TEACHERS' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2009

Sean Parnell, Governor

Prepared by

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

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

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November 13, 2009

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

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

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

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

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the administrative organization of the 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 and the Alaska Retiree Health Care Trust. The DCR Plan includes the DCR trust, occupational death and disability plan (OD&D), retiree major medical plan (RMP), and the health reimbursement arrangement plan (HRA).

	Years Ended June 30		
	2009	**2008**	**2007**
Net Assets (millions)	$ 3,762.9	4,823.2	4,900.2
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 the System Administrator to have actuarial valuations performed;
- reviewing actuarial assumptions and conducting experience analyses;
- contracting for an independent audit of actuarial valuations and external performance calculations; and
- reporting the 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, 2008, actuarial valuation report to the Plan Administrator and the ARMB. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report, the TRS has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and postemployment healthcare benefits) of 64.8%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately $2.7 billion. The unfunded liability continues to be addressed at all levels of the State. The Governor's budget proposes to provide funding to TRS employers in order to maintain an appropriate level of employer contributions while also paying the actuarial required contribution rate adopted by the ARMB.

Independent Audit

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

Investments

At June 30, 2009, the DB Plan's investment portfolio was valued at $3.7 billion and earned a -20.62% return for the fiscal year ended June 30, 2009. The DCR Plan's investment portfolio was valued at $35.9 million for the fiscal year ended June 30, 2009. Over the past five years ending June 30, 2008, the DB Plan's investments earned a +2.20% 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, 2008, 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, 2008. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

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

Respectfully submitted,

Annette Kreitzer
Commissioner

Rachael Petro
Deputy Commissioner

Pat Shier
Director

Kevin Worley
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alaska Teachers' Retirement System

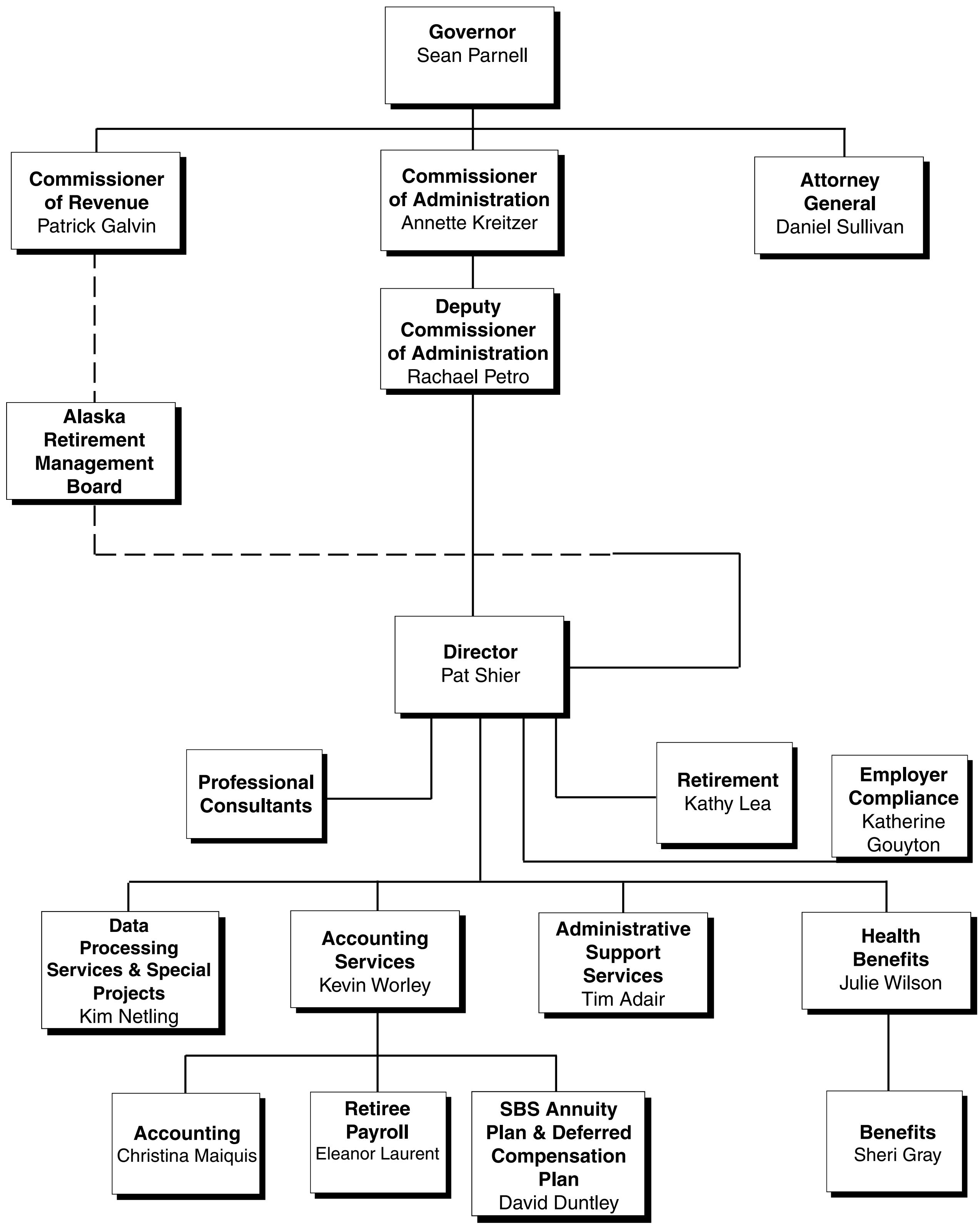
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

President

Executive Director

ORGANIZATION CHART



Section Responsibilities

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

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

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

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

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

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

PROFESSIONAL CONSULTANTS

Consulting Actuary
Buck Consultants
Denver, Colorado

Independent Auditors
KPMG LLP
Anchorage, Alaska

Benefits Consultant
Buck Consultants
Denver, Colorado

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

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

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

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

A list of investment consultants can be found on pages 87-88 and on the Schedule of External Management Fees on pages 96-97.

ALASKA RETIREMENT MANAGEMENT BOARD

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

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

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

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

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

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

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

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

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

FINANCIAL SECTION

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

Independent Auditors' Report

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

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

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

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

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

KPMG

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules 1 through 7 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such Supplementary schedules are the responsibility of the management of the Plan. This information 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 when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

November 13, 2009

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

Management's Discussion and Analysis

June 30, 2009 and 2008

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

Financial Highlights

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 are $3,762,946,000 and $4,823,247,000.

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 decreased by ($1,060,301,000) and ($76,938,000) or -22.0% and -1.6% from fiscal years 2008 and 2007.

The System's contributions totaled $147,865,000 and $142,492,000 during fiscal years 2009 and 2008, an increase of $5,373,000 or 3.8% and a decrease of ($73,629,000) or -34.1% from fiscal years 2008 and 2007.

State of Alaska appropriations totaled $206,300,000 and $269,992,000 during fiscal years 2009 and 2008, a decrease of ($63,692,000) or -23.6% from fiscal year 2008. There were no State of Alaska appropriations to the System during fiscal year 2007.

The System's net investment loss increased from ($145,767,000) in fiscal year 2008 to ($996,875,000) in fiscal year 2009 reflecting an increase of ($851,108,000) or 583.9%. Net investment income decreased from $780,805,000 in fiscal year 2007 to ($145,767,000) in fiscal year 2008 reflecting a decrease of ($926,572,000) or -118.7%.

The System's pension and postemployment healthcare benefit expenditures totaled $408,719,000 and $336,183,000 during fiscal years 2009 and 2008; reflecting an increase of $72,536,000 or 21.6% and a decrease of ($53,585,000) or -13.7% from fiscal years 2008 and 2007, respectively.

Overview of the Financial Statements

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

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

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

Management's Discussion and Analysis

June 30, 2009 and 2008

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

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

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

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

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

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

Management's Discussion and Analysis

June 30, 2009 and 2008

Condensed Financial Information

PLAN NET ASSETS (In thousands)

Description	2009	2008	Increase/(Decrease) Amount	Increase/(Decrease) Percentage	2007
Assets:					
Cash and cash equivalents	$ 19,704	14,972	4,732	31.6%	12,115
Due from State of Alaska General Fund	10,339	19,473	(9,134)	(46.9)	4,792
Contributions receivable	5,591	5,380	211	3.9	9,362
Other receivables	4,395	65,811	(61,416)	(93.3)	6
Due from postemployment healthcare	-	1,086,620	(1,086,620)	(100.0)	-
Securities lending collateral	-	-	-	n/a	531,810
Investments, at fair value	3,727,139	4,721,128	(993,989)	(21.1)	4,877,086
Other assets	984	-	984	100.0	2
Total assets	3,768,152	5,913,384	(2,145,232)	(36.3)	5,435,173
Liabilities:					
Accrued expenses	3,913	3,517	396	11.3	3,178
Due to Alaska Retiree Health Care Fund	-	1,086,620	(1,086,620)	(100.0)	-
Due to State of Alaska General Fund	1,293	-	1,293	100.0	-
Securities lending collateral payable	-	-	-	n/a	531,810
Total liabilities	5,206	1,090,137	(1,084,931)	(99.5)	534,988
Net assets	**$ 3,762,946**	**4,823,247**	**(1,060,301)**	**(22.0)%**	**4,900,185**

CHANGES IN PLAN NET ASSETS (In thousands)

Net assets, beginning of year	**$ 4,823,247**	**4,900,185**	**(76,938)**	**(1.6)%**	**4,299,971**
Additions (reductions):					
Contributions	147,865	142,492	5,373	3.8	216,121
Appropriation - State of Alaska	206,300	269,992	(63,692)	(23.6)	-
Net investment (loss) income	(996,876)	(145,767)	(851,109)	583.9	780,805
Transfers	-	1,086,620	(1,086,620)	(100.0)	-
Other additions	3,598	34	3,564	10,482.4	21
Total (reductions) additions	(639,113)	1,353,371	(1,992,484)	(147.2)	996,947
Deductions:					
Pension and postemployment healthcare benefits	408,719	336,183	72,536	21.6	389,768
Refund of Contributions	4,067	3,963	104	2.6	4,555
Administrative	8,402	3,543	4,859	137.1	2,410
Transfers	-	1,086,620	(1,086,620)	(100.0)	-
Total deductions	421,188	1,430,309	(1,009,121)	(70.6)	396,733
Decrease (increase) in net assets	(1,060,301)	(76,938)	(983,363)	1,278.1	600,214
Net assets, end of year	**$ 3,762,946**	**4,823,247**	**(1,060,301)**	**(22.0)%**	**4,900,185**

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

Management's Discussion and Analysis

June 30, 2009 and 2008

Financial Analysis of the Plan

The Statements of Plan Net Assets as of June 30, 2009 and 2008 showed net assets held in trust for pension and postemployment healthcare benefits of $3,762,946,000 and $4,823,247,000, 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 ($1,060,301,000) or -22.0% from fiscal year 2008 to 2009 and ($76,938,000) or -1.6% from fiscal years 2008 and 2007. Over the long term, plan member, employer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the System. The decrease in net assets is due to the decrease in net investment income caused by a decline in investment returns.

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

Defined Benefit Plan Asset Allocation

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

	2009			
	Pension		Healthcare Trust	
	Allocation	Range	Allocation	Range
Broad domestic equity	34.0%	± 6%	37.0%	± 6%
Global equity ex-US	20.0	± 4	22.0	± 4
Private equity	7 .0	± 5	3.0	± 3
Fixed income	18.0	± 3	20.0	± 3
Real assets	15.0	± 8	8.0	+5 / -8
Absolute return	6.0	± 4	7.0	+4 / -7
Cash	-	+ 3	3.0	+5 / -3
Total	100.0%		100.0%	
Expected five-year median return	8.15%		7.90%	
Standard deviation	12.85%		12.11%	

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

For fiscal years 2009 and 2008, the System's investments generated a -20.62% and a -3.05% rate of return. The System's annualized rate of return was -2.92% over the last three years and 2.20% over the last five years, significantly less than the actuarial rate of return of 8.25%.

Defined Retirement Contribution Plan Asset Allocation

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

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

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

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

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing during a fiscal year and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the actuary and adopted by the Board. Employer contribution rates are recommended by the actuary and the actuarially determined contribution rate is considered for adoption by the Board annually. Decreases in investment results, increasing healthcare costs and contribution shortfalls continue to impact the DB Plan's funding ratio. The ratio of assets to liabilities was 64.8%, at June 30, 2008 (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 2009, (based on the June 30, 2006 actuarial valuation report) the normal cost rate decreased from 12.56% to 9.37%, the past service rate increased from 29.70% to 34.80%, thus producing a total fiscal year 2009 actuarially determined annual contribution rate of 44.17%. The Board adopted the actuarially determined contribution rate of 44.17% for fiscal year 2009.

	Valuation Year (In thousands)	
	2008	2007
Valuation Assets	$4,936,976	4,424,399
Actuarial Liabilities (total benefits)	7,619,178	7,189,403
Unfunded Accrued Liability	2,682,202	2,765,004
Funding Ratio	64.8%	61.5%

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 (reductions) (In thousands)

			Increase/(Decrease)		
	2009	2008	Amount	Percentage	2007
Plan member contributions	$ 61,737	59,579	2,158	3.6%	58,516
Employer contributions	86,128	82,913	3,215	3.9	157,605
Appropriation-State of Alaska	206,300	269,992	(63,692)	(23.6)	-
Net investment (loss) income	(996,876)	(145,767)	(851,109)	583.9	780,805
Transfer from postemployment health fund	-	1,086,620	(1,086,620)	(100.0)	-
Other additions	3,598	34	3,564	10,482.4	21
Total	(639,113)	1,353,371	(1,992,484)	(147.2)	996,947

The System's employer contributions increased from $82,913,000 in fiscal year 2008 to $86,128,000 in fiscal year 2009, an increase of $3,215,000 or 3.9%. There was a decrease from $157,605,000 during fiscal year 2007 to $82,913,000 during fiscal year 2008, a decrease of ($74,692,000) or -47.4%.

The State of Alaska provided $206,300,000 in employer on-behalf payments for fiscal year 2009 in House Bill 95, Section 15(a). The actuarially determined contribution rate decreased from 54.03% in Fiscal Year 2008 to 44.17% in fiscal year 2009. The actual employer contribution rate of 12.56% is established in Alaska Statute for fiscal year 2009 was established in House Bill 95, Section 15 (b).

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The System's net investment loss in fiscal year 2009 increased by ($851,108,000) or 583.9% from amounts recorded in fiscal year 2008 and net investment loss in fiscal year 2008 increased by ($926,572,000) or -118.7% from amounts recorded in 2007. Investments were hard hit by the economic downturn and for eight months of the fiscal year, investments results were down. Beginning March 2009, the investment environment turned around with assistance from the Federal government's intervention in the economy through various stimulus packages.

	Year Ended		
	2009	**2008**	**2007**
System returns	-20.62%	-3.05%	18.92%
Domestic equities	-26.80	-13.53	20.11
International equities	-29.12	-7.48	30.15
Fixed income	3.36	6.50	6.20
Private equity	-23.67	-	-
Absolute return	-12.52	-	-
Real assets	-21.20	5.71	20.70
International Fixed Income	-	18.95	1.97

The DCR Pension Trust employer effective rate for fiscal year 2009 was 22%. The DCR Pension Trust employer contribution rate for fiscal year 2009 was 12.56%. The DCR Retiree Medical Fund rate for fiscal year 2009 was 0.99%. The DCR Occupational Death and Disability Fund rate for fiscal year 2009 was 0.62%. The rate for the Retiree Major Medical Insurance Fund was 0.99% per Board Resolution 2007-37, and the rate for the Health Reimbursement Arrangement Fund was set at 3% of the employer's average annual compensation per AS 39.30.370. Any remaining balance, if any, after subtracting the mandatory contributions from the total employer contribution rate of 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 2009, the System experienced a significant reduction in rates of return on investments. The rate of return used in the actuarial valuation report to determine liabilities of the DB Plan was 8.25%. The fiscal year 2009 and 2008 losses represent a substantial reversal of investment income from 2007 and 2006.

