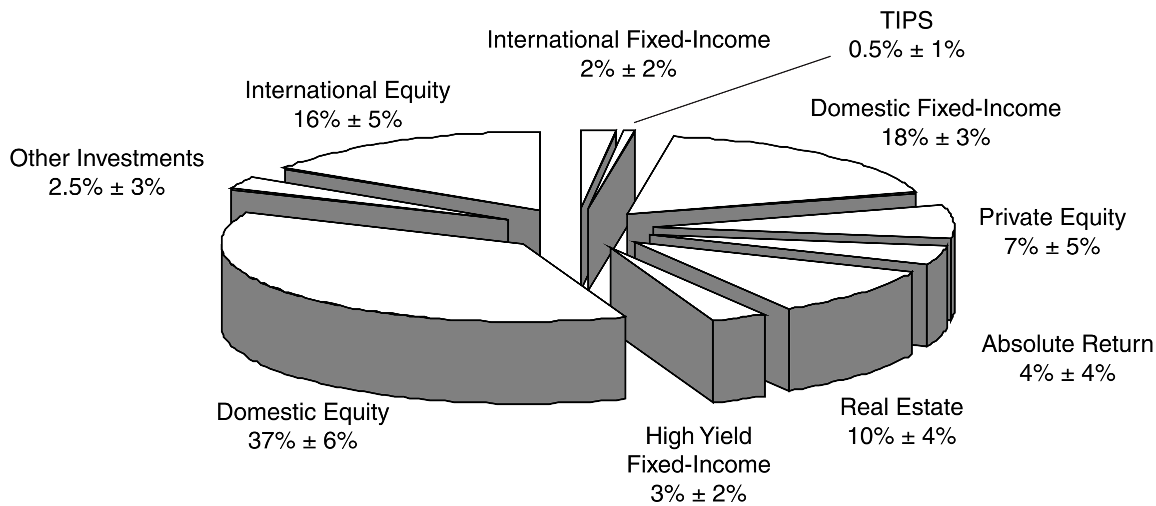
	2004	2005	2006	2007	2008	Annualized 3 Year	Annualized 5 Year
Total Fund							
TRS	15.09%	9.01%	11.78%	18.92%	-3.05%	8.84%	10.10%
Actuarial Earnings Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
U.S. Common Stock Returns							
TRS Domestic Equities	20.06%	4.48%	9.23%	20.10%	-13.53%	4.29%	7.31%
S&P 500/Russell 2000 Composite	19.11%	6.87%	9.67%	20.59%	-13.68%	4.32%	8.06%
International Stock Returns							
TRS International Equities	31.70%	15.17%	28.80%	30.15%	-7.48%	15.75%	18.66%
Morgan Stanley Capital International EAFE	32.37%	13.65%	26.56%	27.00%	-10.61%	12.84%	16.67%
Domestic Fixed-Income							
TRS	0.61%	7.10%	0.06%	6.20%	6.50%	4.21%	4.05%
Lehman Brothers Aggregate Index	0.32%	6.80%	-0.81%	6.12%	7.12%	4.09%	3.85%
International Fixed-Income							
TRS	7.52%	9.84%	-0.26%	1.97%	18.95%	6.55%	7.39%
Citigroup Non-U.S. Government	7.60%	7.75%	-0.01%	2.20%	18.72%	6.65%	7.06%
Real Estate Equity							
TRS	11.55%	17.43%	18.58%	20.75%	5.71%	14.95%	14.75%
NCREIF	10.83%	18.02%	18.79%	17.24%	6.82%	14.04%	14.39%

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

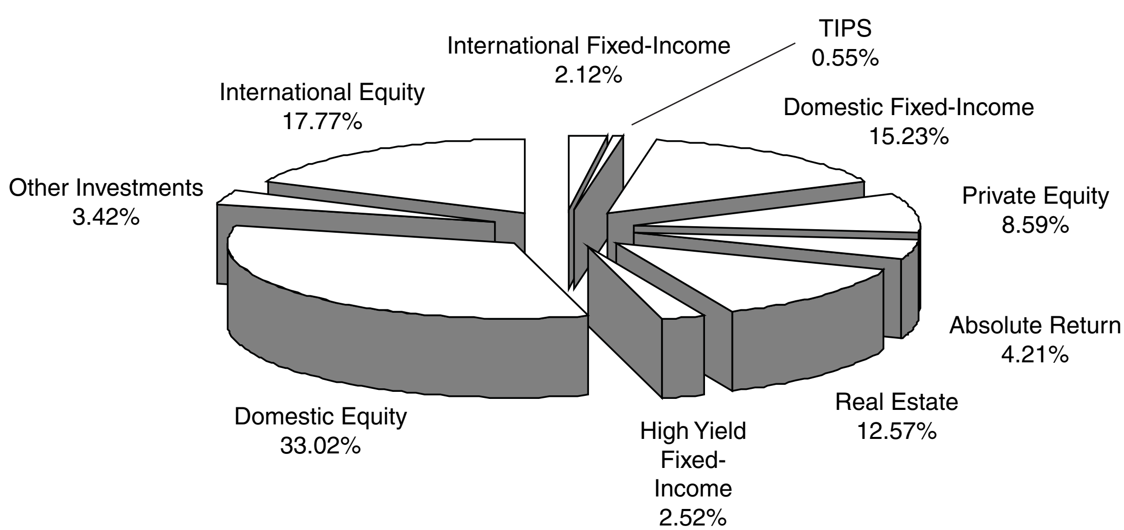
The investment returns are time-weighted rates of return prepared in accordance with industry standard performance calculation methodologies.

