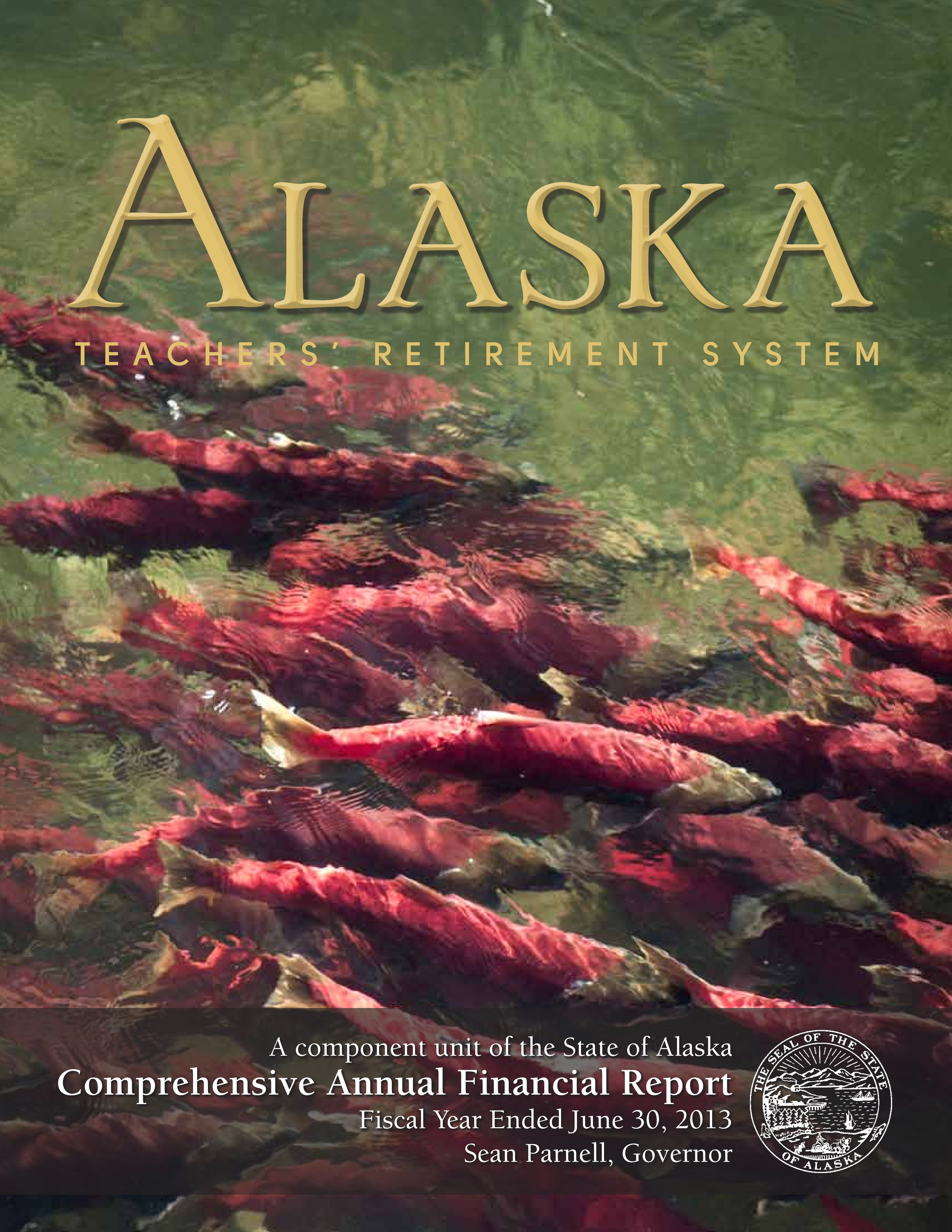

Alaska

Teachers' Retirement System

A component unit of the State of Alaska

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Sean Parnell, Governor

Teachers' Retirement System

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2013

Sean Parnell, Governor

Prepared by

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

Becky Hultberg, Commissioner
Jim Puckett, Director

Located at: 333 Willoughby Avenue
State Office Building, 6th floor
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Alaska Division of Retirement and Benefits

TRS

Teachers' Retirement System

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

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INTRODUCTORY SECTION

THE STATE of ALASKA

GOVERNOR SEAN PARNELL

Department of Administration

DIVISION OF RETIREMENT AND BENEFITS

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333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
FAX: (907) 465-3086
Phone: (907) 465-4460
Toll-Free: (800) 821-2251

LETTER OF TRANSMITTAL

November 26, 2013

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, 2013. The CAFR is intended to fulfill the legal requirements of Alaska Statute (AS) 14.25.004(a)(8).

The CAFR provides comprehensive information on the financial operations of the System for the fiscal 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, 2013. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

KPMG LLP, Certified Public Accountants, have issued an unmodified opinion on the Systems' basic financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the Financial Section of this report.

The management's discussion and analysis (MD&A) is also located in the Financial Section of this report. The MD&A provides an analytical overview of the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the organizational chart of the Division, and a list of the members serving on the Alaska Retirement Management Board (ARMB);

- **Financial Section**, which contains the Independent Auditor's Report, 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.

Profile of the System

The System was established in 1955 to provide pension benefits to teachers and other eligible participants. Post-employment health care benefits were added in July 1, 1975. Senate Bill 141, signed into law on July 27, 2005, closed the Defined Benefits (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, retiree major medical plan, and the health reimbursement arrangement plan.

Reporting Entity

The System is considered a component unit of the State of Alaska (State) for financial reporting purposes. Due to 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 (Division). The Director is responsible for the daily operations of the System.

The ARMB, constituted effective October 1, 2005, replaced the Teachers' Retirement Board (effective July 1, 2005) and the Alaska State Pension Investment Board (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 financial condition of the Systems to the Governor, Legislature, and individual employers participating in the System.

Major Initiatives

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

Effective January 1, 2014, the administration of the AlaskaCare health insurance plans for Public Employees', Teachers', Judicial, and certain state employees will be handled by Aetna. The dental plan will be administered by Moda Health. Additionally, starting in 2014, the health insurance plans will be on a calendar benefit year, a switch from the July to June benefit year.

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 its members. The Division continues to enhance and develop the central Member Services Section with the goals of improving phone service, provide faster processing of all customer requests, and improve member education services.

The System continues to offer a broad array of fairs and seminars directed toward both active members and employers. The goal of all seminars are to: assist employers with successfully marketing of the plans; educating members about all benefits available from early career through to retirement; encouraging healthy living; and, how to best use the health plan.

Funding Requirements

The System's consulting actuary, Buck Consultants, presented the results of the June 30, 2012, 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 52.1%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately $4.5 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.

Investments

On June 30, 2013, the DB Plan's investment portfolio was valued at $5.1 billion and earned a 12.59% return for the fiscal year ended June 30, 2013. The DCR Plan's investment portfolio was valued at $195.0 million for the fiscal year ended June 30, 2013. Over the past five years ending June 30, 2013, the DB Plan's investments earned a 3.98% return. The ARMB has statutory oversight of the System's investments and the Department of Revenue, Treasury Division, provides staff for the ARMB. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The ARMB reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

Accounting System

This CAFR has been prepared to conform to the principles of accounting and reporting established by the GASB. Specific accounting treatments are detailed in the Notes to the Financial Statements found in the Financial Section of this report.

Internal Controls

System management is responsible for establishing and maintaining a system of internal controls to protect TRS assets from loss, theft, or misuse and to ensure adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. 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.

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, 2012. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports.

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 and 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 http://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 are grateful 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,

Becky Hultberg
Commissioner

Jim Puckett
Director

Kevin Worley
Chief Financial Officer

Government Finance Officers Association

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, 2012

Jeffrey R. Esser

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2013

Presented to

Alaska Teachers' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

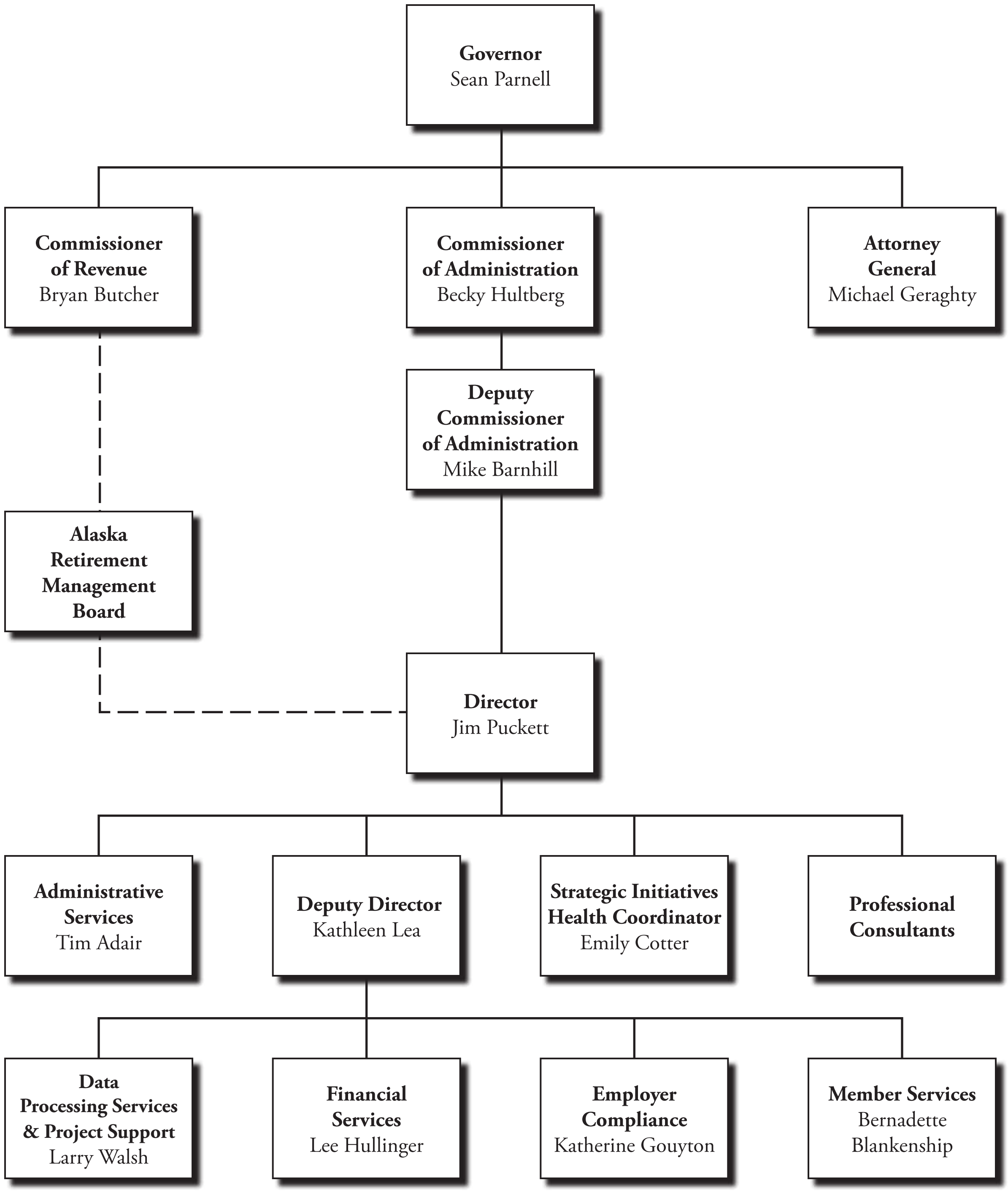
Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

ORGANIZATION CHART

As of June 30, 2013



Section Responsibilities

The **Member Services 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 **Strategic Initiatives Health Coordinator** is responsible for the administration of health, disability, and life insurance. This section provides benefits counseling and plan change information to the membership.

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

The **Data Processing Services and Project Support 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 Services Section** is responsible for budget preparation, fiscal management of appropriations, procurement of professional services, supplies, and equipment. The section manages the System's 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 Consultants
Buck Consultants
Denver, Colorado

Michael Silverman Professional Services
Juneau, Alaska

Maximus Federal Services
Reston, Virginia

Third-Party Healthcare Claim Administrator
HealthSmart Benefit Solutions, Inc.
Charleston, West Virginia

IT Consultants
Computer Task Group
Applied Microsystems, Inc.
Anchorage, Alaska

Alaska IT Group
Juneau, Alaska

Legal Counsel
Joan Wilkerson
Jessica Srader
Rebecca Polizzotto
Toby Steinberger
Assistant Attorney Generals
Juneau, Alaska

Ice Miller LLP
Indianapolis, Indiana

Consulting Physicians
Kim Smith, M.D.
Ward Hurlburt, M.D.
Alex Malter, M.D.
Deborah Lessmeier, M.D.
Myanandi Than, M.D.
Juneau, Alaska

Thomas Rodgers, M.D.
Ford, Washington

A list of investment consultants can be found on pages 81-82 and on the Schedule of External Management Fees on pages 90-91.

ALASKA RETIREMENT MANAGEMENT BOARD

As of June 30, 2013

Gail (Anagick) Schubert, Chair, is the Chief Executive Officer and General Counsel for the Bering Straits Native Corporation, and President/CEO of several of its subsidiary entities. She is an attorney licensed to practice law in the states of Alaska and New York. 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 as a board member of the Alaska Federation of Natives, and the Alaska Native Arts Foundation. She is also a member of the Alaska Rural Justice and Law Enforcement Commission. Mrs. Schubert received her undergraduate degree from Stanford University, and holds a law degree and master's degree in business administration from Cornell University.

Sam Trivette, Vice-Chair, is on the national executive board of the American Federation of Teachers retirees and was formerly President of the Retired Public Employees of Alaska. 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 as 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 (NCTR) Systems, NCTR Education Committee, and the Alaska Teachers' Retirement Board. 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 of Science in mathematics from North Carolina State University, and a master's degree in teaching from the University of Alaska Fairbanks, and has completed an additional 40 hours in mathematics, counseling, law and finance.

Tom Brice is the Business Representative for the Alaska District Council of Laborers administering the contracts in Southeast Alaska for Laborers Local 942 and Public Employees Local 71. He was elected to the position of Vice President of Laborers Local 942 in 2011, and has sat on the negotiating team for the state contract with Public Employees Local 71 for the past three contracts. Prior to this position, Mr. Brice was the Apprenticeship Outreach Coordinator for the Alaska Works Partnership. Here he developed and managed a statewide program focused on assisting qualified rural Alaskans to gain entrance to the various registered Alaskan Building Trade apprenticeships. Mr. Brice also served in the Alaska State House of Representatives between the 18th and 21st legislatures. He has a bachelor's degree from the University of Alaska Fairbanks.

Bryan Butcher was appointed Commissioner of the Department of Revenue by Governor Sean Parnell in November, 2010. Prior to that, he worked at the Alaska Housing Finance Corporation (AHFC) as the director of governmental relations and public affairs and advised Governor Parnell on economic development issues. He also served as vice president of the Alaska Gasline Development Corporation. Before joining AHFC in 2003, Mr. Butcher worked as a finance aide for the state House and Senate finance committees for 12 years. Mr. Butcher holds a Bachelor's Degree in Speech Communications from the University of Oregon. He is a lifelong Alaskan, born and raised in Anchorage.

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 Officers 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.

Becky Hultberg was appointed Commissioner of the Department of Administration by Governor Sean Parnell in December 2010. Most recently Ms. Hultberg served as the regional director of communications and marketing for Providence Health & Services Alaska, leading the organization's efforts around communications, marketing, physician relations and web development. Her past positions include serving as vice president of public relations and strategy for Bradley Reid & Associates and as press secretary in the office of Governor Frank H. Murkowski. A lifelong Alaskan, Becky was born in Anchorage and raised in Kenai. She holds a bachelor's degree in history from Abilene Christian University, in Abilene, Texas, with minors in economics and public service. Ms. Hultberg lives in Juneau with her husband, Jeff, and children Sophie, Brandt and Dane.

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.

Sandra Ryan is a mathematics and tech prep instructor at West Valley High School in Fairbanks, and has been a teacher since 1988. Ms. Ryan teaches Advanced Placement computer science as well as Advanced Placement statistics and accounting. She has worked as a member of two accreditation teams: one for Lathrop High School, the other for West Valley High School. She has served on Professional Learning Teams at West Valley High School, been appointed to the Fairbanks North Star Borough School District Teacher Evaluation team, and was recently nominated as BP Teacher of Excellence. She is a member of the National Education Association Alaska Board of Directors, and a member of the Fairbanks Education Association, serving for the past five years as treasurer. She is also manager of a family trust. Ms. Ryan earned a Bachelor of Science in communication at the University of Texas, Austin, Texas; a Bachelor of Science in mathematics at St. Edward's University, Austin, Texas; and a master's degree in computer science engineering at the University of Alaska Fairbanks. She was appointed by Governor Parnell to a seat reserved for a Teachers' Retirement System representative.

Alaska Division of Retirement and Benefits

TRS

Teachers' Retirement System

FINANCIAL SECTION

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

Independent Auditors' Report

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

We have audited the accompanying statement of system net assets of the State of Alaska Teachers' Retirement System (the System), (a component unit of the State of Alaska), as of June 30, 2013, and the related statement of changes in system net assets for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the system net assets of the State of Alaska Teachers' Retirement System as of June 30, 2013, and the changes in system net assets for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions from Employers and the State of Alaska and the Schedule of Contributions (Defined Contribution Retirement Occupational Death and Disability Benefits and Defined Contribution Retirement Retiree Medical Benefits) on pages 15-23 and 54-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental schedules on pages 75-77 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 18, 2013

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

Management's Discussion and Analysis

June 30, 2013
(With summarized financial information for June 30, 2012 and 2011)

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, 2013 and 2012. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal year ended June 30, 2013. Information for fiscal year 2012 and 2011 is presented for comparative purposes.

Financial Highlights

The System financial highlights as of June 30, 2013 were as follows:

- The System's net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals increased by $561.0 million during fiscal year 2013.
- The System's plan member and employer contributions decreased by $456 thousand during fiscal year 2013.
- The State of Alaska directly appropriated $302.8 million during fiscal year 2013 as statutorily required.
- The System net investment income increased $594.4 million to $608.3 million during fiscal year 2013.
- The System's pension benefit expenditures totaled $380.3 million during fiscal year 2013.
- The System's postemployment healthcare benefit expenditures totaled $120.9 million in fiscal year 2013.

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 composed of three components: (1) statement of system net assets, (2) statement of changes in system net assets, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Statements of System Net Assets – This statement presents information regarding the System's assets, liabilities, and resulting net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals. 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, 2013 and 2012.

Statements of Changes in System Net Assets – This statement presents how the System's net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals changed during the fiscal years ended June 30, 2013 and 2012. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis
June 30, 2013
(With summarized financial information for June 30, 2012 and 2011)

The above statements represent resources available for investment and payment of benefits as of June 30, 2013 and 2012, and the sources and uses of those funds during fiscal years 2013 and 2012.

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 are essential to a full understanding of the System's financial statements.

Required Supplementary Information and Related Notes – The required supplementary information consists of seven 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 detailed information on administrative and investment deductions incurred by the System and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information (In thousands)

System Net Assets

Description	2013	2012	Increase/(decrease) Amount	Increase/(decrease) Percentage	2011
Assets:					
Cash and cash equivalents	$ 81,133	93,983	(12,850)	(13.7)%	$ 27,345
Due from State of Alaska General Fund	4,177	4,943	(766)	(15.5)	10,736
Contributions receivable	5,711	4,335	1,376	31.7	4,404
Due from Retiree Health Fund	1	3	(2)	(66.7)	1
Other receivables	5	—	5	100.0	3,360
Investments, at fair value	5,283,803	4,698,332	585,471	12.5	4,813,883
Other assets	1,179	1,179	—	—	984
Total assets	5,376,009	4,802,775	573,234	11.9	4,860,713
Liabilities:					
Accrued expenses	4,639	3,833	806	21.0	4,268
Claims payable	20,062	14,813	5,249	35.4	13,542
Forfeitures payable to employers	4,498	—	4,498	100.0	—
Due to State of Alaska General Fund	1,838	192	1,646	857.3	—
Total liabilities	31,037	18,838	12,199	64.8	17,810
Net assets	$ 5,344,972	4,783,937	561,035	11.7%	$ 4,842,903

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

Management's Discussion and Analysis

June 30, 2013
(With summarized financial information for June 30, 2012 and 2011)

Changes in System Net Assets

Description	2013	2012	Increase/(decrease) Amount	Increase/(decrease) Percentage	2011
Net assets, beginning of year	$ 4,783,937	4,842,903	(58,966)	(1.2%)	$ 4,087,904
Additions:					
Contributions	163,551	164,007	(456)	(0.28)	163,937
Appropriation – State of Alaska	302,777	234,517	68,260	29.1	190,850
Net investment income	608,251	13,901	594,350	4,275.6	852,859
Other additions	4,173	12,552	(8,379)	(66.8)	5,010
Total additions	1,078,752	424,977	653,775	153.8	1,212,656
Deductions:					
Pension and postemployment healthcare benefits	501,120	471,834	29,286	6.2	446,596
Refund of contributions	6,405	5,428	977	18.0	4,486
Administrative	6,945	6,681	264	4.0	6,575
Total deductions	514,470	483,943	30,527	6.3	457,657
Adjustment to beginning net assets	3,247	—	3,247	100.0	—
Increase (decrease) in net assets	561,035	(58,966)	620,001	1,051.5	754,999
Net assets, end of year	$ 5,344,972	4,783,937	561,035	11.7%	$ 4,842,903

Financial Analysis of the System

The statements of system net assets as of June 30, 2013 and 2012 show net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals of $5,344,972,000 and $4,783,937,000 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, as well as administrative costs.

These amounts represent an increase in the System's net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals of $561,035,000 or 11.7% from fiscal year 2012 to 2013 and a decrease of $58,966,000 or 1.2% from fiscal year 2011 to 2012. Over the long term, plan member contributions, 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 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.

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System Asset Allocation

During fiscal years 2013 and 2012, the Board adopted the following asset allocation for the Defined Benefit (DB) Plan and Defined Contribution Retirement (DCR) Plan's retiree major medical insurance fund, health reimbursement fund, and occupational death and disability fund:

	2013	
	Pension & Healthcare Trust	
	Allocation	Range
Broad domestic equity	27.0%	± 6%
Global equity ex-U.S.	23.0	± 4
Private equity	8.0	± 5
Real assets	16.0	± 8
Absolute return	6.0	± 4
Fixed composite	14.0	± 5
Short-term fixed income	6.0	- 6/+ 1
Total	100.0%	
Expected five-year geometric mean	7.11%	
Projected standard deviation	14.20	

	2012	
	Pension & Healthcare Trust	
	Allocation	Range
Broad domestic equity	27.0%	± 6 %
Global equity ex-U.S.	23.0	± 4
Private equity	8.0	± 5
Real assets	16.0	± 8
Absolute return	6.0	± 4
Fixed income	18.0	± 3
Cash equivalents	2.0	-2/+5
Total	100.0%	
Expected five-year median return	7.45%	
Standard deviation	13.82	

For fiscal years 2013 and 2012, the DB Plan's investments generated a 12.59% and 0.51% rate of return, respectively. The DB Plan's annualized rate of return was 11.15% over the last three years and 3.98% over the last five years, which is less than the June 30, 2010 (the valuation that set the fiscal year 2013 rate) actuarial assumed rate of return of 8.00%.