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

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Benefits and Other Deductions

The primary deduction of the DB Plan is the payment of pension and postemployment healthcare benefits. The primary deduction of the DCR Pension Trust Plan 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)

	2009	2008	Increase/(Decrease) Amount	Increase/(Decrease) Percentage	2007
Pension and postemployment healthcare	$408,719	336,183	72,536	21.6%	389,768
Refund of contributions	4,067	3,963	104	2.6	4,555
Administrative	8,402	3,543	4,859	137.1	2,410
Total	**$421,188**	**343,689**	**77,499**	**22.5%**	**396,733**

The System's pension and postemployment healthcare benefit payments in 2009 increased $72,536,000 or 21.6% from fiscal year 2008 and decreased ($53,585,000) or -13.7% from fiscal years 2008 and 2007, respectively. The primary reason of the increase was the change in how healthcare costs are reported in the System's financial statements. The DB Plan Alaska Retiree Healthcare Trust (ARHCT) was established with Senate Bill 123 and became effective July 1, 2007. The ARHCT healthcare claims payments were $89,571,000 for fiscal year 2009 compared to $29,494,000 in fiscal year 2008. Prior to fiscal year 2008, the System was responsible for a healthcare premium paid directly to the Retiree Health Fund (RHF) for each retired member / beneficiary participating in the System. Beginning July 1, 2007, the System began funding the ARHCT via employer contributions. The RHF continued to pay healthcare claims for the three participating Systems until February 29, 2008. Beginning March 1, 2008, the ARHCT is responsible for payment of healthcare claims.

Administrative deductions in 2009 increased $4,859,000 or 137.1% from fiscal year 2008 and increased $1,133,000 or 47.0% from fiscal years 2008 and 2007, respectively.

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

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Funding

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

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

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

- 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 Board for that fiscal year.

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

Legislation

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

- House Bill 81 appropriates $173.462 million from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2010. This appropriation is to fund the difference between the statutory required contribution established in Senate Bill 125 of 12.56 percent and the actuarially determined contribution rate of 39.53 percent for fiscal year 2010.

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

The financial market environment continues to challenge investors. The Board 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 a decrease from the System's actuarially determined contribution rate of 54.03% in fiscal year 2008 to 44.17% in fiscal year 2009. The Board adopted the actuarially determined contribution rate of 44.17% for fiscal year 2009, down 9.86 points from the fiscal year 2008 actuarially determined contribution rate. The statutory contribution rate remained 12.56% for fiscal years 2008 and 2009.

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The June 30, 2008, actuarial valuation for the DB Plan reported a funding ratio of 64.8% and an unfunded liability of $2.7 billion.

For fiscal year 2009 and 2008, the DCR Plan's employer contribution rate was established at 12.56%. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board to be 0.99% for fiscal year 2009 and 2008, respectively. The DCR Plan's actuarially determined occupational death and disability rate was adopted by the Board for fiscal year 2009 to be 0.62%.

The actuarial determined rates for fiscal year 2010 was set in the June 30, 2007 valuations to be 39.53% and the 2011 actuarial determined rate was set in the June 30, 2008 valuation to be 38.56%.

Requests for Information

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

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

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

	2009 Defined Benefit Plan	2009 Defined Contribution Plan	2009 SYSTEM TOTAL	2008 Defined Benefit Plan	2008 Defined Contribution Plan	2008 SYSTEM TOTAL
Assets:						
Cash and cash equivalents (notes 3, 4, 5 and 6):						
Short-term fixed income pool	$ 18,472	682	19,154	$ 14,289	606	14,895
Great West Account	-	550	550	-	77	77
Total cash and cash equivalents	18,472	1,232	19,704	14,289	683	14,972
Receivables:						
Contributions	5,591	-	5,591	4,910	470	5,380
Due from State of Alaska General Fund	8,885	1,454	10,339	18,660	813	19,473
Due from PERS Alaska Retiree Healthcare Trust	102	-	102	64,996	-	64,996
Due from Retiree Health Fund	3,440	-	3,440	754	-	754
Due from postemployment healthcare trust (note 6)	-	-	-	1,086,620	-	1,086,620
Other account receivable	853	-	853	61	-	61
Total receivables	18,871	1,454	20,325	1,176,001	1,283	1,177,28
Investments (notes 3, 4, 5, 6, and 9) at fair value:						
Fixed Income Securities						
Retirement fixed income pool	415,873	1,099	416,972	697,775	-	697,775
High yield pool	82,322	153	82,475	116,336	-	116,336
International fixed income pool	56,658	152	56,810	98,131	-	98,131
Emerging debt pool	28,611	34	28,645	-	-	-
Total Fixed Income Securities	583,464	1,438	584,902	912,242	-	912,242
Broad Domestic Equity						
Broad domestic equity	1,246,042	2,826	1,248,868	1,526,887	-	1,526,887
Total Broad Domestic Equity	1,246,042	2,826	1,248,868	1,526,887	-	1,526,887
Global Equity Ex-US						
International equity pool	574,198	1,255	575,453	690,435	-	690,435
Emerging markets equity pool	159,250	413	159,663	131,105	-	131,105
Total Global Equity Ex-US	733,448	1,668	735,116	821,540	-	821,540
Private Equity						
Private equity pool	321,652	569	322,221	397,247	-	397,247
Total Private Equity	321,652	569	322,221	397,247	-	397,247
Absolute Return						
Absolute return pool	165,379	513	165,892	194,481	-	194,481
Total Absolute Return	165,379	513	165,892	194,481	-	194,481
Real Assets						
Real estate pool	399,090	579	399,669	581,334	-	581,334
Real estate investment trust pool	10,280	80	10,360	-	-	-
Energy pool	23,509	84	23,593	-	-	-
Farmland pool	133,063	82	133,145	-	-	-
Farmland water pool	10,549	-	10,549	-	-	-
Timber pool	46,866	189	47,055	-	-	-
Treasury inflation protected securities pool	20,548	256	20,804	25,644	419	26,063
Mortgages	9	-	9	17	-	17
Total Real Assets	643,914	1,270	645,184	606,995	419	607,414
Other investment funds, at fair value:						
Pooled investment funds	-	1,557	1,557	-	-	-
Collective investment funds	-	23,399	23,399	86,424	16,556	102,980
Other	-	-	-	158,337	-	158,337
Total Other investment funds	-	24,956	24,956	244,761	16,556	261,317
Total investments	3,693,899	33,240	3,727,139	4,704,153	16,975	4,721,128
Other assets	984	-	984	-	-	-
Total assets	3,732,226	35,926	3,768,152	5,894,443	18,941	5,913,384
Liabilities:						
Accrued expenses	3,467	446	3,913	3,452	65	3,517
Due to State of Alaska General Fund	1,293	-	1,293	-	-	-
Due to Alaska Retiree Healthcare Trust - TRS (note 7)	-	-	-	1,086,620	-	1,086,620
Total liabilities	4,760	446	5,206	1,090,072	65	1,090,137
Commitment and contingencies (note 9)						
Net assets held in trust for pension and postemployment healthcare benefits (see Unaudited Schedule of Funding Progress)	$3,727,466	35,480	3,762,946	$4,804,371	18,876	4,823,247

See accompanying notes to financial statements.

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Statements of Changes in Plan Net Assets

June 30, 2009 and 2008 (In thousands)

	2009			2008		
	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL
Additions (reduction):						
Contributions:						
Employers	$ 74,284	11,844	86,128	$ 75,010	7,903	82,913
Plan members	53,660	8,077	61,737	54,232	5,347	59,579
Employer legislative relief	206,300	-	206,300	269,992	-	269,992
Total contributions	334,244	19,921	354,165	399,234	13,250	412,484
Investment income:						
Net appreciation (depreciation) in fair value (note 3)	(1,120,498)	(3,524)	(1,124,022)	(323,999)	(1,756)	(325,755)
Interest	39,513	604	40,117	60,447	579	61,026
Dividends	94,973	101	95,074	127,551	10	127,561
Net recognized loan recovery	-	-	-	11	-	11
Total investment income (loss)	(986,012)	(2,819)	(988,831)	(135,990)	(1,167)	(137,157)
Less investment expense	8,045	-	8,045	10,544	-	10,544
Net investment income (loss) before securities lending	(994,057)	(2,819)	(996,876)	(146,534)	(1,167)	(147,701)
Securities lending income (note 6)	-	-	-	17,913	-	17,913
Less securities lending expenses (note 6)	-	-	-	15,979	-	15,979
Net income from securities lending activities	-	-	-	1,934	-	1,934
Net investment income (loss)	(994,057)	(2,819)	(996,876)	(144,600)	(1,167)	(145,767)
Transfer from postemployment healthcare fund (note 6)	-	-	-	1,086,620	-	1,086,620
Other:						
Other	3,598	-	3,598	34	-	34
Total (reductions) additions	(656,215)	17,102	(639,113)	1,341,288	12,083	1,353,371
Deductions:						
Pension and postemployment benefits	408,719	-	408,719	336,183	-	336,183
Refunds of contributions	3,622	445	4,067	3,761	202	3,963
Administrative	8,349	53	8,402	3,467	76	3,543
Total deductions	420,690	498	421,188	343,411	278	343,689
Transfer to Alaska Retiree Healthcare Trust (note 7)	-	-	-	1,086,620	-	1,086,620
Net increase (decrease)	(1,076,905)	16,604	(1,060,301)	(88,743)	11,805	(76,938)
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	4,804,371	18,876	4,823,247	4,893,114	7,071	4,900,185
Balance, end of year	$3,727,466	35,480	3,762,946	$4,804,371	18,876	4,823,247

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2009 and 2008

(1) Description

The following brief description of the State of Alaska Teachers' Retirement System (TRS or System) Defined Benefit Retirement Pension and Postemployment Healthcare Plan (DB Plan) and Defined Contribution Retirement Trust Plan (DCR Plan). TRS is a Component Unit of the State of Alaska (State). The DB Plan is a plan within the System, which includes the DB Retirement Pension Trust Plan and Alaska Retiree Healthcare Trust Fund. 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, 2009 and 2008, the number of participating local government employers was:

State of Alaska	1
School districts	53
Other	4
Total employers	**58**

Inclusion in the DB Plan and DCR Plan is a condition of employment for permanent school district, University of Alaska and State Department of Education employees who meet the eligibility requirements for participation.

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 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 System 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 DB Plan is closed to all new members effective July 1, 2006.

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

	Valuations of June 30	
	2008	**2007**
Retirees and beneficiaries currently receiving benefits	10,026	9,678
Terminated plan members entitled to future benefits	873	846
Total current and future benefits	10,899	10,524
Active plan members:		
Vested	5,612	5,571
Nonvested	2,919	3,536
Total active plan membership	8,531	9,107
	19,430	**19,631**

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.

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June 30, 2009 and 2008

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.

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.

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If the member does not have a spouse or dependent children at the time of death, a lump sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension is 40% of the member's base salary at the time of death. The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the DB Plan member had lived. The new benefit is based on the DB Plan member's average base salary at the time of death and the credited service that would have accrued had the DB Plan member lived and continued to work until normal retirement. If benefits are payable under the 1% supplemental contribution provision, benefits are not payable under this provision. If the death was from nonoccupational causes, and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average base salary at the time of death. If the DB Plan member is not married or vested, a lump sum death benefit is payable to the named beneficiary(ies).

Disability Benefits

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

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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 actuarially determined contribution rate adopted by the Board for that fiscal year.

Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the 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.

Defined Contribution Retirement Plan

General

The DCR Pension Trust Plan is a defined contribution, cost-sharing, multiple employer public employee retirement plan within TRS established and administrated by the 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 Plan was created by State of Alaska Statutes effective July 1, 2006. A defined contribution plan is a plan in which savings are accumulated in an individual retirement account for the exclusive benefit of the member or beneficiaries.

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At June 30, DCR Plan membership consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits	-	-
Terminated plan members entitled to future benefits:		
25% Vested	151	77
50% Vested	34	-
75% Vested	2	1
100% Vested	4	3
Total terminated plan members entitled to future benefits	191	81
Total current and future benefits	191	81

	2009	2008
Active plan members:		
25% Vested	582	378
50% Vested	319	2
75% Vested	-	-
100% Vested	4	5
Nonvested	901	818
Total active plan members	1,806	1,203
Total Members	**1,997**	**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 accessible 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

DCR Plan Member Contributions

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

Employer Contributions

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

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.

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Participant Accounts

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

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

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

GASB Statements No. 25 and No. 43

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

The DB Plan follows the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43). GASB 43 establishes uniform financial reporting standards for Other Postemployment Benefit Plans (OPEB) and supersedes the interim guidance included

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

Valuation

DB and DCR Plan Investments

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

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

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

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

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

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

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

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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.

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

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

DCR Plan Participant Directed Investments

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

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

Income Allocation

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

Income in the Emerging Markets Equity, Private Equity, Absolute Return, Real Estate, Farmland, Farmland Water, and Timber Pools is credited to the net asset value of the pool daily and allocated to pool participants monthly on a pro rata basis.

Income for the Common Trust Funds was credited and allocated in accordance with the participants pro rata share of the fund when received.

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Income for the ERISA Commingled and Mutual Funds was credited to the System's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Income for the Pooled Investment and Collective Investment Funds is credited to the System's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Contributions Receivable

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

Administrative Costs

Administrative costs are financed through investment earnings.

Due From (to) State of Alaska General Fund

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

Federal Income Tax Status

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

(3) Investments

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

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

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Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The board has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Timber Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Pooled Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, Treasury Inflation Protected Securities Pool, Real Estate Investment Trust Pool and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The Short-Term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of the System as well as other pension and state funds.

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

Short-Term Fixed Income Pool

The System participates in the State's internally managed Short-Term Fixed Income Pool which was established on March 15, 1993, with a start up and maintained share price of $1. Treasury staff determines the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At June 30, 2009 and 2008, the System had a 0.51% and 0.34% direct ownership in the Short-Term Fixed Income Pool. At June 30, 2009 and 2008, the System had a 0.96% and 1.30% indirect ownership through ownership by other investment pools which invest in the Short-Term Fixed Income Pool.

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

Alaska Retirement Fixed Income Pool

The System participates in the Board's internally managed Alaska Retirement Fixed Income Pool which was established on March 1, 1996, with a start up share price of $1,000. The share price at June 30, 2009, was $2,163. Treasury staff determine the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 28.82% and 29.37% ownership in the Alaska Retirement Fixed Income Pool.

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High Yield Pool

The System participates in the Board's externally managed High Yield Pool which was established on April 15, 2005, with a start up share price of $1,000. The share price at June 30, 2009, was $1,156. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.05% and 30.58% ownership in the High Yield Pool.

International Fixed Income Pool

The System participates in the Board's externally managed International Fixed Income Pool which was established on March 3, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,333. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.05% and 30.64% ownership in the International Fixed Income Pool.

Emerging Markets Debt Pool

The System participates in the Board's externally managed Emerging Markets Debt Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $936. The pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 30.05% ownership in the Emerging Markets Debt Pool.

Domestic Equity Pool

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

Large Cap Domestic Equity Pool

The System participates in the Board's externally managed Large Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30,

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2009, was $870. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.15% and 30.52% ownership in the Large Cap Domestic Equity Pool.

Small Cap Domestic Equity Pool

The System participates in the Board's externally managed Small Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $844. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.30% and 30.46% ownership in the Small Cap Domestic Equity Pool.

International Equity Pool

The System participates in the Board's externally managed International Equity Pool which was established on January 1, 1992, with a start up share price of $1,000. The share price at June 30, 2009, was $2,703. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.13% and 30.43% ownership in the International Equity Pool.

Emerging Markets Equity Pool

The System participates in the Board's externally managed Emerging Markets Equity Pool which was established on May 2, 1994, with a start up share price of $1,000. The share price at June 30, 2009, was $2,822. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.43% and 30.70% ownership in the Emerging Markets Equity Pool.

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Private Equity Pool

The System participates in the Board's externally managed Private Equity Pool which was established on April 24, 1998, with a start up share price of $1,000. The share price at June 30, 2009, was $1,913. Underlying assets in the pool are comprised of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.29% and 30.89% ownership in the Private Equity Pool.

Absolute Return Pool

The System participates in the Board's externally managed Absolute Return Pool which was established on October 31, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $1,108. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.25% and 30.64% ownership in the Absolute Return Pool.

Real Estate Equities

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

Real Estate Pool A

The System participates in the Board's Real Estate Pool A which was established on June 27, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,286. Underlying assets in the pool are comprised of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had 30.11% and 30.62% ownership in Real Estate Pool A.

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Real Estate Pool B

The System participates in the Board's Real Estate Pool B which was established July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $937. Underlying assets in the pool are comprised of one commingled account. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had 30.41% ownership in Real Estate Pool B.

Real Estate Investment Trust (REIT) Pool

The System participates in the Board's internationally managed REIT Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $503. The underlying assets in the pool are comprised of REIT holdings. Treasury staff determines the permissible REITs to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 30.18% ownership in the REIT Pool.