Teachers' Retirement System
Asset Allocation
June 30, 2008

Policy

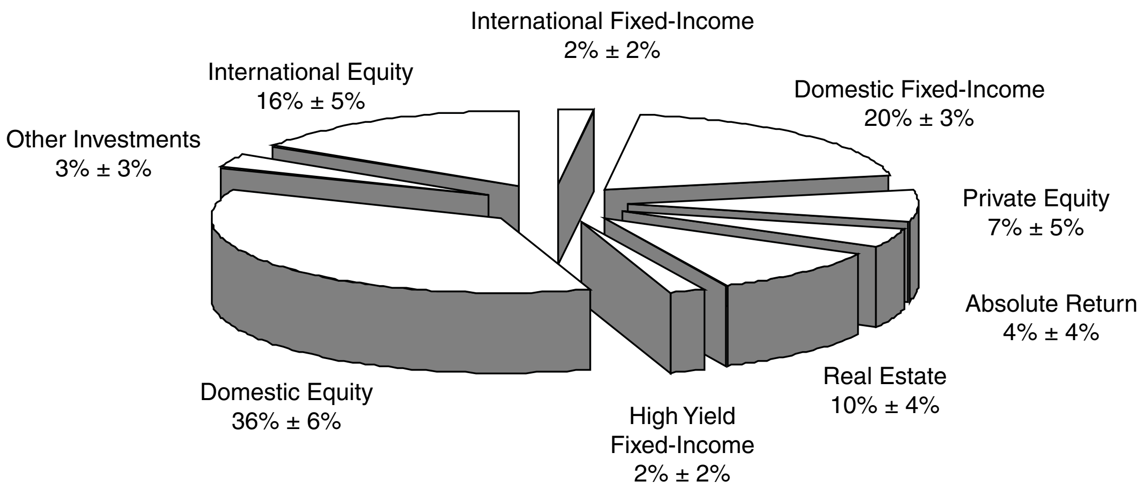


Actual

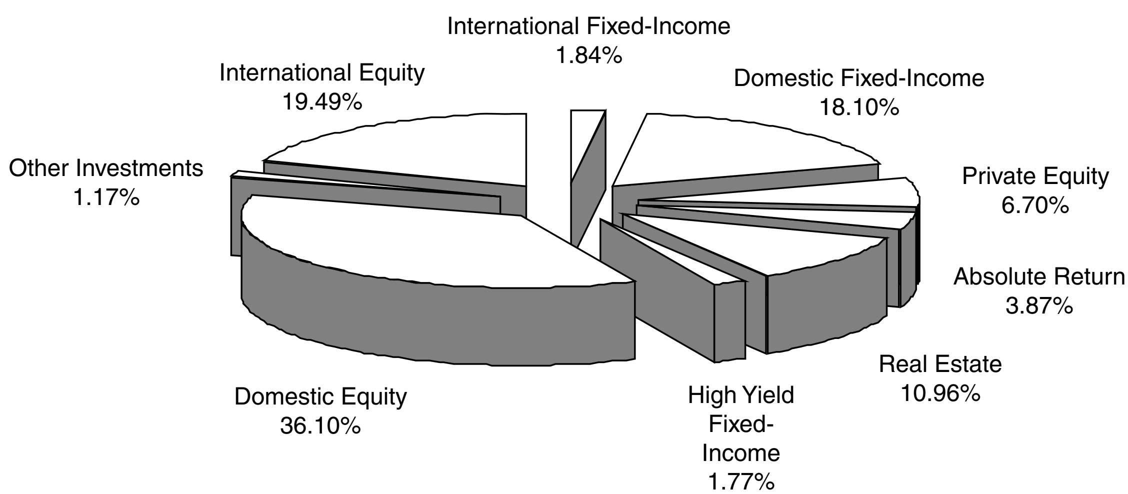


Teachers' Retirement System
Asset Allocation
June 30, 2007

Policy



Actual



Alaska Retirement Management Board
Top Ten Holdings by Asset Type
June 30, 2008

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, 2008.

Fixed Income	Rank	Security	Market Value	Shares
	1	United States Treasury 3.875 5/15/2018	$127,626,701	128,733,000
	2	United States Treasury 3.625 6/30/2013	$59,173,875	59,100,000
	3	United States Treasury 5 5/15/2037	$55,284,469	51,405,000
	4	FNMA 5.5 Jul 2007 MBS TBA	$34,496,875	35,000,000
	5	United States Treasury 6.25 8/15/2023	$30,012,315	25,237,000
	6	FNMA Pool 725027	$27,068,091	28,070,288
	7	GNMA 6 Jul 2007 MBS TBA	$25,149,765	24,780,000
	8	FNMA Pool 678915	$22,402,261	22,592,888
	9	FNGT 2002-T11 B 4/25/2012	$21,100,816	20,560,000
	10	United States Treasury 4.5 9/30/2011	$20,903,125	20,000,000

Note: As of June 30, 2008, the above pool of fixed income securities was owned by the following retirement systems: PERS—69.1%; TRS—29.4%; JRS—0.8%; NGNMRS —0.7%

Equities	Rank	Largest Domestic Equity Holdings	Market Value
	1	Exxon Mobil Corp	$44,895,361
	2	Microsoft Corp	$30,992,766
	3	Google Inc	$29,006,795
	4	Wal Mart Stores Inc	$26,890,295
	5	Apple Inc	$25,686,133
	6	Hewlett Packard Co	$21,360,813
	7	Baxter Intl Inc	$21,228,080
	8	Oracle Corp	$21,183,225
	9	AT&T Inc	$20,934,966
	10	Goldman Sachs Group Inc	$20,603,220

Note: As of June 30, 2008, the above pool of fixed income securities was owned by the following retirement systems: PERS—68.3%; TRS—30.5%; JRS—1.0%; NGNMRS —0.2%

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, 2008

	Fair Value	Fees
International Fixed-Income		
Mondrian Investment Partners	$ 98,131,347	175,821
High Yield Pool		
Mackay Shields, LLC	43,749,144	206,871
ING Investments	42,899,961	236,252
Total High Yield	86,649,105	443,123
Domestic Equity Pool		
Relational Investors	69,152,208	912,477
Barrow, Hanley, Mewhinney & Strauss, INC	37,028,131	193,620
Capital Guardian Trust	99,324,648	300,914
Jennison Associates LLC	57,708,124	442,892
Lazard Asset Management	84,126,570	405,211
Lord Abbett & Co.	61,968,955	422,330
Luther King Cap. Management	46,970,253	268,639
McKinley Capital	119,682,977	518,187
Quantitative Management Associates	37,394,108	40,232
Dresdner RCM Capital	118,077,582	365,325
SSgA Russell 1000 Growth	323,782,447	42,473
SSgA Russell 1000 Value	281,658,990	45,298
SSgA Russell 2000 Growth	32,913,667	11,956
SSga Russell 2000 Value	31,928,639	19,153
SSgA Russell 200	69,666,832	8,411
SSgA Futures Large Cap	881,913	6,639
SSgA Future Small Cap	1,274,345	5,893
SSgA Russell 2000 (ERISA)	-	524
Turner Investment Partners	46,970,253	364,576
Total Domestic Equities	1,520,510,642	4,374,749
Private Equity Pool		
Blum Capital Partners-Public(Stinson)	12,593,485	168,137
BlumCapital Partners-Strategic	10,950,029	210,858
Warburg Pincus X	1,927,260	59,342
Pathway Capital Management	164,607,996	450,073
Abbott Capital Management	204,272,345	405,172
Total Private Equities	394,351,115	1,293,581
International Equity Pool		
SSgA	106,962,919	569,736
Brandes Investment Partners	179,468,208	774,697
Capital Guardian Trust Co.	158,007,826	743,585
McKinley Capital Mgmt.	135,511,114	705,006
Lazard Freres	108,614,750	426,165
Total International Equities	688,564,816	3,219,189
Absolute Return Pool		
Mariner Investment Group	73,741,559	463,127
Cadogan Management LLC	40,639,640	570,310
Crestline Investors Inc.	80,099,825	723,354
Total Absolute Return	194,481,023	1,756,792