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Actuarial Valuations and Funding Progress

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. The actuarially determined contribution rate is considered for adoption by the Board annually. The ratio of assets to liabilities based on valuation assets was 52.1%, at June 30, 2012 (the date of the DB Plan's latest actuarial valuation report). The goal for the DB Plan is to make progress toward achieving full funding.

A summary of the actuarial assumptions and methods is presented in the notes to required supplementary information. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the DB Plan.

For fiscal year 2013 (based on the June 30, 2010 actuarial valuation report), the normal cost rate increased from 6.57% to 7.47%, the past service rate increased from 36.04% to 42.09%, thus producing a total actuarially determined contribution rate of 49.56% for fiscal year 2013. Starting in fiscal year 2012, the actuary presented an alternative method of calculating the employer rate to incorporate the normal cost of the DCR Plan, which was 3.11% for fiscal year 2013. This calculation provided a fiscal year 2013 actuarially determined employer contribution rate of 52.67%. The Board adopted the actuarially determined contribution rate of 52.67% for fiscal year 2013.

The Plan funding status as of June 30 is as follows (in thousands):

	Valuation Year	
	2012	**2011**
Valuation assets	$ 4,869,154	4,937,937
Accrued liabilities (total benefits)	9,346,444	9,128,795
Unfunded accrued liability	4,477,290	4,190,858
Funding ratio based on valuation assets	52.1%	54.1%
Fair value of assets	$ 4,639,688	4,732,860
Funding ratio based on fair value of assets	49.6%	51.8%

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Contributions, Investment Income and Other Additions

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, State of Alaska appropriation, investment income, and other additions as follows:

Additions (In thousands)

			Increase/(decrease)		
	2013	**2012**	**Amount**	**Percentage**	**2011**
Plan members contributions	$ 68,495	68,298	197	0.3%	$ 69,150
Employer contributions	95,056	95,709	(653)	(0.7)	94,787
Appropriation – State of Alaska	302,777	234,517	68,260	29.1	190,850
Net investment income	608,251	13,901	594,350	4,275.6	852,859
Other additions	4,173	12,552	(8,379)	(66.8)	5,010
Total	$1,078,752	424,977	653,775	153.8%	$1,212,656

The System's employer contributions decreased from $95,709,000 in fiscal year 2012 to $95,056,000 in fiscal year 2013, a decrease of $653,000 or 0.7%. The System's employer contributions increased from $94,787,000 in fiscal year 2011 to $95,709,000 in fiscal year 2012, an increase of $922,000 or 1.0%. The decrease in employer contributions is attributable to a decrease in DB plan membership.

The State of Alaska provided $302,777,000 for fiscal year 2013 and $234,517,000 for fiscal year 2012 in employer on-behalf payments as required by Alaska Statute 14.25.085. The employer on-behalf amount is calculated by the System's actuary. It is based on projected payroll and the difference between the actuarially determined contribution rate and the statutory effective rate. The actuarially determined contribution rate increased from 45.55% in fiscal year 2012 to 52.67% in fiscal year 2013. The employer effective contribution rate of 12.56% is established in Alaska Statute 14.25.070(a).

The System's net investment income in fiscal year 2013 increased by $594,350,000 or 4,275.6% from amounts recorded in fiscal year 2012. The System net investment income in fiscal year 2012 decreased by $838,958,000 or 98.4% from amounts recorded in fiscal year 2011. Over the long term, investment income has been a major component of additions to System assets. During fiscal year 2013, the System experienced positive returns on investments.

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The System's investment rates of return at June 30 are as follows:

	Year ended		
	2013	**2012**	**2011**
System returns	12.59%	0.51%	21.40%
Domestic equities	21.24	1.83	33.38
International equities	15.03	(13.66)	28.27
Fixed income	0.57	4.82	5.55
Private equity	11.68	9.44	20.12
Absolute return	8.41	(2.05)	5.99
Real assets	10.65	10.45	15.51
Cash equivalents	0.25	0.42	0.46

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, refunds of contributions, and the cost of administering the System comprise the costs of operations as follows:

	Deductions (In thousands)				
			Increase		
	2013	**2012**	**Amount**	**Percentage**	**2011**
Pension benefits	$ 380,265	361,202	19,063	5.3%	$ 343,191
Postemployment healthcare benefits	120,855	110,632	10,223	9.2	103,405
Refund of contributions	6,405	5,428	977	18.0	4,486
Administrative	6,945	6,681	264	4.0	6,575
Total	$ 514,470	483,943	30,527	6.3%	$ 457,657

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The System's pension benefit payments in 2013 increased $19,063,000 or 5.3% from fiscal year 2012 and increased $18,011,000 or 5.2% from fiscal year 2011 to 2012. The increase in pension benefits is the result of an increase in the number of retirees.

The System's postemployment healthcare benefit payments in fiscal year 2013 increased $10,223,000 or 9.2% from fiscal year 2012 and increased $7,227,000 or 7.0% from fiscal year 2011 to 2012. The increase in healthcare costs in fiscal year 2013 is attributable in part to an increase in both the number of retirees and the average claims per retiree.

The System's administrative deductions in 2013 increased $264,000 or 4.0% from fiscal year 2012 and increased $106,000 or 1.6% from fiscal year 2011 to 2012. The increase in administrative costs in fiscal year 2013 is related to an increase in contractual services related to data processing and the health insurance third-party administrator transition project member fees.

Funding

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

- The employer contribution rate is determined by the System's consulting actuary and considered for adoption by the Board annually. Alaska Statute 14.25.070(a) sets the employer effective contribution rate at 12.56%. The difference between actuarially determined Board adopted rate and the statutory employer effective rate is paid by the State of Alaska as a direct appropriation.

- 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 made each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions are 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 2013, the Twenty-Eighth Alaska State Legislature enacted one law that affects the System:

- House Bill 65 appropriates $316.8 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, 2014. This appropriation is to fund the difference between the statutory required contribution established in Senate Bill 125 of 12.56% and the Board adopted rate of 53.62% for fiscal year 2014.

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

Fiscal year 2013 was a year of positive investment returns. Net investment income increased from $13,901,000 in fiscal year 2012 to $608,251,000 in fiscal year 2013, an increase of $594,350,000 or 4,275.6%. The Board continues to diversify the portfolio of the System to maintain an optimal risk/return ratio. The return on the System's investments exceeded the actuarially assumed return of 8.0% (based on the June 30, 2010 actuarial report, which established the fiscal year 2013 rate) with a system rate of return of 12.59% at June 30, 2013.

The consulting actuary recommended an increase from the System's actuarially determined contribution rate of 45.55% in fiscal year 2012 to 52.67% in fiscal year 2013. The Board adopted the actuarially determined contribution rate of 52.67% for fiscal year 2013, up 7.12% from the fiscal year 2012 Board adopted actuarially determined contribution rate of 45.55%. The statutory employer effective contribution rate remained at 12.56% for fiscal years 2012 and 2013.

The June 30, 2012 actuarial valuation for the DB Plan reported a funding ratio based on valuation assets of 52.1% and an unfunded liability of $4.5 billion.

For fiscal years 2013 and 2012, 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 0.49% and 0.58% for fiscal years 2013 and 2012, respectively. The DCR Plan's actuarially determined occupational death and disability rate was adopted by the Board to be 0.00% for fiscal years 2013 and 2012, respectively.

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 information should be addressed to:

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

STATE OF ALASKA
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Statement of System Net Assets
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(With summarized financial information for June 30, 2012)
(In thousands)

	Defined benefit plan			Defined contribution retirement plan						
	Pension	Alaska retiree healthcare trust	Total	Participant directed	Occupational death and disability	Retiree medical	Healthcare reimbursement arrangement	Total	System total June 30, 2013	System total June 30, 2012
Assets:										
Cash and cash equivalents (notes 3 and 4):										
Short-term fixed income pool	$ 40,498	33,864	74,362	2,508	46	306	1,607	4,467	78,829	93,120
Great West account	—	—	—	2,304	—	—	—	2,304	2,304	863
Total cash and cash equivalents	40,498	33,864	74,362	4,812	46	306	1,607	6,771	81,133	93,983
Receivables:										
Contributions	5,151	250	5,401	267	—	9	34	310	5,711	4,335
Due from State of Alaska General Fund	—	1,601	1,601	2,216	—	59	301	2,576	4,177	4,943
Due from retiree health fund	1	—	1	—	—	—	—	—	1	3
Other account receivable	4	1	5	—	—	—	—	—	5	—
Total receivables	5,156	1,852	7,008	2,483	—	68	335	2,886	9,894	9,281
Investments (notes 3, 4 and 5), at fair value:										
Fixed income securities										
Retirement fixed income pool	—	—	—	—	—	—	—	—	—	5,654
U.S. Treasury fixed income pool	249,343	142,341	391,684	—	196	647	2,529	3,372	395,056	488,069
High yield fixed income pool	92,322	52,703	145,025	—	72	240	937	1,249	146,274	127,158
International fixed income pool	64,562	36,855	101,417	—	51	167	655	873	102,290	107,916
Emerging markets debt pool	27,481	15,688	43,169	—	22	71	279	372	43,541	35,583
Total fixed income securities	433,708	247,587	681,295	—	341	1,125	4,400	5,866	687,161	764,380
Broad domestic equity	1,069,604	610,627	1,680,231	—	841	2,774	10,849	14,464	1,694,695	1,385,147
Broad international equity:										
International equity pool	636,937	363,615	1,000,552	—	501	1,652	6,461	8,614	1,009,166	764,955
Emerging markets equity pool	96,276	54,961	151,237	—	76	250	977	1,303	152,540	247,943
Total broad international equity	733,213	418,576	1,151,789	—	577	1,902	7,438	9,917	1,161,706	1,012,898
Private equity pool	293,629	167,622	461,251	—	231	762	2,979	3,972	465,223	463,580
Absolute return pool	144,616	82,556	227,172	—	114	375	1,467	1,956	229,128	198,336
Real assets:										
Real estate pool	249,597	143,202	392,799	—	197	651	2,545	3,393	396,192	374,341
Real estate investment trust pool	49,375	28,187	77,562	—	39	128	501	668	78,230	53,784
Master limited partnership pool	66,121	37,747	103,868	—	52	172	671	895	104,763	—
Energy pool	19,635	11,209	30,844	—	16	51	199	266	31,110	33,462
Farmland pool	112,615	74,469	187,084	—	103	338	1,323	1,764	188,848	169,617
Farmland water pool	17,794	—	17,794	—	—	—	—	—	17,794	14,648
Timber pool	47,583	27,164	74,747	—	37	123	483	643	75,390	65,992
Treasury inflation protected securities pool	1,518	867	2,385	—	1	4	16	21	2,406	56,844
Total real assets	564,238	322,845	887,083	—	445	1,467	5,738	7,650	894,733	768,688
Other investment funds, at fair value:										
Pooled investment funds	—	—	—	66,826	—	—	—	66,826	66,826	38,667
Collective investment funds	—	—	—	84,331	—	—	—	84,331	84,331	66,636
Total other investment funds	—	—	—	151,157	—	—	—	151,157	151,157	105,303
Total investments	3,239,008	1,849,813	5,088,821	151,157	2,549	8,405	32,871	194,982	5,283,803	4,698,332
Other assets	—	1,179	1,179	—	—	—	—	—	1,179	1,179
Total assets	3,284,662	1,886,708	5,171,370	158,452	2,595	8,779	34,813	204,639	5,376,009	4,802,775
Liabilities:										
Accrued expenses	3,694	225	3,919	720	—	—	—	720	4,639	3,833
Claims payable (note 6)	—	20,062	20,062	4,498	—	—	—	—	20,062	14,813
Forfeitures payable to employers	—	—	—	—	—	—	—	4,498	4,498	—
Due to State of Alaska General Fund	1,838	—	1,838	—	—	—	—	—	1,838	192
Total liabilities	5,532	20,287	25,819	5,218	—	—	—	5,218	31,037	18,838
Net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals	$ 3,279,130	1,866,421	5,145,551	153,234	2,595	8,779	34,813	199,421	5,344,972	4,783,937

See accompanying notes to the financial statements.

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Statement of Changes in System Net Assets June 30, 2013

(With summarized financial information for June 30, 2012)
(In thousands)

	Defined benefit plan			Defined contribution retirement plan						
	Pension	Alaska retiree healthcare trust	Total	Participant directed	Occupational death and disability	Retiree medical	Healthcare reimbursement arrangement	Total	System total June 30, 2013	System total June 30, 2012
Additions:										
Contributions:										
Employers	$ 37,372	35,293	72,665	14,474	—	1,101	6,816	22,391	95,056	95,709
Plan members	50,201	250	50,451	18,044	—	—	—	18,044	68,495	68,298
Employer Legislative Relief	196,945	105,832	302,777	—	—	—	—	—	302,777	234,517
Total contributions	284,518	141,375	425,893	32,518	—	1,101	6,816	40,435	466,328	398,524
Investment income:										
Net appreciation (depreciation) in fair value (note 2)	325,741	178,764	504,505	18,033	240	731	2,743	21,747	526,252	(94,162)
Interest	15,013	8,470	23,483	7	11	35	131	184	23,667	26,305
Dividends	44,100	24,704	68,804	—	33	103	389	525	69,329	91,682
Total investment income	384,854	211,938	596,792	18,040	284	869	3,263	22,456	619,248	23,825
Less investment expense	10,986	11	10,997	—	—	—	—	—	10,997	9,924
Net investment income	373,868	211,927	585,795	18,040	284	869	3,263	22,456	608,251	13,901
Other:										
Other	19	4,152	4,171	2	—	—	—	2	4,173	12,552
Total additions	658,405	357,454	1,015,859	50,560	284	1,970	10,079	62,893	1,078,752	424,977
Deductions:										
Pension and postemployment benefits	380,265	120,855	501,120	—	—	—	—	—	501,120	471,834
Refunds of contributions	2,668	—	2,668	3,737	—	—	—	3,737	6,405	5,428
Administrative	2,989	3,219	6,208	731	—	3	3	737	6,945	6,681
Total deductions	385,922	124,074	509,996	4,468	—	3	3	4,474	514,470	483,943
Adjustment to beginning net assets for prior year forfeitures payable	—	—	—	3,247	—	—	—	3,247	3,247	—
Net increase (decrease)	272,483	233,380	505,863	42,845	284	1,967	10,076	55,172	561,035	(58,966)
Net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals										
Balance, beginning of year	3,006,647	1,633,041	4,639,688	110,389	2,311	6,812	24,737	144,249	4,783,937	4,842,903
Balance, end of year	$ 3,279,130	1,866,421	5,145,551	153,234	2,595	8,779	34,813	199,421	5,344,972	4,783,937

See accompanying notes to the financial statements.

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(1) Description

The following is a brief description of the State of Alaska Teachers' Retirement System (TRS or the System), Defined Benefit Retirement Pension and Postemployment Healthcare Plan (the DB Plan), and Defined Contribution Retirement Trust Fund (the DCR Plan). TRS is a component unit of the State of Alaska (the State). The DB Plan is a plan within the System, which includes the Defined Benefit Retirement Pension Trust Fund 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. Participants should refer to the System agreement for more complete information.

At June 30, 2013 and 2012, the number of participating local government employers and public organizations including the State was as follows:

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 pension and other employee benefits trust funds. With the passage of Senate Bill (SB) 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 the following:

	Valuation as of June 30	
	2012	2011
Retirees and beneficiaries currently receiving benefits	11,301	11,016
Terminated plan members entitled to future benefits	868	852
Total current and future benefits	12,169	11,868
Active plan members:		
Vested	5,918	5,911
Nonvested	927	1,392
Total active plan members	6,845	7,303
Total members	19,014	19,171

Pension Benefits

Vested members hired prior to July 1, 1990, are entitled to pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members hired after June 30, 1990, the normal and early retirement ages are 60 and 55, 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 member's 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 20 years is equal to 2% of the employee's average base salary. The benefit for each year over 20 years of service subsequent to June 30, 1990 is equal to 2.5% of the employee's base salary.

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

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

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

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Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided without cost to (1) all members first hired before July 1, 1990, (2) members hired after July 1, 1990 with 25 years of membership service, and (3) members who are disabled or age 60 or older, regardless of their initial hire dates. Members first hired after June 30, 1990 may receive major medical benefits prior to age 60 by paying premiums.

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 Retiree Health Fund (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 the child(ren) is/are no longer dependents. If the member does not have a spouse or dependent children at the time of death, a lump-sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension is 40% of the member's base salary at the time of death. The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the DB Plan member had lived. The new benefit is based on the DB Plan member's average base salary at the time of death and the credited service that would have accrued had the DB Plan member lived and continued to work until normal retirement. If benefits are payable under the 1% supplemental contribution provision, benefits are not payable under this provision. If the death was from nonoccupational causes, and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average base salary at the time of death. If the DB Plan member is not married or vested, a lump-sum death benefit is payable to the named beneficiary(ies).

Disability Benefits

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

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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 1.11% 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 4.50% 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, normal cost basis for pension and level dollar, normal cost basis for healthcare. The unfunded liability is amortized over a 25-year fixed period. Employer contributions are accumulated in both the pension and the healthcare funds based on the adopted actuarially determined contribution rate for the fiscal year.

Contributions from the State of Alaska

Alaska Statute 14.25.085 requires that additional state contributions made 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 Alaska Retirement Management Board (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 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within 50 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 reestablish an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not reestablished an employee relationship with a participating DB Plan employer by June 30, 2010 will not be eligible to reinstate voluntarily refunded service and will forfeit any claim to DB Plan membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

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Defined Contribution Retirement Plan

General

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

The DCR Pension Trust Fund is a hybrid plan containing traditional defined contribution (DC) components as well as defined benefit (DB) components. Within the DCR Pension Trust Fund, the funds that are DC components of the plan include the Participant Directed Fund and the Healthcare Reimbursement Arrangement. The DB components of the DCR Pension Trust Fund are the Retirement Medical Plan and the Occupation Death and Disability Plan.

At June 30, 2013 and 2012, the DCR Pension Trust Fund membership consisted of the following:

	2013	2012
Retirees and beneficiaries currently receiving benefits	—	—
Terminated plan members entitled to future benefits:		
25% Vested	380	326
50% Vested	210	165
75% Vested	115	82
100% Vested	124	61
Total terminated plan members entitled to future benefits	829	634
Total current and future benefits	829	634
Active plan members:		
25% Vested	562	618
50% Vested	530	552
75% Vested	485	499
100% Vested	1,034	646
Nonvested	765	813
Total active plan members	3,376	3,128
Total members	4,205	3,762

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Pension Benefits

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

Postemployment Healthcare Benefits

Major medical benefits available to eligible persons are 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.

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 is 40% of the employee's 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 DCR plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes.

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Employer Contributions

An employer shall contribute to each DCR member's account bases on the member's compensation. For fiscal year 2013, the rates are 7.0% for the individual account, 0.49% for Retiree Medical Plan, 0.00% for Occupational Death and Disability. The employer is required to make a Health Reimbursement Arrangement (HRA) contribution to each member's account. The HRA amount is based on the pay cycle and if the employee is a salaried or hourly employee. The fiscal year 2013 HRA contribution amount are:

Annual	Quarterly	Semi-monthly	Bi-weekly	Monthly	Hourly
$ 1,848.43	462.11	77.02	71.09	154.04	1.18

Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll, which is equal to the employer effective rate minus the DCR Plan total employer contributions. The employer effective rate is statutorily set at 12.56%. The contributions for the DBUL are posted to the DB Pension and Postemployment Healthcare plans.

Refunds

A member is eligible to elect distribution of their account 60 days after termination of employment.

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.

Record-keeping/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 recordkeeper 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.

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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, No. 43, and No. 50

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 and DCR Plan follow the provisions of GASB Statement No. 50, *Pension Disclosures* (GASB 50). GASB 50 amended certain disclosure provisions of GASB 25 and expanded the required disclosures regarding pensions.

The DB Plan follows the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43). GASB 43 establishes uniform financial reporting standards for Other Postemployment Benefit Plans (OPEB) and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for 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, Division of Treasury (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. Net contributions (withdrawals) represent contributions from employers and employees, net of benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid, and all expenses are recorded on a cash basis.

Pooled Investments

With the exception of the Short-Term Fixed Income Pool, ownership in the various pools 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.

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The Short-Term Fixed Income Pool maintains a share price of $1. 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.

Valuation and Income Allocation

Fixed Income Pools and Treasury Inflation Protected Securities (TIPS)

With the exception of the Emerging Markets Debt Pool, 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. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the investment manager determines the allocation between permissible securities.

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 midpoint of representative quoted bid and ask prices.

The Emerging Markets Debt Pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares, which are valued on the last business day of each month by the investment manager.

Broad Domestic Equity, International Equity, Real Estate Investment Trust (REIT) and Master Limited Partnership (MLP) Pools

Domestic equity, international equity, REIT, and MLP securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the external manager determines the allocation between permissible securities.

Emerging Markets Equity, Private Equity, Absolute Return, Real Estate, Energy, Farmland, Farmland Water, and Timber Pools

Income in these pools is credited to the net asset value of the pool daily and allocated to pool participants monthly on a pro rata basis.

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

Private equity investments are valued quarterly by the general partners and investment sponsors. Private equity oversight managers and Treasury staff employ a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are composed of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

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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. Underlying assets are composed of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

The energy-related investments 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. Underlying assets are a limited partnership with an energy related venture capital operating company.

Real estate, farmland, farmland water property, and timber investments are valued quarterly by investment managers based on market conditions. Additionally, real estate, farmland, farmland water, and timber investments are appraised annually by independent appraisers. Underlying assets in the pool are composed of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments.

Defined Contribution Participant Directed Investments

The Alaska Retirement Management Board (Board) contracts with an external investment manager who is given the authority to invest in a wholly owned pooled environment to accommodate thirteen participant directed funds. Additionally, the Board contracts with external managers who manage a mix of collective investment funds. Income for the Pooled Investment and Collective Investment Funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Pooled Participant Directed 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 Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets are composed of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, money market instruments, and other cash equivalent instruments with maturities of less than one year, which include but are not limited to commercial paper, asset-backed securities, banker acceptances, 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.

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 Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets are composed of commingled investment funds, alongside other investors, through ownership of equity shares.

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.

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Administrative Costs

Administrative costs are paid from 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 System on behalf of others and amounts paid by others on behalf of the System.

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 is the investment oversight authority of the System's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's Invested Assets is pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 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 Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DCR Participant Directed Pension Plans under the Board's fiduciary responsibility.

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 Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Large Cap Domestic Equity Pool, Small Cap Domestic Equity Pool, Convertible Bond Domestic Equity Pool, International Equity Large Cap Pool, International Equity Small Cap Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Master Limited Partnership Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Timber Pool, Pooled Participant Directed Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Retirement Fixed Income Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) 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 Board as well as other state funds.