Energy Pool

The System participates in the Board's energy pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $966. The underlying assets in the pool are comprised of a limited partnership with an energy related venture capital operating company. Treasury staff determines the permissible partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 30.48% ownership in the energy pool.

Farmland Pool

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

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per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 29.53% ownership in the Farmland Pool.

Farmland Water Pool

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

Timber Pool

The System participates in the Board's externally managed Timber Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,029. The underlying assets in the pool are comprised of investments through limited partnership interests in two timber entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 30.24% ownership in the Timber Pool.

Treasury Inflation Protected Securities (TIPS) Pool

The System participates in the Board's internally managed TIPS Pool which was established on May 24, 2006, with a start up price of $1,000. The share price at June 30, 2009 was $1,191. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had 27.90% and 29.15% ownership in the TIPS Pool.

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Alaska Retiree Healthcare Trust Investments

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

Domestic Equity

Domestic Equity was comprised of two externally managed Common Trust Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

SSgA International Equity

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

SSgA Emerging Markets

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

SSgA Domestic Fixed Income

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

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SSgA International Fixed Income

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

SSgA High Yield Bond Index

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

SSgA Treasury Inflation Protected Securities (TIPS) Index

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

DCR Plan Health and Occupational Death and Disability Investments

ERISA Commingled and Mutual Funds

The Board contracted with external managers who managed a mix of ERISA and Mutual Funds for the DCR Plan's Occupational Death & Disability, Retiree Major Medical, and Health Reimbursement Plans. ERISA and Mutal Fund investments were liquidated during fiscal year 2009 and monies were invested in the Board's existing investment pools.

Domestic Equity

Domestic Equity was comprised of two externally managed ERISA Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

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SSgA International Equity

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

SSgA Domestic Fixed Income

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

SSgA International Fixed Income

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

SSgA Real Estate

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

Lazard Emerging Markets Mutual Fund

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

DCR Participant Directed Investments

Pooled Investment Funds

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

T. Rowe Alaska Target 2010 Fund

The purpose of this fund is to provide a diverse mix of stocks, bonds, and cash for long-term investors. The fund starts with a more aggressive risk / return potential and gradually become more conservative as the target retirement date approaches. The allocation is actively managed for approximately 30 years after the target retirement date before arriving at the final allocation of 20% stocks, and 80%

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bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Alaska Target 2010 – 2040 Trusts

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

T. Rowe Alaska Balanced Trust

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

T. Rowe Long-Term Balanced Trust

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

T. Rowe Alaska Money Market Trust

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

Collective Investment Funds

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

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SSgA Money Market Fund

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

SSgA S&P 500 Index Fund

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

SSgA Russell 3000 Index Fund

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

SSgA Real Estate Investment Trust (REIT) Index Fund

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

SSgA World Equity Ex-US Index Fund

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

SSgA Long US Treasury Bond Index Fund

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

SSgA Treasury Inflation Protected Securities Index Fund

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

SSgA World Government Bond Ex-US Index Fund

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

Barclays Daily Government / Corporate Bond Fund

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

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Barclays Intermediate Bond Fund

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

Brandes Institutional International Equity Fund

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

Capital Guardian Global Balanced Fund

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

Sentinel Sustainable Opportunities Fund

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

RCM Socially Responsible Fund

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

T. Rowe Small Cap Stock Fund

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

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

	Fair value (In thousands)						
	Fixed income pools						
	Short-term	Retirement	International	TIPS	High Yield	Other	Total
Deposits	$ 168	(22)	310	-	-	3,130	3,586
Short-term investment fund	-	-	291	-	4,738	7,560	12,589
Commercial paper	3,361	-	-	-	-	-	3,361
Bridge loans	-	-	-	-	2,260	-	2,260
U.S. Treasury Bills	18,964	-	-	-	-	-	18,964
U.S. Treasury Notes	-	70,152	-	14,296	-	-	84,448
U.S. Treasury Bonds	-	5,909	-	6,246	-	-	12,155
U.S. Government Agency	1,471	8,389	-	-	-	-	9,860
Foreign Government Bonds	-	-	34,994	-	-	-	34,994
Mortgage-backed	2,115	211,934	-	8	-	-	214,057
Other Asset-backed	6,697	2,983	-	-	573	-	10,253
Corporate Bonds	18,104	83,136	20,444	21	66,833	-	188,538
Convertible Bonds	-	-	-	-	337	-	337
Yankees:							
Government	-	4,848	-	-	-	-	4,848
Corporate	3,897	18,806	-	-	5,711	-	28,414
Fixed Income Pools:							
Equity	-	-	-	-	107	-	107
Emerging Markets Debt Pool	-	-	-	-	-	28,645	28,645
Domestic Equity Pool:							
Limited Partnership	-	-	-	-	-	64,653	64,653
Treasury Bills	-	-	-	-	-	1,066	1,066
Equity	-	-	-	-	-	1,167,222	1,167,222
International Equity Pool:							
Convertible Bonds	-	-	-	-	-	361	361
Equity	-	-	-	-	-	553,394	553,394
Emerging Markets Equity Pool	-	-	-	-	-	159,662	159,662
Private Equity Pool:							
Limited Partnerships	-	-	-	-	-	322,111	322,111
Absolute Return Pool:							
Limited Partnerships	-	-	-	-	-	165,892	165,892
Real Estate Pool:							
Real Estate	-	-	-	-	-	229,982	229,982
Commingled Funds	-	-	-	-	-	87,279	87,279
Limited Partnerships	-	-	-	-	-	82,408	82,408
Real Estate Investment Trust Pool:							
Equity	-	-	-	-	-	10,271	10,271
Energy Pool:							
Limited Partnerships	-	-	-	-	-	23,593	23,593
Farmland Pool:							
Agricultural Holdings	-	-	-	-	-	133,145	133,145
Farmland Water Pool:							
Agricultural Holdings	-	-	-	-	-	10,549	10,549
Timber Pool:							
Timber Holdings	-	-	-	-	-	47,055	47,055
Mortgages	-	-	-	-	-	9	9
Participant Directed:							
Pooled Investment Funds	-	-	-	-	-	1,140	1,140
Collective Investment Funds	-	-	-	-	-	23,399	23,339
Mutual funds	-	-	-	-	-	9,741	9,741
Net Other Assets (Liabilities)	(74)	(9,087)	771	207	1,916	1,796	(4,471)
Other Pool Ownership	(35,549)	19,924	-	26	-	15,599	-
Unallocated Deposits in Transit	-	-	-	-	-	416	416
Total invested ssets	$ 19,154	416,972	56,810	20,804	82,475	3,150,078	3,746,293

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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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(4) Deposit and Investment Risk

Interest Rate Risk

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

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

Short-Term Fixed Income Pool

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

Other DB Plan Fixed Income Pools

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

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

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

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

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

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

The Board did not have a policy to limit interest rate risk for Common Trust Funds, ERISA Commingled Funds, or Mutual Funds.

DCR Plan Pooled Investment Funds

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

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

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

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

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DCR Plan Collective Investment Funds

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

Credit Risk

Credit risk is the risk that an issuer or other 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 must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased in only rated by one of these agencies if they are rated AAA.

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

Retirement Fixed Income:

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

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.

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No more than 10% percent of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.

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

International Fixed Income:

Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.

Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

TIPS:

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard 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 Separate Accounts:

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

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

The Board does not have a policy to limit the concentration of credit risk for the Collective Investment Funds. Nor did the Board have a policy to limit the concentration of credit risk for the Common Trust Funds, ERISA Commingled Funds or Mutual Funds.

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

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

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Custodial Credit Risk - Deposits

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

	Amount (In thousands)
International Fixed Income Pool	$ 310
International Equity Pool	2,398

Foreign Currency Risk

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

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

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

The Board has no policy regarding foreign currency risk in the DCR Pooled Investment Funds and Collective Investment Funds. Nor did the Board have a policy regarding foreign currency risk in the Common Trust Funds, Collective Investment Funds, ERISA Commingled and Mutual Funds.

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

	Amount (In thousands)	
Currency	**International Fixed Income Pool**	**International Equity Pool**
Australian Dollar	$ -	19
Canadian Dollar	-	11
Danish Krone	-	285
Euro Currency	91	1,222
Hong Kong Dollar	-	32
Japanese Yen	101	674
Mexican Peso	106	-
New Taiwan Dollar	-	13
New Zealand Dollar	-	7
Norwegian Krone	-	21
Pound Sterling	12	110
Swedish Krona	-	3
Yuan Renminbi	-	1
	$ 310	**2,398**

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

	Amount (In thousands)			
	International Fixed Income		**International Equity Pool**	**Private Equity Pool**
Currency	**Foreign Government**	**Corporate**	**Equity**	**Limited Partnerships**
Australian Dollar	$ 4,457	-	8,804	-
Brazilian Real	-	-	3,518	-
Canadian Dollar	-	-	9,370	-
Danish Krone	-	-	4,135	-
Euro Currency	15,756	2,918	186,277	37,519
Hong Kong Dollar	-	-	19,941	-
Indonesian Rupah	-	-	308	-
Japanese Yen	334	17,526	132,865	-
Mexican Peso	2,536	-	308	-
New Taiwan Dollar	-	-	3,293	-
New Zealand Dollar	-	-	647	-
Norwegian Krone	-	-	1,355	-
Polish Zloty	4,300	-	-	-
Pound Sterling	7,611	-	95,710	6,233
Singapore Dollar	-	-	3,995	-
South African Rand	-	-	1,155	-
South Korean Won	-	-	1,839	-
Swedish Krona	-	-	7,470	-
Swiss Franc	-	-	40,542	-
	$34,994	**20,444**	**521,532**	**43,752**

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

Concentration of Credit Risk

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

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

At June 30, 2009, the System invested assets did not have exposure to any one issuer greater than five percent of total invested assets.

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(5) 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:

	(In thousands) 2009	2008
Net realized (loss) gain on foreign currency	$(4,042)	44,006
Net unrealized gain on foreign currency	18	14
Net realized gain (loss) on foreign exchange contracts	2,067	(39)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. At June 30, the International Equity Pool had one foreign currency forward contract which matured in twenty-two days. The System had net unrealized gains with respect to forward contracts, calculated using forward rates at June 30, as follows:

	(In thousands) 2009	2008
Contract sale	$ 762	18,938
Less fair value	756	18,926
Net unrealized gain on contract	$ 6	12

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

(6) Securities Lending

Alaska Statute 37.10.071 authorized the Commissioner to lend assets, under an agreement and for a fee, against deposited collateral. In February 2008, the Commissioner suspended the securities lending agreement with the Bank which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the Commissioner'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. At June 30, 2009 and 2008, there were no outstanding securities on loan.

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At June 30, 2009 and 2008, there were no loans allocable to the Plan. While the securities lending agreement was active, there was no limit to the amount that could be loaned and the Commissioner 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.

Cash collateral 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. Since the Commissioner did not have the ability to pledge or sell the securities collateral unless the borrower defaulted, they were not recorded on the financial statements. Securities under loan, cash collateral and cash collateral payable were recorded on the financial statements at fair value. The Bank, the Plan and the borrower received a fee from earnings on invested collateral. The Bank and the Plan shared a fee paid by the borrower for loans not collateralized with cash.

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

For the years ended June 30, 2009 and 2008, there were no losses incurred as a result of securities lending transactions and there were no violations of legal or contractual provisions or failures by any borrowers to return loaned securities.

(7) Transfers

During fiscal year 2009, the System transferred the amount due as of June 30, 2008, from 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 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 Internal Revenue Service (IRS) orally advised tax counsel for the states' pension systems that the request to transfer the 2007 CAFR amount in the new healthcare trust had been approved. The systems received formal VCP decision from the IRS in May 2009.

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

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) - entry age	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Covered payroll	FE/UAAL as a percentage of covered payroll
Pension						
June 30, 2008	$3,670,086	5,231,654	1,561,568	70.2%	$549,148	284.4%
Post employment healthcare						
June 30, 2008	$1,266,890	4,648,055	3,381,165	27.3%	$549,148	615.7%

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

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

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

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designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2008
Actuarial cost method	Entry age; normal level percentage of pay for pension; level dollar for healthcare
Amortization method	Level dollar, closed
Equivalent single amortization period	19 years
Asset valuation method	5 year smoothed 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

Health cost trend:

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

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

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(9) Commitments and Contingencies

Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2009, the System's share of the unfunded commitment totaled $14,221,447. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2009, the System's share of these unfunded commitments totaled $265,051,522. These commitments are estimated to be paid through 2019.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2009, the System's share of this unfunded commitment totaled $15,544,800 to be paid through 2018.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2009, the System's share of these unfunded commitments totaled $69,056,483 to be paid through the year 2018.

Contingencies

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

(10) Subsequent Event

During fiscal year 2009, the Division issued a request for proposal for claims administration. The contract for the third party administrator for claims payments was awarded to Wells Fargo Insurance Services (Wells Fargo). Wells Fargo began claims administration on July 1, 2009. To initiate claims payment on July 1, 2009, the Plan, along with the Retiree Health Fund, Group Health and Life Fund, Public Employees' and Judicial Alaska Retiree Health Care Trusts, each transferred an amount as an initial deposit with Wells Fargo. The Plan's portion of the deposit was $984,038 and is classified as other assets on the statement of net assets.

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(11) Medicare Part D Retiree Drug Subsidy

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

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Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Pension Benefits

Valuation as of June 30, 2008
(In thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
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
2008	3,670,086	5,231,654	1,561,568	70.2	549,148	284.4

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

Valuation as of June 30, 2008
(In thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2002	$ 989,591	1,451,684	462,093	68.2%	509,437	90.7%
2003	1,057,500	1,644,639	5,887,139	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	4,059,573	3,077,041	24.2	554,245	555.2
2008	1,266,890	4,648,055	3,381,165	27.3	549,148	615.7

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
(In thousands)

Year ended June 30	Actuarial valuation date as of June 30[1]	Annual required contribution: Pension	Annual required contribution: Postemployment healthcare	Annual required contribution: Total	Pension percentage contributed: By employer (note 3)	Pension percentage contributed: By State of Alaska (note 3)	Postemployment healthcare percentage contributed: By employer (note 3)	Postemployment healthcare percentage contributed: By State of Alaska (note 3)	Total percentage contributed (note 3)
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
2009	2006	94,388	164,171	258,559	28.7	110.6	28.7	62.1	108.5

[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, 2009

(1) Description of Schedule of Funding Progress

Each time a new benefit is added which applies to service already rendered, an "unfunded actuarial accrued liability" is created. Laws governing the 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, 2008 are as follows:

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

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

(c) Valuation of medical and prescription drug benefits – base claims cost rates are incurred healthcare cost expressed as a rate per member per year. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects 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 that 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, the valuation assumes that 4.0% of the current retiree population does not receive Part A coverage.

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

(e) Salary scale – inflation 3.5% per year, 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 without margin 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 1994 Base Year without margin 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.

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

(m) Marriage and age difference – wives are assumed to be three years younger than husbands. 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, 2009

(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 provides claimed service (including Bureau of Indian Affairs Service). Claimed service is used for vesting and eligibility purposes.

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

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

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

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

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

	Medical	Prescription drugs
FY09	8.0%	11.0%
FY10	7.5	9.6
FY11	6.9	8.3
FY12	6.4	7.1
FY13	5.9	5.9
FY14	5.9	5.9
FY15	5.9	5.9
FY25	5.8	5.8
FY50	5.7	5.7
FY100	5.1	5.1

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

STATE OF ALASKA
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Notes to Required Supplementary Information

June 30, 2009

(aa) 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	-

(bb) 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 FY09 contributions based on monthly rates shown below for calendar 2008 and 2009 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in Tier 2 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled:

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

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

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

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Notes to Required Supplementary Information

June 30, 2009

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

(dd) Healthcare participation – 100% of members and their spouses 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.

Changes in Assumptions since the Last Valuation

There were two changes in assumptions from the prior valuation. The first was regarding the future increases in healthcare cost trend rates, and the change to the Society of Actuaries' Healthcare Cost Trend Model. This change increased the Employer / State contribution rate by 1.98% and decreased the funded ratio by 1.2%. The second change involved decreasing the assumed Medicare Part B only proportion of all Medicare retirees from 5% to 4%. The impact of this change on the contribution rate is included with the demographic experience.

(3) Contributions – State of Alaska

Alaska Statute 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 Board for the fiscal year. During fiscal year 2009, the actuarially determined contribution adopted by the Board was 44.17 percent. The additional state contribution was not sufficient to contribute the 31.61 percent difference between the actuarially determined contribution rate and the employer contribution rate of 12.56 percent and will be adjusted for accordingly in future actuarial valuation reports.