Teachers' Retirement System
Schedule of External Management Fees (con't)
Year Ended June 30, 2008

	Fair Value	Fees
Other Investment Pool		
TCW Energy Fund XD	$ 17,699,446	227,340
TCW Energy Fund XIV-A	6,127,903	309,848
UBS Agrivest	91,594,766	161,378
Hancock	38,702,996	150,901
Total Other Investments	154,125,111	849,467
Emerging Markets Equity Pool		
The Capital Group Inc.	73,855,844	471,164
Lazard Freres Asset Managers	28,800,170	61,143
Eaton Vance	30,087,925	70,343
J P Morgan	-	344,816
Total Emerging Markets	132,743,939	947,467
Real Estate Pool		
JPM Strategic	76,616,909	615,924
UBS Consolidated	29,909,623	375,409
Cornerstone	68,305,600	351,878
Lasalle	73,096,454	443,071
Sentinel, SA	26,465,117	127,022
UBS Separate	113,399,457	594,932
Coventry	19,371,354	209,403
Lowe Hospitality	15,425,201	245,814
Cornerstone Rotational	57,198	36,107
ING Clarion	10,537,642	35,075
Lehman Brothers Real Estate Partners II	39,988,526	296,926
Rothschild Five Arrows	8,782,273	137,764
Tishman Speyer	27,757,180	227,788
Rorhschild Five Arrows V	710,592	68,159
Tishman Speyer VII	4,193,027	66,058
BlackRock Diamond	24,318,261	85,488
Colony Investors VIII, L.P.	8,557,314	254,759
LaSalle Medical Office Fund II	2,876,390	137,611
Cornerstone Apartment Venture III	2,197,214	18,718
Total Real Estate	$ 552,565,331	4,327,906
TIPS		
SSgA TIPS		22
Custodian		
State Street Bank		415,835
Investment Advisory		
Townsend Group		30,870
Callan Associates		71,628
Investment Advisory Council		35,686
Total Investment Advisory		138,184
Investment Performance		
Callan Associates		58,099
Total External Management Fees		$ 18,000,235

Teachers' Retirement System
Investment Summary Schedule
June 30, 2008

	Asset Allocation Policy	Asset Allocation Range	Market Value	% of Asset Class	% of Total Assets
Participation in Pools Owning Fixed-Income Securities					
Domestic					
Short-Term Fixed Income Pool	0%	0-3%	6,450,647	0.92%	0.14%
Retirement Fixed Income Pool	18%	15-21%	697,775,748	99.08%	15.09%
Total Domestic Fixed Income			704,226,395	100.00%	15.23%
TIPS					
TIPS	0.5%	0-1%	25,643,816	100.00%	0.55%
International					
International Fixed Income Pool	2%	0-4%	98,131,347	100.00%	2.12%
High Yield					
High Yield Fixed Income Pool	3%	0-6%	116,335,302	100.00%	2.52%
Total Fixed Income Securities			944,336,860		20.42%
Participation in Pools Owning Domestic Equities					
Domestic Equities					
Small cap(1)	7%	4-10%	286,110,690	18.74%	6.19%
Large cap	30%	27-33%	1,240,776,403	81.26%	26.83%
Total Domestic Equities			1,526,887,093	100.00%	33.02%
Participation in Pools Owning International Equities					
International Equity Pool	14%	11-17%	690,435,078	84.04%	14.93%
Emerging Markets Equity Pool	2%	0-4%	131,104,707	15.96%	2.84%
Total International Equities			821,539,785	100.00%	17.77%
Participation in Pools owning Alternative Investments					
Private Equity Pool	7%	2-12%	397,246,772	100.00%	8.59%
Other Investments Pool	2.5%	0-5%	158,336,456	100.00%	3.42%
Absolute Return Pool	4%	0-8%	194,481,024	100.00%	4.21%
Participation in Real Estate					
Mortgages, net of allowances			17,235	0.00%	0.00%
Real Estate Pool	10%	6-14%	581,334,207	100.00%	12.57%
Total Real Estate			581,351,442	100.00%	12.57%
Total Invested Assets	100%		4,624,179,432	100.00%	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, 2008

Domestic Equity	International Equity	Total
$ 157,628	65,304	222,932

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, 2008

Securities lending income	$ 17,915,641
Less securities lending expense	15,981,075
Net income from securities lending activities	$ 1,934,566

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.

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ACTUARIAL SECTION

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July 17, 2008

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, 2007 by Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the Plan as of June 30, 2007;

(2) a review of experience under the Plan for the year ended June 30, 2007;

(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, 2010; and

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

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

(1) Summary of actuarial assumptions and methods

(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

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

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720.359.7700 • 720.359.7701 (fax)

Alaska Retirement Management Board
July 17, 2008
Page 2

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. The employee 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 FY08 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, includig those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 57.3% to 61.5% during the year. The 2007 actuarial valuation provides an analysis of the factors that led to the increase. The Actuarial Section and the 2007 actuarial valuation report also provide a history of the funding ratio of the System.

A summary of the actuarial assumptions and methods is presented in the actuarial valuation report. 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, and are available to answer questions regarding the valuation report.

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Alaska Retirement Management Board
July 17, 2008
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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.

We believe that the 2007 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.

Sincerely,

David H. Slishinsky

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

Michelle M DeLange

Michelle Reding DeLange, F.S.A.,E.A., M.A.A.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 A. K

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

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

The demographic and economic assumptions used in the June 30, 2007 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 disclosure, defined benefit and defined contribution member payroll combined. However, in keeping with GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

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

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

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

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

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

Changes in Methods from the Prior Valuation

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

B. Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method 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 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 and Premera management level reporting for calendar 2003 through fiscal 2007, as well as Aetna and Premera claim level data for calendar 2004, 2005 and 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 management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting and the State's approved RDS listing from Medicare were used to augment cost and enrollment data by Medicare status.

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

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

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

Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I TRS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 5.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 5.0% of the current Medicare 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 claim database isolating no-Part A members.

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

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four calendar years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 2.3 months for medical claims and 0.6 months for prescription claims. This "trend and blend" methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year's data in the 4-year experience period at 25%. We also incorporated actual administrative costs that are projected to increase at 5%.