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(4) Deposit and Investment Risk

At June 30, 2013, the System investments included the following (in thousands):

	Fair value							
	Fixed income pools							
	Short-term	U.S. Treasury	High yield	International	Convertible	TIPS	Other	Total
Commercial paper	$ 5,798	—	—	—	—	—	—	$ 5,798
Convertible bonds	—	—	528	—	32,346	—	—	32,874
Corporate bonds	7,107	15,987	125,396	—	—	—	—	148,490
Deposits	2,971	1	5,118	349	135	—	—	8,574
Foreign corporate bonds	—	—	—	7,847	—	—	—	7,847
Foreign government bonds	—	—	—	91,513	—	—	—	91,513
Mortgage-backed	298	21,440	—	—	—	—	—	21,738
Municipal bonds	69	548	—	—	—	—	—	617
Other asset-backed	59,328	12,140	509	—	—	—	—	71,977
Short-term investment fund	—	—	—	946	—	—	—	946
U.S. government agency	—	9,853	—	—	—	—	—	9,853
U.S. government agency discount note	10	—	—	—	—	—	—	10
Treasury bills	58,558	—	—	—	—	—	—	58,558
Treasury bonds	—	—	—	—	—	994	—	994
Treasury notes	—	309,676	—	—	—	1,359	—	311,035
Treasury strips	—	571	—	—	—	—	—	571
Yankees:								
Corporate	1,862	2,203	13,664	—	—	—	—	17,729
Government	—	8,168	—	—	—	—	—	8,168
Fixed income pools:								
Equity	—	—	—	—	4,034	—	—	4,034
Warrants	—	—	15	—	—	—	—	15
Emerging markets debt pool	—	—	—	—	—	—	43,541	43,541
Broad domestic equity pool								
Deposit	—	—	—	—	—	—	9,832	9,832
Equity	—	—	—	—	—	—	1,532,062	1,532,062
Futures	—	—	—	—	—	—	(88)	(88)
Limited partnership	—	—	—	—	—	—	77,678	77,678
Options	—	—	—	—	—	—	(5,335)	(5,335)
Treasury bills	—	—	—	—	—	—	842	842
Broad international equity pool:								
Deposits	—	—	—	—	—	—	17,875	17,875
Equity	—	—	—	—	—	—	867,157	867,157
Mutual funds	—	—	—	—	—	—	118,286	118,286
Rights	—	—	—	—	—	—	6	6
Short-term investment fund	—	—	—	—	—	—	3,245	3,245
Warrants	—	—	—	—	—	—	30	30
Emerging markets equity pool	—	—	—	—	—	—	152,538	152,538
Private equity pool:								
Limited partnerships	—	—	—	—	—		464,921	464,921
Equity	—	—	—	—	—		302	302
Absolute return pool:								
Limited partnerships	—	—	—	—	—	—	229,129	229,129
Real estate pool								
Commingled funds	—	—	—	—	—	—	91,331	91,331
Limited partnerships	—	—	—	—	—	—	96,053	96,053
Real estate	—	—	—	—	—	—	208,809	208,809
Real estate investment trust pool:								
Equity	—	—	—	—	—	—	77,863	77,863
Master limited partnership pool:								
Equity	—	—	—	—	—	—	103,477	103,477
Energy pool:								
Limited partnerships	—	—	—	—	—	—	31,110	31,110
Farmland pool:								
Agricultural holdings	—	—	—	—	—	—	188,848	188,848
Farmland water pool:								
Agricultural holdings	—	—	—	—	—	—	17,794	17,794
Timber pool:								
Timber holdings	—	—	—	—	—	—	75,390	75,390
Participant directed:								
Collective investment funds	—	—	—	—	—	—	84,157	84,157
Pooled investment funds	—	—	—	—	—	—	66,694	66,694
Net other assets (liabilities)	(2,425)	1,639	1,044	1,635	372	13	5,160	7,438
Other pool ownership	(54,747)	12,830	—	—	—	40	41,877	—
Unallocated deposit in transit	—	—	—	—	—	—	306	306
Total invested assets	$ 78,829	395,056	146,274	102,290	36,887	2,406	4,600,890	$ 5,362,632

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Interest Rate Risk

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

Short–Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2013, the expected average life of individual fixed rate securities ranged from 3 days to 34 years and the expected average life of floating rate securities ranged from 14 days to 22 years.

Other Defined Benefit Fixed Income Pools

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.

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, 2013, was 5.49 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 U.S. Intermediate Treasury Fixed Income portfolio to ±20% of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2013 was 3.68 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 Fixed Income portfolio to ±20% of the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2013 was 4.46 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 International Fixed Income portfolio to ±25% of the blended benchmark of 70% Citigroup Non-USD World Government Bond Index and 30% JP Morgan Global Bond Emerging Markets Broad Diversification Index. The effective duration for Citigroup Non-USD Word Government Bond Index at June 30, 2013, was 7.25 years and the effective duration of JP Morgan Global Bond Index at June 30, 2013 was 4.89 years, for a blended duration of 6.54 years at June 30, 2013.

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Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to ±20% of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2013 was 9.32 years.

The Board does not have a policy to limit interest rate risk for the Emerging Debt or Convertible Bond portfolio.

At June 30, 2013, the effective duration of the DB Plan's fixed income pools, by investment type, was as follows (in years):

	Effective duration (in years)			
	U.S. Treasury	**High yield**	**International**	**TIPS**
Corporate bonds	2.83	4.29	—	—
Foreign corporate bonds	—	—	3.16	—
Foreign government bonds	—	—	5.74	—
Mortgage backed	2.59	—	—	—
Municipal bonds	11.85	—	—	—
Other asset backed	0.48	3.88	—	—
Treasury bonds	—	—	—	10.90
Treasury notes	3.64	—	—	3.40
Treasury strips	5.12	—	—	—
U.S. government agency	8.31	—	—	—
Yankees:				
Corporate	3.77	4.31	—	—
Government	6.00	—	—	—
Portfolio effective duration	**3.52**	**4.13**	**5.46**	**6.46**

Defined Contribution 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 thirteen 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:

> Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year. Additionally, under normal conditions, for government debt, corporate debt and mortgage-backed securities, duration is limited to ±0.2 years of the Barclays Capital U.S. Aggregate Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event at time of purchase shall effective duration exceed ±0.4 years relative to the index.
>
> At June 30, 2013, the duration of the government corporate debt and mortgage-backed securities was 5.48 years and the duration of the Barclays Capital Aggregate Bond Index was 5.39 years.

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Defined Contribution Collective Investment Funds

The Board does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2013, the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 46 days, SSgA World Government Bond Ex-U.S. Index: 7.35 years, SSgA Long U.S. Treasury Bond Index: 16.27 years, SSgA TIPS Index: 7.17 years, Barclays Government Credit Bond Fund: 5.38 years, and the Barclays Intermediate Government Bond Fund: 3.55 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 if rated by only 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 & Poor's.

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 & Poor's Corporation or the equivalent by Moody's or Fitch.

U.S. Intermediate Treasury Fixed Income

No more than 30% of the portfolio's assets may be invested in securities that are not nominal, U.S. Treasury obligations or the internally managed short-term or substantially similar portfolio at the time of purchase.

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

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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.

High Yield Fixed Income

No more than 10% of the portfolio's assets may be invested in securities rated A3 or higher by any rating agency (including government instruments). Cash held in the portfolio will be included in the limitation.

No more than 25% of the portfolio's assets may be invested in securities rated below B3.

No more than 5% of the portfolio's assets may be invested in unrated securities.

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. Only one rating is necessary.

International Fixed Income

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. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality.

Convertible Bonds

Non-rated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard & Poor's, Moody's or Fitch. Non-rated securities are limited to 35% of the total market value of the portfolio. Non-rated securities to which the manager assigns to non investment grade rating are subject to the below investment grade limitation.

The weighted average rating of the portfolio shall not fall below the Standard & Poor's equivalent of B.

The manager shall not purchase any security with a credit rating at or below CCC- by Standard & Poor's and C3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard & Poor's and C3 by Moody's if such an investment is considered appropriate given the Board's investment objective.

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TIPS

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

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

No more than 5% 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.

Non-U.S. Treasury-issued 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 (Large Cap and Small Cap) and Broad International Equity

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 Emerging Markets Debt Pool or the Collective Investment Funds.

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At June 30, 2013, the System's Invested Assets 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 pools					
Investment type	**Rating**	**Short-term**	**U.S. Treasury**	**High yield**	**International**	**Convertible**	**TIPS**
Deposit	Not rated	2.22%	—%	3.50%	0.34%	0.37%	—%
Commercial paper	Not rated	4.34	—	—	—	—	—
Corporate bonds	AA	2.41	0.65	—	—	—	—
Corporate bonds	A	2.91	2.50	0.11	—	—	—
Corporate bonds	BBB	—	0.82	3.21	—	—	—
Corporate bonds	BB	—	0.09	32.85	—	—	—
Corporate bonds	B	—	—	41.86	—	—	—
Corporate bonds	CCC	—	—	3.44	—	—	—
Corporate bonds	CC	—	—	0.28	—	—	—
Corporate bonds	D	—	—	0.47	—	—	—
Corporate bonds	Not rated	—	—	3.55	—	—	—
Convertible bonds	A	—	—	—	—	5.08	—
Convertible bonds	BBB	—	—	0.33	—	17.94	—
Convertible bonds	BB	—	—	—	—	15.86	—
Convertible bonds	B	—	—	—	—	14.47	—
Convertible bonds	CCC	—	—	—	—	2.73	—
Convertible bonds	Not rated	—	—	0.03	—	31.60	—
Equity	BBB	—	—	—	—	2.88	—
Equity	BB	—	—	—	—	3.97	—
Equity	B	—	—	—	—	2.08	—
Equity	Not rated	—	—	—	—	2.01	—
Foreign corporate bonds	A	—	—	—	1.27	—	—
Foreign corporate bonds	BBB	—	—	—	0.56	—	—
Foreign corporate bonds	Not rated	—	—	—	5.84	—	—
Foreign government bonds	AAA	—	—	—	6.77	—	—
Foreign government bonds	AA	—	—	—	1.68	—	—
Foreign government bonds	A	—	—	—	22.90	—	—
Foreign government bonds	BBB	—	—	—	3.58	—	—
Foreign government bonds	BB	—	—	—	1.41	—	—
Foreign government bonds	Not rated	—	—	—	53.11	—	—
U.S. government agency	Not rated	0.01	2.48	—	—	—	—
Mortgage backed	AAA	0.07	1.35	—	—	—	—
Mortgage backed	AA	0.08	1.82	—	—	—	—
Mortgage backed	A	0.07	0.38	—	—	—	—
Mortgage backed	Not rated	—	1.88	—	—	—	—
Municipal bonds	AA	0.05	0.14	—	—	—	—
Other asset backed	AAA	39.98	1.71	—	—	—	—
Other asset backed	AA	0.72	—	—	—	—	—
Other asset backed	BB	—	—	0.10	—	—	—
Other asset backed	B	—	—	0.25	—	—	—
Other asset backed	Not rated	3.71	1.36	—	—	—	—
Other pool ownership	Not rated	—	3.25	—	—	—	1.65
U.S. Treasury bills	AA	43.83	—	—	—	—	—
U.S. Treasury bonds	AA	—	—	—	—	—	41.32
U.S. Treasury notes	AA	—	78.40	—	—	—	56.50
Treasury strips	AA	—	0.14	—	—	—	—
Short-term investment	Not rated	—	—	—	0.92	—	—
Warrants	Not rated	—	—	0.01	—	—	—
Yankees							
Corporate	AAA	—	0.06	—	—	—	—
Corporate	AA	0.55	0.28	—	—	—	—
Corporate	A	0.84	0.07	—	—	—	—
Corporate	BBB	—	0.14	—	—	—	—
Corporate	BB	—	—	3.37	—	—	—
Corporate	B	—	—	4.80	—	—	—
Corporate	CCC	—	—	0.55	—	—	—
Corporate	Not rated	—	—	0.58	—	—	—
Government	AAA	—	0.33	—	—	—	—
Government	AA	—	0.35	—	—	—	—
Government	Not rated	—	1.38	—	—	—	—
No credit risk		(1.79)	0.42	0.71	1.62	1.01	0.53
		100.00%	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; however, any Treasury investment policy requires the State's depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (the FDIC provided $250,000 of coverage). In accordance with Treasury policy, they are required to retain collateral equal to 110% of uninsured deposits.

At June 30, 2013, the System's Invested Assets had the following uncollateralized and uninsured deposits (in thousands):

	Amount
International equity pools	$ 17,876
International fixed income pool	349

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 these countries: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Eurozone sovereign issuers in the aggregate, Hungary, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Poland, Romania, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. The Board has no specific policy with regard to foreign currency risk relating to international or private equity. The Board has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. However, through its asset allocation policy, the Board limits total investments in international fixed income, global equity ex-U.S., and private equity to the following:

Fixed income	Global equity ex-U.S.	Private equity pool
19%	27%	13%

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At June 30, 2013, the System had exposure to foreign currency risk with the following deposits (in thousands):

	International fixed income			International equity				Private equity
Currency	Deposits	Foreign government bonds	Foreign corporate bonds	Deposits	Equity	Mutual funds	Rights	Limited partnerships
Australian Dollar	$ 19	3,440	—	201	19,459	—	—	84
Brazilian Real	—	6,364	—	12	3,568	—	—	—
Canadian Dollar	—	—	—	53	24,445	—	—	—
Chilean Peso	—	1,141	—	—	—	—	—	—
Colombian Peso	36	1,403	—	—	—	—	—	—
Danish Krone	—	—	—	30	8,123	—	—	—
Euro currency	—	13,908	7,148	15,168	223,658	—	6	34,907
Hong Kong Dollar	—	—	—	208	29,742	—	—	—
Hungarian Forint	—	1,443	—	—	—	—	—	—
Indian Rupee	—	—	—	—	452	—	—	—
Indonesian Rupiah	—	—	—	56	3,466	—	—	—
Israeli Shekel	—	—	—	20	347	—	—	—
Japanese Yen	65	28,789	—	1,250	173,639	—	—	—
Malaysian Ringgit	83	5,051	—	—	1,804	—	—	—
Mexican Peso	121	6,105	699	3	522	—	—	—
New Russian Ruble	—	2,343	—	—	—	—	—	—
New Taiwan Dollar	—	—	—	16	3,958	—	—	—
New Zealand Dollar	—	—	—	1	2,625	—	—	—
Norwegian Krone	—	—	—	27	4,854	—	—	—
Peruvian Nouveau Sol	—	1,441	—	—	—	—	—	—
Philippine Peso	—	—	—	—	619	—	—	—
Polish Zloty	—	8,581	—	—	—	—	—	—
Pound Sterling	—	—	—	583	158,376	129	—	9,092
Singapore Dollar	—	—	—	57	11,389	—	—	—
South African Rand	—	2,661	—	—	—	—	—	—
South Korean Won	14	—	—	—	12,033	—	—	—
Swedish Krona	—	6,929	—	85	21,212	—	—	—
Swiss Franc	—	—	—	91	55,214	—	—	—
Thailand Baht	11	—	—	15	4,658	—	—	—
Turkish Lira	—	1,914	—	—	—	—	—	—
UAE Dirham	—	—	—	—	480	—	—	—
	$ 349	91,513	7,847	17,876	764,643	129	6	44,083

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At June 30, 2013, the Board also had exposure to foreign currency risk in the Emerging Markets Equity Pool and the Emerging Markets Debt Pool. These pools consist 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 5% 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, U.S. Treasury Fixed Income, High Yield Fixed Income, International Fixed Income, and Convertible Bond Pools is to prohibit the purchase of more than 5% 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 Emerging Debt or TIPS Pools.

At June 30, 2013, the Board Invest Assets did not have exposure to any one issuer greater than 5% of total invested assets.

(5) Foreign Exchange, Derivative, and Counterparty Credit Risk

The Board is exposed to credit risk on investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies.

On June 30, 2013, the System had the following derivative instruments outstanding (in thousands):

	Changes in fair value		Fair value		
	Classification	Amount	Classification	Amount	Notional
Equity options bought	Investment revenue	$ —	Options	$ —	$ —
Equity options written	Investment revenue	79	Options	(5,317)	(833)
FX forwards	Investment revenue	983	Long-term instruments	576	8,034
Index futures long	Investment revenue	3,933	Futures	—	16
Index options written	Investment revenue	211	Options	(19)	(1)
Rights	Investment revenue	(45)	Common stock	6	20
Warrants	Investment revenue	18	Common stock	45	97

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The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

At June 30, 2013, the System had the following Foreign Currency risk related to forward contracts (in thousands):

	Currency forward contracts			
Currency name	**Options**	**Net receivables**	**Net payables**	**Total exposure**
Australian Dollar	—	(35)	542	507
Euro currency	—	—	—	6
Japanese Yen	6	—	25	25
New Zealand Dollar	—	—	44	44
	6	(35)	611	582

At June 30, 2013, the System had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions (in thousands):

Counterparty name	**Percentage of net exposure**	**S&P rating**	**Fitch rating**	**Moody's rating**
Bank of New York	4.04%	A+	AA-	Aa3
State Street Bank London	95.68	A+	A+	A1
UBS AG	0.13	A	A	A2

Maximum amount of loss Alaska ARMB (TRS) would face in case of default of all counterparties, i.e., aggregated (positive) fair value of OTC positions as of June 30, 2013	$ 611
Effect of collateral reducing maximum exposure	—
Liabilities subject to netting arrangements reducing exposure	—
Resulting net exposure	$ 611

(6) Claims Payable

The liability for claims incurred but not reported represents the estimated amounts necessary to settle all outstanding claims, incurred but not reported, as of the balance sheet date. The DB Plan's reserve estimates are based primarily on historical development patterns adjusted for current trends that would modify past experience. Claims are reevaluated periodically to consider the effects of inflation, claims settlement trends, and other economic factors. The process of establishing loss reserves is subject to uncertainties that are normal, recurring, and inherent in the healthcare business.

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Changes in the balances of claims liabilities are as follows (in thousands):

	2013	2012
Beginning of year:		
Due to State of Alaska General Fund for outstanding warrants	$ —	—
Incurred but not reported	14,813	13,542
Total, beginning of year	14,813	13,542
Benefit deductions	120,855	110,632
Benefits paid	(115,606)	(109,361)
Total, end of year	$ 20,062	14,813
End of year:		
Due to State of Alaska General Fund for outstanding warrants	$ —	—
Incurred but not reported	20,062	14,813
Total, end of year	$ 20,062	14,813

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(7) Funded Status and Funding Progress

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

	Actuarial valuation date	Actuarial aggregate accrued liability (AAL) - entry age	Actuarial valuation assets	Assets as a percent of accrued liability (funded ratio)	Unfunded actuarial accrued liability (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
Pension	June 30, 2012	$ 6,399,777	3,194,994	49.9%	$ 3,204,783	561,971	570.3%
Postemployment healthcare	June 30, 2012	5,046,942	1,674,160	33.2	3,372,782	561,971	600.2

The funded status of the defined contribution retirement plan occupational death and disability and retiree medical benefits is as follows (in thousands):

	Actuarial valuation date	Actuarial accrued liability (AAL) - entry age	Actuarial valuation assets	Funded ratio	Unfunded actuarial accrued liability (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
Death and disability plan	June 30, 2012	$ 63	2,348	3,727.0%	$ (2,285)	200,043	(1.1)%
Retiree medical	June 30, 2012	19,427	6,937	35.7	12,490	200,043	6.2

The funding ratio as of June 30, 2012 has decreased. The decrease in the funding ratio is attributed to adjustments in the medical cost and assumptions, investment experience, change in census data assumptions, and an increase in average credited service.

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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear 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 schedules of contributions (unaudited) from employers present 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 ongoing 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 30 years.

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

Valuation Date	June 30, 2012	June 30, 2012
	Defined Benefit	Defined Contribution ODD and Retiree Medical
Actuarial cost method	Entry age normal; level percentage of pay normal cost basis for pension; level dollar normal cost basis for healthcare	Entry age normal; level percentage of pay normal cost basis for occupational death and disability; level dollar normal cost for retiree medical
Amortization method	Level dollar, closed	Level percent of pay, closed with bases established annually
Equivalent single amortization period	18 years	27 years
Asset valuation method	5 year smoothed market, 80%/120% of fair value corridor	5 year smoothed market, 80%/120% of fair value corridor
Actuarial assumptions:		
Investment rate of return	8.00% for pension, 5.01% for healthcare (includes inflation at 3.12%)	8.00% (includes inflation at 3.12%)
Projected salary increases	6.11% for first 5 years of service grading down to 3.62% after 20 years	6.11% for first 5 years of service grading down to 3.62% after 20 years
Cost-of-living adjustment	Postretirement pension adjustment	Not applicable

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Health cost trend for defined benefit, defined contribution occupational death and disability, and retiree medical plans is as follows:

Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2013	9.0%	6.5%	6.4%
2014	8.7	6.4	6.3
2015	8.5	6.3	6.2
2016	8.0	6.3	6.2
2017	7.5	6.2	6.1
2018	7.0	6.1	6.0
2019	6.6	6.1	5.8
2025	6.0	6.0	5.8
2050	5.0	5.0	5.0
2100	4.5	4.5	4.5

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.

The State of Alaska Teachers Retirement System's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State of Alaska has utilized the second methodology to develop a discount rate of 5.01% as of June 30, 2010, to be used for fiscal 2013 disclosure.

The State of Alaska Teachers' Retirement System DCR Plan's retiree medical benefits are fully funded. Therefore, the 8.00% discount rate used for GASB 25 reporting is also applied herein for GASB 43 reporting.

Based on GASB accounting rules, the retiree drug subsidy (RDS) the State of Alaska receives under Medicare Part D has not been recognized for GASB 43 disclosure purposes.

Disregarding future Medicare Part D payments, the fiscal 2015 employer ARC for accounting purposes is 2.39% of pay for retiree medical benefits and 2.39% of pay for retiree medical and death and disability benefits combined.

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(8) Commitments and Contingencies

Commitments

The Board entered into an agreement through external manager to provide capital funding for limited partnership in the domestic equity, private equity, energy, and real estate portfolios. At June 30, 2013, the Board's unfunded commitments were as follows (in thousands):

Portfolio	Unfunded commitment	Estimated to be paid through:
Domestic equity	$ 2,457	May be canceled annually in December with 90 days notice
Private equity	225,778	Fiscal year 2023
Energy	32,881	Fiscal year 2022
Real estate	24,387	Fiscal year 2015
	$ 285,503	

Contingencies

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

(9) 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 RDS payment if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28% 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 DB Plan was approved for participation in the Medicare Part D program beginning calendar year 2006.

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(10) Early Retiree Reinsurance Program

The Early Retiree Reinsurance Program (ERRP) is a temporary program that provides reimbursement to participating employment-based plans for a portion of the costs of health benefits for retirees age 55 and older who are not eligible for Medicare, and their spouses and surviving spouses and dependents. The amount of the reimbursement to the plan is up to 80% of claims cost for health benefits between $15,000 and $90,000. The program was authorized by the Affordable Care Act as part of the U.S. Government Health Reform package. The plan started participation in the ERRP program beginning calendar year 2011. The program ends on January 1, 2014.

(11) Recently Issued Accounting Standards

In June 2012, the GASB issued GASBS 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB 67) requires defined benefit pension plans to present two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position as well as additional requirements to the notes of the financial statements. Other requirements include additional presentations of summary information about the pension liability of employers and nonemployer contributing entities to plan members for benefits provided through the pension plan (net pension liability) in notes to financial statements. The new standard is effective for fiscal periods beginning after June 15, 2013. The Plan will implement the provisions for the year ended June 30, 2014.

The GASB also issued GASBS 68, *Accounting and Financial Reporting for Pension Plans - an amendment of GASB Statement No. 27* (GASB 68) requires that an employer recognize its obligation for pensions net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as additional notes to the financial statements regarding the obligation. The new standard is effective for fiscal periods beginning after June 15, 2014. The Plan will implement the provisions to support employers with fiscal years ended after June 30, 2014.