Schedule 1

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

Statements of Plan Net Assets

June 30, 2009 (In thousands)

	Defined Benefit Plans		
	Pension	Alaska retiree healthcare trust	Total
Assets			
Cash and cash equivalents (notes 3, 4, 5 and 6):			
Short-term fixed income pool	$ 14,466	4,006	18,472
Great West Account	-	-	-
Total cash and cash equivalents	14,466	4,006	18,472
Receivables:			
Contributions	5,591	-	5,591
Due from State of Alaska General Fund	-	8,885	8,885
Due from PERS Alaska Retiree Healthcare Trust	-	102	102
Due from Retiree Health Fund	-	3,440	3,440
Other account receivable	-	853	853
Total receivables	5,591	13,280	18,871
Investments (notes 3, 4, 5, 6, and 9) in fair value:			
Fixed Income Securities			
Retirement fixed income pool	285,083	130,790	415,873
High yield pool	56,322	26,000	82,322
International fixed income pool	38,632	18,026	56,658
Emerging debt pool	19,548	9,063	28,611
Total Fixed Income Securities	399,585	183,879	583,464
Broad Domestic Equity			
Broad domestic equity	853,583	392,459	1,246,042
Total Broad Domestic Equity	853,583	392,459	1,246,042
Global Equity Ex-US			
International equity pool	389,604	184,594	574,198
Emerging markets equity pool	110,171	49,079	159,250
Total Global Equity Ex-US	499,775	233,673	733,448
Private Equity			
Private equity pool	230,646	91,006	321,652
Total Private Equity	230,646	91,006	321,652
Absolute Return			
Absolute return pool	111,351	54,028	165,379
Total Absolute Return	111,351	54,028	165,379
Real Assets			
Real estate pool	298,996	100,094	399,090
Real estate investment trust pool	7,347	2,933	10,280
Energy pool	16,729	6,780	23,509
Farmland pool	94,474	38,589	133,063
Farmland water pool	10,549	-	10,549
Timber pool	42,211	4,655	46,866
Treasury inflation protected securities pool	14,634	5,914	20,548
Mortgages	9	-	9
Total Real Assets	484,949	158,965	643,914
Other investment funds, at fair value:			
Pooled investment funds	-	-	-
Collective investment funds	-	-	-
Total Other investment funds	-	-	-
Total investments	2,579,889	1,114,010	3,693,899
Other assets	-	984	984
Total assets	2,599,946	1,132,280	3,732,226
Liabilities:			
Accrued expenses	2,220	1,247	3,467
Due to State of Alaska General Fund	1,293	-	1,293
Total liabilities	3,513	1,247	4,760
Commitment and contingencies (note 9)			
Net assets held in trust for pension and postemployment healthcare benefits (See Unaudited Schedule of Funding Progress)	$2,596,433	1,131,033	3,727,466

See accompanying notes to financial statements.

(continued)

Schedule 1 (cont.)

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

Statements of Plan Net Assets

June 30, 2009 (In thousands)

	Defined Contribution Pension Trust Plans					
	Participant directed	Occupational death and disability	Retiree medical plan	Health reimbursement arrangement	Total	SYSTEM TOTAL
Assets:						
Cash and cash equivalents (notes 3, 4, 5 and 6):						
Short-term fixed income pool	$ 517	23	36	106	682	19,154
Great West Account	550	-	-	-	550	550
Total cash and cash equivalents	1,067	23	36	106	1,232	19,704
Receivables:						
Contributions	-	-	-	-	-	5,591
Due from State of Alaska General Fund	1,111	46	73	224	1,454	10,339
Due from PERS Alaska Retiree Healthcare Trust	-	-	-	-	-	102
Due from Retiree Health Fund	-	-	-	-	-	3,440
Other account receivable	-	-	-	-	-	853
Total receivables	1,111	46	73	224	1,454	20,325
Investments (notes 3, 4, 5, 6 and 9) at fair value:						
Fixed Income Securities						
Retirement fixed income pool	-	117	252	730	1,099	416,972
High yield pool	-	16	35	102	153	82,475
International fixed income pool	-	16	35	101	152	56,810
Emerging debt pool	-	4	8	22	34	28,645
Total Fixed Income Securities	-	153	330	955	1,438	584,902
Broad Domestic Equity						
Broad domestic equity	-	302	650	1,874	2,826	1,248,868
Total Broad Domestic Equity	-	302	650	1,874	2,826	1,248,868
Global Equity Ex-US						
International equity pool	-	134	288	833	1,255	575,453
Emerging markets equity pool	-	44	95	274	413	159,663
Total Global Equity Ex-US	-	178	383	1,107	1,668	735,116
Private Equity						
Private equity pool	-	61	131	377	569	322,221
Total Private Equity	-	61	131	377	569	322,221
Absolute Return						
Absolute return pool	-	55	118	340	513	165,892
Total Absolute Return	-	55	118	340	513	165,892
Real Assets						
Real estate pool	-	62	133	384	579	399,669
Real estate investment trust pool	-	9	18	53	80	10,360
Energy pool	-	9	19	56	84	23,593
Farmland pool	-	9	19	54	82	133,145
Farmland water pool	-	-	-	-	-	10,549
Timber pool	-	20	43	126	189	47,055
Treasury inflation protected securities pool	-	27	59	170	256	20,804
Mortgages	-	-	-	-	-	9
Total Real Assets	-	136	291	843	1,270	645,184
Other investment funds, at fair value:						
Pooled investment funds	1,557	-	-	-	1,557	1,557
Collective investment funds	23,399	-	-	-	23,399	23,399
Total Other investment funds	24,956	-	-	-	24,956	24,956
Total investments	24,956	885	1,903	5,496	33,240	3,727,139
Other assets	-	-	-	-	-	984
Total assets	27,134	954	2,012	5,826	35,926	3,768,152
Liabilities:						
Accrued expenses	446	-	-	-	446	3,913
Due to State of Alaska General Fund	-	-	-	-	-	1,293
Total liabilities	446	-	-	-	446	5,206
Commitment and contingencies (note 8)						
Net assets held in trust for pension and postemployment healthcare benefits (See Unaudited Schedule of Funding Progress)	$ 26,688	954	2,012	5,826	35,480	3,762,946

See accompanying notes to financial statements.

Schedule 2

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

Statements of Changes in Plan Net Assets

June 30, 2009 (In thousands)

	Defined Benefit Plans		
	Pension	Alaska Retiree Healthcare Trust	Total
Additions:			
Contributions:			
Employers	$ 27,110	47,174	74,284
Plan members	53,544	116	53,660
Employer legislative relief	104,423	101,877	206,300
Total contributions	185,077	149,167	334,244
Investment income (loss):			
Net appreciation (depreciation) in fair value (note 3)	(933,967)	(186,531)	(1,120,498)
Interest	36,825	2,688	39,513
Dividends	91,021	3,952	94,973
Total investment (loss)	(806,121)	(179,891)	(986,012)
Less investment expense	8,017	28	8,045
Net investment (loss)	(814,138)	(179,919)	(994,057)
Other:			
Other	3	3,595	3,598
Total additions (reductions)	(629,058)	(27,157)	(656,215)
Deductions:			
Pension and postemployment benefits	319,148	89,571	408,719
Refunds of contributions	3,622	-	3,622
Administrative	2,537	5,812	8,349
Total deductions	325,307	95,383	420,690
Net increase (decrease)	(954,365)	(122,540)	(1,076,905)
Net assets held in trust for pension and postemployment healthcare benefits:			
Balance, beginning of year	3,550,798	1,253,573	4,804,371
Balance, end of year	$2,596,433	1,131,033	3,727,466

See accompanying notes to financial statements.

(continued)

Schedule 2 (cont.)

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

Statements of Changes in Plan Net Assets

June 30, 2009 (In thousands)

	Defined Contribution Pension Trust Plans					
	Participant Directed	Occupational Death and Disability	Retiree Medical Plan	Health Reimbursement Arrangement	Total	SYSTEM TOTAL
Additions (reductions):						
Contributions:						
Employers	$ 7,023	623	992	3,206	11,844	86,128
Plan members	8,077	-	-	-	8,077	61,737
Employer legislative relief	-	-	-	-	-	206,300
Total contributions	15,100	623	992	3,206	19,921	354,165
Investment income (loss):						
Net (depreciation) in fair value (note 3)	(2,536)	(82)	(259)	(647)	(3,524)	(1,124,022)
Interest	568	4	9	23	604	40,117
Dividends	-	9	24	68	101	95,074
Total investment (loss)	(1,968)	(69)	(226)	(556)	(2,819)	(988,831)
Less investment expense	-	-	-	-	-	8,045
Net investment (loss)	(1,968)	(69)	(226)	(556)	(2,819)	(996,876)
Other:						
Other	-	-	-	-	-	3,598
Total (reductions) additions	13,132	554	766	2,650	17,102	(639,113)
Deductions:						
Pension and postemployment benefits	-	-	-	-	-	408,719
Refunds of contributions	445	-	-	-	445	4,067
Administrative	53	-	-	-	53	8,402
Total deductions	498	-	-	-	498	421,188
Net (decrease) increase	12,634	554	766	2,650	16,604	(1,060,301)
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	14,054	400	1,246	3,176	18,876	4,823,247
Balance, end of year	$26,688	954	2,012	5,826	35,480	3,762,946

See accompanying notes to financial statements.

Schedule 3

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

Statements of Plan Net Assets

June 30, 2008 (In thousands)

	Defined Benefit Plans			
	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total
Assets:				
Cash and cash equivalents (notes 3, 4, 5 and 6):				
Short-term fixed income pool	$ 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 7)	-	-	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, 6, and 9):				
Fixed Income Securities				
Retirement fixed income pool	465,421	232,354	-	697,775
High yield pool	77,597	38,739	-	116,336
International fixed income pool	65,454	32,677	-	98,131
Emerging debt pool	-	-	-	-
Total Fixed Income Securities	608,472	303,770	-	912,242
Broad Domestic Equity				
Broad domestic equity	1,471,637	55,250	-	1,526,887
Total Broad Domestic Equity	1,471,637	55,250	-	1,526,887
Global Equity Ex-US				
International equity pool	460,525	229,910	-	690,435
Emerging markets equity pool	87,448	43,657	-	131,105
Total Global Equity Ex-US	547,973	273,567	-	821,540
Private Equity				
Private equity pool	264,967	132,280	-	397,247
Total Private Equity	264,967	132,280	-	397,247
Absolute Return				
Absolute return pool	129,720	64,761	-	194,481
Total Absolute Return	129,720	64,761	-	194,481
Real Assets				
Real estate pool	387,754	193,580	-	581,334
Treasury inflation protected securities pool	17,105	8,539	-	25,644
Mortgages	17	-	-	17
Total Real Assets	404,876	202,119	-	606,995
Other investment funds, at fair value:				
Other investments pool	105,612	52,725	-	158,337
Collective investment funds, at fair value:				
Participant directed	-	-	-	-
Common trust funds	-	-	86,424	86,424
ERISA commingled and mutual funds	-	-	-	-
Total Other investment funds	105,612	52,725	86,424	244,761
Total investments	3,533,257	1,084,472	86,424	4,704,153
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 7)	-	1,086,620	-	1,086,620
Total liabilities	2,926	1,086,620	526	1,090,072
Commitment and contingencies (note 9)				
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)

Schedule 3 (cont.)

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

Statements of Plan Net Assets

June 30, 2008 (In thousands)

	Defined Contribution Pension Trust Plans					
	Participant Directed	Occupational Death and Disability	Retiree Medical Plan	Health Reimbursement Arrangement	Total	SYSTEM TOTAL
Assets:						
Cash and cash equivalents (notes 3, 4, 5 and 6):						
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 7)	-	-	-	-	-	1,086,620
Other account receivable	-	-	-	-	-	61
Total receivables	1,000	41	66	176	1,283	1,177,284
Investments (notes 3, 4, 5, 6 and 9) at fair value:						
Fixed Income Securities						
Retirement fixed income pool	-	-	-	-	-	697,775
High yield pool	-	-	-	-	-	116,336
International fixed income pool	-	-	-	-	-	98,131
Emerging debt pool	-	-	-	-	-	-
Total Fixed Income Securities	-	-	-	-	-	912,242
Broad Domestic Equity						
Broad domestic equity	-	-	-	-	-	1,526,887
Total Broad Domestic Equity	-	-	-	-	-	1,526,887
Global Equity Ex-US						
International equity pool	-	-	-	-	-	690,435
Emerging markets equity pool	-	-	-	-	-	131,105
Total Global Equity Ex-US	-	-	-	-	-	821,540
Private Equity						
Private equity pool	-	-	-	-	-	397,247
Total Private Equity	-	-	-	-	-	397,247
Absolute Return						
Absolute return pool	-	-	-	-	-	194,481
Total Absolute Return	-	-	-	-	-	194,481
Real Assets						
Real estate pool	-	-	-	-	-	581,334
Treasury inflation protected securities pool	-	33	110	276	419	26,063
Mortgages	-	-	-	-	-	17
Total Real Assets	-	33	110	276	419	607,414
Other investment funds, at fair value:						
Other investments pool	-	-	-	-	-	158,337
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 Other investment funds	12,883	291	962	2,420	16,556	261,317
Total investments	12,883	324	1,072	2,696	16,975	4,721,128
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 7)	-	-	-	-	-	1,086,620
Total liabilities	65	-	-	-	65	1,090,137
Commitment and contingencies (note 9)						
Net assets held in trust for pension and postemployment healthcare benefits	$14,054	400	1,246	3,176	18,876	4,823,247

See accompanying notes to financial statements.

Schedule 4

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

Statements of Changes in Plan Net Assets

June 30, 2008 (In thousands)

	Defined Benefit Plans			
	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total
Additions:				
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 (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 (loss) income before securities lending	(141,216)	-	(5,318)	(146,534)
Securities lending income (note 6)	17,913	-	-	17,913
Less securities lending expenses (note 6)	15,979	-	-	15,979
Net income from securities lending activities	1,934	-	-	1,934
Net investment (loss) income	(139,282)	-	(5,318)	(144,600)
Transfer from postemployment healthcare fund (note 7)	-	-	1,086,620	1,086,620
Other:				
Other	34	-	-	34
Total additions (reductions)	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 7)	-	1,086,620	-	1,086,620
Net (decrease) increase	(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)

Schedule 4 (cont.)

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

Statements of Changes in Plan Net Assets

June 30, 2008 (In thousands)

	Defined Contribution Pension Trust Plans					
	Participant Directed	**Occupational Death and Disability**	**Retiree Medical Plan**	**Health Reimbursement Arrangement**	**Total**	**SYSTEM TOTAL**
Additions (reductions):						
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 (loss):						
Net (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 (loss) income before securities lending	(1,239)	(8)	5	75	(1,167)	(147,701)
Securities lending income (note 6)	-	-	-	-	-	17,913
Less securities lending expenses (note 6)	-	-	-	-	-	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 7)	-	-	-	-	-	1,086,620
Other:						
Other	-	-	-	-	-	34
Total additions (reductions)	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 7)	-	-	-	-	-	1,086,620
Net (decrease) increase	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.

Schedule 5

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

Schedule of Administrative and Investment Deductions Defined Benefit Plan

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

	Administrative	Investment	Totals 2009	Totals 2008
Personal Services:				
Wages	$ 1,228	560	1,788	1,596
Benefits	702	246	948	825
Total Personal Services	1,930	806	2,736	2,421
Travel:				
Transportation	19	48	67	74
Per Diem	6	6	12	14
Total Travel	25	54	79	87
Contractual Services:				
Management and Consulting	5,582	6,356	11,938	9,898
Accounting and Auditing	41	426	467	441
Advertising and Printing	37	2	39	31
Data Processing	262	231	493	411
Communications	45	20	65	60
Legal	66	24	90	82
Medical Specialists	3	8	11	11
Repairs and Maintenance	22	10	32	18
Other Professional Services	176	50	226	204
Securities Lending	-	-	-	15,979
Transportation	22	3	25	24
Total Contractual Services	6,256	7,130	13,386	27,159
Other:				
Equipment	99	5	104	246
Supplies	39	50	89	77
Total Other	138	55	193	323
Total Administrative and Investment Deductions	**$ 8,349**	**8,045**	**16,394**	**29,990**

See accompanying independent auditors' report.