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

June 30, 2007 Valuation – FY 2008 Claims Cost Rates

	Medical		
	Pre-Medicare	Medicare A&B	Medicare B Only
Calendar 2004 Paid Claims	**$125,222,188**	**$20,330,785**	**$2,955,315**
Membership	32,858	17,558	924
Paid Claims Cost Rate	$3,811	$1,158	$3,198
Trend to FY2008	1.286	1.286	1.286
FY 2008 Paid Cost Rate	$ 4,901	$1,489	$4,112
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	**$4,966**	**$1,509**	**$4,167**
Calendar 2005 Paid Claims	**$146,356,647**	**$25,618,571**	**$3,976,509**
Membership	33,343	18,603	979
Paid Claims Cost Rate	$4,389	$1,377	$4,061
Trend to FY2008	1.188	1.188	1.188
FY 2008 Paid Cost Rate	$5,214	$1,636	$4,824
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	**$5,283**	**$1,657**	**$4,888**
Calendar 2006 Paid Claims	**$150,287,171**	**$24,546,905**	**$4,079,223**
Membership	33,473	19,490	1,026
Paid Claims Cost Rate	$4,490	$1,259	$3,977
Trend to FY2008	1.142	1.142	1.142
FY 2008 Paid Cost Rate	$5,128	$1,438	$4,542
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	**$5,196**	**$1,458**	**$4,602**
Fiscal 2007 Paid Claims	**$129,762,975**	**$22,677,328**	**$3,524,812**
Membership	33,446	20,315	1,069
Paid Claims Cost Rate	$3,880	$1,116	$3,297
Trend to FY2008	1.063	1.063	1.063
FY 2008 Paid Cost Rate	$4,122	$1,186	$3,503
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	**$4,177**	**$1,202**	**$3,549**
Weighted Average 7/1/2007 – 6/30/2008 Incurred Claims Cost Rates:			
At average age	$4,905	$1,456	$4,302
At age 65*	$7,196	$1,151	$2,805

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

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

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

	Prescription Drugs			
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**	**Total**
Calendar 2004 Paid Claims	**$37,938,758**	**$29,894,935**	**$1,689,411**	**$218,031,392**
Membership	32,858	17,558	924	51,340
Paid Claims Cost Rate	$1,155	$1,703	$1,828	$4,247
Trend to FY2008	1.400	1.400	1.400	
FY 2008 Paid Cost Rate	$1,616	$2,383	$2,559	$5,615
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	**$1,622**	**$2,391**	**$2,568**	**$5,671**
Calendar 2005 Paid Claims	**$42,812,358**	**$35,481,585**	**$ 1,999,302**	**$256,244,972**
Membership	33,343	18,603	979	52,925
Paid Claims Cost Rate	$1,284	$1,907	$2,042	$4,842
Trend to FY2008	1.258	1.258	1.258	
FY 2008 Paid Cost Rate	$1,615	$2,399	$2,569	$5,857
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	**$1,621**	**$2,408**	**$2,578**	**$5,917**
Calendar 2006 Paid Claims	**$45,461,356**	**$39,644,399**	**$2,235,948**	**$266,255,002**
Membership	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	$1,358	$2,034	$2,180	$4,932
Trend to FY2008	1.195	1.195	1.195	
FY 2008 Paid Cost Rate	$1,622	$2,430	$2,604	$5,717
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	**$1,628**	**$2,439**	**$2,613**	**$5,774**
Fiscal 2007 Paid Claims	**$46,176,199**	**$42,348,638**	**$2,391,089**	**$246,881,041**
Membership	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	$1,381	$2,085	$2,236	$4,503
Trend to FY2008	1.083	1.083	1.083	
FY 2008 Paid Cost Rate	$1,495	$2,257	$2,421	$4,817
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	**$1,500**	**$2,265**	**$2,430**	**$4,864**
Weighted Average 7/1/2007 – 6/30/2008 Incurred Claims Cost Rates:				
At average age	$1,593	$2,376	$2,547	$5,517
At age 65*	$2,173	$2,173	$2,173	$7,131

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, 2007 through June 30, 2008

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug and Medicare Retiree Drug Subsidy
45	$ 3.928	$ 3,928	$ 1,169
50	4,444	4,444	1,388
55	5,077	5,077	1,641
60	6,030	6,030	1,902
65	1,151	2,805	1,708
70	1,400	3,413	1,840
75	1,663	4,053	1,962
80	1,791	4,366	2,012

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.

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

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.
9.	Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Table 5. Deferred vested members are assumed to retire at their earliest retirement date.
10.	Marriage and Age Difference	Wives are assumed to be three years younger than husbands. 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.
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. Disability benefits are loaded by 9% to account for the immediate COLA of 75% of assumed inflation or 2.625%.
16.	Expenses	All expenses are net of the investment return assumption.
17.	Part-Time Status	Part-time employees are assumed to earn 0.55 years of credited service per year.
18.	Re-employment Option	We assume all re-employed retirees return to work under the Standard Option.

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

19. 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.

20. Per Capita Claims Cost

Sample claims cost rates for FY08 medical and prescriptions are shown below:

	Medical	**Prescription Drugs**
Total	$7,196	$2,173
Medicare Parts A & B	$1.151	$2,173
Medicare Part B Only	$2,805	$2,173
Medicare Part D	n/a	$ 465

21. Third Party Administrator Fees

$146.18 per person per year; assumed trend rate of 5% per year.

22. Health Cost Trend

The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 8.5% is applied to the FY08 rate claims costs to get the FY09 claims costs.

	Medical	**Prescription Drugs**
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 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 and 2006 valuation.

23. 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%

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

24. Retired Member Contributions for Medical Benefits

Currently contributions are required for TRS members who are under age 60 and have less than 30 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY08 contributions based on monthly rates shown below for calendar 2007 and 2008 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	FY08 Annual Contribution	Calendar 2008 Monthly Contribution	Calendar 2007 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

25. Trend Rate for Retired Member Medical Contributions

The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.7% is applied to the FY08 retired member medical contributions to get the FY09 retired member medical contributions.