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

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Benefit Retirement
Pension Benefits

June 30, 2013
(In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	$ 5,043,448	3,441,867	68.2%	$ 1,601,581	554,245	289.0%
2008	5,231,654	3,670,086	70.2	1,561,568	549,148	284.4
2009	5,463,987	3,115,719	57.0	2,348,268	557,026	421.6
2010	6,006,981	3,259,868	54.3	2,747,113	564,887	486.3
2011	6,196,104	3,345,949	54.0	2,850,155	584,068	488.0
2012	6,399,777	3,194,994	49.9	3,204,783	561,971	570.3

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report.*

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Benefit Retirement
Postemployment Healthcare Benefits

June 30, 2013
(In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	$ 4,059,573	982,532	24.2%	$ 3,077,041	554,245	555.2%
2008	4,648,055	1,266,890	27.3	3,381,165	549,148	615.7
2009	4,604,820	1,357,239	29.5	3,247,581	557,026	583.0
2010	3,076,388	1,479,260	48.1	1,597,128	564,887	282.7
2011	3,635,492	1,591,988	43.8	2,043,504	584,068	349.9
2012	5,046,942	1,674,160	33.2	3,372,782	561,971	600.2

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report.*

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Contribution Retirement
Occupational Death and Disability Benefits

June 30, 2013
(In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	$ 16	—	—%	$ 16	28,410	0.1%
2008	44	420	954.5	(376)	56,369	(0.7)
2009	14	1,071	7,650.0	(1,057)	89,708	(1.2)
2010	18	1,577	8,761.1	(1,559)	118,813	(1.3)
2011	57	2,193	3,847.4	(2,136)	170,606	(1.3)
2012	63	2,348	3,727.0	(2,285)	200,043	(1.1)

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report.*

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Contribution Retirement Retiree Medical Benefits

June 30, 2013
(In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	$ 403	597	148.1%	$ (194)	28,410	(0.7)%
2008	899	1,308	145.5	(409)	56,369	(0.7)
2009	1,690	2,353	139.2	(663)	89,708	(0.7)
2010	2,809	3,895	138.7	(1,086)	118,813	(0.9)
2011	4,386	5,373	122.5	(987)	170,606	(0.6)
2012	19,427	6,937	35.7	12,490	200,043	6.2

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report.*

Note: The decrease in the funding ratio is attributed to adjustments in the retiree medical cost and assumptions, investment experience, changes in census data assumptions, and an increase in average credited service.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
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Required Supplementary Information (Unaudited)
Schedule of Contributions from Employers and the State of Alaska
Defined Benefit Retirement
Pension and Postemployment Healthcare Benefits

June 30, 2013
(In thousands)

		Annual required contribution			Pension percentage contributed			Postemployment healthcare percentage contributed		
Year ended June 30	Actuarial valuation year ended June 30 (1)	Pension	Post-employment healthcare	Total	By employer	By State of Alaska (note 3)	Total percentage contributed (note 3)	By employer	By State of Alaska (note 3)	Total percentage contributed (note 3)
2007	2004	169,974	76,879	246,853	62.2%	—	62.2	62.2	—	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	106.0	23.6	85.7	109.3
2009	2006	94,388	164,171	258,559	28.7	110.6	139.3	28.7	62.1	90.8
2010(2)	2007	170,788	312,922	483,710	19.8	58.8	78.6	13.6	38.8	52.4
2011	2008	167,978	167,686	335,664	19.5	65.1	84.6	25.8	51.5	77.3
2012	2009	229,509	192,700	422,209	16.6	68.6	85.2	18.8	46.6	65.4

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

(2) In the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Mercer legal settlement, net of fees, as well as the Medicare Part D subsidy contributed by the State to the Healthcare fund.

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report.*

STATE OF ALASKA
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Required Supplementary Information (Unaudited)
Schedule of Contributions
Defined Contribution Retirement
Occupational Death and Disability Benefits

June 30, 2013
(In thousands)

Year ended June 30	Annual required contribution	Percentage of ARC contributed
2007	$ 72	— %
2008	408	100.0
2009	623	100.0
2010	442	100.0
2011	474	100.0
2012	—	100.0

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report.*

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
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Required Supplementary Information (Unaudited)
Schedule of Contributions
Defined Contribution Retirement Retiree Medical Benefits

June 30, 2013
(In thousands)

Year ended June 30	Annual required contribution	Percentage of ARC contributed
2007	$ 575	100.0%
2008	763	85.0
2009	1,162	85.0
2010	1,628	87.0
2011	1,422	81.0
2012	1,420	82.0

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report.*

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June 30, 2013

(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

Defined Benefit Plan

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2012 are as follows:

(a) Actuarial cost method – Entry age actuarial cost method of funding. Any funding surplus or unfunded accrued liability is amortized over 25 years as a level dollar amount and represents a change from level percentage of payroll amortization method effective June 30, 2012. 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.

(b) Valuation of assets – Recognizes 20% of the difference between actual and expected investment return in each of the current and preceding four years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements. Valuation assets are constrained to a range of 80% to 120% of the fair value of assets.

(c) Valuation of medical benefits – 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. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.

(d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.

(e) Salary scale – inflation 3.12% per year, and productivity 0.50% per year.

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June 30, 2013

(f) Payroll growth – 3.62% per year (inflation + productivity).

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.

(h) Mortality (pre-termination) – Based upon the 2005 – 2009 actual experience. 1994 Group Annuity Mortality (GAM) Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale AA, adjusted 55% for females and 45% for males. Deaths are assumed to result from non-occupational causes 85% of the time. The mortality assumptions include an allowance for future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 117%.

(i) Mortality (post-termination) – Based upon the 2005 – 2009 actual experience study. The 1994 GAM Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale AA, with a 3-year setback for females and 4-year setback for males. The mortality assumptions include an allowance for future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 117%.

(j) Turnover – Select and ultimate rates based upon the 2005 – 2009 actual withdrawal experience.

(k) Disability – Incidence rates based upon the 2005 – 2009 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table.

(l) Retirement – Retirement rates based on the 2005 – 2009 actual experience. Deferred vested members are assumed to retire at their earliest unreduced 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 terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non vested benefits 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, terminates or dies.

(r) Post retirement pension adjustment (PRPA) – 50% and 75% of assumed inflation or 1.56% and 2.34% respectively, is valued for the annual automatic PRPA as specified in the statute.

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Notes to Required Supplementary Information (Unaudited)

June 30, 2013

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

(t) Part-time status – Part-time members are assumed to earn 0.60 years of credited service per year.

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

(v) Service – Total credited service is provided by the State of Alaska (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)) Modified Cash Refund – Benefits for active members are valued using a 3-year certain and lif form of payment to account for modified cash refund. For deferred vested and retired members, the certain period equals their account balance divided by their pension benefit amount.

(y) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY13 medical and prescription are shown below:

	Medical	Prescription drugs
Pre-Medicare	$ 9,856	2,736
Medicare Parts A and B	1,628	2,736
Medicare Part B Only	6,219	2,736
Medicare Part D	N/A	535

(z) Third-party administrator fees – $163.52 per person per year; assumed trend rate of 5% per year.

(aa) Medicare Part B Only – For actives and retirees not yet Medicare-eligible, participation is set based on whether the member/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or rehire.

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June 30, 2013

(bb) 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, 9.0% is applied to the FY13 pre-Medicare medical claims costs to get the FY14 medical claims cost.

Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2013	9.0%	6.5%	6.4%
2014	8.7	6.4	6.3
2015	8.5	6.3	6.2
2016	8.0	6.3	6.2
2017	7.5	6.2	6.1
2018	7.0	6.1	6.0
2019	6.6	6.1	5.8
2025	6.0	6.0	5.8
2050	5.0	5.0	5.0
2100	4.5	4.5	4.5

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June 30, 2013

For the June 30, 2012 valuations and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amount beginning in 2012 and projects out to 2100. The model has been populated with assumptions that are specific to the State of Alaska. The model asks the user to input estimated baseline cost for year 2015. Using this value as the base cost, the model projects per-person expenditures and growth rates through 2100 using a set of equations and assumptions developed by the author with the assistance of a State of Alaska working group. The user can then use the model input cells to specify alternative assumptions regarding responsiveness to external trends, income growth, and other factors to arrive at alternative projections. The model provisionally uses default short term annual projected by CMS for years 2011-2015 (4% to 6%), but users may input their own estimates for these model years. In this model, cost controls can be simulated in two ways: by specifying a Share Restriction Point, a percentage of GDP represented by healthcare and above which the current trends will be reduced; or by specifying limit year which the rate of growth in health care costs will be reduced to match the rate of growth in per capita income (as both CMS and CBO assume). While this model is not directly applicable, it was used for a reference point in the ultimate pharmacy trend. The Actuary set pharmacy based upon recent plan and industry experience and grade down slowly in the select period (similar to post-65 medical trend) to an ultimate trend rate based upon what the Actuary is seeing for medical trend and consistent within the industry.

The following table compares plan-specific inputs and the model's baseline assumptions for key assumptions as of June 30, 2012:

		Alaska-specific values	
Key assumption	**Base line value**	**Pre- medicare medical**	**Medicare medical**
HCCTR 2012-2013	4.6%	9.0%	6.1%
HCCTR 2013-2014	7.4	8.0	5.8
HCCTR 2014-2015	5.0	7.0	5.5
2015 GDP % of healthcare	18.3	17.9	17.9
2015 PCCC	$10,000	$10,295	$2,596
CPI	2.5%	2.5%	2.5%
Real GDP	1.7	1.5	1.5
Income Multiplier	1.40	1.30	1.30
Taste/Technology	1.1	1.1	1.1
Max GDP as % of healthcare	25.0	25.0	25.0
Year reached	2075	2075	2075

Future (2026+) assumptions for inflation (2.4% for 2026-3025 and 2.3% thereafter), real GDP (1.5%), income multiplier (1.05 for 2026-3025 and 1.00 thereafter) and technology (0.9% for 2026-3025 and 0.8% thereafter) were not changed from the baseline inputs.

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June 30, 2013

(cc) Aging factors:

Age	Medical	Prescription drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94+	—	—

(dd) Retired member contributions for medical benefits – Currently, contributions are required for TRS members who are under age 60 and have less than 25 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY13 contributions based on monthly rates shown below for calendar 2012 and 2013 are assumed based on the coverage category for current retirees. The retiree only 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 25 years of service and who are not disabled and are projected to have single coverage. The retiree and spouse rate shown below is used for those projected to have a covered spouse:

	Calendar 2013		Calendar 2012
Coverage category	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	$ 9,876	823	807
Retiree and spouse	19,764	1,647	1,615
Retiree and child(ren)	13,956	1,163	1,140
Retiree and family	23,844	1,987	1,948
Composite	14,676	1,223	1,200

Contribution rates for all coverage tiers and weighted average are provided for reference purposes.

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(ee) 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, 8.4% is applied to the FY12 retired member medical contributions to get the FY14 retired member medical contributions.

Fiscal year:	
2013	8.4%
2014	8.2
2015	8.0
2016	7.6
2017	7.2
2018	6.7
2019	6.4
2025	5.9
2050	5.0
2100	4.5

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2012 valuation. Note that actual FY13 retired member medical contributions are reflected in the valuation so trend on such contribution during FY13 is not applicable.

(ff) Healthcare participation – 100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 100% of those who are retired prior to age 60 and actually declined coverage, or who are assumed to decline non-system paid coverage, are assumed to re-enroll at age 60 (when all coverage is system-paid for retirees included in this report).

Defined Contribution Retirement Plan

The significant actuarial assumptions used in the defined contribution retirement plan occupational death and disability and retiree medical benefit plan valuation as of June 30, 2012 are as follows:

(a) Actuarial cost method – Entry age actuarial cost method of funding. Any funding surplus or unfunded accrued liability is amortized over 25 years as a level percentage of expected payroll. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years.

(b) Valuation of assets – Recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Fair Value of Assets was $0 as of June 30, 2006. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements. Valuation assets are constrained to a range of 80% to 120% of fair value of assets.

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(c) Valuation of retiree medical benefits – Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2012 for defined benefit pension and postemployment healthcare benefit plan (TRS DB Plan) with some adjustments. The claim costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles, and out-of-pocket limits, fiscal year 2012 claim costs were reduced to 11.9% for medical and 7.1% for prescription drugs. Retiree out-of-pocket amounts were indexed 0.2% each year to reflect the effect of the deductible leveraging on trend and other plan design features.

(d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.

(e) Salary scale – Inflation 3.12% per year. Productivity 0.5% per year.

(f) Payroll growth – 3.62% per year (inflation+productivity).

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.

(h) Mortality (pre termination) – Based upon the 2005 – 2009 actual experience for the TRS DB Plan. 55% of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA, for females and 45% for males. 15% of deaths are assumed to result from occupational causes. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 117%.

(i) Mortality (post termination) – Based upon the 2005 – 2009 actual experience of the TRS DB Plan. 3-year setback of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA, for females and 4-year setback for males. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 117%.

(j) Turnover – Select rates were estimated and ultimate rates were set to the TRS DB Plan's rate loaded by 10%.

(k) Disability – Incidence rates based upon the 2005 – 2009 actual experience of the TRS DB Plan. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. 15% of disabilities are assumed to result from occupational causes.

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June 30, 2013

(l) Retirement – Retirement rates were estimated in accordance with the following table:

Age	Rate
< 55	2%
55-59	3
60	5
61	5
62	10
63	5
64	5
65	25
66	25
67	25
68	20
69	20
70	100

(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) Part-time status – Part-time employees are assumed to earn 0.60 years of credited service per year.

(o) Expenses – All expenses are net of the investment return assumption.

(p) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY13 medical benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	$ 9,856	2,736
Medicare Parts A and B	1,628	2,736
Medicare Part B Only	6,219	2,736
Medicare Part D	N/A	535

(q) Third-party administrator fees – $163.52 per person per year; assumed trend rate of 5% per year.

(r) Base claims cost adjustments – Due to higher initial copays, deductibles, out-of-pocket limits, and member cost sharing compared to the DB medical plan, the following cost adjustments were applied to the per capita claims cost rates: 0.881 for medical plan, 0.929 for the prescription drug plan, and 0.998 for the annual indexing for member cost sharing.

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(s) 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, 9.0% is applied to the FY13 medical claims cost to get the FY14 medical claims costs:

Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2013	9.0%	6.5%	6.4%
2014	8.7	6.4	6.3
2015	8.5	6.3	6.2
2016	8.0	6.3	6.2
2017	7.5	6.2	6.1
2018	7.0	6.1	6.0
2019	6.6	6.1	5.8
2025	6.0	6.0	5.8
2050	5.0	5.0	5.0
2100	4.5	4.5	4.5

For the June 30, 2012 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug cost. This model effectively begins estimating trend amount beginning in 2012 and projects out to 2100. The model has been populated with assumptions that are specific to the State of Alaska. The model asks the user to input estimated baseline costs for year 2015. Using this value as the base cost, the model projects per-person expenditures and growth rates through 2100 using a set of equations and assumptions developed by the author with the assistance of a State of Alaska working group. The user can then use the model input cells to specify alternative assumptions regarding responsiveness to external trends, income growth, and other factors to arrive at alternative projections. The model provisionally uses default short term annual projected by CMS for years 2011-2015 (4% to 6%), but users may input their own estimates for these model years. In this model, cost controls can be simulated in two ways: by specifying a Share Restriction Point, a percentage of GDP represented by healthcare and above which the current trends will be reduced; or by specifying limit year which the rate of growth in health care costs will be reduced to match the rate of growth in per capita income (as both CMS and CBO assume). While this model is not directly applicable, it was used for a reference point in the ultimate pharmacy trend. The Actuary set pharmacy trend based upon recent plan and industry experience and grade down slowly in the select period (similar to post-65 medical trend) to an ultimate trend rate based upon what Actuary are seeing for medical trend and consistent within the industry.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2013

The following table compares plan-specific inputs and the model's baseline assumptions for key assumptions as of June 30, 2012:

		Alaska-specific values	
Key assumption	**Base line value**	**Pre- medicare Medical**	**Medicare medical**
HCCTR 2012-2013	4.6%	9.0%	6.1%
HCCTR 2013-2014	7.4	8.0	5.8
HCCTR 2014-2015	5.0	7.0	5.5
2015 GDP % of healthcare	18.3	17.9	17.9
2015 PCCC	$10,000	$10,295	$2,596
CPI	2.5%	2.5%	2.5%
Real GDP	1.7	1.5	1.5
Income Multiplier	1.40	1.30	1.30
Taste/Technology	1.1	1.1	1.1
Max GDP as % of healthcare	25.0	25.0	25.0
Year reached	2075	2075	2075

Future (2026+) assumptions for inflation (2.4% for 2026-3025 and 2.3% thereafter), real GDP (1.5%), income multiplier (1.05 for 2026-3025 and 1.00 thereafter) and technology (0.9% for 2026-3025 and 0.8% thereafter) were not changed from the baseline inputs.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2013

(t) Aging factors:

Age	Medical	Prescription drugs
0 – 44	2.0%	4.5%
45 – 54	2.5	3.5
55 – 64	3.5	3.0
65 – 73	4.0	1.5
74 – 83	1.5	0.5
84 – 93	0.5	—
94 +	—	—

(u) Retiree medical participation:

Decrement due to disability		Decrement due to retirement		
Age	Percent participation	Age		Percent participation
<56	73.00%	<55		40.0%
56	77.50	56		50.0
57	79.75	57		55.0
58	82.00	58		60.0
59	84.25	59		65.0
60	86.50	60		70.0
61	88.75	61		75.0
62	91.00	62		80.0
63	93.25	63		85.0
64	95.50	64		90.0
65+	94.00	65+	Years of Service	
			<15	70.5%
			15-19	75.2
			20-24	79.9
			25-29	89.3
			30+	94.0

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2013

Updated participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market.

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 Methods from the Last Valuation

Defined Benefit Plan

There was one change in actuarial valuation methods in the DB plan as well as the changes described in the DB healthcare sections. Amortization of any funding surpluses or unfunded accrued liability was changed from a level percent of pay amount to a level dollar amount.

Defined Contribution Retirement Plan

There have been no changes in methods since the prior valuation.

Changes in Assumptions since the Last Valuation

Defined Benefit Plan

There have been no changes in actuarial assumptions since the prior valuation, except for the assumption regarding healthcare cost trend rates. The updated healthcare cost trend assumption reflects differences in Medicare eligible and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. We also updated participant contributions to reflect the new non-Medicare and pharmacy benefit cost trend on a weighted average basis.

Defined Contribution Retirement Plan

There have been changes in actuarial assumptions since the prior valuation regarding healthcare cost trend rates and the DCR retiree medical plan adjustments. The updated healthcare cost trend assumption reflects differences in Medicare eligibility and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. The Actuary also updated member contributions to reflect the new non-Medicare and pharmacy benefit cost trend on a weighted average basis.

To account for anticipated plan design features, FY 2012 claims cost adjustment were changed from 5.9% for medical and 0.7% for prescription drugs to 11.9% and 7.1% respectively. Retiree out-of-pocket amounts were indexed 0.2% each year, compared to 4.8% last year. Participation rates were reduced to reflect the proportion of retirees expected to have access to alternative options in the Medicare market as well as the time from retirement to Medicare-eligibility where a member pays full cost.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2013

(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%, is sufficient to pay the DB Plan's past service liability at the consolidated actuarially required contribution adopted by the Board for the fiscal year. The actuarially determined required contribution adopted by the Board for fiscal year. For fiscal year 2013, (based on the June 30, 2010 actuarial valuation report), the normal cost rate increased from 6.57% to 7.47%, the past service rate increased from 36.04% to 42.09%, thus producing a total actuarially determined contribution rate of 49.56% for fiscal year 2013. Starting in fiscal year 2012, the actuary presented an alternative method of calculating the employer rate to incorporate the normal cost of the DCR Plan, which was 3.11% for fiscal year 2013. This calculation provided a fiscal year 2013 actuarially determined employer contribution rate of 52.67%. The Board adopted the actuarially determined contribution rate of 52.67% for fiscal year 2013.

Schedule 1

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, 2013 and 2012
(In thousands)

			Totals	
	Administrative	Investment	2013	2012
Personal services:				
Wages	1,398	78	1,476	1,401
Benefits	837	31	868	861
Total personal services	2,235	109	2,344	2,262
Travel:				
Transportation	14	41	55	59
Per diem	3	21	24	23
Total travel	17	62	79	82
Contractual services:				
Management and consulting	3,007	10,218	13,225	12,032
Accounting and auditing	30	288	318	369
Advertising and printing	23	3	26	35
Data processing	458	209	667	586
Communications	46	15	61	59
Rental/leases	123	22	145	145
Legal	94	24	118	76
Medical specialists	14	—	14	6
Repairs and maintenance	2	5	7	9
Other professional services	64	16	80	115
Transportation	41	—	41	42
Total contractual services	3,902	10,800	14,702	13,474
Other:				
Equipment	16	6	22	69
Supplies	38	20	58	135
Total other	54	26	80	204
Total administrative and investment deductions	$ 6,208	10,997	17,205	16,022

See supplemental information in *Independent Auditors' Report.*

Schedule 2

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

Schedule of Administrative Deductions
Defined Contribution Retirement Plan

Year ended June 30, 2013 and 2012
(In thousands)

	2013	2012
Personal services:		
Wages	$ 90	66
Benefits	56	50
Total personal services	146	116
Travel:		
Transportation	2	2
Per Diem	1	1
Total travel	3	3
Contractual services:		
Management and consulting	537	418
Accounting and auditing	13	18
Data processing	20	11
Communications	3	3
Rentals/leases	8	6
Legal	2	1
Other professional services	2	2
Total contractual services	585	459
Other:		
Equipment	1	1
Supplies	2	4
Total other	3	5
Total administrative and investment deductions	$ 737	583

See Supplemental Information in *Independent Auditors' Report.*

Schedule 3

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, 2013 and 2012
(In thousands)

Firm	Services	2013	2012
Buck Consultants, an ACS Company	Actuarial services	$ 286	319
KPMG LLP	Auditing services	34	45
State Street Bank Corporation	Custodian banking services	278	328
Applied Microsystems Inc.	Data processing consultants	38	22
Computer Task Group, Inc.	Data processing consultants	76	208
Mythics Inc.	Data processing consultants	31	—
The Wilson Agency LLC	Management consulting services	11	—
Wostmann Group LLC	Data processing consultants	18	11
Michael Silverman	Management consulting services	18	—
State of Alaska, Department of Health & Social Services	Medical expertise & counseling	12	—
State of Alaska, Department of Law	Legal Services	96	55
		$ 898	$ 988

See Supplemental Information in *Independent Auditors' Report.*

INVESTMENT SECTION

Callan

Callan Associates Inc.
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Suite 950
Denver, CO 80202

Main 303.861.1900
Fax 303.832.8230

www.callan.com

August 30, 2013

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, 2013.

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 ARMB's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made using methodology similar to 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.

Major equity markets enjoyed a strong fiscal year 2013, both internationally and domestically. The Russell 3000 Index, a measure of the broad U.S. equity market, jumped 21.46%. International stocks, as measured by the MSCI ACWI ex-U.S. Index, gained 14.14% for the fiscal year. A broad measure of the total global equity market (MSCI All Country World Index) rose 17.21%. Fixed income struggled during fiscal year 2013. The Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic bond market, declined 0.69%. Absolute return strategies, such as hedge fund-of-funds, posted respectable gains during the fiscal year. For example, the Callan Absolute Return Hedge Fund-of-Funds Style median return was 9.52% (net-of-fee). Private real estate investments continued to advance, returning 10.72% (NCREIF Property Index) for fiscal 2013. Publicly traded real estate, as measured by the FTSE NAREIT Equity Index, increased 9.42%.