Schedule 6

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

Schedule of Administrative and Investment Deductions Defined Contribution Retirement Trust Plan

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

	Administrative	Investment	Totals 2009	Totals 2008
Personal Services:				
Wages	$ 26	-	26	15
Benefits	-	-	-	-
Total Personal Services	26	-	26	15
Travel:				
Transportation	-	-	-	-
Per Diem	-	-	-	-
Total Travel	-	-	-	-
Contractual Services:				
Management and Consulting	10	-	10	44
Accounting and Auditing	9	-	9	9
Advertising and Printing	-	-	-	-
Data Processing	-	-	-	-
Communications	-	-	-	-
Legal	8	-	8	8
Medical Specialists	-	-	-	-
Repairs and Maintenance	-	-	-	-
Other Professional Services	-	-	-	-
Securities Lending	-	-	-	-
Transportation	-	-	-	-
Total Contractual Services	27	-	27	61
Other:				
Equipment	-	-	-	-
Supplies	-	-	-	-
Total Other	-	-	-	-
Total Administrative and Investment Deductions	**$ 53**	**-**	**53**	**76**

See accompanying independent auditors' report.

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

Schedule of Payments to Consultants Other than Investment Advisors

Year ended June 30, 2009 and 2008

(In thousands)

Firm	Services	2009	2008
State Street Bank and Trust Company	Custodian banking services	$ 333	416
Buck Consultants LLP	Actuarial services	249	168
Computer Task Group, Inc.	Data processing consultants	57	100
Wostmann & Associates, Inc.	Data processing consultants	32	31
KPMG LLP	Auditing services	39	19
State of Alaska, Department of Law	Legal services	69	28
First National Bank Alaska	Banking services	8	9
		$ 787	**$ 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

September 16, 2009

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

Dear Board Members:

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

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

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

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

For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of -20.49% and the Teachers Retirement System (TRS) had a time-weighted total return of -20.622%. Both Systems trailed their strategic policy benchmark target return of -17.00% and ranked below the -18.09% median return for Callan's Public Fund database. The policy benchmark was largely unchanged during the year. The greatest sources of under-performance relative to target were: significant under-performance in real estate (-35.94% versus a target index return of -21.13%) and the absolute return sector's negative 12.52% return versus a target return of +5.95%. The 2009 below Peer Group performance was primarily attributable to below average fixed income exposure. This same strategic tilt toward equity investments contributed importantly to strong absolute and relative performance in the 2005 to 2007 period. Over longer-term periods, PERS and TRS have much more closely tracked their target index returns. For example, PERS' 5-year annualized return was 2.20% versus the policy benchmark's 2.22%. Over the longest period for which Callan has detailed data (17 3/4 years), PERS and TRS have achieved annualized total returns of 6.81% and 6.85% respectively while the policy benchmark return for the same span was 6.80%.

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

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

Sincerely,

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

Department of Revenue
Treasury Division
Staff

Commissioner
Patrick Galvin

Deputy Commissioner
Jerry Burnett

Chief Investment Officer
Gary Bader

Comptroller
Pamela Green, CPA

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

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

ARMB Liaison Officer
Judy Hall

External Money Managers and Consultants

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

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

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

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

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

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

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

Global Equity
Lazard Freres Asset Management
New York, NY

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

External Money Managers and Consultants (con't)

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

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

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

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

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

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

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

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

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

Independent Auditors
KPMG LLP
Anchorage, AK

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

Teachers' Retirement System
Investment Report

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.

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

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

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

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

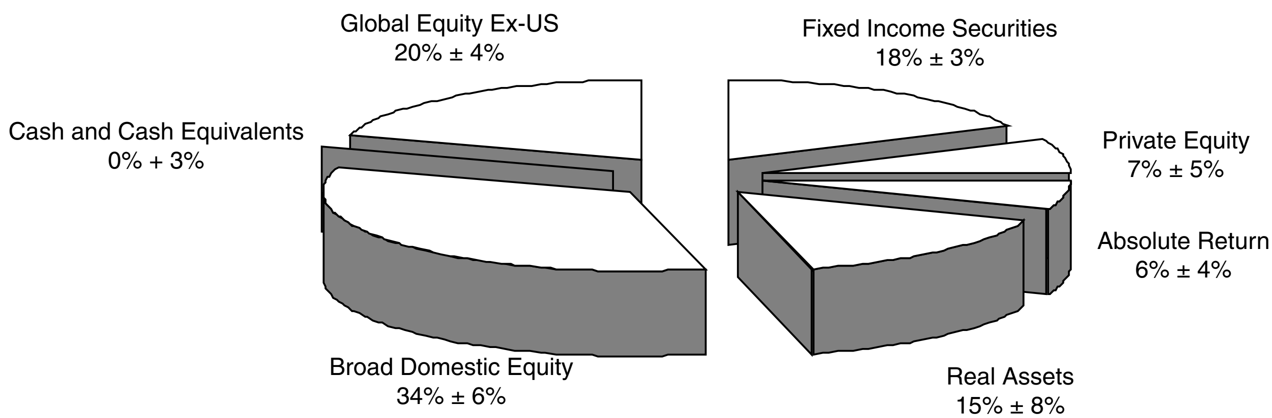
	2005	2006	2007	2008	2009	Annualized 3 Year	Annualized 5 Year
Total Fund							
TRS	9.01%	11.78%	18.92%	(3.05%)	(20.62%)	(2.92%)	2.20%
Actuarial Earnings Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
U.S. Common Stock Returns							
TRS Domestic Equities	4.48%	9.23%	20.10%	(13.53%)	(26.80%)	(8.73%)	(2.80%)
Custom Composite Index	-	-	-	-	(26.56%)	(8.74%)	(2.28%)
S&P 500/Russell 2000 Composite	6.87%	9.67%	20.59%	(13.68%)	-	-	-
International Stock Returns							
TRS International Equities	15.17%	28.80%	30.15%	(7.48%)	(29.12%)	(5.14%)	4.83%
Morgan Stanley Capital International ACWI ex-US	-	-	-	-	(30.54%)	(6.42%)	3.34%
Morgan Stanley Capital International EAFE	13.65%	26.56%	27.00%	(10.61%)	-	-	-
Fixed-Income							
TRS	-	-	-	-	3.36%	5.35%	4.61%
Custom Composite Index	-	-	-	-	5.41%	6.28%	4.93%
Private Equity							
TRS	-	-	-	-	(23.67%)	3.61%	10.58%
Custom Composite Index	-	-	-	-	(27.19%)	(8.51%)	(0.40%)
Absolute Return							
TRS	-	-	-	-	(12.52%)	(0.77%)	2.09%
3-month Treasury Bill +5%	-	-	-	-	5.95%	7.93%	7.71%
Real Assets							
TRS	-	-	-	-	(21.20%)	0.12%	6.92%
Custom Composite Index	-	-	-	-	(10.82%)	3.64%	9.31%
Domestic Fixed-Income							
TRS	7.10%	0.06%	6.20%	6.50%	-	-	-
Lehman Brothers Aggregate Index	6.80%	(0.81%)	6.12%	7.12%	-	-	-
International Fixed-Income							
TRS	9.84%	(0.26%)	1.97%	18.95%	-	-	-
Citigroup Non-U.S. Government	7.75%	(0.01%)	2.20%	18.72%	-	-	-
Real Estate Equity							
TRS	17.43%	18.58%	20.75%	5.71%	-	-	-
NCREIF	18.02%	18.79%	17.24%	6.82%	-	-	-

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

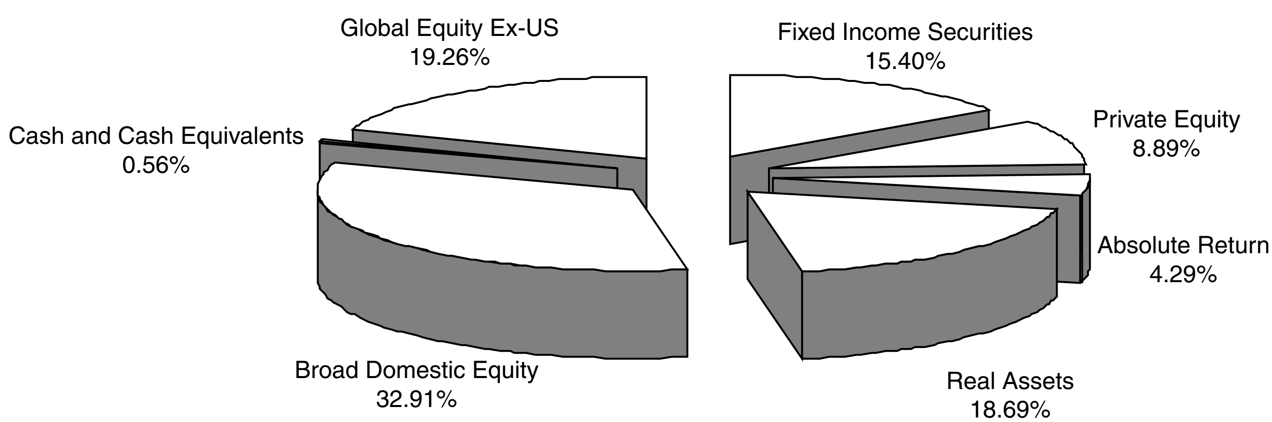
Returns for periods longer than one year are reported on an annualized basis.