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

26. Healthcare Participation

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

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	.078
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

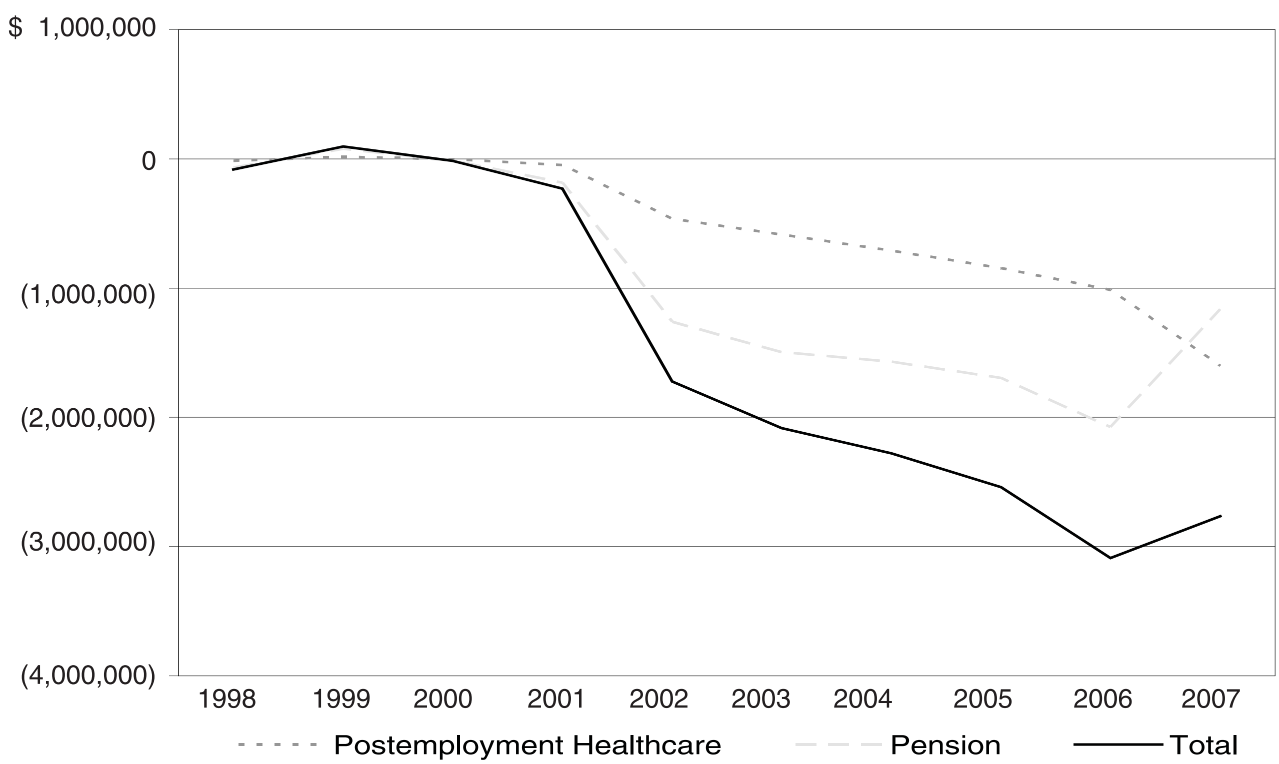
Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2006	June 30, 2007
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. Change 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%.	5.0% of current retirees are assumed to be covered by Part B only. Change assumed lag between medical claim incurred and paid dates from 2 months for medical and prescription combined to 2.3 months for medical and 0.6 months for prescription. Added explicit TPA fees based on current admin contract and assumed to increase at 5.0%. Partially reflected Alaska-specific trend rates to bring forward experience period claims to the base year.

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**
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
2007	(1,601,581)	(1,163,423)	(2,765,004)	61.5

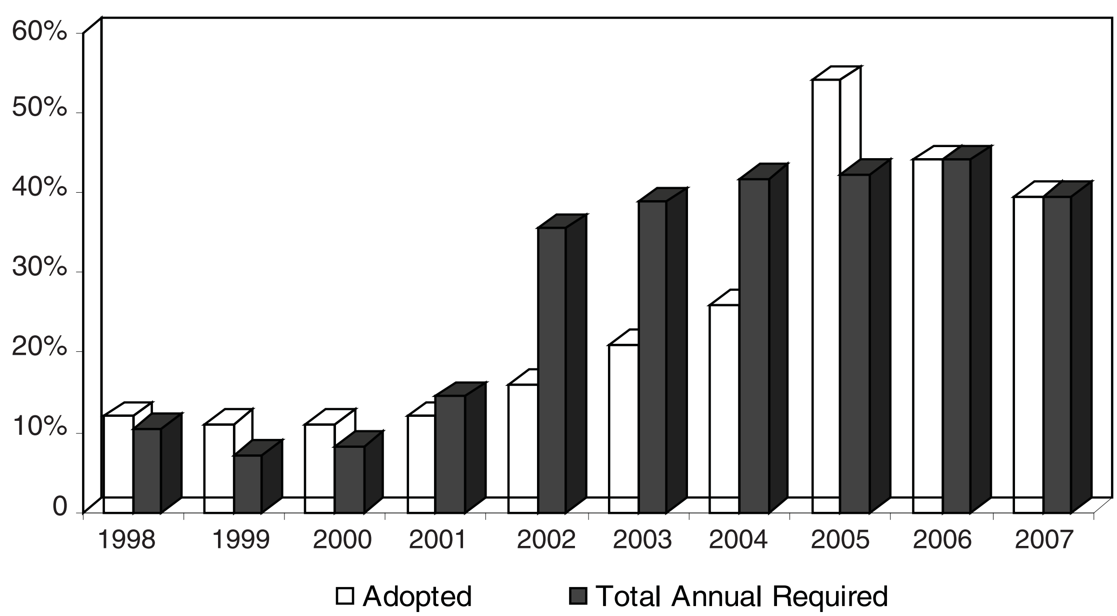
10-YEAR TREND OF UNFUNDED LIABILITY



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
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
2010	2007	7.59	31.94	39.53	39.53

[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 Earnings (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) In Average Earnings	Number of Participating Employers
June 30, 2007	9,107	$554,245	$60,859	2.9%	58
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

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

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefits
	No.*	Annual Pension Benefits*	No.*	Annual Pension Benefits*	No.	Annual Pension Benefits		
June 30, 2007	432	$12,388,703	140	$(14,114,559)	9,678	$305,031,542	9.52%	$31,518
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

* 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, 2007	$638,420	$4,912,025	$1,638,958	$4,424,399	100%	77.1	0.0%
June 30, 2006[(2)(3)]	615,207	4,925,922	1,688,722	4,141,700	100	71.6	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	100.0	73.0
June 30, 2000[(1)(2)(3)]	490,176	2,872,250	836,442	4,184,015	100	100.0	98.2
June 30, 1999	469,068	2,571,345	680,541	3,815,633	100	100.0	100.0
June 30, 1998	449,383	2,344,263	735,111	3,446,070	100	100.0	88.8