For the fiscal year, the Public Employees' Retirement System (PERS) had a time-weighted total return of 12.50% and the Teachers' Retirement System (TRS) had a time-weighted total return of 12.59%. Both Systems outperformed their strategic policy benchmark target return of 12.27% and the 11.99% median return for Callan's Public Fund database. Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 10-year annualized return was 6.94% while TRS's return was slightly higher at 6.99%. These returns were close to but slightly below their target of 7.03%. Over the longest period for which Callan has detailed data (21-¾ years), PERS and TRS have achieved annualized total returns of 7.59% and 7.65%, respectively, while the policy benchmark return for the same span was 7.62%.

For fiscal year 2013 there were significant differences in performance between asset categories. For example, domestic equities (as measured by the Russell 3000 Index) had a return of 21.46% while fixed income (Barclays Aggregate Bond Index) actually fell, losing 0.69%. Non-U.S. Government Bonds, as measured by the Citi Non-U.S. World Gov't Bond Index, declined 5.72%. Similarly, the spread in international equity returns was wide. Developed equities (MSCI EAFE Index) gained 18.62% for the fiscal year but equities in emerging markets (MSCI Emerging Markets Index) only rose 3.23%.

ARMB's various asset group returns were all positive, as shown below.

Domestic Stocks	21.23%
Int'l Stocks	15.01%
Private Equity	11.61%
Real Assets	10.48%
Absolute Return	8.41% * (adjusted to reflect Fiscal Year period)
Fixed Income	0.57%

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 4.5% or better.

In summary, fiscal 2013 was a good year for most major asset categories allowing balanced investment portfolios to perform well.

Sincerely,

Michael J. O'Leary, CFA
Executive Vice President

Department of Revenue
Treasury Division
Staff

Commissioner
Bryan Butcher

Deputy Commissioner
Angela Rodell

Chief Investment Officer
Gary Bader

Comptroller
Pamela Leary, CPA

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

Investment Officers
Bob G. Mitchell
Stephen R. Sikes
Zachary Hanna
Steve Verschoor
Shane Carson
Sean Howard
Paul Hackenmueller
Casey Colton
Nicholas Orr
Victor Djajalie
Joy Wilkinson
Alyson Campbell
Emily Peyton

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
Crestline Investors, Inc.
Fort Worth, TX
Global Assets Management Inc.
Los Angeles, CA
Prisma Capital Partners
New York, NY

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

Domestic Equity Small Capitalization
Jennison Associates LLC
New York, NY
Lord Abbett & Co.
Jersey City, NJ
Luther King Capital Management
Fort Worth, TX
Frontier Capital Management
Boston, MA
Victory Capital Management
St. Louis, MO

Domestic Equity MicroCap
DePrince, Race & Zollo, Inc.
Winter Park, FL
Lord Abbett & Co.
Jersey City, NJ

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 and Emerging Income
Lazard Freres Asset Management
New York, NY

High Yield/Convertible Bond
MacKay Shields LLC
New York, NY
Advent Capital Management
New York, NY

External Money Managers and Consultants (cont.)

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

International Small Cap
Mondrian Investment Partners
London, England
Schroders Investment Management NA
New York, NY

International Fixed Income
Mondrian Investment Partners
London, England

Master Limited Partnerships
FAMCO MLP
St. Louis, MO
Tortoise Capital Advisors LLC
Leawood, KS

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

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

Real Assets – Commingled Funds
Almanac Realty Investors
Alpharetta, GA
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
Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Silverpeake 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 Assets – Real Estate Core Separate Accounts
Cornerstone Real Estate Advisers, Inc.
Hartford, CT
LaSalle Investment Management
Chicago, IL
Sentinel Real Estate Corporation
New York, NY
UBS Realty Investors, LLC
San Francisco, CA

Real Assets – Timber
Hancock Timber Resource Group
Charlotte, NC
Timberland Investment Resources LLC
Brookline, MA

Supplemental Benefits System, Deferred Compensation Plan and Defined Contribution Plan
BlackRock
San Francisco, CA
RCM
San Francisco, CA
State Street Global Advisors
Boston, MA
T. Rowe Price Investment Services
Baltimore, MD
Brandes Investment Partners
San Diego, CA

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

Independent Auditors
KPMG, LLP
Anchorage, AK

Legal Counsel
Robert Johnson
Anchorage, AK

Teachers' Retirement System
Investment Report

INVESTMENTS

The investment goals of the State of Alaska Teachers' Retirement System (TRS) 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 seven asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity, absolute return and cash equivalents. 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 Equity	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Ex-U.S. Index
Fixed Income	80% Barclays Intermediate Treasury Index 10% Merrill Lynch High Yield II Constrained Index 7% Citigroup World Gov. Bond Ex-U.S. Index 3% JP Morgan Global Bond Index - Emerging Markets Broad Diversified Index
Real Assets	55% NCREIF Property Index 20% Barclays TIPS Index 10% NCREIF Farmland Index 10% NCREIF Timberland Index 5% FTSE NAREIT All Equity REIT Index
Private Equity	1/3 S&P 500 Index 1/3 Russell 2000 Index 1/3 MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%
Cash Equivalents	91 Day Treasury Bill

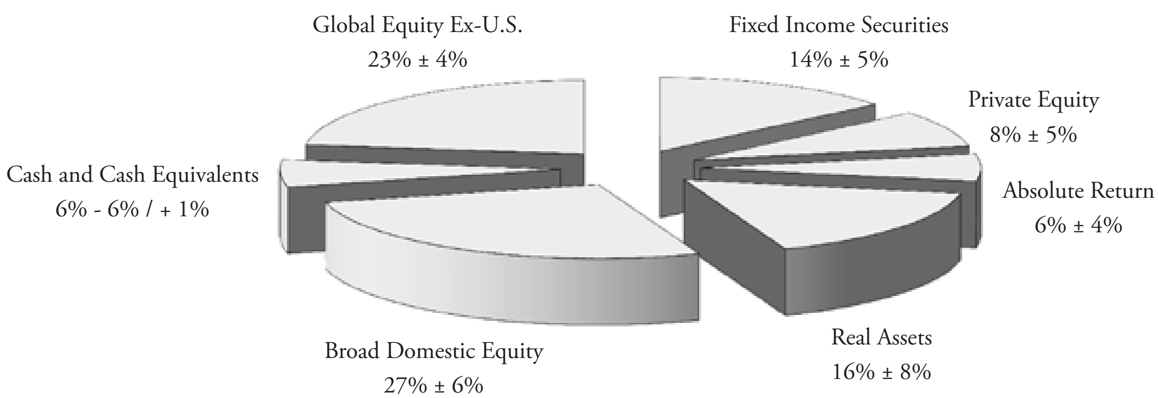
The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2013 fiscal year, ARMB's target asset allocation was 27% domestic equities, 23% global equities ex-U.S., 16% real assets, 14% fixed income, 8% private equity, 6% absolute return, and 6% cash equivalents. The target asset allocation was expected to generate a return of 7.11% with a standard deviation of 14.20%.

Teachers' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
						Annualized	
	2009	2010	2011	2012	2013	3 Year	5 Year
Total Fund							
TRS	(20.62%)	11.58%	21.40%	0.51%	12.59%	11.15%	3.98%
Actuarial Earnings Rate	8.25	8.25	8.00	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
TRS Domestic Equities	(26.80)	15.47	33.38	1.83	21.24	18.09	6.84
Custom Composite Index	(26.56)	15.72	32.37	3.84	21.46	18.63	7.25
International Stock Returns							
TRS International Equities	(29.12)	12.03	28.27	(13.66)	15.03	8.40	0.23
Morgan Stanley Capital International ACWI ex-US	(30.54)	10.87	30.27	(14.15)	14.14	8.48	(0.34)
Fixed Income							
TRS	3.36	11.35	5.55	4.82	0.57	3.63	5.07
Custom Composite Index	5.41	10.16	5.06	5.08	(0.04)	3.34	5.09
Private Equity							
TRS	(23.67)	18.87	20.12	9.44	11.68	13.66	5.90
Custom Composite Index	(27.19)	13.87	32.93	(3.61)	21.24	15.81	5.19
Absolute Return							
TRS	(12.52)	6.60	5.99	(2.05)	8.41	4.02	0.97
3-month Treasury Bill +5%	5.95	5.16	5.16	5.06	5.11	5.11	5.29
Real Assets							
TRS	(21.20)	0.06	15.51	10.45	10.65	12.09	2.04
Custom Composite Index	(10.82)	1.17	12.66	11.41	8.35	10.79	4.18
Cash Equivalents							
TRS	—	—	0.46	0.42	0.25	0.38	—
3-month Treasury Bill	—	—	0.16	0.06	0.11	0.11	—

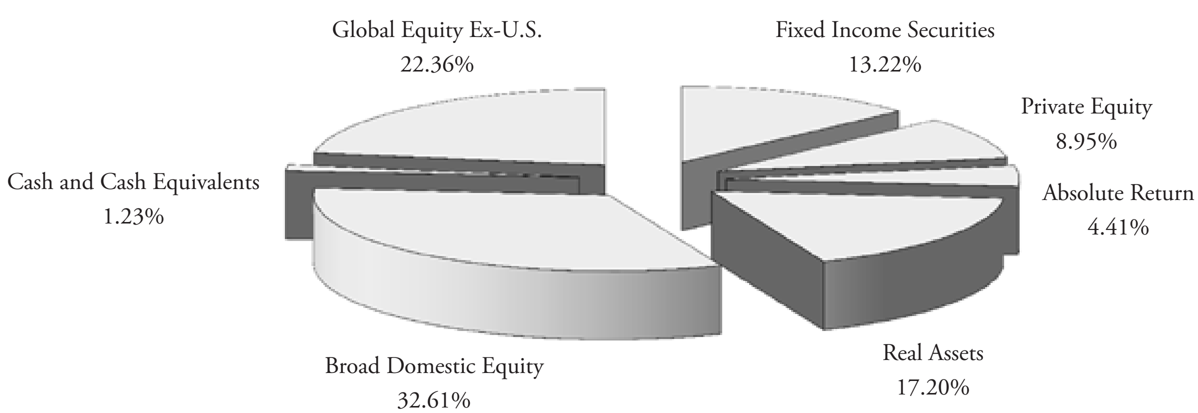
ACWI = All Country World Index
Returns for periods longer than one year are reported on an annualized basis.
Basis of calculation: Time-Weighed rate of return based on the market rate of return.

Teachers' Retirement System
Asset Allocation
June 30, 2013

Policy

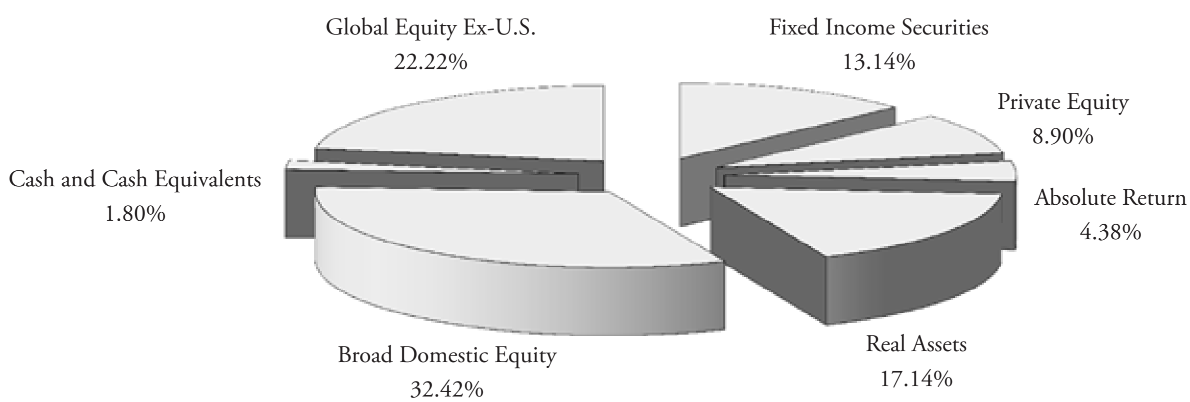


Actual — Defined Benefit Pension

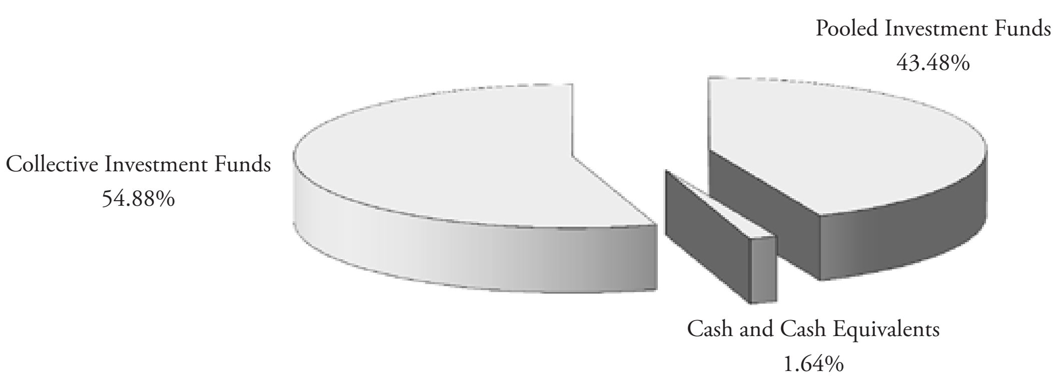


Teachers' Retirement System
Asset Allocation
June 30, 2013

Actual — Defined Benefit Alaska Retiree Healthcare Trust

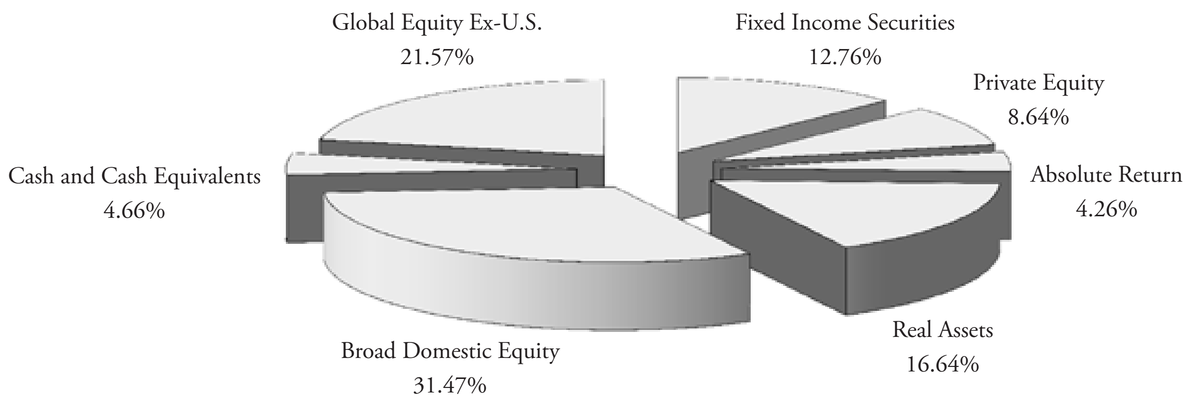


Actual — Defined Contribution Participant Directed

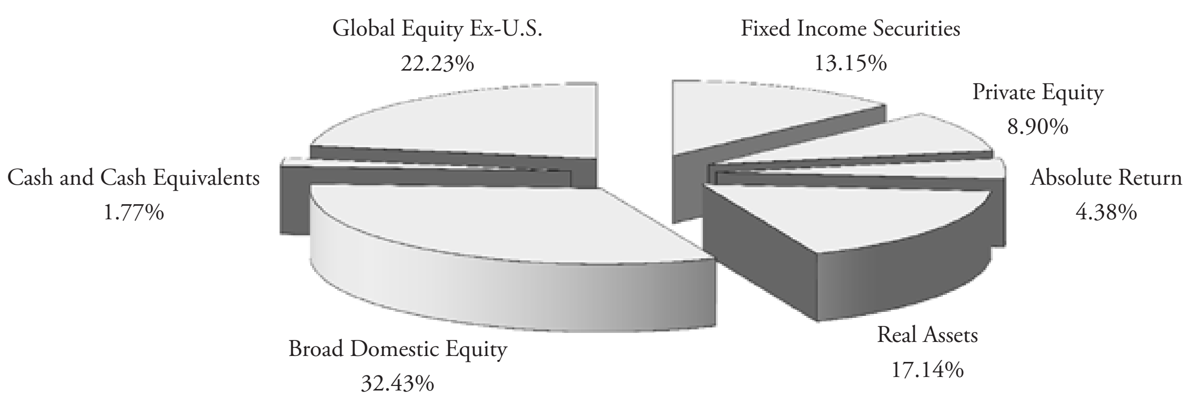


Teachers' Retirement System
Asset Allocation
June 30, 2013

Actual — Defined Contribution Health Reimbursement Arrangement

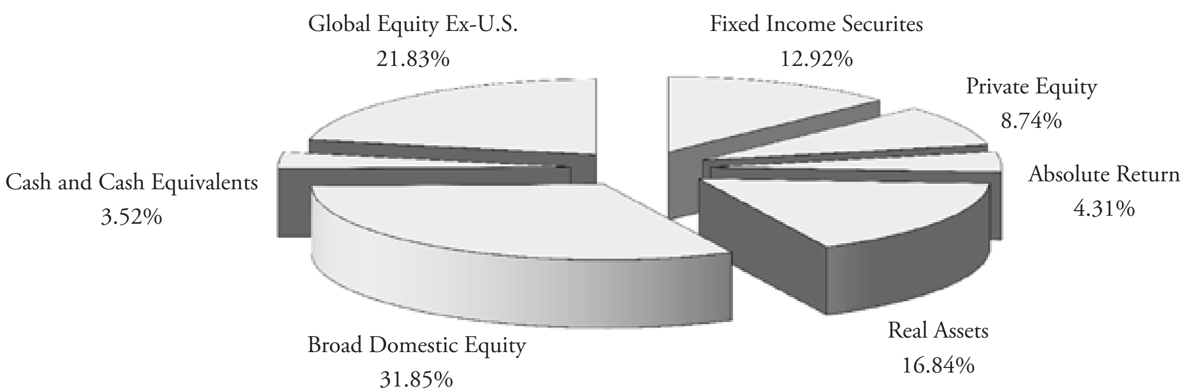


Actual — Defined Contribution Occupational Death & Disability



Teachers' Retirement System
Asset Allocation
June 30, 2013

Actual — Defined Contribution Retiree Medical Plan



Alaska Retirement Management Board
Top Ten Holdings by Asset Type
June 30, 2013

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 twenty-three 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	Largest Fixed Income Holdings	Market Value	Par Value
1	US Treasury 0.875% 12/31/2016	$ 68,461,409	$ 68,504,224
2	US Treasury 2.625% 07/31/2014	30,598,517	29,819,250
3	US Treasury 2.000% 02/15/2022	26,228,592	26,817,312
4	US Treasury 0.250% 02/15/2015	20,001,192	20,012,920
5	US Treasury 0.875% 07/31/2019	13,820,172	14,509,367
6	US Treasury 1.125% 05/31/2019	11,654,088	12,007,752
7	US Treasury 0.250% 09/30/2014	8,084,062	8,081,217
8	US Treasury 0.625% 05/31/2017	7,168,599	7,284,703
9	US Treasury 0.250% 05/15/2016	6,754,866	6,827,408
10	US Treasury 0.250% 01/31/2015	5,939,877	5,941,035

Equities

Rank	Largest Equity Holdings	Market Value
1	Apple Inc.	$ 26,565,631
2	Exxon Mobil Corp.	21,521,204
3	Chevron Corp.	17,666,056
4	JPMorgan Chase & Co	17,578,535
5	Pfizer Inc.	16,975,700
6	International Business Machines Corp.	15,498,389
7	Wells Fargo & Co.	14,165,971
8	Oracle Corp.	13,971,800
9	General Electric Co	12,746,045
10	AT&T Inc	12,344,912

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 Investment Management Fees
Year Ended June 30, 2013

	Total Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	$ 102,306,539	$ 416,942
High Yield Pool		
* Mackay Shields, LLC	146,248,384	640,081
Total High Yield	146,248,384	640,081
Alternative Equity		
** Relational Investors	77,677,499	571,469
*Analytic SSgA Account	33,527,820	4,328
*Analytic Buy Write Account	918,023	52,006
*Allianz Buy-Write Account	23,351,933	124,922
Total Alternative Equity	135,475,275	752,725
Domestic Equity Pools		
* Advent Capital	36,886,858	240,311
* Barrow, Hanley, Mewhinney & Strauss, INC	71,472,911	429,060
* Jennison Associates LLC	45,664,726	302,979
* Lazard Asset Management	104,662,833	229,818
* Lord Abbett & Co.	64,360,411	481,827
* Luther King Cap. Management	43,943,151	212,301
* Victory Capital Management	25,211,615	186,714
* Frontier Capital Management	43,421,352	326,332
* McKinley Capital	76,660,942	328,160
ARMB Equity Yield Strategy	31,855,418	—
* Quantitative Management Associates	77,313,839	180,803
* SSgA Russell 1000 Growth	303,949,253	32,564
* SSgA Russell 1000 Value	319,665,761	39,997
* SSgA Russell 2000 Growth	4,080,652	1,821
* SSgA Russell 2000 Value	15,244,146	3,746
* SSgA Russell 200	135,918,365	16,416
* SSgA Futures Large Cap	3,139,199	2,980
* SSgA Future Small Cap	2,529,345	2,652
* DePrince, Race & Zollo Inc.-Micro Cap	25,475,938	264,211
* Allianz Global Investors	77,538,149	287,837
Total Domestic Equities	1,508,994,864	3,570,529
Private Equity Pool		
** BlumCapital Partners-Strategic	2,805,174	87,733
** Warburg Pincus X	9,956,569	209,595
** Angelo Gordon & Co.	4,067,971	100,727
** Onex Partners	5,694,480	120,978
** Lexington Partners	13,222,427	127,996
* Pathway Capital Management	1,597,792	623,616
* Abbott Capital Management	209,820,489	532,596
** Merit Capital Partners	3,403,535	74,691
Total Private Equities	250,568,437	1,877,932
International Equity Pools		
* SSgA	158,470,949	93,790
* Brandes Investment Partners	249,011,488	892,581
* Capital Guardian Trust Co.	196,528,978	694,490
* McKinley Capital Mgmt.	92,053,122	456,659
* Lazard Freres	120,845,799	143,990
* Mondrian Investment Partners	37,802,688	276,494
Blackrock ACWI Ex-US IMI	—	28,342
* Schroder Investment Management	36,233,994	269,740
Total International Equities	890,947,018	2,856,086
Absolute Return Pool		
** Mariner Investment Group	449,191	105,082
** Crestline Investors Inc.	77,009,168	636,451
** Global Asset Management	75,252,100	373,170
** Prisma Capital Partners	76,419,065	379,478
Total Absolute Return	229,129,524	1,494,181

(continued)

Teachers' Retirement System
Schedule of Investment Management Fees (cont.)
Year Ended June 30, 2013