Teachers' Retirement System
Asset Allocation
June 30, 2009

Policy — Defined Benefit Pension

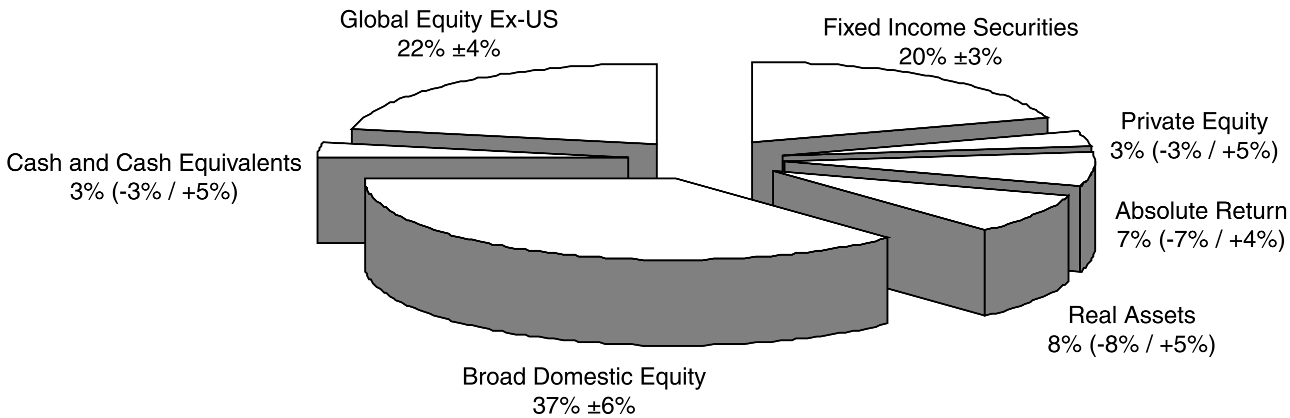


Actual — Defined Benefit Pension

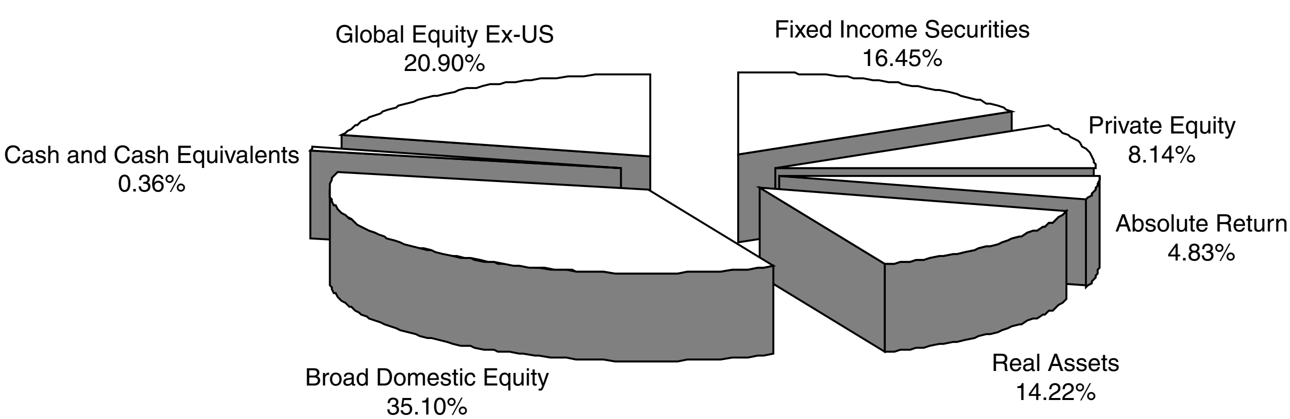


Teachers' Retirement System
Asset Allocation
June 30, 2009

Policy — Defined Benefit Alaska Retiree Healthcare Trust

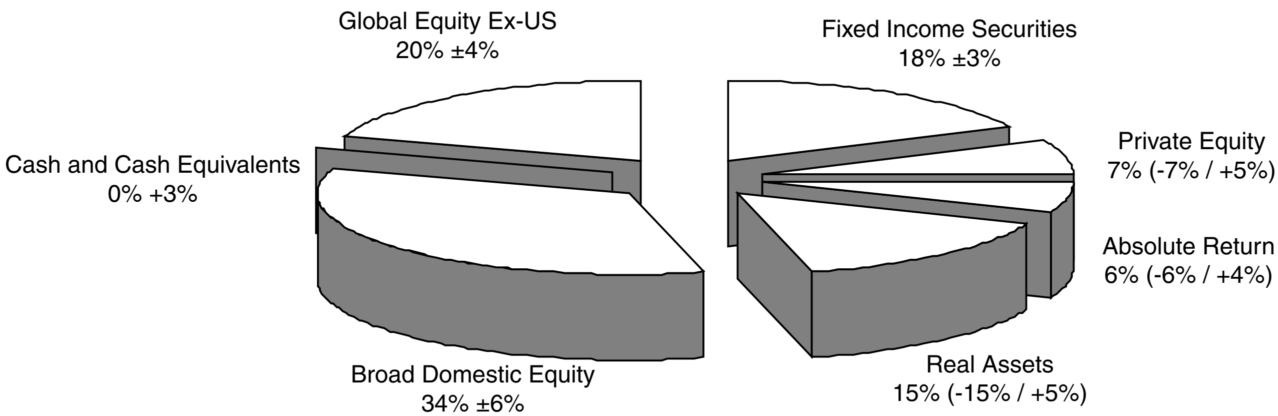


Actual — Defined Benefit Alaska Retiree Healthcare Trust

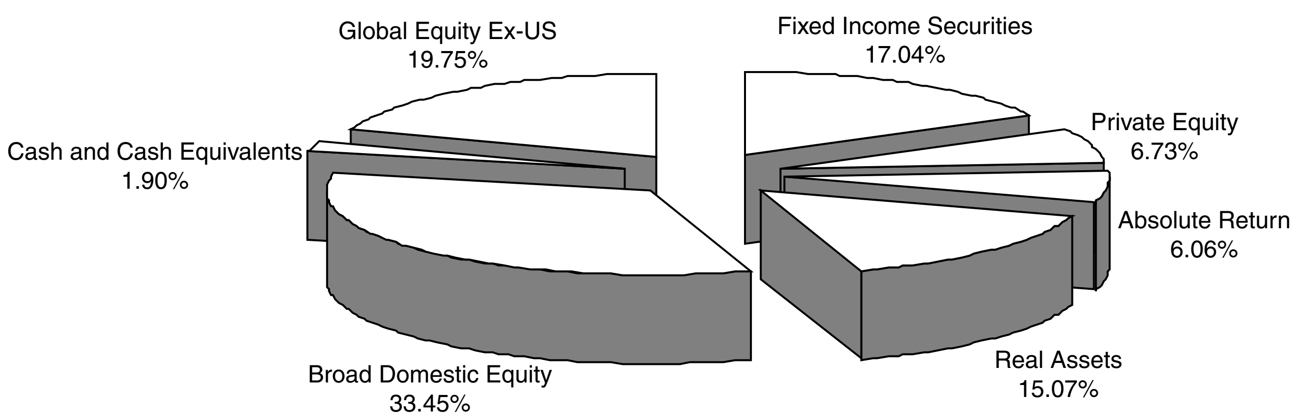


Teachers' Retirement System
Asset Allocation
June 30, 2009

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

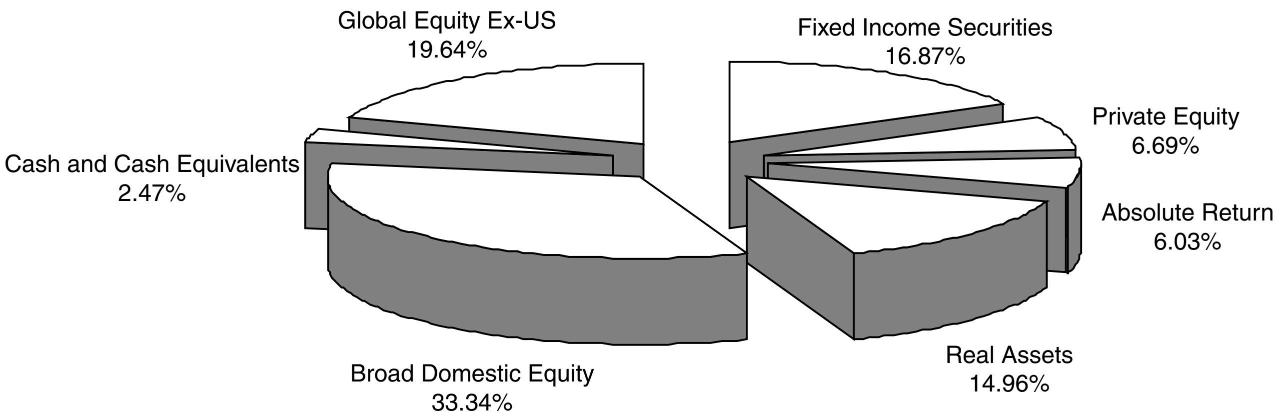


Actual — Defined Contribution Health Reimbursement Arrangement

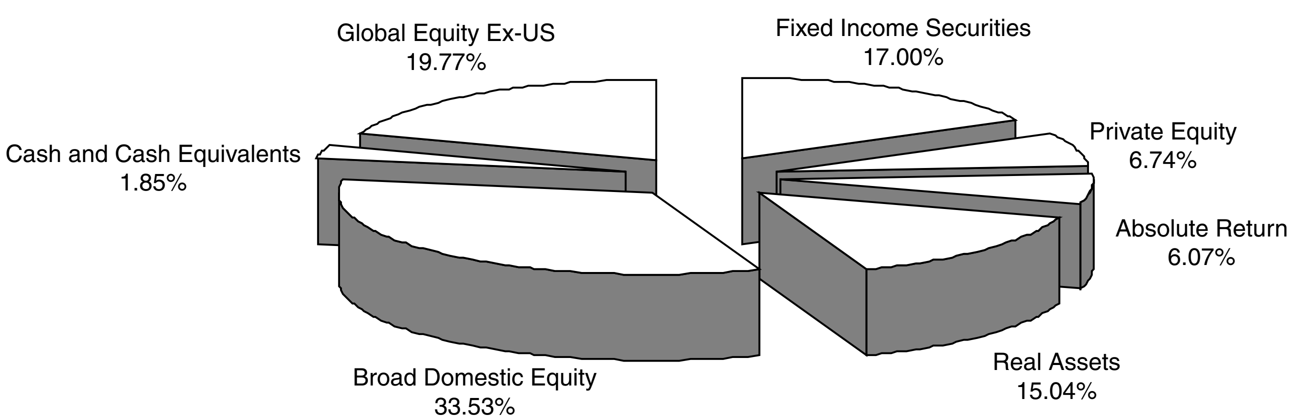


Teachers' Retirement System
Asset Allocation
June 30, 2009

Actual — Defined Contribution Occupational Death & Disability



Actual — Defined Contribution Retiree Medical Plan



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

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

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

Note: As of 06/30/09, TRS Pension owned 32.29% of the above pool of fixed income securities

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

Note: As of 06/30/09, TRS Pension owned 33.63% of the above pool of equity securities

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

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

Investment Management Fees	Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	$ 56,810,266	$ 145,564
High Yield Pool		
* Mackay Shields, LLC	41,817,083	181,263
* ING Investments	40,657,789	186,817
Total High Yield	82,474,872	368,080
Domestic Equity Pool		
** Relational Investors	64,652,806	580,066
* Barrow,Hanley, Mewhinney & Strauss, Inc	28,006,024	145,563
* Capital Guardian Trust	58,680,538	145,963
* Jennison Associates LLC	39,235,924	243,108
* Lazard Asset Management	69,984,809	336,290
* Lord Abbett & Co.	40,564,176	312,467
* Luther King Cap. Management	31,615,389	178,361
* McKinley Capital	82,100,255	362,741
* Quantitative Management Associates	27,357,226	64,291
* Dresdner RCM Capital	93,532,759	282,762
* SSgA Russell 1000 Growth	113,600,750	22,411
* SSgA Russell 1000 Value	154,228,276	26,834
* SSgA Russell 2000 Growth	4,768,764	5,579
* SSga Russell 2000 Value	84,627,676	30,970
* SSgA Russell 200	317,693,583	37,248
* SSgA Futures Large Cap	2,513,763	4,188
* SSgA Future Small Cap	2,479,837	3,453
* Turner Investment Partners	33,225,337	264,990
Total Domestic Equities	1,248,867,892	3,047,285
Private Equity Pool		
** Blum Capital Partners-Public (Stinson)	-	53,947
** Blum Capital Partners-Strategic	7,797,052	144,352
** Warburg Pincus X	2,294,304	135,097
** Angelo Gordon & Co.	5,676,370	75,572
** Onex Partners	202,201	40,772
* Pathway Capital Management	142,151,705	590,033
* Abbott Capital Management	164,099,274	395,584
Total Private Equities	322,220,906	1,435,357
International Equity Pool		
* SSgA	64,983,296	363,231
* Brandes Investment Partners	208,807,817	719,785
* Capital Guardian Trust Co.	134,785,939	409,716
* McKinley Capital Mgmt.	78,281,693	452,318
* Lazard Freres	88,594,519	334,055
Total International Equities	575,453,265	2,279,105
Absolute Return Pool		
** Mariner Investment Group	67,799,359	567,232
** Cadogan Management LLC	34,441,516	301,163
** Crestline Investors Inc.	63,651,595	569,530
Total Absolute Return	165,892,470	1,437,925
Emerging Markets Equity Pool		
** The Capital Group Inc.	77,321,352	391,806
** Lazard Freres Asset Managers	45,246,415	-
** Eaton Vance	37,093,981	203,056
Total Emerging Markets	159,661,748	594,862

(continued)

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

	Fair Value	Fees
Real Estate Pool		
** JPM Strategic	$ 3,608,557	$ 625,383
** UBS Consolidated	22,431,340	220,797
** Cornerstone	51,546,425	352,682
** Lasalle	57,558,792	440,129
** Sentinel , SA	29,789,418	188,439
** UBS Separate	91,086,970	609,600
** Coventry -	-	210,398
** Lowe Hospitality	4,719,200	62,499
** Cornerstone Rotational	278	-
** ING Clarion	7,323,701	88,079
** Lehman Brothers Real Estate Partners	28,265,860	515,351
** Rothschild Five Arrows	11,923,331	89,695
** Tishman Speyer	17,065,756	461,792
** BlackRock Diamond	12,918,954	252,705
** Colony Investors VIII, L.P.	3,769,512	346,115
** LaSalle Medical Office Fund II	3,981,384	135,234
** Cornerstone Apartment Venture III	3,679,855	58,390
Total Real Estate	399,669,333	4,657,288
Timber Pool		
** Timberland INVT Resources	34,960,222	43,111
** Hancock Natural Resource Group	12,094,994	-
Total Timber Pool	47,055,216	43,111
Farmland Pool		
** UBS Agrivest	89,509,954	320,581
** Hancock Agriculture Investment Group	43,635,337	577,157
Total Farmland	133,145,291	897,738
Farmland Water Pool		
** Hancock Farmland & Water	2,751,867	21,578
** UBS Agrivest	7,797,175	46,155
Total Farmland Water Pool	10,549,042	67,733
Energy Pool		
** TCW Energy Fund XD	7,819,994	115,661
** TCW Energy Fund XIV-A	15,772,588	589,257
Total Energy Pool	**$ 23,592,582**	704,918
Custodian		
* State Street Bank		332,904
Investment Advisory		
* Townsend Group		22,965
* Callan Associates		4,281
* Investment Advisory Council		9,394
Total Investment Advisory		36,640
Investment Performance		
* Callan Associates		91,195
Total External Management Fees		**$ 16,139,705**

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

Teachers' Retirement System
Investment Summary Schedule

June 30, 2009

Investments (at Fair Value)	Defined Benefit - Pension: Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 14,466,304	
Total Cash and Cash Equivalents	0.00%	0-3%	14,466,304	0.56%
Fixed Income Securities				
Retirement Fixed Income Pool			285,082,756	
High Yield Pool			56,322,246	
International Fixed Income Pool			38,632,539	
Emerging Debt Pool			19,547,870	
Total Fixed Income Securities	18.00%	15-21%	399,585,411	15.40%
Broad Domestic Equity				
Broad Domestic Equity			853,582,911	
Total Broad Domestic Equity	34.00%	28-40%	853,582,911	32.91%
Global Equity Ex-U.S.				
International Equity Pool			389,603,505	
Emerging Markets Equity Pool			110,170,664	
Total Global Equity Ex-U.S.	20.00%	16-24%	499,774,169	19.26%
Private Equity				
Private Equity Pool			230,646,429	
Total Private Equity	7.00%	2-12%	230,646,429	8.89%
Absolute Return				
Absolute Return Pool			111,351,612	
Total Absolute Return	6.00%	2-10%	111,351,612	4.29%
Real Assets				
Real Estate Pool			298,995,943	
Real Estate Investment Trust Pool			7,347,091	
Energy Pool			16,728,825	
Farmland Pool			94,474,061	
Farmland Water Pool			10,549,042	
Timber Pool			42,210,626	
Treasury Inflation Protected Securities Pool			14,633,719	
Mortgages			9,166	
Total Real Assets	15.00%	7-23%	484,948,473	18.69%
Total Invested Assets	**100.00%**		**$2,594,355,309**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule

June 30, 2009

Investments (at Fair Value)	Defined Benefit - Alaska Retiree Healthcare Trust Asset Allocation Policy	Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 4,006,175	
Total Cash and Cash Equivalents	3.00%	0-8%	4,006,175	0.36%
Fixed Income Securities				
Retirement Fixed Income Pool			130,789,888	
High Yield Pool			25,999,624	
International Fixed Income Pool			18,026,078	
Emerging Debt Pool			9,063,793	
Total Fixed Income Securities	20.00%	17-23%	183,879,383	16.45%
Broad Domestic Equity				
Broad Domestic Equity			392,458,457	
Total Broad Domestic Equity	37.00%	31-43%	392,458,457	35.10%
Global Equity Ex-U.S.				
International Equity Pool			184,594,303	
Emerging Markets Equity Pool			49,078,874	
Total Global Equity Ex-U.S.	22.00%	18-26%	233,673,177	20.90%
Private Equity				
Private Equity Pool			91,005,772	
Total Private Equity	3.00%	0-8%	91,005,772	8.14%
Absolute Return				
Absolute Return Pool			54,028,777	
Total Absolute Return	7.00%	0-11%	54,028,777	4.83%
Real Assets				
Real Estate Pool			100,093,929	
Real Estate Investment Trust Pool			2,933,411	
Energy Pool			6,779,881	
Farmland Pool			38,589,171	
Farmland Water Pool			-	
Timber Pool			4,655,473	
Treasury Inflation Protected Securities Pool			5,913,441	
Mortgages			-	
Total Real Assets	8.00%	0-13%	158,965,306	14.22%
Total Invested Assets	**100.00%**		**$1,118,017,047**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule

June 30, 2009

Defined Contribution - Health Reimbursement Arrangement

Investments (at Fair Value)	Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 106,213	
Total Cash and Cash Equivalents	0.00%	0-3%	106,213	1.90%
Fixed Income Securities				
Retirement Fixed Income Pool			730,117	
High Yield Pool			101,492	
International Fixed Income Pool			100,595	
Emerging Debt Pool			22,254	
Total Fixed Income Securities	18.00%	15-21%	954,458	17.04%
Broad Domestic Equity				
Broad Domestic Equity			1,874,291	
Total Broad Domestic Equity	34.00%	28-40%	1,874,291	33.45%
Global Equity Ex-U.S.				
International Equity Pool			832,849	
Emerging Markets Equity Pool			273,439	
Total Global Equity Ex-U.S.	20.00%	16-24%	1,106,288	19.75%
Private Equity				
Private Equity Pool			377,251	
Total Private Equity	7.00%	0-12%	377,251	6.73%
Absolute Return				
Absolute Return Pool			339,687	
Total Absolute Return	6.00%	0-10%	339,687	6.06%
Real Assets				
Real Estate Pool			384,382	
Real Estate Investment Trust Pool			53,189	
Energy Pool			55,640	
Farmland Pool			54,433	
Farmland Water Pool			-	
Timber Pool			126,137	
Treasury Inflation Protected Securities Pool			170,407	
Mortgages			-	
Total Real Assets	15.00%	0-20%	844,188	15.07%
Total Invested Assets	**100.00%**		**$ 5,602,376**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule

June 30, 2009

	Defined Contribution - Occupational Death & Disability			
	Asset Allocation		Fair	% of Total
Investments (at Fair Value)	**Policy**	**Range**	**Market Value**	**Assets**
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 22,459	
Total Cash and Cash Equivalents	0.00%	0-3%	22,459	2.47%
Fixed Income Securities				
Retirement Fixed Income Pool			116,956	
High Yield Pool			16,348	
International Fixed Income Pool			16,201	
Emerging Debt Pool			3,585	
Total Fixed Income Securities	18.00%	15-21%	153,090	16.87%
Broad Domestic Equity				
Broad Domestic Equity			302,445	
Total Broad Domestic Equity	34.00%	28-40%	302,445	33.34%
Global Equity Ex-U.S.				
International Equity Pool			134,246	
Emerging Markets Equity Pool			44,042	
Total Global Equity Ex-U.S.	20.00%	16-24%	178,288	19.64%
Private Equity				
Private Equity Pool			60,758	
Total Private Equity	7.00%	0-12%	60,758	6.69%
Absolute Return				
Absolute Return Pool			54,713	
Total Absolute Return	6.00%	0-10%	54,713	6.03%
Real Assets				
Real Estate Pool			61,907	
Real Estate Investment Trust Pool			8,567	
Energy Pool			8,962	
Farmland Pool			8,773	
Farmland Water Pool			-	
Timber Pool			20,152	
Treasury Inflation Protected Securities Pool			27,448	
Mortgages			-	
Total Real Assets	15.00%	0-20%	135,809	14.96%
Total Invested Assets	**100.00%**		**907.562**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule

June 30, 2009

Investments (at Fair Value)	Defined Contribution - Retiree Medical Plan: Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 35,761	
Total Cash and Cash Equivalents	0.00%	0-3%	35,761	1.85%
Fixed Income Securities				
Retirement Fixed Income Pool			251,857	
High Yield Pool			35,162	
International Fixed Income Pool			34,853	
Emerging Debt Pool			7,711	
Total Fixed Income Securities	18.00%	15-21%	329,583	17.00%
Broad Domestic Equity				
Broad Domestic Equity			649,789	
Total Broad Domestic Equity	34.00%	28-40%	649,789	33.53%
Global Equity Ex-U.S.				
International Equity Pool			288,362	
Emerging Markets Equity Pool			94,728	
Total Global Equity Ex-U.S.	20.00%	16-24%	383,090	19.77%
Private Equity				
Private Equity Pool			130,694	
Total Private Equity	7.00%	0-12%	130,694	6.74%
Absolute Return				
Absolute Return Pool			117,682	
Total Absolute Return	6.00%	0-10%	117,682	6.07%
Real Assets				
Real Estate Pool			133,171	
Real Estate Investment Trust Pool			18,428	
Energy Pool			19,274	
Farmland Pool			18,853	
Farmland Water Pool			-	
Timber Pool			42,829	
Treasury Inflation Protected Securities Pool			59,026	
Mortgages			-	
Total Real Assets	15.00%	0-20%	291,581	15.04%
Total Invested Assets	**100.00%**		**1,938,180**	**100.00%**

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

Domestic Equity	International Equity	Total
$ 6,437	1,132	7,569

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

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

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

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ACTUARIAL SECTION

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August 27, 2009

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

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

Actuarial Certification

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

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

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

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

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

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

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

(2) Schedule of active member valuation data (Section 2.2(c))

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

(4) Solvency test (Section 3.3)

(5) Analysis of financial experience (Section 3.1)

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

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

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

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

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY09 and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities increased from 61.5% to 64.8% during the year. This report provides an analysis of the factors that led to the increase. This report also provides a history of the funding ratio of the System.