[(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**				
	2007	**2006**	**2005**	**2004**	**2003**
Health Experience	(3.90)	(2.52)%	1.47%	-%	-%
Salary Experience	(0.27)	0.79	(0.26)	0.54	0.10
Investment Experience	(1.37)	(0.36)	(0.02)	0.06	0.43
Demographic Experience	1.63	(0.27)	(2.10)	(0.85)	1.35
Contribution Shortfall	1.31	1.21	1.42	1.24	1.40
(Gain) or Loss During Year from Experience	(2.60)	(1.15)	0.51	0.99	3.28
Non-recurring changes					
Asset Valuation Method	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-
Assumption and Method Changes*	(2.04)	3.06	-	1.94	-
System Benefit Changes	-	-	-	-	-
Administrative System Changes	-	-	-	-	-
Ad hoc PRPA	-	-	-	-	-
Change Due to Revaluation of Plan Liability as of June 30, 2004	-	-	(0.03)	-	-
Composite (Gain) Loss During Year	(4.64)	1.91	0.48	2.93	3.28
Beginning Total Employer Contribution Rate	44.17	42.26	41.78	38.85	35.57
Ending Total Employer Contribution Rate	39.53	44.17%	42.26%	41.78%	38.85%
Board Adopted Contribution Rate	34.53	44.17%	54.03%	26.00%	21.00%
Fiscal Year above rate is applied	FY10	FY09	FY08	FY07	FY06

*Includes change in rate by using total payroll.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through June 30, 2007. 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 (Tier 1) are eligible for different benefits than members hired after June 30, 1990 (Tier 2). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

(2) Administration of Plan

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

Prior to June 30, 2005, the Teachers' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing 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, 53 school districts, and four other eligible organizations.

(4) Membership

Membership in the Alaska TRS is mandatory for the following employees hired before July 1, 2006:

- 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;

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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

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

(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.

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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Members whose survivors are receiving occupational death benefits continue to earn TRS service 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 normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

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

Employer rates cannot be less than the normal cost rate.

(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 after 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.

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.

[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

(8) Retirement Benefits

Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1990 (Tier 1) and age 60 or early retirement at age 55 if they were hired on or after July 1, 1990 (Tier 2). Additionally, they must 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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

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

Indebtedness: Members who terminate and 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. Indebtedness balances may also be created when a member purchases qualified claimed service.

(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 first 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

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Summary of Plan Provisions

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

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 (Tier 1) 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 (Tier 2) 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.

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.

<u>Occupational Death</u>: When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse, unless benefits are payable under the supplemental contributions provision. The pension equals 40% of the member's base salary on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's average base salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date.

<u>Nonoccupational Death</u>: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit, unless benefits are payable under the supplemental contributions provision. The monthly benefit is calculated on the member's average base salary and TRS service accrued at the time of death.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Lump Sum 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 or is vested, 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 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 the unreduced retirement benefit that the deceased member would have received if retired at the time of death. The spouse's pension begins on the first of the month after the member's death or termination of the survivor's allowance.

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990 (Tier I) 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 (Tier 1) and their survivors;

(b) members who were first hired under the TRS after June 30, 1990 (Tier 2) 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 benefit provisions since the prior valuation. SB 123 was passed in 2007 which clarified and revised statutory language to comply with federal law and created the Alaska retiree health care trust.

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STATISTICAL SECTION

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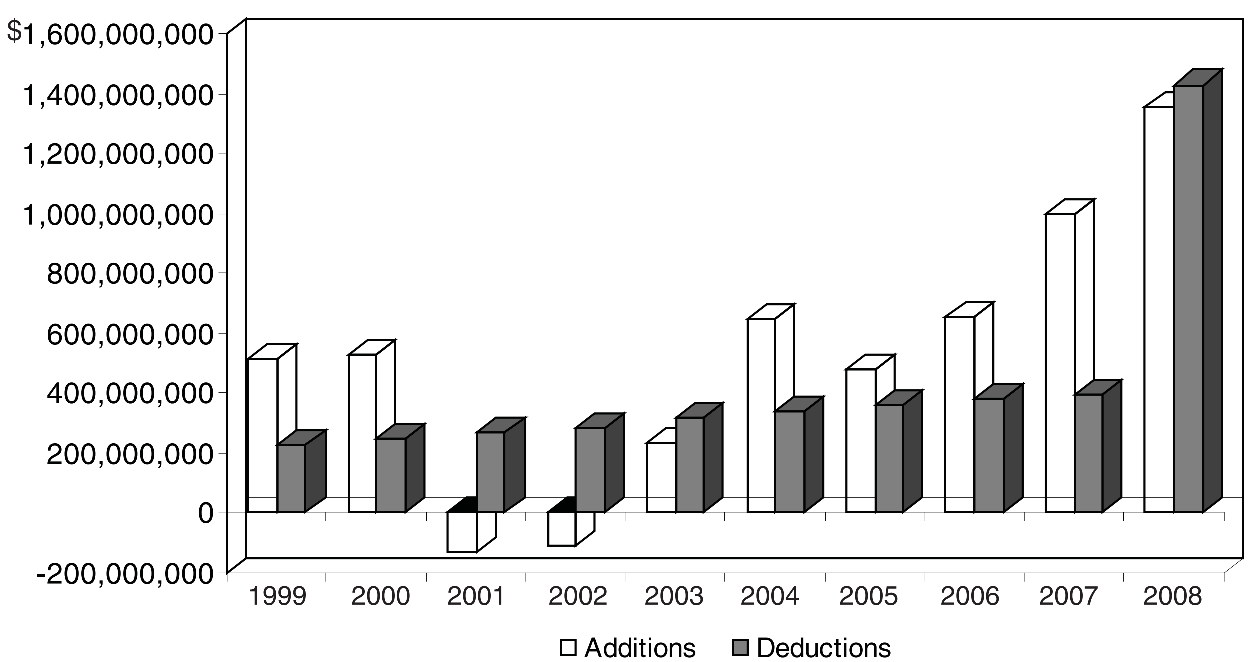
Teachers' Retirement System Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
1999	3,915,235	512,068	223,284	288,784	4,204,019
2000	4,204,019	529,828	248,945	280,883	4,484,902
2001	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	996,947	396,733	600,214	4,900,185
2008	4,900,185	1,353,371	1,430,309	(76,938)	4,823,247