	Fair Value	Fees
Emerging Markets Equity Pool		
** The Capital Group Inc.	$ —	$ 147,022
** Lazard Freres Asset Managers	93,760,282	—
** Eaton Vance	58,765,608	—
Total Emerging Markets Equities	152,525,890	147,022
Real Estate Pool		
** JPM Strategic	61,821,251	512,510
** UBS Consolidated	22,492,573	235,394
** Cornerstone	27,828,754	99,934
** Lasalle	62,792,183	445,076
** Sentinel, SA	43,619,142	222,956
** UBS Separate	78,966,846	483,146
** Lowe Hospitality	821,272	18,469
** ING Clarion	8,938,289	152,993
** Silverpeak Legacy Pension Partners	22,789,898	319,263
** Almanac Realty Securities	19,001,568	365,161
** Tishman Speyer	23,079,266	264,033
** BlackRock Diamond	7,633,265	107,805
** Colony Investors VIII, L.P.	6,140,011	182,511
** LaSalle Medical Office Fund II	5,498,792	98,130
** Cornerstone Apartment Venture III	7,769,945	82,935
** Coventry	4,036,830	95,472
Total Real Estate	403,229,885	3,685,788
Master Limited Partnerships Pool		
** Tortoise MLP	53,143,474	161,079
** Famco MLP	51,603,165	124,671
Total Master Limited Partnerships	104,746,639	285,750
Timber Pool		
** Timberland INVT Resources	50,452,819	373,028
** Hancock Natural Resource Group	24,937,458	194,144
Total Timber	75,390,277	567,172
Farmland Pool		
** Hancock Agriculture Investment Group	69,313,226	525,097
** UBS Agrivest	119,559,538	847,855
Total Farmland	188,872,764	1,372,952
Farmland Water Pool		
** Hancock Farmland & Water	6,528,662	38,496
** UBS Agrivest	11,265,234	83,774
Total Farmland Water	17,793,896	122,270
Energy Pool		
** EIG Energy Fund XV	9,922,538	164,349
** EIG Energy Fund XD	2,421,458	30,606
** EIG Energy Fund XIV-A	18,765,662	236,683
Total Energy	31,109,658	431,638
Custodian		
* State Street Bank		277,752
Investment Advisory		
* Townsend Group		28,280
* Callan Associates		51,767
* Investment Advisory Council		27,196
Total Investment Advisory		107,243
Investment Performance		
* Callan Associates		78,922
Total External Management Fees		**$ 18,684,985**

*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, 2013

	Defined Benefit - Pension			
	Asset Allocation		Fair Market	% of Total
Investments (at Fair Value)	**Policy**	**Range**	**Value**	**Assets**
Cash and Cash Equivalents				
Short-term Fixed Income Pool			$ 40,497,559	
Total Cash and Cash Equivalents	6.00%	0-7%	40,497,559	1.23%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			249,342,607	
High Yield Pool			92,321,599	
International Fixed Income Pool			64,561,577	
Emerging Debt Pool			27,481,432	
Total Fixed Income Securities	14.00%	9-19%	433,707,215	13.22%
Broad Domestic Equity				
Large Cap Pool			848,301,486	
Small Cap Pool			198,020,671	
Convertible Bond Pool			23,281,721	
Total Broad Domestic Equity	27.00%	21-33%	1,069,603,878	32.61%
Global Equity Ex-U.S.				
International Equity Pool			590,205,009	
International Equity Small Cap Pool			46,732,511	
Emerging Markets Equity Pool			96,275,682	
Total Global Equity Ex-U.S.	23.00%	19-27%	733,213,202	22.36%
Private Equity				
Private Equity Pool			293,629,137	
Total Private Equity	8.00%	3-13%	293,629,137	8.95%
Absolute Return				
Absolute Return Pool			144,616,375	
Total Absolute Return	6.00%	2-10%	144,616,375	4.41%
Real Assets				
Real Estate Pool			249,597,335	
Real Estate Investment Trust Pool			49,375,196	
Master Limited Partnership Pool			66,120,440	
Energy Pool			19,635,033	
Farmland Pool			112,614,772	
Farmland Water Pool			17,793,897	
Timber Pool			47,582,993	
Treasury Inflation Protected Securities Pool			1,518,261	
Total Real Assets	16.00%	8-24%	564,237,927	17.20%
Total Invested Assets	**100.00%**		**$3,279,505,294**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule
June 30, 2013

	Defined Benefit - Alaska Retiree Healthcare Trust			
	Asset Allocation		Fair Market	% of Total
Investments (at Fair Value)	**Policy**	**Range**	**Value**	**Assets**
Cash and Cash Equivalents				
Short-term Fixed Income Pool			$ 33,863,794	
Total Cash and Cash Equivalents	6.00%	0-7%	33,863,794	1.80%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			142,340,407	
High Yield Pool			52,703,364	
International Fixed Income Pool			36,854,619	
Emerging Debt Pool			15,688,166	
Total Fixed Income Securities	14.00%	9-19%	247,586,556	13.14%
Broad Domestic Equity				
Large Cap Pool			484,287,229	
Small Cap Pool			113,049,291	
Convertible Bond Pool			13,290,801	
Total Broad Domestic Equity	27.00%	21-33%	610,627,321	32.42%
Global Equity Ex-U.S.				
International Equity Pool			336,936,928	
International Equity Small Cap Pool			26,678,634	
Emerging Markets Equity Pool			54,960,620	
Total Global Equity Ex-U.S.	23.00%	19-27%	418,576,182	22.22%
Private Equity				
Private Equity Pool			167,622,500	
Total Private Equity	8.00%	3-13%	167,622,500	8.90%
Absolute Return				
Absolute Return Pool			82,556,321	
Total Absolute Return	6.00%	2-10%	82,556,321	4.38%
Real Assets				
Real Estate Pool			143,202,152	
Real Estate Investment Trust Pool			28,187,127	
Master Limited Partnership Pool			37,747,240	
Energy Pool			11,208,939	
Farmland Pool			74,469,097	
Timber Pool			27,163,431	
Treasury Inflation Protected Securities Pool			866,719	
Total Real Assets	16.00%	8-24%	322,844,705	17.14%
Total Invested Assets	**100.00%**		**1,883,677,379**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule
June 30, 2013

	Defined Contribution - Participant Directed			
	Asset Allocation		Fair Market	% of Total
Investments (at Fair Value)	**Policy**	**Range**	**Value**	**Assets**
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	$ 2,508,516	
Total Cash and Cash Equivalents			2,508,516	1.64%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			348,018	
Target 2015 Trust			1,408,709	
Target 2020 Trust			2,909,316	
Target 2025 Trust			3,929,253	
Target 2030 Trust			4,182,392	
Target 2035 Trust			6,691,938	
Target 2040 Trust			7,281,011	
Target 2045 Trust			12,987,206	
Target 2050 Trust			17,226,396	
Target 2055 Trust			2,168,025	
Alaska Balanced Fund			195,440	
Long-Term Balanced Fund			5,506,122	
Alaska Money Market			1,859,834	
Total Pooled Investment Funds			66,693,660	43.48%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			103,387	
S&P Stock Index Fund			14,758,943	
Russell 3000 Index			6,614,240	
Real Estate Investment Trust Index			1,992,477	
World Equity Ex-U.S. Index			12,277,513	
Long U.S. Treasury Bond Index			98,423	
Treasury Inflation Protected Securities Index			836,691	
World Government Bond Ex-U.S. Index			1,808,160	
Global Balanced Fund			6,670,864	
Barclays				
Daily Government/Corporate Bond Fund			8,651,453	
Intermediate Bond Fund			121,506	
Brandes Institutional				
International Equity Fund			11,474,700	
RCM				
Socially Responsible Fund			1,774,575	
T. Rowe Price				
Small-Cap Fund			16,974,347	
Total Collective Investment Funds			84,157,279	54.88%
Total Invested Assets			**$ 153,359,455**	**100.00%**

(1) Pooled Investment Funds and Collective Investment Funds are participant directed and therefore are not subject to an asset allocation.

Teachers' Retirement System
Investment Summary Schedule
June 30, 2013

	Defined Contribution - Health Reimbursement Arrangement			
	Asset Allocation		Fair Market	% of Total
Investments (at Fair Value)	**Policy**	**Range**	**Value**	**Assets**
Cash and Cash Equivalents				
Short-term Fixed Income Pool			$ 1,607,299	
Total Cash and Cash Equivalents	6.00%	0-7%	1,607,299	4.66%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			2,529,592	
High Yield Pool			936,580	
International Fixed Income Pool			655,057	
Emerging Debt Pool			278,798	
Total Fixed Income Securities	14.00%	9-19%	4,400,027	12.76%
Broad Domestic Equity				
Large Cap Pool			8,604,624	
Small Cap Pool			2,008,525	
Convertible Bond Pool			236,186	
Total Broad Domestic Equity	27.00%	21-33%	10,849,335	31.47%
Global Equity Ex-U.S.				
International Equity Pool			5,986,969	
International Equity Small Cap Pool			474,054	
Emerging Markets Equity Pool			976,695	
Total Global Equity Ex-U.S.	23.00%	19-27%	7,437,718	21.57%
Private Equity				
Private Equity Pool			2,978,844	
Total Private Equity	8.00%	3-13%	2,978,844	8.64%
Absolute Return				
Absolute Return Pool			1,467,125	
Total Absolute Return	6.00%	2-10%	1,467,125	4.26%
Real Assets				
Real Estate Pool			2,544,874	
Real Estate Investment Trust Pool			500,873	
Master Limited Partnership Pool			670,702	
Energy Pool			199,196	
Farmland Pool			1,323,405	
Timber Pool			482,727	
Treasury Inflation Protected Securities Pool			15,403	
Total Real Assets	16.00%	8-24%	5,737,180	16.64%
Total Invested Assets	**100.00%**		**$ 34,477,528**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule
June 30, 2013

	Defined Contribution - Occupational Death & Disability			
	Asset Allocation		Fair Market	% of Total
Investments (at Fair Value)	**Policy**	**Range**	**Value**	**Assets**
Cash and Cash Equivalents				
Short-term Fixed Income Pool			$ 45,932	
Total Cash and Cash Equivalents	6.00%	0-7%	45,932	1.77%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			196,174	
High Yield Pool			72,636	
International Fixed Income Pool			50,794	
Emerging Debt Pool			21,621	
Total Fixed Income Securities	14.00%	9-19%	341,225	13.15%
Broad Domestic Equity				
Large Cap Pool			667,426	
Small Cap Pool			155,800	
Convertible Bond Pool			18,317	
Total Broad Domestic Equity	27.00%	21-33%	841,543	32.43%
Global Equity Ex-U.S.				
International Equity Pool			464,357	
International Equity Small Cap Pool			36,768	
Emerging Markets Equity Pool			75,747	
Total Global Equity Ex-U.S.	23.00%	19-27%	576,872	22.23%
Private Equity				
Private Equity Pool			231,017	
Total Private Equity	8.00%	3-13%	231,017	8.90%
Absolute Return				
Absolute Return Pool			113,779	
Total Absolute Return	6.00%	2-10%	113,779	4.38%
Real Assets				
Real Estate Pool			197,361	
Real Estate Investment Trust Pool			38,847	
Master Limited Partnership Pool			52,022	
Energy Pool			15,449	
Farmland Pool			102,633	
Timber Pool			37,436	
Treasury Inflation Protected Securities Pool			1,194	
Total Real Assets	16.00%	8-24%	444,942	17.14%
Total Invested Assets	**100.00%**		**$ 2,595,310**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule
June 30, 2013

	Defined Contribution - Retiree Medical Plan			
	Asset Allocation		Fair Market	% of Total
Investments (at Fair Value)	**Policy**	**Range**	**Value**	**Assets**
Cash and Cash Equivalents				
Short-term Fixed Income Pool			$ 306,209	
Total Cash and Cash Equivalents	6.00%	0-7%	306,209	3.52%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			646,741	
High Yield Pool			239,458	
International Fixed Income Pool			167,471	
Emerging Debt Pool			71,280	
Total Fixed Income Securities	14.00%	9-19%	1,124,950	12.92%
Broad Domestic Equity				
Large Cap Pool			2,200,079	
Small Cap Pool			513,558	
Convertible Bond Pool			60,386	
Total Broad Domestic Equity	27.00%	21-33%	2,774,023	31.85%
Global Equity Ex-U.S.				
International Equity Pool			1,530,753	
International Equity Small Cap Pool			121,206	
Emerging Markets Equity Pool			249,713	
Total Global Equity Ex-U.S.	23.00%	19-27%	1,901,672	21.83%
Private Equity				
Private Equity Pool			761,604	
Total Private Equity	8.00%	3-13%	761,604	8.74%
Absolute Return				
Absolute Return Pool			375,101	
Total Absolute Return	6.00%	2-10%	375,101	4.31%
Real Assets				
Real Estate Pool			650,650	
Real Estate Investment Trust Pool			128,062	
Master Limited Partnership Pool			171,487	
Energy Pool			50,929	
Farmland Pool			338,357	
Timber Pool			123,419	
Treasury Inflation Protected Securities Pool			3,938	
Total Real Assets	16.00%	8-24%	1,466,842	16.84%
Total Invested Assets	**100.00%**		**$ 8,710,401**	**100.00%**

Teachers' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2013

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	$ 24,184	$ 14,124	$ 38,308
Defined Benefit Plan - Alaska Retiree Health Care Trust	13,371	7,870	21,241
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	196	120	316
Defined Contribution Retirement Plan - Occupational Death & Disability	18	11	29
Defined Contribution Retirement Plan - Retiree Medical Pan	53	32	85
Total Recaptured Commission Fees	**$ 37,822**	**$ 22,157**	**$ 59,979**

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 (SSGM) is: 90% of the commissions received in excess of executing the brokers' execution-only rates; 100% of commissions in excess of its execution-only rates for all trading directed through SSGM.

ACTUARIAL SECTION

Alaska Division of Retirement and Benefits

TRS

Teachers' Retirement System

buckconsultants A Xerox Company

July 19, 2013

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

Certification of Actuarial Valuation

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

This report summarizes the annual actuarial valuation results of the State of Alaska Teachers' Retirement System (TRS) as of June 30, 2012 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2012. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the System.

The State of Alaska Teachers' Retirement System is funded by Employer, State, and Member Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board). The funding objective for the State of Alaska Teachers' Retirement System is to pay required contributions that remain level as a percent of total TRS Compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, System expenses, and amortize the Unfunded Actuarial Accrued Liability as a level dollar amount over a closed 25-year period. The Board changed the amortization method used for funding from the level percentage of payroll method to the level dollar method in June 2012 effective June 30, 2012. The compensation used to determine required contributions is the total compensation of all active members in TRS, including those hired after July 1, 2006 who are members of the Defined Contribution Retirement (DCR) Plan. This objective is currently being met and is projected to continue to be met.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the System and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the System. The actuary performs an analysis of System experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience.

The last full experience analysis was performed in 2010. A review of the healthcare assumptions was performed for this actuarial valuation and changes were made to the healthcare cost trend rates and the per capita claims cost rates, effective June 30, 2012, to better reflect expected future healthcare experience. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in this report.

The assumptions and methods used to determine the Annual Required Contributions (ARC) of the Employers to the State of Alaska Teachers' Retirement System as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the Schedule of Funding Progress, Schedule of Employer Contributions, and trend data schedules under GASB Nos. 25 and 43 that are included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 5 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions, solvency test, and analysis of financial experience for the Actuarial Section of the CAFR.

The undersigned are Enrolled Actuaries, a Fellow and an Associate of the Society of Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC

David H. Slishinsky

Lee James

David H. Slishinsky, ASA, EA, MAAA, FCA	Lee James, FSA, EA, MAAA, FCA
Principal, Consulting Actuary	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

buckconsultants

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures

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.

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 dollar amount and represents a change from the level percentage of payroll amortization methods effective June 30, 2012. 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.

B. Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the difference between actual and expected investment return in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at fair 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 fair value of assets.

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Changes in Methods from the Prior Valuation

There was one change in valuation methods as well as any changes described in the healthcare sections below. Amortization of any funding surpluses or unfunded accrued liability was changed from a level percent of pay amount to a level dollar amount.

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 annual experience rate update for the period July 1, 2012 to June 30, 2013.

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 claim data is not available by individual, nor is this status incorporated into historical claim data.

We analyzed HealthSmart and Premera management level reporting for fiscal 2009 through April 2012, as well as HealthSmart and Premera claim level data for the same period 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 was used to augment cost data by Medicare status.

3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these "no-Part A" individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The smaller the no-Part A population, the more accrued liabilities will decrease.

   Based on census data received from HealthSmart, 0.5% of the current retiree population was identified as having coverage only under Medicare Part B. For future retirees, we assume their Part A eligible status based on a combination of date of hire and/or re-hire, date of birth, tier, etc.

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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 fiscal 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 utilized incurred claim data projected from each historical data period to the valuation year using a weighted average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. We used estimated June 2012 reserve data to complete fiscal year 2012 claim costs.

5. Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact of the following provisions; however, none of the impacts have been included in the valuation results.

   - Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We reviewed the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

   - The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosure, Buck estimated the year in which the tax would potentially affect Alaska to be sufficiently far into the future to produce a minimal impact. Buck determined the impact to be immaterial based on a blend of pre-Medicare and Medicare retirees.

   We have not identified any other specific provisions of healthcare reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

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June 30, 2012 Valuation – FY 2013 Claims Cost Rates

	Medical		
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**
Fiscal 2009 Incurred Claims	**$207,452,753**	**$43,988,895**	**$4,422,726**
Membership	32,943	24,624	539
Paid Claims Cost Rate	$6,297	$1,786	$8,204
Trend to FY2013	1.317	1.317	1.317
FY2013 Paid Cost Rate	$8,295	$2,353	$10,806
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	**$8,295**	**$2,353**	**$10,806**
Fiscal 2010 Incurred Claims	**$233,601,103**	**$60,082,942**	**$1,421,948**
Membership	32,026	27,915	156
Paid Claims Cost Rate	$7,294	$2,152	$9,115
Trend to FY2013	1.220	1.220	1.220
FY2013 Paid Cost Rate	$8,896	$2,625	$11,117
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	**$8,896**	**$2,625**	**$11,117**
Fiscal 2011 Incurred Claims	**$232,542,851**	**$55,569,969**	**$848,494**
Membership	31,362	29,997	138
Paid Claims Cost Rate	$7,415	$1,852	$6,149
Trend to FY2013	1.079	1.079	1.079
FY2013 Paid Cost Rate	$8,001	$1,999	$6,634
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	**$8,001**	**$1,999**	**$6,634**
Fiscal 2012 Incurred Claims	**$240,584,988**	**$73,566,159**	**$1,636,834**
Membership	29,438	33,560	208
Paid Claims Cost Rate	$8,173	$2,192	$7,869
Trend to FY2013	1.004	1.004	1.004
FY2013 Paid Cost Rate	$8,209	$2,202	$7,905
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	**$8,209**	**$2,202**	**$7,905**
Weighted Average 7/1/2012-6/30/2013 Incurred Claims Cost Rates:			
At average age	$8,298	$2,228	$8,511
At age 65	$9,856	$1,628	$6,219

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June 30, 2012 Valuation – FY2013 Claims Cost Rates (cont.)

	Prescription Drugs			
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**	**Total**
Fiscal 2009 Incurred Claims	**$65,158,106**	**$64,232,955**	**$1,507,666**	**$386,763,101**
Membership	32,943	24,624	539	58,106
Paid Claims Cost Rate	$1,978	$2,609	$2,797	$6,656
Trend to FY2013	1.235	1.235	1.235	
FY2013 Paid Cost Rate	$2,442	$3,221	$3,453	$8,581
Paid to Incurred Factor	1.000	1.000	1.000	
FY2013 Incurred Cost Rate	**$2,442**	**$3,221**	**$3,454**	**$8,582**
Fiscal 2010 Incurred Claims	**$59,287,225**	**$69,463,204**	**$394,011**	**$424,250,433**
Membership	32,026	27,915	156	60,097
Paid Claims Cost Rate	$1,851	$2,488	$2,526	$7,059
Trend to FY2013	1.143	1.143	1.143	
FY2013 Paid Cost Rate	$2,116	$2,845	$2,887	$8,446
Paid to Incurred Factor	1.000	1.000	1.000	
FY2013 Incurred Cost Rate	**$2,117**	**$2,845**	**$2,888**	**$8,446**
Fiscal 2011 Incurred Claims	**$48,384,466**	**$85,599,757**	**$393,794**	**$423,339,331**
Membership	31,362	29,997	138	61,497
Paid Claims Cost Rate	$1,543	$2,854	$2,854	$6,884
Trend to FY2013	1.043	1.043	1.043	
FY2013 Paid Cost Rate	$1,609	$2,977	$2,977	$7,349
Paid to Incurred Factor	1.000	1.000	1.000	
FY2013 Incurred Cost Rate	**$1,610**	**$2,977**	**$2,977**	**$7,350**
Fiscal 2012 Incurred Claims	**$50,683,151**	**$95,740,056**	**$583,392**	**$462,804,580**
Membership	29,438	33,560	208	63,206
Paid Claims Cost Rate	$1,722	$2,853	$2,853	$7,322
Trend to FY2013	1.002	1.002	1.002	
FY2013 Paid Cost Rate	$1,725	$2,858	$2,858	$7,559
Paid to Incurred Factor	1.000	1.000	1.000	
FY2013 Incurred Cost Rate	**$1,725**	**$2,859**	**$2,859**	**$7,559**
Weighted Average 7/1/2012-6/30/2013 Incurred Claims Cost Rates:				
At average age	$1,874	$2,974	$3,020	$7,839
At age 65	$2,736	$2,736	$2,736	$8,214

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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, 2012 through June 30, 2013

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	$ 5,458	$ 5,458	$ 1,443	$ —
50	6,176	6,176	1,714	—
55	6,987	6,987	2,036	—
60	8,298	8,298	2,360	—
65	1,628	6,219	2,736	535
70	1,981	7,566	2,947	576
75	2,352	8,984	3,144	615
80	2,534	9,679	3,223	630

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The demographic and economic assumptions used in the June 30, 2012 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the result of an experience study performed as of June 30, 2009.

1. Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses.
2. Salary Scale	Inflation – 3.12% per year. Productivity – 0.5% per year. See Table 1 for salary scale rates.
3. Payroll Growth	3.62% per year. (Inflation + Productivity).
4. Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.
5. Mortality (Pre-termination)*	Based upon the 2005-2009 actual experience. (See Table 2). 1994 Group Annuity Mortality (GAM) Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale AA, adjusted 55% for females and 45% for males. Deaths are assumed to result from non-occupational causes 85% of the time.
6. Mortality (Post-termination)*	Based upon the 2005-2009 actual experience. (See Table 3). The 1994 GAM Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale AA, with a 3-year setback for females and 4-year setback for males.
7. Turnover	Select and ultimate rates based upon the 2005-2009 actual withdrawal experience. (See Table 4).
8. Disability	Incidence rates based upon the 2005-2009 actual experience in accordance with Table 5. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table.
9. Retirement	Retirement rates based upon the 2005-2009 actual experience, in accordance with Table 6. Deferred vested members are assumed to retire at their earliest unreduced 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 terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with nonvested benefits 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.

*The mortality assumptions include an allowance for future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 117%.

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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, terminates or dies.

15. Post-Retirement Pension Adjustment — 50% and 75% of assumed inflation, or 1.56% and 2.34% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute.

16. Expenses — All expenses are net of the investment return assumption.

17. Part-time Status — Part-time employees are assumed to earn 0.60 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.

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. Modified Cash Refund — Benefits for active members are valued using a 3-year certain and life form of payment to account for modified cash refund. For deferred vested and retired members, the certain period equals their account balance divided by their pension benefit amount.

22. Per Capita Claims Cost — Sample claims cost rates adjusted to age 65 for FY13 medical benefits are shown below:

	Medical	Prescription Drugs
Pre-Medicare	$ 9,856	$ 2,736
Medicare Parts A & B	1,628	2,736
Medicare Part B Only	6,219	2,736
Medicare Part D	N/A	535

23. Third Party Administrator Fees — $163.52 per person per year; assumed trend rate of 5% per year.

24. Medicare Part B Only — For actives and retirees not yet Medicare-eligible, participation is set based on whether the employee/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or re-hire.