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

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

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

(2) changes in actuarial assumptions or methods;

(3) changes in statutory provisions; or

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

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

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The Alaska Retirement Management Board, The Department of Revenue, and
The Department of Administration
August 27, 2009
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The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

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

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

Sincerely,

David H. Slishinsky

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

Michelle M. R. DeLange

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

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

Melissa A. Bissett

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

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

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

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

Valuation of Liabilities

A. Actuarial Method - Entry Age Actuarial Cost

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

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

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

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

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

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 was phased in over the next five years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

C. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska 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 costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data.

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

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

2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting and the State's approved RDS listing from Medicare were used to augment cost data 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 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 4.0% of the current Medicare retiree population does not receive Part A coverage.

All 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 1.78 months for medical claims and 0.6 months for prescription claims. This "trend and blend" methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year's data in the 5-year experience period at approximately 20%. We also incorporated actual administrative costs that are projected to increase at 5%.

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

June 30, 2008 Valuation – FY 2009 Claims Cost Rates

	Medical		
	Pre-Medicare	Medicare A&B	Medicare B Only
Calendar 2005 Paid Claims	**$146,356,647**	**$25,618,571**	**$3,976,509**
Membership	33,343	18,603	979
Paid Claims Cost Rate	$4,389	$1,377	$4,061
Trend to FY2009	1.360	1.360	1.360
FY 2009 Paid Cost Rate	$5,968	$1,872	$5,522
Paid to Incurred Factor**	1.014	1.014	1.014
FY 2009 Incurred Cost Rate	**$6,054**	**$1,899**	**$5,602**
Calendar 2006 Paid Claims	**$150,287,171**	**$24,546,905**	**$4,079,223**
Membership	33,473	19,490	1,026
Paid Claims Cost Rate	$4,490	$1,259	$3,977
Trend to FY2009	1.261	1.261	1.261
FY 2009 Paid Cost Rate	$5,660	$1,558	$5,013
Paid to Incurred Factor**	1.014	1.014	1.014
FY 2009 Incurred Cost Rate	**$5,741**	**$1,611**	**$5,085**
Fiscal 2007 Paid Claims	**$129,762,975**	**$22,677,328**	**$3,524,812**
Membership	33,446	20,315	1,069
Paid Claims Cost Rate	$3,880	$1,116	$3,297
Trend to FY2009	1.216	1.216	1.216
FY 2009 Paid Cost Rate	$4,719	$1,358	$4,010
Paid to Incurred Factor**	1.014	1.014	1.014
FY2009 Incurred Cost Rate	**$4,787**	**$1,377**	**$4,067**
Fiscal 2009 Paid Claims	**$169,598,064**	**$28,657,490**	**$6,079,463**
Membership	33,630	21,434	893
Paid Claims Cost Rate	$5,043	$1,337	$6,807
Trend to FY2009	1.102	1.102	1.102
FY 2009 Paid Cost Rate	$5,555	$1,473	$7,499
Paid to Incurred Factor**	1.014	1.014	1.014
FY 2009 Incurred Cost Rate	**$5,635**	**$1,494**	**$7,607**
Weighted Average 7/1/2008 – 6/30/2009 Incurred Claims Cost Rates:			
At average age	$5,601	$1,640	$5,189
At age 65*	$7,670	$1,296	$3,384

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

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

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

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

June 30, 2008 Valuation – FY 2009 Claims Cost Rates (cont.)

	Prescription Drugs			
	Pre-Medicare	Medicare A&B	Medicare B Only	Total
Calendar 2005 Paid Claims	**$42,812,358**	**$35,481,585**	**$ 1,999,302**	**$256,244,972**
Membership	33,343	18,603	979	52,925
Paid Claims Cost Rate	$1,284	$1,907	$2,042	$4,842
Trend to FY2009	1.442	1.442	1.442	
FY 2009 Paid Cost Rate	$1,852	$2,751	$2,945	$6,708
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,862**	**$2,766**	**$2,962**	**$6,785**
Calendar 2006 Paid Claims	**$45,461,356**	**$39,644,399**	**$2,235,948**	**$266,255,002**
Membership	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	$1,358	$2,034	$2,180	$4,932
Trend to FY2009	1.303	1.303	1.303	
FY 2009 Paid Cost Rate	$1,770	$2,651	$2,841	$6,286
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,780**	**$2,666**	**$2,857**	**$6,358**
Fiscal 2007 Paid Claims	**$46,176,199**	**$42,348,638**	**$2,391,089**	**$246,881,041**
Membership	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	$1,381	$2,085	$2,236	$4,503
Trend to FY2009	1.241	1.241	1.241	
FY 2009 Paid Cost Rate	$1,714	$2,587	$2,776	$5,518
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,723**	**$2,602**	**$2,791**	**$5,570**
Fiscal 2008 Paid Claims	**$53,506,123**	**$52,529,773**	**$2,346,512**	**$312,717,425**
Membership	33,630	21,434	893	55,957
Paid Claims Cost Rate	$1,591	$2,451	$2,627	$5,589
Trend to FY2009	1.112	1.112	1.112	
FY 2009 Paid Cost Rate	$1,769	$2,724	$2,921	$6,176
Paid to Incurred Factor**	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$1,779**	**$2,740**	**$2,937**	**$6,246**
Weighted Average 7/1/2008 – 6/30/2009 Incurred Claims Cost Rates:				
At average age	$1,794	$2,719	$2,917	$6,310
At age 65*	$2,379	$2,379	$2,379	$7,322

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, 2008 through June 30, 2009

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

D. Actuarial Assumptions

1.	Investment Return/ Discount Rate	8.25% per year, compounded annually, net of expenses.
2.	Salary Scale	Inflation - 3.5% per year 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 (Preretirement)	Based upon the 2001-2005 actual experience (see Table 1). 60% of the 1994 Group Annuity Table, 1994 Base Year without margin 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 without margin 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 those terminating are assumed to have their contributions refunded.
13.	COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.
14.	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.
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.

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

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

21. Per Capita Claims Cost — Sample claims cost rates for FY09 medical benefits are shown below:

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

22. Third Party Administrator Fees — $153.49 per person per year; assumed trend rate of 5% per year.

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

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

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

24. 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

25. 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 FY09 contributions based on monthly rates shown below for calendar 2008 and 2009 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in Tier 2 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled:

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

26. Trend Rate for Retired Member Medical Contributions

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

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

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

27. 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	Current Age 25 Male	Current Age 25 Female	Year of Employment	Current Age 40 Male	Current Age 40 Female
1	14.85%	13.42%	1	14.76%	13.33%
2	14.84	13.42	2	14.74	13.32
3	13.34	12.06	3	13.22	11.96
4	13.33	12.06	4	13.20	11.95
5	11.82	10.71	5	11.68	10.59
6	10.32	9.35	6	10.15	9.22
7	8.82	8.00	7	8.62	7.86
8	7.31	6.65	8	7.08	6.49

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

Select rates very slightly by age.

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

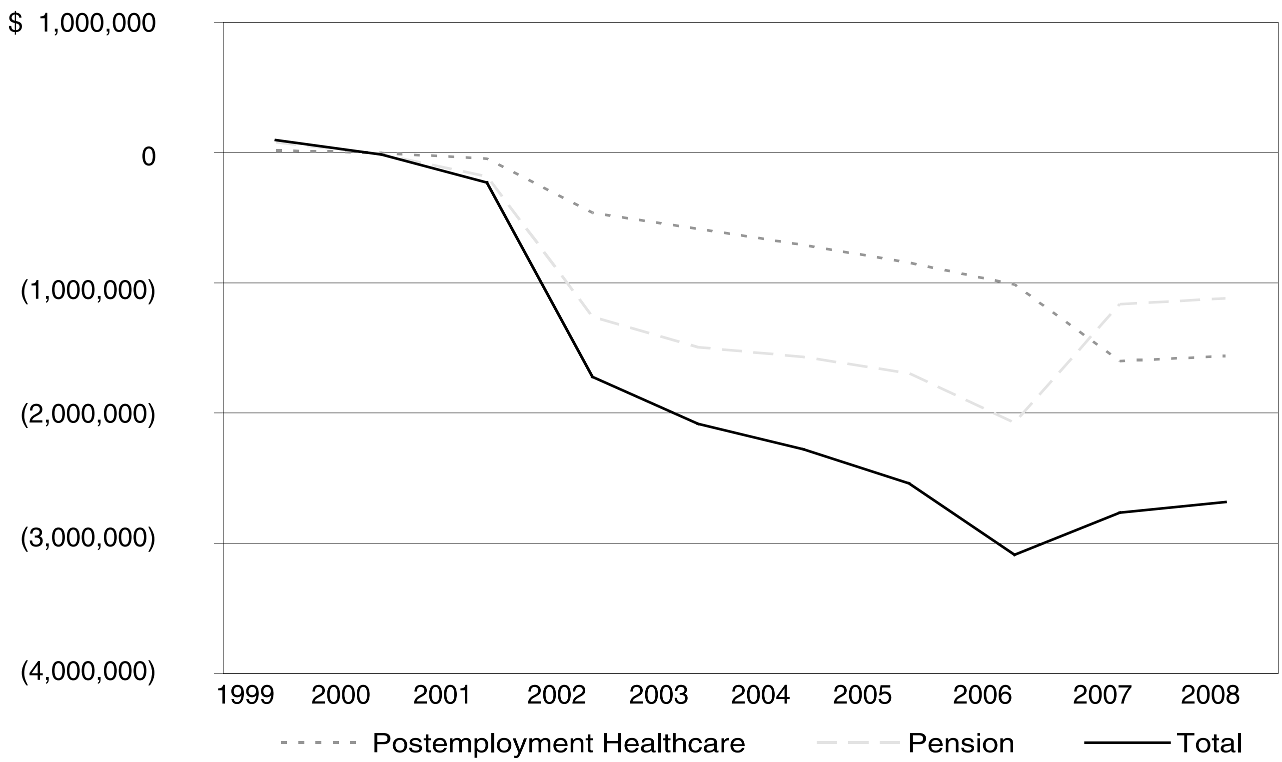
Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Changes in Actuarial Assumptions Since the Prior Valuation

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

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**
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	(1,163,423)	(1,601,581)	(2,765,004)	61.5
2008	(1,120,634)	(1,561,568)	(2,682,202)	64.8

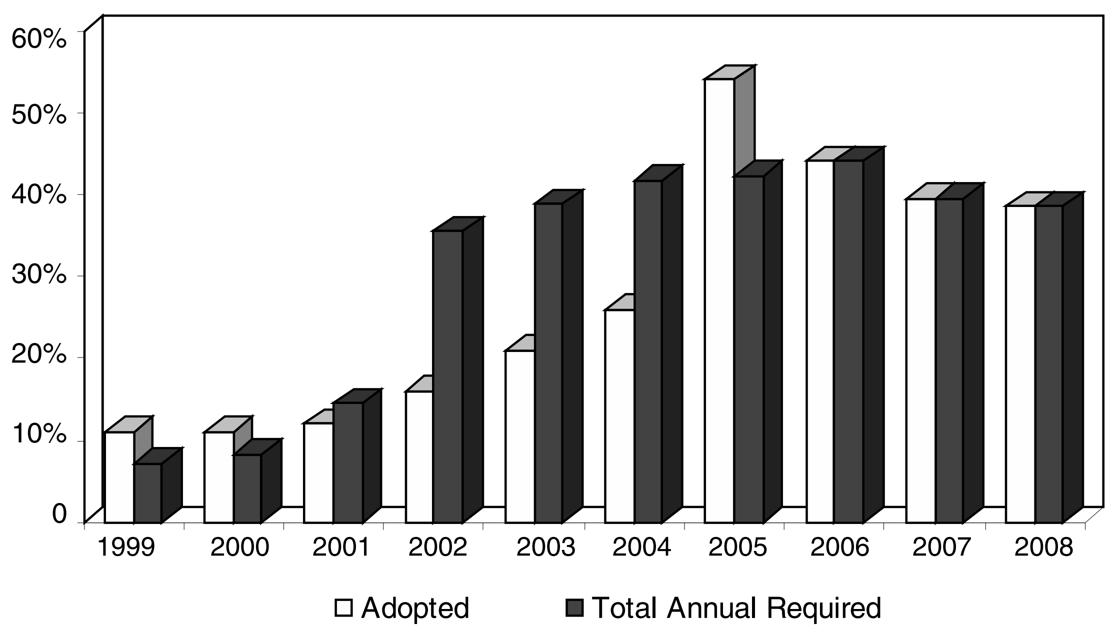
10-YEAR TREND OF UNFUNDED LIABILITY



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
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
2011	2008	7.56	31.00	38.56	38.56

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

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, 2008	8,531	$549,148	$64,371	5.8%	58
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

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, 2008	481	$14,265,236	133	$806,945	10,026	$318,489,833	4.41%	$31.766
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

* Numbers are estimated, and include other internal transfers.

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, 2008[2]	$654,662	$5,181,676	$1,782,840	$4,936,976	100%	82.6%	0.0%
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

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

Teachers' Retirement System
Analysis of Financial Experience

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

Type of Gain or Loss	Change in Employer/State Contribution Rate During Fiscal Year				
	2008	2007	2006	2005	2004
Health Experience	(1.22)%	(3.90)%	(2.52)%	1.47%	-%
Salary Experience	0.43	(0.27)	0.79	(0.26)	0.54
Investment Experience	(0.85)	(1.37)	(0.36)	(0.02)	0.06
Demographic Experience	(0.33)	1.63	(0.27)	(2.10)	(0.85)
Contribution Shortfall	(0.98)	1.31	1.21	1.42	1.24
(Gain) or Loss During Year From Experience	(2.95)	(2.60)	(1.15)	0.51	0.99
Non-recurring changes					
Asset Valuation Method	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-
Assumption and Method Changes	1.98	(2.04)*	3.06	-	1.94
System Benefit Changes	-	-	-	-	-
Change Due to Revaluation of Plan Liability as of June 30, 2004	-	-	-	(0.03)	-
Composite (Gain) Loss During Year	(0.97)	(4.64)	1.91	0.48	2.93
Beginning Employer/State Contribution Rate	39.53	44.17	42.26	41.78	38.85
Ending Employer/State Contribution Rate	38.56%	39.53%	44.17%	42.26%	41.78%
Board Adopted Contribution Rate	38.56%	39.53%	44.17%	54.03%	26.00%
Fiscal Year Above Rate is Applied	FY11	FY10	FY09	FY08	FY07

* Includes change in rate by using total payroll.

Teachers' Retirement System
Analysis of Financial Experience

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

Type of Gain or Loss	Change in Employer/State Contribution Rate During Fiscal Year					
	Pension			Healthcare		
	2008	2007	2006	2008	2007	2006
Health Experience	-%	-%	-%	(1.22)%	(3.90)%	(2.52)%
Salary Experience	0.43	(0.27)	0.79	-	-	-
Investment Experience	(0.62)	(0.32)	0.10	(0.23)	(1.05)	(0.46)
Demographic Experience	(0.33)	1.63	(0.27)	-	-	-
Contribution Shortfall	(0.11)	0.42	(0.41)	(0.87)	0.89	1.62
(Gain) or Loss During Year From Experience	(0.63)	1.46	0.21	(2.32)	(4.06)	(1.36)
Non-recurring changes						
Asset Valuation Method	-	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-	-
Assumption and Method Changes	-	(1.08)*	2.96	1.98	(0.96)*	0.10
System Benefit Changes	-	-	-	-	-	-
Composite (Gain) Loss During Year	(1.26)	0.38	3.17	(0.34)	(5.02)	(1.26)
Beginning Employer/State Contribution Rate	20.95	20.57	17.40	18.58	23.60	24.86
Ending Employer/State Contribution Rate	20.32	20.95	20.57	18.24	18.58	23.60
Fiscal Year Above Rate is Applied	FY11	FY10	FY09	FY11	FY10	FY09

* 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, 2008. 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

Survivors who 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) Additional State Contributions

Pursuant to AS 14.25.070 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

(8) Member Contributions

Mandatory Contributions: 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.

[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

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.

(9) Retirement Benefits

Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 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 Public Employees' Retirement System (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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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

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

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

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.

(10) 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).

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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

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

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

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

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

(11) 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 their surviving spouses and (2) members and their surviving spouses 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) and their surviving spouses may receive major medical benefits prior to age sixty by paying premiums.

(12) 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.

(13) Death Benefits

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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

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

Lump Sum 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 (below) may be payable if the member made supplemental contributions for at least one year and dies while in membership service or while disabled under the TRS. In addition, the allowance and pension may be payable if the member dies while retired or in deferred vested status if supplemental contributions were made for at least five years.