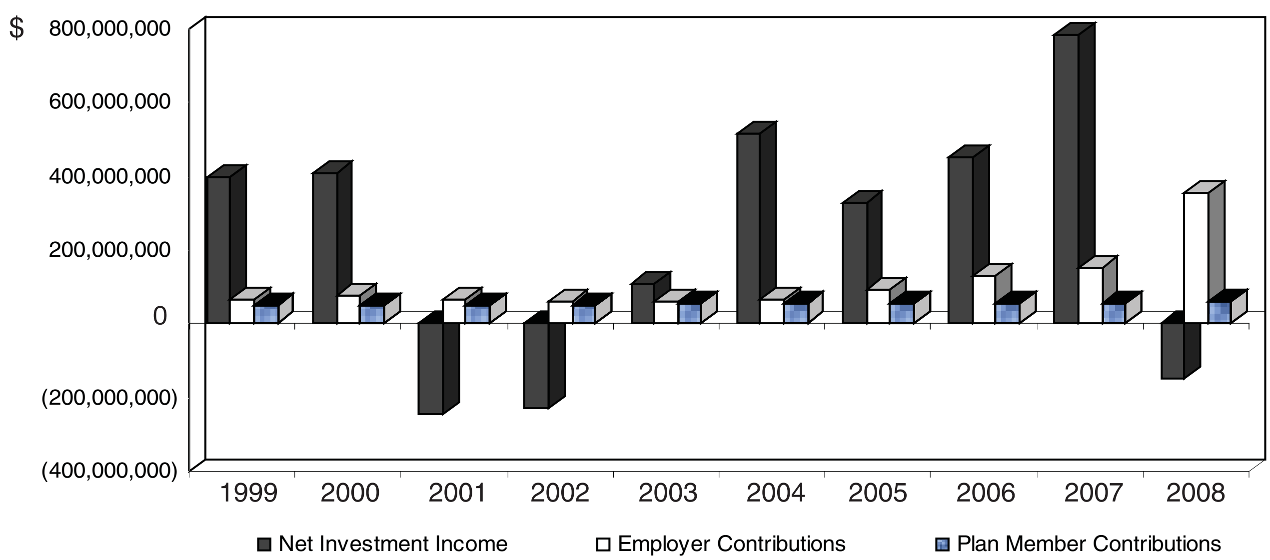
10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS



Teachers' Retirement System
Additions by Source (In thousands)

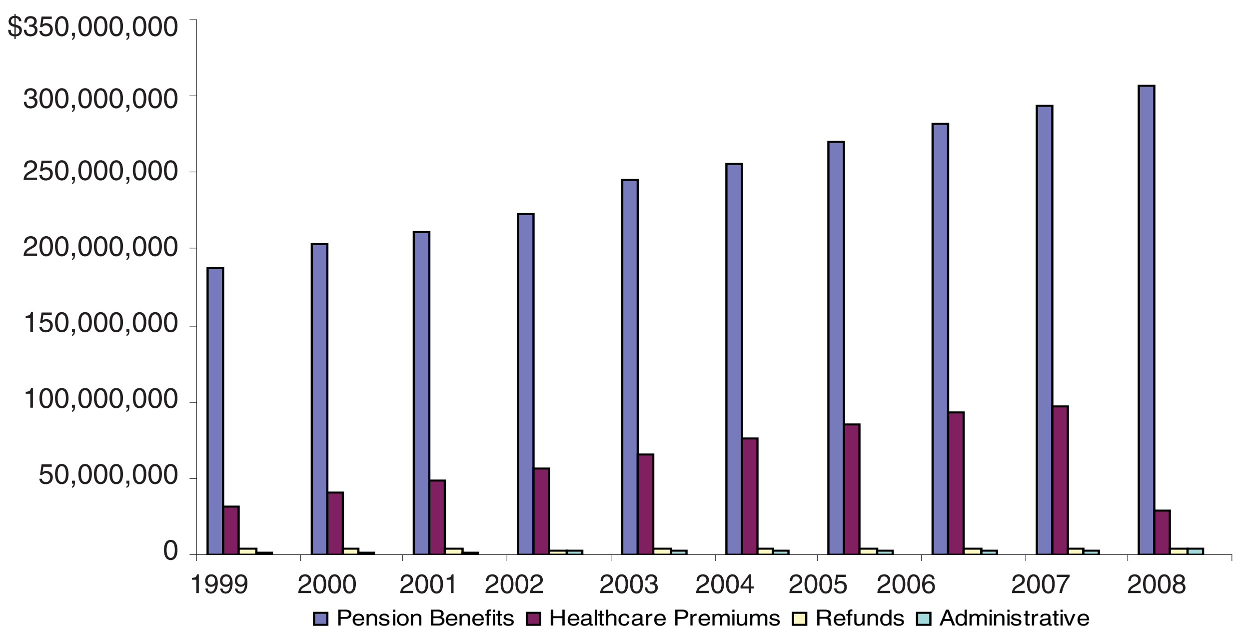
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Transfer	Other	Total
1999	$ 48,302	$ 66,266	$ -	$ 397,499	$ -	$ 1	$ 512,068
2000	48,505	74,714	-	406,609	-	-	529,828
2001	48,725	64,141	-	(245,363)	-	(4)	(132,501)
2002	51,074	61,402	-	(225,234)	-	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	58,516	157,605	-	780,805	-	21	966,947
2008	59,579	82,913	269,992	(145,767)	1,086,620	34	1,353,371

10-YEAR COMPARISON OF ADDITIONS BY SOURCE



Teachers' Retirement System Deductions by Type (In thousands)						
Year Ended June 30	Pension Benefits	Healthcare	Refunds of Contributions	Administrative Deductions	Transfer	Total
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	4,555	2,410	-	396,733
2008	306,689	29,494	3,963	3,543	1,086,620	1,430,309