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25. 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, 9.0% is applied to the FY13 pre-medical claims costs to get the FY14 medical claims costs.

	Medical Pre-65	Medical Post-65	Prescription Drugs
FY13	9.0%	6.5%	6.4%
FY14	8.7	6.4	6.3
FY15	8.5	6.3	6.2
FY16	8.0	6.3	6.2
FY17	7.5	6.2	6.1
FY18	7.0	6.1	6.0
FY19	6.6	6.1	5.8
FY25	6.0	6.0	5.8
FY50	5.0	5.0	5.0
FY100	4.5	4.5	4.5

For the June 30, 2012 valuations and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. 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. The model asks the user to input estimated baseline cost for year 2015. Using this value as the base cost, the model projects per-person expenditures and growth rates through 2100 using a set of equations and assumptions developed by the author with the assistance of an SOA working group. The user can then use the model input cells to specify alternative assumptions regarding responsiveness to external trends, income growth, and other factors to arrive at alternative projections. The model provisionally uses default short term annual projected by CMS for year 2011-2015 (4% to 6%), but users may input their own estimates for this model years. In this model, cost controls can be simulated in two ways: by specifying a Share Restriction Point, a percentage of GDP represented by healthcare and above which the current trends will be reduced; or by specifying a limit year after which the rate of growth in health care costs will be reduced to match the rate of growth in per capita income (as both CMS and CBO assume).While this model is not directly applicable, it was used for a reference point in the ultimate pharmacy trend. We set pharmacy trend based upon recent plan industry experience and grade down slowly in the select period (similar to post-65 medical trend) to an ultimate trend rate based upon what we are seeing for medical trend and consistent within the industry.

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The following table compares plan-specific inputs and the model's baseline assumptions for key assumptions as of June 30,2012:

Key Assumption	Base Line Value	Alaska-Specific Values: Pre-Medicare Medical	Alaska-Specific Values: Medicare Medical
HCCTR 2012-2013	4.6%	9.0%	6.1%
HCCTR 2013-2014	7.4%	8.0%	5.8%
HCCTR 2014-2015	5.0%	7.0%	5.5%
2015 GDP % of healthcare	18.3%	17.9%	17.9%
2015 PCCC	$10,000	$10,295	$2,596
CPI	2.5%	2.5%	2.5%
Real GDP	1.7%	1.5%	1.5%
Income Multiplier	1.40	1.30	1.30
Taste/Technology	1.1%	1.1%	1.1%
Max GDP as % of healthcare	25.0%	25.0%	25.0%
Year reached	2075	2075	2075

Future (2026+) assumptions for inflation (2.4% for 2026-3025 and 2.3% thereafter), real GDP (1.5%), income multiplier (1.05 for 2026-3025 and 1.00 thereafter) and technology (0.9% for 2026-3025 and 0.8% thereafter) were not changed from the baseline inputs.

26. Aging Factors

Age	Medical	Prescription Drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94+	—	—

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27. Retired Member Contributions for Medical Benefits

Currently contributions are required for TRS members who are under age 60 and have less than 25 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY13 contributions based on monthly rates shown below for calendar 2012 and 2013 are assumed based on the coverage category for current retirees. The retiree only 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 25 years of service and who are not disabled and are projected to have single coverage. The retiree and spouse rate shown below is used for those projected to have a covered spouse:

Coverage Category	Calendar 2013 Annual Contribution	Calendar 2013 Monthly Contribution	Calendar 2012 Monthly Contribution
Retiree Only	$ 9,876	$ 823	$ 807
Retiree and Spouse	19,764	1,647	1,615
Retiree and Child(ren)	13,956	1,163	1,140
Retiree and Family	23,844	1,987	1,948
Composite	14,676	1,223	1,200

Contribution rates for all coverage tiers and weighted average are provided for reference purposes.

28. Trend Rate for Retired Member Medical Contribution

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, 8.4% is applied to the FY13 retired member medical contributions to get the FY14 retired member medical contributions.

FY13	8.4%
FY14	8.2
FY15	8.0
FY16	7.6
FY17	7.2
FY18	6.7
FY19	6.4
FY25	5.9
FY50	5.0
FY100	4.5

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2012 valuation. Note that actual FY13 retired member medical contributions are reflected in the valuation so trend on such contribution during FY13 is not applicable.

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29. Healthcare Participation	100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 100% of those who retired prior to age 60 and actually declined coverage, or who are assumed to decline non-system-paid coverage, are assumed to re-enroll at age 60 (when all coverage is system-paid for retirees included in this report).

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Table 1
Alaska TRS Salary Scale

Year of Employment	Unisex Rates
1-6	6.11%
7	5.94
8	5.78
9	5.61
10	5.44
11	5.28
12	5.11
13	4.94
14	4.78
15	4.61
16	4.45
17	4.28
18	4.11
19	3.95
20	3.78
21+	3.62

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Table 2
Alaska TRS Mortality Table (Pre-termination)

Age	Male	Female
20	0.017%	0.012%
21	0.018	0.012
22	0.019	0.012
23	0.021	0.013
24	0.024	0.013
25	0.026	0.013
26	0.030	0.014
27	0.032	0.014
28	0.033	0.015
29	0.034	0.016
30	0.035	0.017
31	0.036	0.019
32	0.037	0.020
33	0.037	0.021
34	0.037	0.022
35	0.037	0.023
36	0.038	0.024
37	0.039	0.025
38	0.041	0.027
39	0.042	0.029
40	0.045	0.032
41	0.047	0.034
42	0.050	0.037
43	0.053	0.039
44	0.056	0.041
45	0.060	0.042
46	0.064	0.044
47	0.069	0.047
48	0.075	0.051
49	0.081	0.055
50	0.088	0.061
51	0.097	0.068
52	0.106	0.078
53	0.118	0.090
54	0.131	0.102
55	0.149	0.116
56	0.170	0.135
57	0.195	0.157
58	0.224	0.181
59	0.253	0.208
60	0.284	0.239
61	0.326	0.274
62	0.368	0.314
63	0.425	0.359
64	0.479	0.410

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Table 3
Alaska TRS Mortality Table (Post-termination)

Age	Male	Female
50	0.142%	0.085%
51	0.153	0.092
52	0.166	0.100
53	0.181	0.111
54	0.196	0.124
55	0.215	0.143
56	0.235	0.163
57	0.263	0.185
58	0.291	0.212
59	0.331	0.246
60	0.377	0.285
61	0.433	0.328
62	0.499	0.378
63	0.561	0.434
64	0.631	0.498
65	0.725	0.570
66	0.819	0.653
67	0.944	0.745
68	1.064	0.844
69	1.196	0.948
70	1.362	1.052
71	1.512	1.150
72	1.634	1.242
73	1.787	1.342
74	1.915	1.434
75	2.094	1.583
76	2.298	1.726
77	2.518	1.918
78	2.748	2.094
79	3.061	2.338
80	3.361	2.669
81	3.788	2.985
82	4.292	3.327
83	4.868	3.707
84	5.510	4.136
85	6.214	4.625

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Table 4
Alaska TRS Turnover Assumptions

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

Year of Employment	Unisex Rate
1	17.00%
2	17.00
3	14.00
4	12.00
5	10.00
6	9.00
7	7.50
8	6.00

Ultimate Rates of Turnover
After the First 8 Years of Employment

Age	Male	Female	Age	Male	Female
15	4.4584%	4.3747%	40	4.3189%	4.2658%
16	4.4528	4.3714	41	4.3065	4.2559
17	4.4483	4.3692	42	4.2908	4.2460
18	4.4438	4.3681	43	4.2762	4.2372
19	4.4415	4.3670	44	4.2570	4.2262
20	4.4067	4.3351	45	4.2357	4.2130
21	4.4044	4.3351	46	4.2132	4.2009
22	4.3999	4.3340	47	4.1850	4.1844
23	4.3965	4.3340	48	4.1524	4.1657
24	4.3909	4.3329	49	4.1187	4.1470
25	4.3864	4.3329	50	4.0804	4.1250
26	4.3819	4.3318	51	4.0354	4.0997
27	4.3774	4.3307	52	3.9825	4.0700
28	4.3729	4.3274	53	3.9240	4.0348
29	4.3684	4.3241	54	3.8588	3.9974
30	4.3650	4.3208	55	3.7845	3.9523
31	4.3628	4.3186	56	3.6945	3.8940
32	4.3594	4.3142	57	3.5843	3.8192
33	4.3572	4.3109	58	3.4639	3.7345
34	4.3560	4.3065	59	3.3188	3.6267
35	4.3538	4.3021	60	3.1557	3.5046
36	4.3504	4.2955	61	2.9745	3.3682
37	4.3459	4.2900	62	2.7642	3.2131
38	4.3380	4.2823	63	2.5245	3.0360
39	4.3290	4.2746	64	2.2647	2.8435
			65+	4.5000	4.4000

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 5
Alaska TRS Disability Table

Age	Male	Female
20	0.0224%	0.0202%
21	0.0224	0.0202
22	0.0232	0.0209
23	0.0232	0.0209
24	0.0240	0.0216
25	0.0240	0.0216
26	0.0240	0.0216
27	0.0248	0.0223
28	0.0256	0.0230
29	0.0264	0.0238
30	0.0272	0.0245
31	0.0272	0.0245
32	0.0280	0.0252
33	0.0288	0.0259
34	0.0296	0.0266
35	0.0304	0.0274
36	0.0320	0.0288
37	0.0328	0.0295
38	0.0344	0.0310
39	0.0352	0.0317
40	0.0368	0.0331
41	0.0384	0.0346
42	0.0408	0.0367
43	0.0432	0.0389
44	0.0472	0.0425
45	0.0520	0.0468
46	0.0560	0.0504
47	0.0608	0.0547
48	0.0664	0.0598
49	0.0712	0.0641
50	0.0768	0.0691
51	0.0832	0.0749
52	0.0912	0.0821
53	0.1016	0.0914
54	0.1136	0.1022
55	0.1280	0.1152
56	0.1472	0.1325
57	0.1712	0.1541
58	0.1952	0.1757
59	0.2304	0.2074
60	0.2696	0.2426
61	0.3120	0.2808
62	0.3616	0.3254
63	0.4176	0.3758
64	0.4768	0.4291

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 6
Alaska TRS Retirement Table

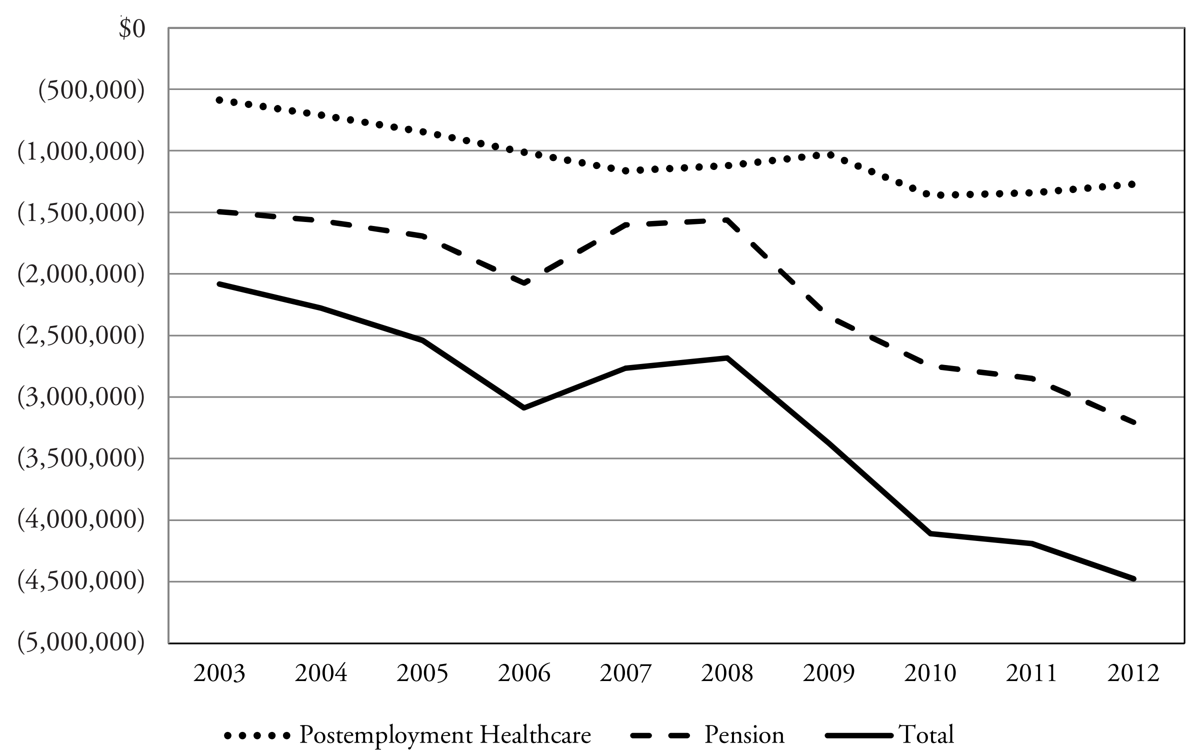
Age at Retirement	Retirement Rate: Reduced	Retirement Rate: Unreduced	
	Unisex Rates	Male	Female
<50	N/A	10.00%	10.00%
50	8.00%	13.00	13.00
51	8.00	12.00	12.00
52	8.00	12.00	12.00
53	6.00	13.00	13.00
54	12.00	16.00	16.00
55	8.00	18.00	20.00
56	8.00	17.00	15.00
57	8.00	13.00	17.50
58	8.00	17.50	18.00
59	12.00	15.00	17.50
60	N/A	17.50	20.00
61	N/A	17.50	20.00
62	N/A	11.00	25.00
63	N/A	20.00	25.00
64	N/A	25.00	20.00
65	N/A	30.00	20.00
66	N/A	25.00	20.00
67	N/A	25.00	20.00
68	N/A	25.00	20.00
69	N/A	25.00	20.00
70-84	N/A	50.00	50.00
85		100.00	100.00

Changes in Actuarial Assumptions Since the Prior Valuation

There have been no changes in assumptions since the prior valuation, except for the assumption regarding healthcare cost trend rates. The updated healthcare cost trend assumption reflects differences in Medicare eligibility and non-Medicare eligible medical costs, maintains a distinct prescription drug cost rend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. We also updated participant contributions to reflect the new non-Medicare and pharmacy benefits cost trend on a weighted average basis.

Teachers' Retirement System Defined Benefit Retirement Plan Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	**Postemployment Healthcare**	**Pension**	**Total Funding Excess/ (Unfunded Liability)**	**Funded Ratio**
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
2009	(1,026,288)	(2,348,268)	(3,374,556)	57.0
2010	(1,361,547)	(2,747,113)	(4,108,660)	53.6
2011	(1,340,703)	(2,850,155)	(4,190,858)	54.1
2012	(1,272,507)	(3,204,783)	(4,477,290)	52.1

10-YEAR TREND OF UNFUNDED LIABILITY
(In thousands)



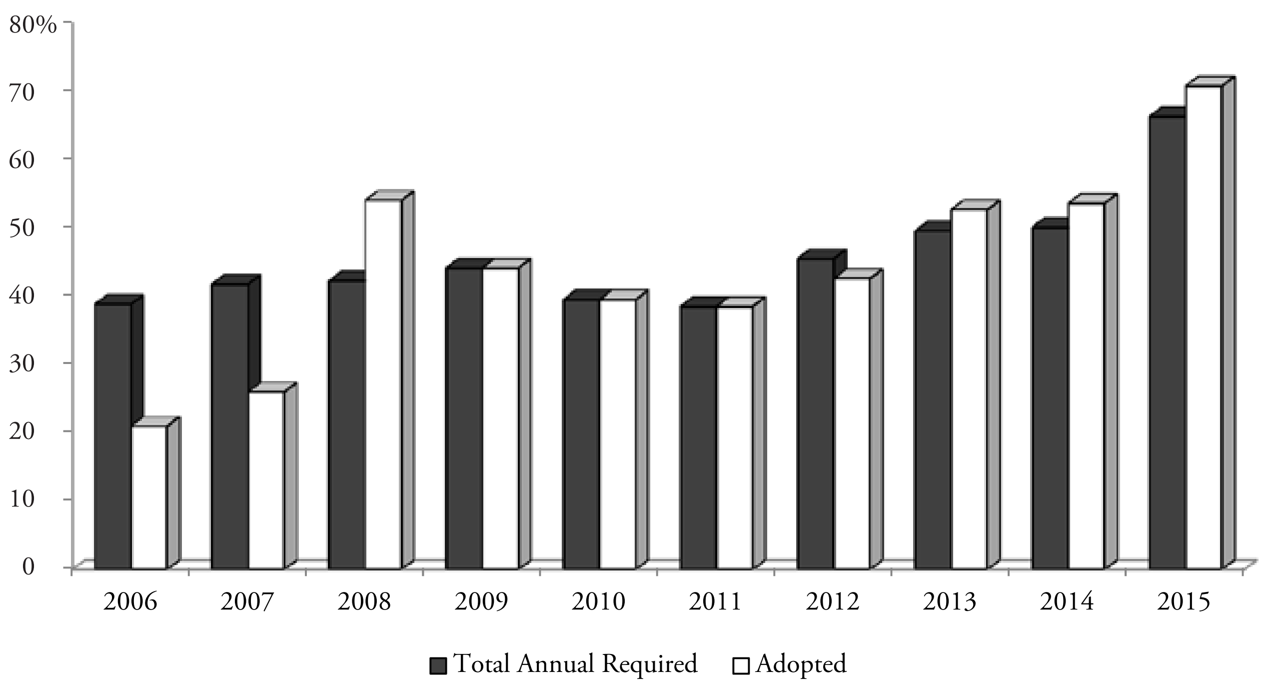
Teachers' Retirement System Defined Benefit Retirement Plan Employer Contribution Rates					
	Actuarially Determined				
Year Ended June 30	Actuarial Valuation Year Ended June 30	Normal Cost[1]	Past Service	Total Annual Required	Adopted
2006	2003	14.28%	24.57%	38.85%	21.00%
2007	2004	13.76	28.02	41.78	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
2012	2009	6.57	36.04	42.61	45.55
2013	2010	7.47	42.09	49.56	52.67
2014	2011	6.59	43.51	50.10	53.62
2015	2012	6.40	59.91	66.31	70.75

[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 Defined Benefit Retirement Plan Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings (In thousands)	Annual Average Earnings	Percent Increase In Average Earnings	Number of Participating Employers
June 30, 2012	6,845	$529,468	$77,351	3.6%	58
June 30, 2011	7,303	545,155	74,648	3.5	58
June 30, 2010	7,832	564,887	72,125	6.5	58
June 30, 2009	8,226	557,026	67,715	5.2	58
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

Teachers' Retirement System Defined Benefit Retirement Plan Schedule of Pension Benefit Recipients Added to and Removed from Rolls								
	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Year Ended	No.*	Annual Pension Allowances*	No.*	Annual Pension Allowances*	No.	Annual Pension Allowances	Percent Increase / (Decrease) In Annual Pension Allowances	Average Annual Pension Allowances
June 30, 2012	473	$17,104,564	188	$ (617,561)	11,301	$378,424,736	4.91%	$33,486
June 30, 2011	564	19,546,369	146	1,464,766	11,016	360,702,611	5.28	32,744
June 30, 2010	533	16,980,817	190	5,495,399	10,598	342,621,008	3.47	32,329
June 30, 2009	368	9,788,639	139	(2,857,118)	10,255	331,135,590	3.97	32,290
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

*Numbers are estimated, and include other internal transfers.

Teachers' Retirement System Defined Benefit Retirement Plan Pension Solvency Test (In thousands)							
	Pension Aggregate Accrued Liability For:				Portion of Accrued Liabilities Covered by Assets:		
Valuation Date	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)	Pension Valuation Assets	(1)	(2)	(3)
June 30, 2012	$727,435	$4,532,982	$1,139,360	$3,194,994	100.0%	54.4%	— %
June 30, 2011	717,819	4,352,035	1,126,250	3,345,949	100.0	60.4	—
June 30, 2010[1]	716,675	4,153,119	1,137,187	3,259,868	100.0	61.2	—
June 30, 2009	692,105	3,815,020	956,862	3,115,719	100.0	63.5	—
June 30, 2008	654,662	3,700,812	876,180	3,670,086	100.0	81.5	—
June 30, 2007	638,420	3,567,894	837,134	3,441,867	100.0	78.6	—
June 30, 2006[1 2]	615,207	3,432,703	811,426	3,296,934	100.0	78.1	—
June 30, 2005	589,169	3,200,339	545,077	3,184,976[3]	100.0	81.1	—

[1] Change in Assumptions

[2] Change in Methods

[3] The pension and postemployment healthcare valuation assets were allocated using a ratio of fair value of assets as of June 30, 2005

Teachers' Retirement System Defined Benefit Retirement Plan Postemployment Healthcare Solvency Test (In thousands)							
	Postemployment Healthcare Aggregate Accrued Liability For:				Portion of Accrued Liabilities Covered by Assets:		
Valuation Date	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)	Post-Employment Healthcare Valuation Assets	(1)	(2)	(3)
June 30, 2012	$ —	$1,933,288	$1,013,379	$1,674,160	100.0%	86.6%	— %
June 30, 2011	—	1,879,564	1,053,127	1,591,988	100.0	84.7	—
June 30, 2010[1]	—	1,755,961	1,084,846	1,479,260	100.0	84.2	—
June 30, 2009	—	1,477,788	905,739	1,357,239	100.0	91.8	—
June 30, 2008[1]	—	1,480,864	906,660	1,266,890	100.0	85.6	—
June 30, 2007	—	1,344,131	801,824	982,532	100.0	73.1	—
June 30, 2006[1 2]	—	1,493,219	877,296	844,766	100.0	56.6	—
June 30, 2005	—	1,493,837	670,134	773,963[3]	100.0	51.8	—

Healthcare liabilities are calculated using the funding assumptions (i.e., funding investment return and net of Medicare Part D subsidy).

[1] Change in Assumptions

[2] Change in Methods

[3] The pension and postemployment healthcare valuation assets were allocated using a ratio of fair value of assets as of June 30, 2005

Teachers' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience					
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of (Gain) or Loss	**Change in Employer/State Contribution Rate During Fiscal Year**				
	2012	**2011**	**2010**	**2009**	**2008**
Health Experience	(2.02)%	(0.72)%	0.19%	(2.67)%	(1.22)%
Salary Experience	—	(0.03)	0.59	0.29	0.43
Investment Experience	4.18	(0.46)	0.05	7.23	(0.85)
Demographic Experience	(0.36)	(0.03)	(0.75)	(0.54)	(0.33)
Contribution Shortfall	0.71	0.86	0.01	(0.26)	(0.98)
(Gain) or Loss During Year From Experience	2.51	0.54	0.09	4.05	(2.95)
Non-recurring changes					
Asset Valuation Method	—	—	—	—	—
Past Service Amortization Change	13.07	—	—	—	—
Assumption and Method Changes	0.63	—	6.86	—	1.98
System Benefit Changes	—	—	—	—	—
Composite (Gain) or Loss During Year	16.21	0.54	6.95	4.05	(0.97)
Beginning Total Employer/State Contribution Rate	50.10	49.56	42.61	38.56	39.53
Ending Total Employer/State Contribution Rate	66.31	50.10	49.56	42.61	38.56
Board Adopted Contribution Rate	70.75%	53.62%	52.67%	45.55%	38.56%
Fiscal Year Above Rate is Applied	FY15	FY14	FY13	FY12	FY11
*Includes change in rate by using total payroll.					