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

(b) Spouse's Pension: The spouse's pension is equal to 50% of the retirement benefit that the deceased member was receiving or 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(14) 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, excluding the Alaska COLA, times:

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

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

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990 (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.

(15) Alaska Cost of Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits. 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.

Changes in Plan Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation. SB 125 was passed in 2008 which provides for an additional State contribution necessary to pay the adopted rate by the Board.

STATISTICAL SECTION

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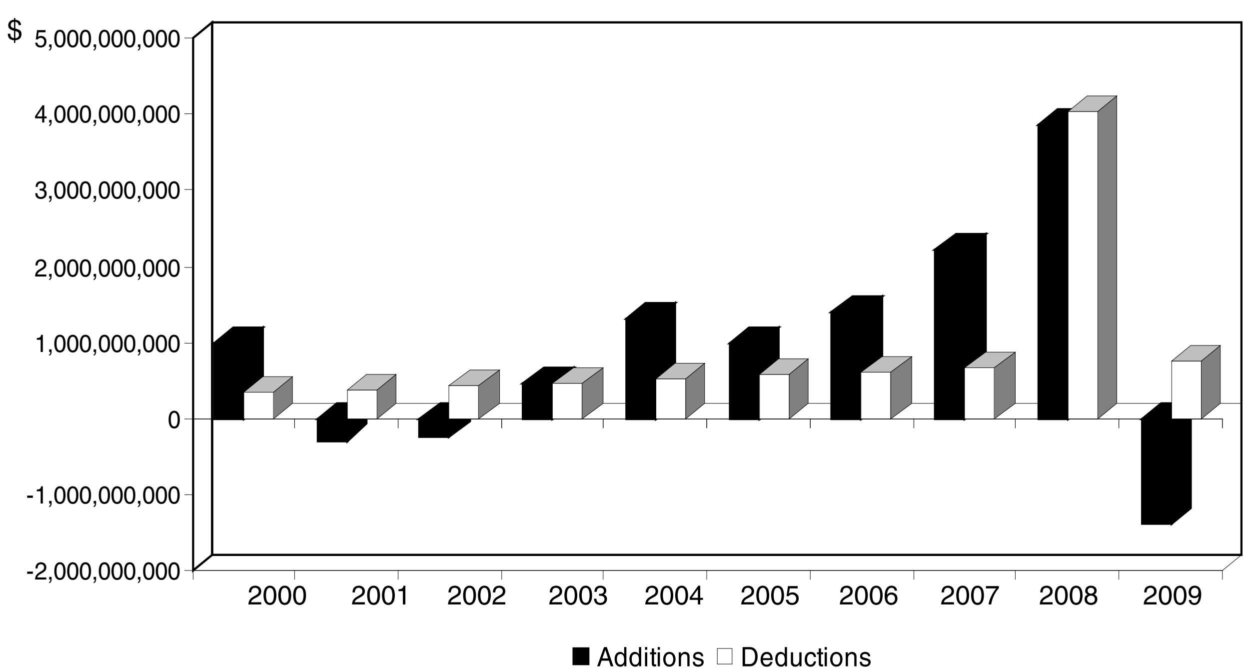
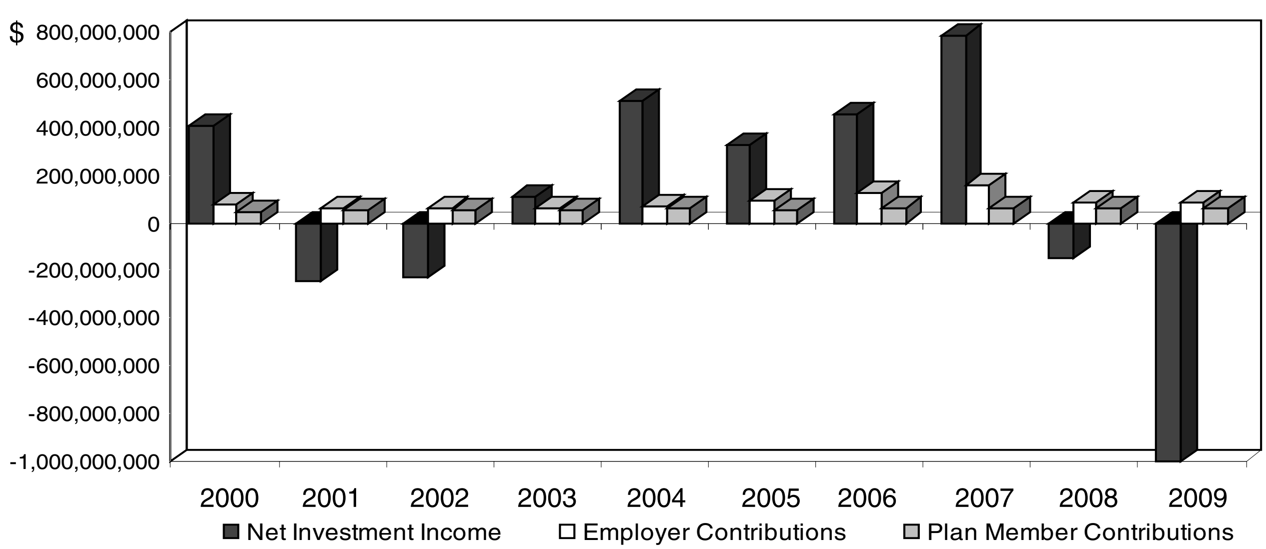
Teachers' Retirement System Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2000	4,204,019	529,828	248,945	280,883	4,484,902
2001	4,484,902	(132,501)	265,553	(398,054)	4,086,848
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
2009	4,823,247	(639,113)	421,188	(1,060,301)	3,762,946

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS



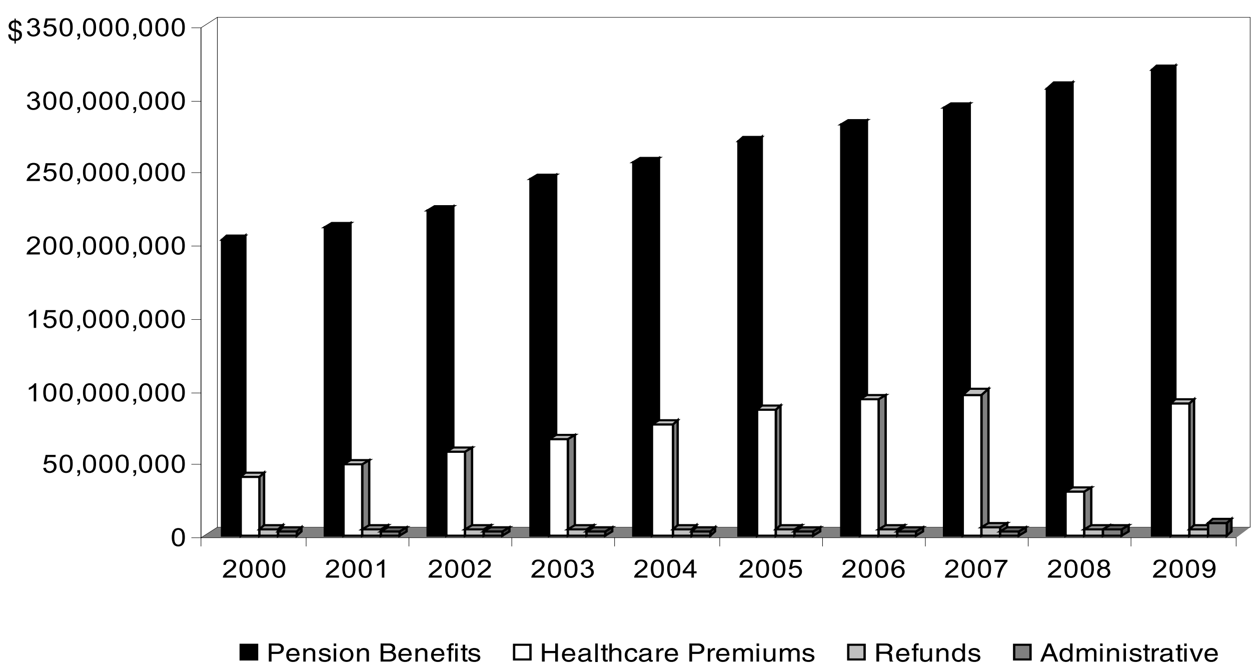
Teachers' Retirement System Additions by Source (In thousands)							
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Transfer	Other	Total
2000	$ 48,505	$ 74,714	$ -	$ 406,609	$ -	$ -	$ 529,828
2001	48,725	64,141	-	(245,363)	-	(4)	(132,501)
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
2009	61,736	86,128	206,300	(996,876)	-	3,598	(639,113)

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
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
2009	319,148	89,571	4,067	8,402	-	421,188

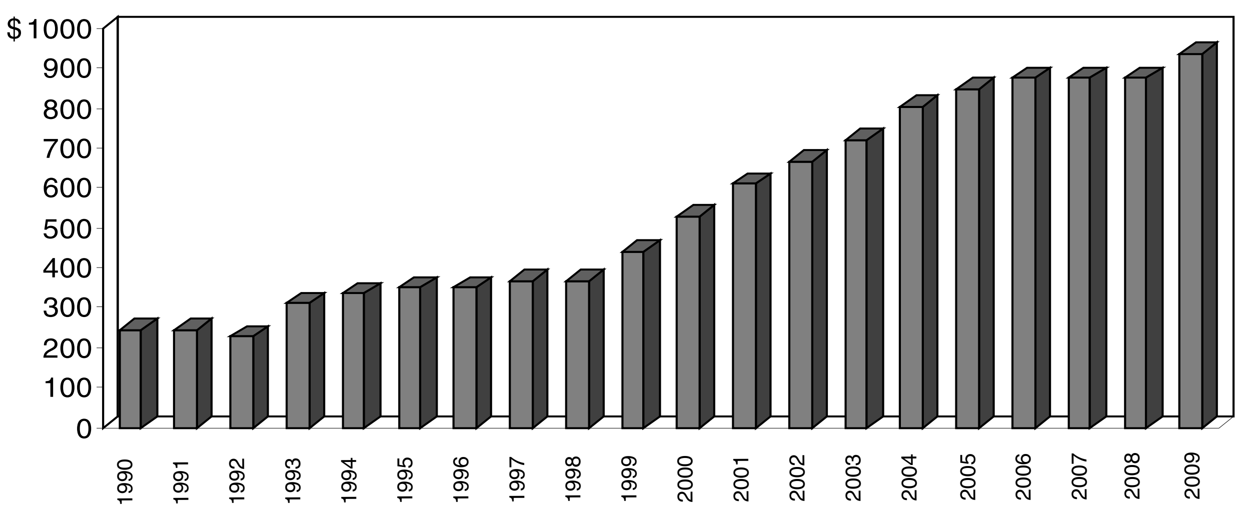
10-YEAR COMPARISON OF DEDUCTIONS BY TYPE



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

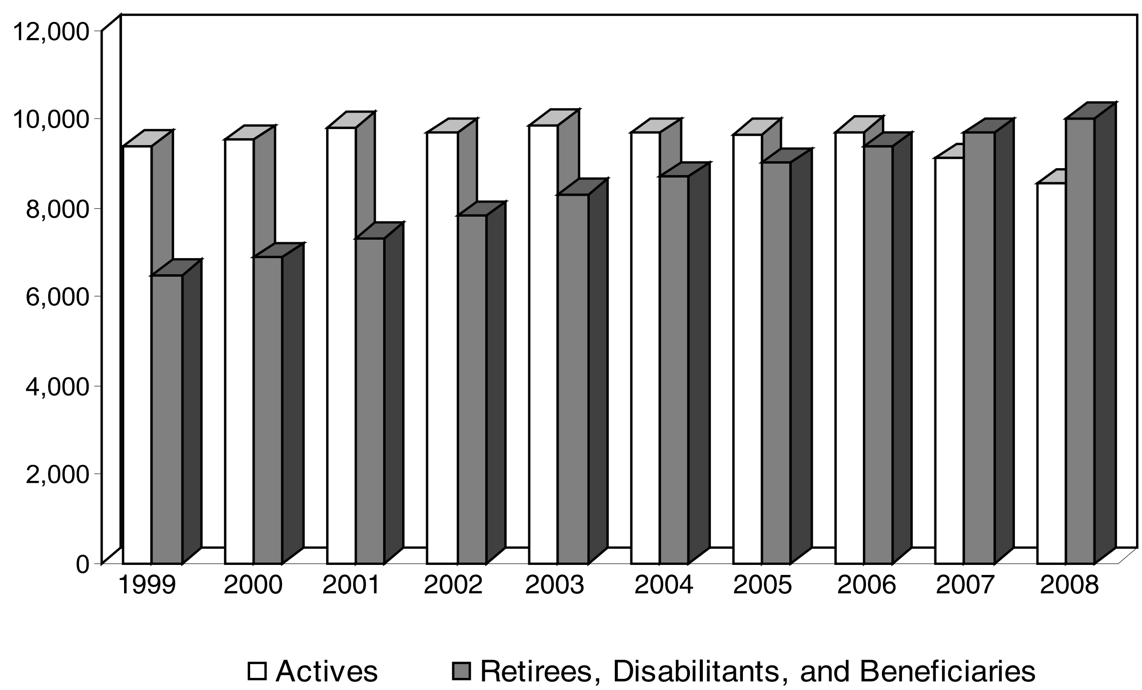
Year Ended June 30	Service	Disability	Survivor	Dependent	Healthcare	Total
2000	$191,138	$4,601	$7,059	$ 129	$40,183	$243,110
2001	201,338	3,410	5,784	413	48,928	259,873
2002	213,106	2,979	6,320	492	56,946	279,843
2003	234,253	2,872	6,901	492	65,898	310,416
2004	245,122	2,483	7,345	459	75,601	331,010
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
2009	306,748	1,692	10,688	20	103,093	422,241

20-YEAR COMPARISON OF RETIREE MONTHLY HEALTHCARE PREMIUMS



Teachers' Retirement System System Membership by Status					
Year Ended June 30	**Active**	**Retirees, Disabilitants & 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	9,710	9,386	795	3,085	22,976
2007	9,107	9,678	846	3,044	22,675
2008	8,531	10,026	873	2,971	22,401

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



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

Amount of Monthly Benefit	Number of Recipients	Type of Benefit: Service	Survivor/QDRO	Disability
$ 1 - 300	165	128	37	-
301 - 600	328	257	71	-
601 - 900	571	458	113	-
901 - 1,200	608	508	100	-
1,201 - 1,500	590	473	117	-
1,501 - 1,800	598	503	95	-
1,801 - 2,100	654	582	69	3
2,101 - 2,400	863	801	54	8
2,401 - 2,700	966	926	29	11
2,701 - 3,000	920	898	16	6
3,001 - 3,300	826	810	11	5
3,301 - 3,600	740	724	9	7
3,601 - 3,900	593	589	3	1
3,901 - 4,200	434	429	3	2
over 4,200	1,170	1,164	2	4
Totals	10,026	9,250	729	47

Schedule of Benefit Recipients by Option Selected
Valuation as of June 30, 2008

Amount of Monthly Benefit	Number of Recipients	Option Selected: 1	2	3	4
$ 1 - 300	165	91	34	30	10
301 - 600	328	170	71	70	17
601 - 900	571	310	122	111	28
901 - 1,200	608	352	137	96	23
1,201 - 1,500	590	322	117	127	24
1,501 - 1,800	598	334	119	126	19
1,801 - 2,100	654	339	142	154	19
2,101 - 2,400	863	444	182	208	29
2,401 - 2,700	966	481	204	254	27
2,701 - 3,000	920	488	172	241	19
3,001 - 3,300	826	431	130	244	21
3,301 - 3,600	740	426	121	180	13
3,601 - 3,900	593	341	75	168	9
3,901 - 4,200	434	230	56	142	6
over 4,200	1,170	643	138	357	32
Totals	10,026	5,402	1,820	2,508	296

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 7/1/01 - 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
Period 7/1/07 - 6/30/08:							
Average Monthly Benefit	$ 209	$ 945	$1,248	$2,226	$2,966	$3,832	$5,057
Number of Recipients	13	44	62	92	95	87	33

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

Teachers' Retirement System Principal Participating Employers June 30, 2009			
Employer	**Non-retired Members**	**Rank**	**Percentage of Total Non-retired Members**
Anchorage School District	4,700	1	32.59%
Matanuska-Susitna Borough School District	1,397	2	9.69
Fairbanks North Star Borough School District	1,242	3	8.61
Total	**7,339**		**50.89%**