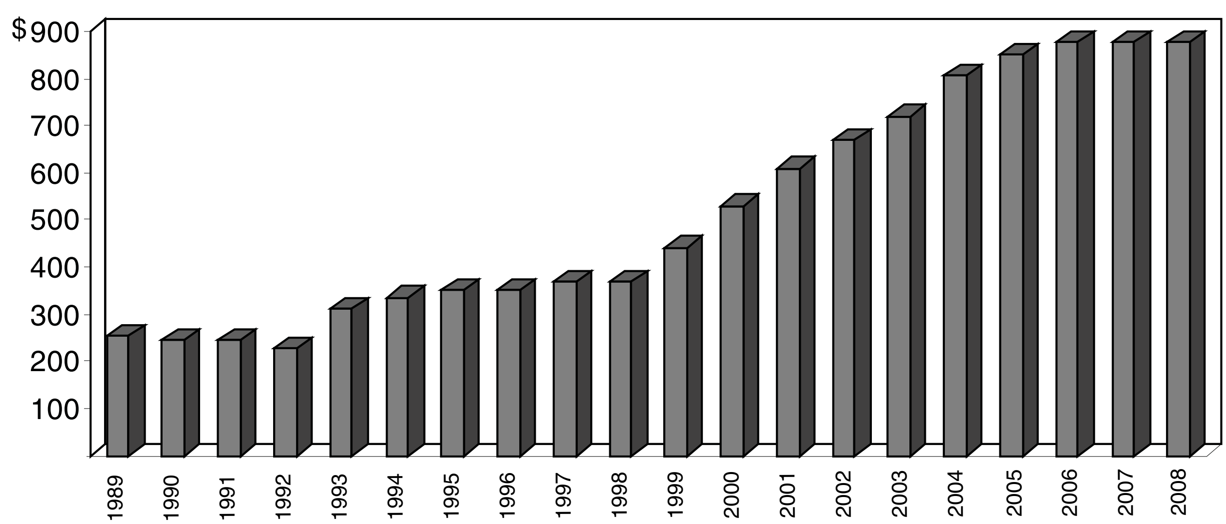
10-YEAR COMPARISON OF DEDUCTIONS BY TYPE



Teachers' Retirement System
Schedule of Benefit Deductions by Type
(In thousands)

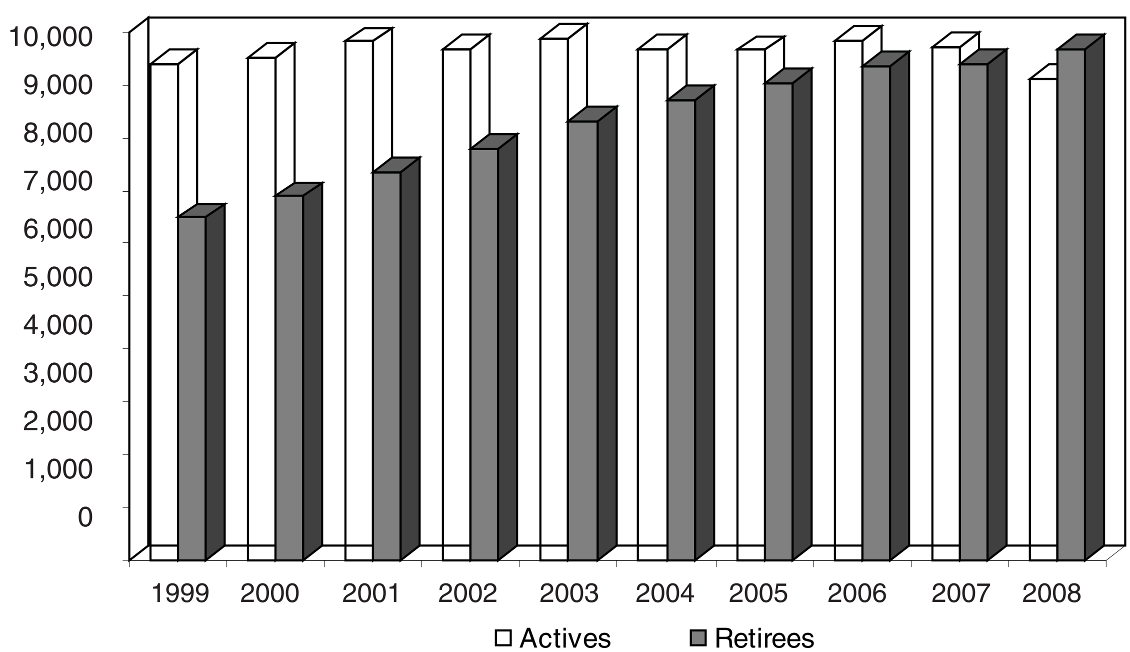
Year Ended June 30	Service	Disability	Survivor	Dependent	Healthcare	Total
1999	$176,830	$3,775	$6,384	$ 96	$30,987	$218,072
2000	191,138	4,601	7,059	129	40,183	243,110
2001	201,338	3,410	5,784	413	48,928	259,873
2002	213,106	2,979	6,320	492	56,946	279,843
2003	234,253	2,872	6,901	492	65,898	310,416
2004	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
2008	294,807	1,889	9,974	18	99,583	406,271

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
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
2008	9,107	9,678	846	3,044	22,675

10-YEAR COMPARISON OF ACTIVE AND RETIRED MEMBERS



Teachers' Retirement System
Schedule of Benefit Recipients by Type
June 30, 2008

Amount of Monthly Benefit	Number of Recipients	Type of Benefit: Service	Survivor/QDRO	Disability
$ 1 - 300	154	121	33	-
301 - 600	315	248	67	-
601 - 900	569	449	120	-
901 - 1,200	588	486	102	-
1,201 - 1,500	569	462	107	-
1,501 - 1,800	567	482	85	-
1,801 - 2,100	648	572	72	4
2,101 - 2,400	854	802	44	8
2,401 - 2,700	973	934	29	10
2,701 - 3,000	878	857	13	8
3,001 - 3,300	812	791	13	8
3,301 - 3,600	718	706	5	7
3,601 - 3,900	562	559	3	0
3,901 - 4,200	392	386	3	3
over 4,200	1,079	1,071	1	7
Totals	9,678	8,926	697	55

Schedule of Benefit Recipients by Option Selected
June 30, 2008

Amount of Monthly Benefit	Number of Recipients	Option Selected: 1	2	3	4
$ 1 - 300	154	83	33	28	10
301 - 600	315	164	68	66	17
601 - 900	569	306	121	116	26
901 - 1,200	588	345	132	90	21
1,201 - 1,500	569	306	115	126	22
1,501 - 1,800	567	315	111	125	16
1,801 - 2,100	648	343	136	151	18
2,101 - 2,400	854	441	181	206	26
2,401 - 2,700	973	497	193	251	32
2,701 - 3,000	878	461	161	239	17
3,001 - 3,300	812	443	126	222	21
3,301 - 3,600	718	423	112	173	10
3,601 - 3,900	562	312	64	177	9
3,901 - 4,200	392	218	53	116	5
over 4,200	1,079	596	126	328	29
Totals	9,678	5,253	1,732	2,414	279

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

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 7/1/99 - 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
Period 7/1/06 - 6/30/07:							
Average Monthly Benefit	$ 214	$ 798	$1,249	$2,250	$2,909	$3,709	$5,109
Number of Recipients	9	41	54	69	102	68	28

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

Teachers' Retirement System
Principal Participating Employers
June 30, 2008

Employer	Non-retired Members	Rank	Percentage of Total Non-retired Members
Anchorage School District	4,548	1	32.4%
Matanuska-Susitna Borough School District	1,351	2	9.6
Fairbanks North Star Borough School District	1,250	3	8.9
Total	**7,149**		**50.9%**