Teachers' Retirement System Defined Benefit Retirement Plan 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**		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
Health Experience	N/A	N/A	N/A	(2.02)%	(0.72)%	0.19%
Salary Experience	—%	(0.03)%	0.59%	N/A	N/A	N/A
Investment Experience	3.47	0.18	(0.34)	0.71	0.28	0.39
Demographic Experience	(0.36)	(0.03)	(0.75)	N/A	N/A	N/A
Contribution Shortfall	0.52	0.75	0.46	0.19	(0.11)	(0.45)
(Gain) or Loss During Year From Experience	3.63	0.87	(0.04)	(1.12)	(0.33)	0.13
Non-recurring changes						
Asset Valuation Method	—	—	—	—	—	—
Past Service Amortization Change	9.52	—	—	3.55	—	—
Assumption and Method Changes	—	—	3.96	0.63	—	2.90
System Benefit Changes	—	—	—	—	—	—
Composite (Gain) or Loss During Year	13.15	0.87	3.92	3.06	(0.33)	3.03
Beginning Total Employer/State Contribution Rate	31.40	30.53	26.61	18.70	19.03	16.00
Ending Total Employer/State Contribution Rate	44.55%	31.40%	30.53%	21.76%	18.70%	19.03%
Fiscal Year Above Rate is Applied	FY15	FY14	FY13	FY15	FY14	FY13

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

1. Effective Date

July 1, 1955, with amendments through June 30, 2012. 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;
- certain State legislators who have elected to be covered under the TRS; and
- a teacher who has filed for worker's compensation benefits due to an on-the-job assault and who, as a result of the physical injury, is placed on leave without pay.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

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.

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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

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 dollar amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

7. Additional State Contribution

Pursuant to AS14.25.070 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 (12.56%) will be sufficient to pay the total contribution rate adopted by The State of 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 13 below). Supplemental contributions are only refundable upon death (see 13 below).

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

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

Reinstatement of Contributions: Refunded accounts and the corresponding TRS service may be reinstated upon reemployment in the TRS prior to July 1, 2010. 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;

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

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.

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.

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Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

10. Reemployment of Retired Members

Retirees who return to work in a permanent full-time or part-time TRS position after a Normal Retirement are eligible to return under the Standard 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.

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.

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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.

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.

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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.

14. Postretirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical workers for Anchorage 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 1) if the CPI increases and the funding ratio is at least 105%.

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

15. Alaska Cost of Living Allowance

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

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

buckconsultants A Xerox Company

July 19, 2013

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

Certification of Actuarial Valuation

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

This report summarizes the annual actuarial valuation results of the State of Alaska Teachers' Retirement System Defined Contribution Retirement (TRS DCR) Plan as of June 30, 2012 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2012. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the Plan.

The State of Alaska Teachers' Retirement System DCR Plan is funded by Employer Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board). The funding objective for the State of Alaska Teachers' Retirement System DCR Plan is to pay required contributions that remain level as a percent of TRS DCR Compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, Plan expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percent of TRS DCR Compensation over a closed 25-year period. This objective is currently being met and is projected to continue to be met.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the Plan. The actuary performs an analysis of Plan experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full experience analysis was performed in 2010. A review of the healthcare assumptions was performed for this actuarial valuation and changes were made to the healthcare cost trend rates and the per capita claims cost rates, effective June 30, 2012, to better reflect expected future healthcare experience. Changes were also made to expected healthcare benefit participation, lower initial relative values of DCR healthcare, and increased employer sharing of medical cost trend as a result of recent plan decision discussions. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in this report.

The assumptions and methods used to determine the Annual Required Contributions (ARC) of the Employers to the State of Alaska Teachers' Retirement System DCR Plan as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the Schedule of Funding Progress, Schedule of Employer Contributions, and trend data schedules under GASB Nos. 25 and 43 that are included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 4 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions and solvency test for the Actuarial Section of the CAFR.

The undersigned are Enrolled Actuaries, a Fellow and an Associate of the Society of Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC

David H. Slishinsky

Lee James

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

Lee James, FSA, EA, MAAA, FCA
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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Description of Actuarial Methods and Valuation Procedures

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 implemented effective June 30, 2006.

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 percentage of expected payroll. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years.

Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for death and disability benefits (constant dollar amount for retiree medical benefits), from the assumed entry age to the last age with a future benefit 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 DCR Plan 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 beneficiaries and disabled members currently receiving benefits (if any) 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.

B. Valuation of Assets

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Fair Value of Assets were $0 as of June 30, 2006. All assets are valued at fair 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 fair value of assets.

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Description of Actuarial Methods and Valuation Procedures

C. Valuation of Retiree Medical Benefits

The methodology used for the valuation of the retiree medical benefits is described in Section 6.2(c) of the State of Alaska Teachers' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2012.

Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2012 for TRS with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, FY12 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. Retiree out-of-pocket amounts were indexed 0.2% each year to reflect the effect of the deductible leveraging on trend and other plan design features.

No implicit subsidies are assumed. Employees projected to retire with 30 years of service prior to Medicare are valued with commencement deferred to Medicare eligibility, as such members will be required to pay the full plan premium. Explicit subsidies for disabled and normal retirement are determined using the plan-defined percentages of total projected plan costs, again with no implicit subsidy assumed.

Healthcare Reform

Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact due to the following provisions; however, none of the impacts have been included in the valuation results.

Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We did look at the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosure Buck estimated the year in which the tax would potentially affect Alaska to be sufficiently far into the future to produce a minimal impact. Buck determined the impact to be immaterial based on a blend of pre-Medicare and Medicare retirees.

We have not identified any other specific provisions of healthcare reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

Changes in Methods From the Prior Valuation

There have been no changes in methods since the prior valuation.

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Summary of Actuarial Assumptions and Changes in Assumptions

The demographic and economic assumptions used in the June 30, 2012 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the result of an experience study performed for the DB Plan as of June 30, 2009.

1. Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses.
2. Salary Scale	Inflation – 3.12% per year. Productivity – 0.5% per year. See Table 1 for salary scale rates.
3. Payroll Growth	3.62% 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 3.12% annually.
5. Mortality (Pre-termination)*	Based upon the 2005-2009 actual experience of the TRS DB Plan. (See Table 2). 55% of the 1994 Group Annuity Mortality (GAM) Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for females and 45% for males. 15% of deaths are assumed to result from occupational causes.
6. Mortality (Post-termination)*	Based upon the 2005-2009 actual experience of the TRS DB Plan. (See Table 3). 3-year setback of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for females and 4-year setback for males.
7. Turnover	Select rates were estimated and ultimate rates were set to the TRS DB Plan's rates loaded by 10%. (See Table 4).
8. Disability	Incidence rates based upon the 2005-2009 actual experience of the TRS DB Plan, in accordance with Table 5. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. 15% of disabilities are assumed to result from occupational causes.
9. Retirement	Retirement rates were estimated in accordance with Table 6.
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. Part-time Status	Part-time employees are assumed to earn 0.60 years of credited service per year.

*The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 117%.

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Summary of Actuarial Assumptions and Changes in Assumptions

12. Expenses — All expenses are net of the investment return assumption.

13. Per Capita Claims Cost — Sample claims cost rates adjusted to age 65 for FY13 medical benefits are shown below:

	Medical	Prescription Drugs
Pre-Medicare	$ 9,856	$ 2,736
Medicare Parts A & B	1,628	2,736
Medicare Part B Only	6,219	2,736
Medicare Part D	N/A	535

14. Third Party Administrator Fees — $163.52 per person per year; assumed trend rate of 5% per year.

15. Base Claims Cost Adjustments — Due to higher initial copays, deductibles, out-of-pocket limits and member cost sharing compared to the DB medical plan, the following cost adjustments are applied to the per capita claims cost rates above:

- 0.881 for the medical plan.
- 0.929 for the prescription drug plan.
- 0.998 for the annual indexing of member cost sharing.

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Summary of Actuarial Assumptions and Changes in Assumptions

16. 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, 9.0% is applied to the FY13 pre-medical claims costs to get the FY14 medical claims costs.

	Medical Pre-65	Medical Post-65	Prescription Drugs
FY13	9.0%	6.5%	6.4%
FY14	8.7	6.4	6.3
FY15	8.5	6.3	6.2
FY16	8.0	6.3	6.2
FY17	7.5	6.2	6.1
FY18	7.0	6.1	6.0
FY19	6.6	6.1	5.8
FY25	6.0	6.0	5.8
FY50	5.0	5.0	5.0
FY100	4.5	4.5	4.5

For the June 30, 2012 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. 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. The model asks the user to input estimated baseline costs for year 2015. Using this value as the base cost, the model projects per-person expenditures and growth rates through 2100 using a set of equations and assumptions developed by the author with the assistance of an SOA working group. The user can then use the model input cells to specify alternative assumptions regarding responsiveness to external trends, income growth, and other factors to arrive at alternative projections. The model provisionally uses default short term annual projected by CMS for years 2011-2015 (4% to 6%), but users may input their own estimates for these model years. In this model, cost controls can be simulated in two ways: by specifying a Share Restriction Point, a percentage of GDP represented by healthcare and above which the current trends will be reduced; or by specifying a limit year after which the rate of growth in health care costs will be reduced to match the rate of growth in per capita income (as both CMS and CBO assume). While this model is not directly applicable, it was used for reference point in the ultimate pharmacy trend. We set pharmacy trend based upon recent plan and industry experience and grade down slowly in the selected period (similar to post-65 medical trend) to an ultimate trend rate based upon what we are seeing for medical trend and consistent within the industry.

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The following tables compares plan-specific inputs and the model's baseline assumptions for key assumptions as of June 30, 2012:

Key Assumption	Base Line Value	Alaska-Specific Values: Pre-Medicare Medical	Alaska-Specific Values: Medicare Medical
HCCTR 2012-2013	4.6%	9.0%	6.1%
HCCTR 2013-2014	7.4%	8.0%	5.8%
HCCTR 2014-2015	5.0%	7.0%	5.5%
2015 GDP % of healthcare	18.3%	17.9%	17.9%
2015 PCCC	$10,000	$10,295	$2,596
CPI	2.5%	2.5%	2.5%
Real GDP	1.7%	1.5%	1.5%
Income Multiplier	1.40	1.30	1.30
Taste/Technology	1.1%	1.1%	1.1%
Max GDP as % of healthcare	25.0%	25.0%	25.0%
Year reached	2075	2075	2075

Future (2026+) assumptions for inflation (2.4% for 2026-3025 and 2.3% thereafter), real GDP (1.5%), income multiplier (1.05 for 2026-3025 and 1.00 thereafter) and technology (0.9% for 2026-3025 and 0.8% thereafter) were not changed from the baseline inputs.

17. Aging Factors

Age	Medical	Prescription Drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94+	—	—

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Summary of Actuarial Assumptions and Changes in Assumptions

18. Retiree Medical Participation

Decrement due to disability		**Decrement due to retirement**		
Age	Percent participation	Age	Years of Service	Percent participation
<56	73.00%	<55		40.0%
56	77.50	56		50.0
57	79.75	57		55.0
58	82.00	58		60.0
59	84.25	59		65.0
60	86.50	60		70.0
61	88.75	61		75.0
62	91.00	62		80.0
63	93.25	63		85.0
64	95.50	64		90.0
65+	94.00	65+		
			<15	70.5%
			15-19	75.2
			20-24	79.9
			25-29	89.3
			30+	94.0

*Updated participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 1
Alaska TRS DCR Plan
Salary Scale

Year of Employment	Unisex Rates
1-6	6.11%
7	5.94
8	5.78
9	5.61
10	5.44
11	5.28
12	5.11
13	4.94
14	4.78
15	4.61
16	4.45
17	4.28
18	4.11
19	3.95
20	3.78
21+	3.62

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TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 2
Alaska TRS DCR Plan
Mortality Table (Pre-termination)

Age	Male	Female
20	0.017%	0.012%
21	0.018	0.012
22	0.019	0.012
23	0.021	0.013
24	0.024	0.013
25	0.026	0.013
26	0.030	0.014
27	0.032	0.014
28	0.033	0.015
29	0.034	0.016
30	0.035	0.017
31	0.036	0.019
32	0.037	0.020
33	0.037	0.021
34	0.037	0.022
35	0.037	0.023
36	0.038	0.024
37	0.039	0.025
38	0.041	0.027
39	0.042	0.029
40	0.045	0.032
41	0.047	0.034
42	0.050	0.037
43	0.053	0.039
44	0.056	0.041
45	0.060	0.042
46	0.064	0.044
47	0.069	0.047
48	0.075	0.051
49	0.081	0.055
50	0.088	0.061
51	0.097	0.068
52	0.106	0.078
53	0.118	0.090
54	0.131	0.102
55	0.149	0.116
56	0.170	0.135
57	0.195	0.157
58	0.224	0.181
59	0.253	0.208
60	0.284	0.239
61	0.326	0.274
62	0.368	0.314
63	0.425	0.359
64	0.479	0.410

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 3
Alaska TRS DCR Plan
Mortality Table (Post-termination)

Age	Male	Female
50	0.142%	0.085%
51	0.153	0.092
52	0.166	0.100
53	0.181	0.111
54	0.196	0.124
55	0.215	0.143
56	0.235	0.163
57	0.263	0.185
58	0.291	0.212
59	0.331	0.246
60	0.377	0.285
61	0.433	0.328
62	0.499	0.378
63	0.561	0.434
64	0.631	0.498
65	0.725	0.570
66	0.819	0.653
67	0.944	0.745
68	1.064	0.844
69	1.196	0.948
70	1.362	1.052
71	1.512	1.150
72	1.634	1.242
73	1.787	1.342
74	1.915	1.434
75	2.094	1.583
76	2.298	1.726
77	2.518	1.918
78	2.748	2.094
79	3.061	2.338
80	3.361	2.669
81	3.788	2.985
82	4.292	3.327
83	4.868	3.707
84	5.510	4.136
85	6.214	4.625

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 4
Alaska TRS DCR Plans
Turnover Assumptions

Select Rates of Turnover During the First 5 Years of Employment:

Year of Employment	Rate
0	18.00%
1	17.00
2	14.00
3	12.00
4	10.00

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female	Age	Male	Female
15	4.9042%	4.8122%	40	4.7508%	4.6924%
16	4.8981	4.8085	41	4.7372	4.6815
17	4.8931	4.8061	42	4.7199	4.6706
18	4.8882	4.8049	43	4.7038	4.6609
19	4.8857	4.8037	44	4.6827	4.6488
20	4.8474	4.7686	45	4.6593	4.6343
21	4.8448	4.7686	46	4.6345	4.6210
22	4.8399	4.7674	47	4.6035	4.6028
23	4.8362	4.7674	48	4.5676	4.5823
24	4.8300	4.7662	49	4.5306	4.5617
25	4.8250	4.7662	50	4.4884	4.5375
26	4.8201	4.7650	51	4.4389	4.5097
27	4.8151	4.7638	52	4.3808	4.4770
28	4.8102	4.7601	53	4.3164	4.4383
29	4.8052	4.7565	54	4.2447	4.3971
30	4.8015	4.7529	55	4.1630	4.3475
31	4.7991	4.7505	56	4.0640	4.2834
32	4.7953	4.7456	57	3.9427	4.2011
33	4.7929	4.7420	58	3.8103	4.1080
34	4.7916	4.7372	59	3.6507	3.9894
35	4.7892	4.7323	60	3.4713	3.8551
36	4.7854	4.7251	61	3.2720	3.7050
37	4.7805	4.7190	62	3.0406	3.5344
38	4.7718	4.7105	63	2.7770	3.3396
39	4.7619	4.7021	64	2.4912	3.1279
			65+	4.9500	4.8400

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 5
Alaska TRS DCR Plan
Disability Table

Age	Male	Female
20	0.022%	0.020%
21	0.022	0.020
22	0.023	0.021
23	0.023	0.021
24	0.024	0.022
25	0.024	0.022
26	0.024	0.022
27	0.025	0.022
28	0.026	0.023
29	0.026	0.024
30	0.027	0.025
31	0.027	0.025
32	0.028	0.025
33	0.029	0.026
34	0.030	0.027
35	0.030	0.027
36	0.032	0.029
37	0.033	0.030
38	0.034	0.031
39	0.035	0.032
40	0.037	0.033
41	0.038	0.035
42	0.041	0.037
43	0.043	0.039
44	0.047	0.043
45	0.052	0.047
46	0.056	0.050
47	0.061	0.055
48	0.066	0.060
49	0.071	0.064
50	0.077	0.069
51	0.083	0.075
52	0.091	0.082
53	0.102	0.091
54	0.114	0.102
55	0.128	0.115
56	0.147	0.133
57	0.171	0.154
58	0.195	0.176
59	0.230	0.207
60	0.270	0.243
61	0.312	0.281
62	0.362	0.325
63	0.418	0.376
64	0.477	0.429

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 6
Alaska TRS DCR Plan
Retirement Table

Age	Rate
<55	2%
55-59	3
60	5
61	5
62	10
63	5
64	5
65	25
66	25
67	25
68	20
69	20
70	100

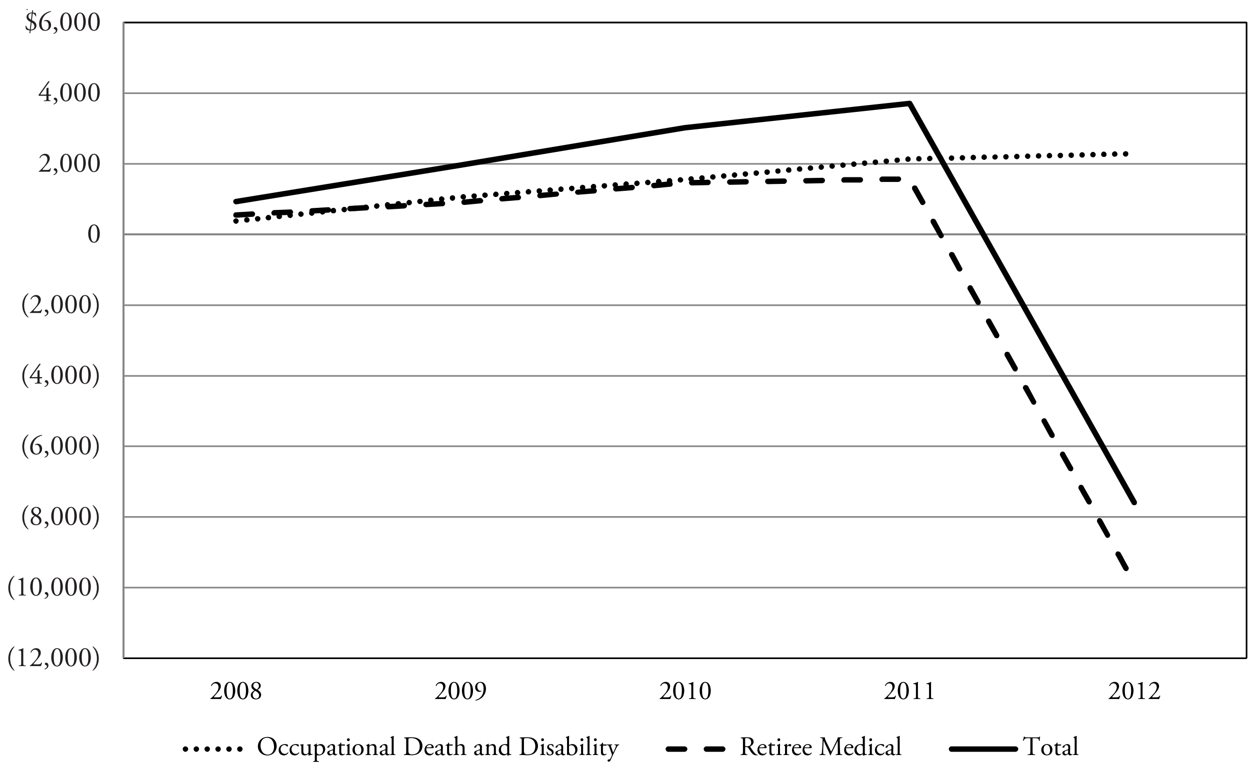
Changes in Actuarial Assumptions Since the Prior Valuation

There have been changes in assumptions since the prior valuation regarding healthcare cost trend rates and the DCR retiree medical plan adjustments. The updated healthcare cost trend assumption reflects differences in Medicare eligibile and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. We also updated member contributions to reflect the new non-Medicare and pharmacy benefit cost trend on a weighted average basis.

To account for anticipated plan design features, FY12 claims costs adjustments were changed from 5.9% for medical and 0.7% for prescription drugs to 11.9% and 7.1% respectively. Retiree out-of-pocket amounts were indexed 0.2% each year, compared to 4.8% last year. Participation rates were reduced to reflect the proportion of retirees expected to have access to alternative options in the Medicare market as well as the time from retirement to Medicare-eligibility where a member pays full cost.

Teachers' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability and Retiree Medical Benefits Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	**Occupational Death and Disability**	**Retiree Medical**	**Total Funding Excess/ (Unfunded Liability)**	**Funded Ratio**
2008	$ 376	$ 551	$ 927	215.73%
2009	1,057	907	1,964	234.5
2010	1,559	1,465	3,024	223.5
2011	2,136	1,572	3,708	196.1
2012	2,285	(9,874)	(7,589)	55.0

5-YEAR TREND OF FUNDING EXCESS
(In thousands)



Teachers' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability and Retiree Medical Benefits Employer Contribution Rates					
Fiscal Year	Actuarial Valuation Year Ended June 30	Occupational Death and Disability	Retiree Medical	Total Annual Required	Adopted
2007	N/A	N/A	1.75%	1.75%	1.75%
2008	N/A	0.56 %	0.99	1.55	1.55
2009	N/A	0.62	0.99	1.61	1.61
2010	2007	0.32	1.03	1.35	1.35
2011	2008	0.28	0.68	0.96	0.96
2012	2009	—	0.58	0.58	0.58
2013	2010	—	0.49	0.49	0.49
2014	2011	—	0.47	0.47	0.47
2015	2012	—	2.04	2.04	2.04

Valuations are used to set contribution rates in future years.

Teachers' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability and Retiree Medical Benefits Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings[1] (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2012	3,057	$178,761	$58,476	4.7%	58
June 30, 2011	2,708	151,269	55,860	5.6	58
June 30, 2010	2,246	118,813	52,900	5.7	58
June 30, 2009	1,792	89,708	50,061	6.4	58
June 30, 2008	1,198	56,369	47,053	6.2	58
June 30, 2007	641	28,410	44,322	—	58
June 30, 2006	—	—	—	—	58

[1] Annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

Teachers' Retirement System Defined Contribution Retirement Plan Occupational Death and Disability Solvency Test (In thousands)							
	Occupational Death and Disability Aggregate Accrued Liability For:				Portion of Accrued Liabilities Covered by Assets:		
Valuation Date	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)	Occupational Death and Disability Valuation Assets	(1)	(2)	(3)
June 30, 2012	$ —	$ —	$63	$2,348	100.0%	100.0%	100.0%
June 30, 2011	—	—	57	2,193	100.0	100.0	100.0
June 30, 2010[1]	—	—	18	1,577	100.0	100.0	100.0
June 30, 2009[1]	—	—	14	1,071	100.0	100.0	100.0
June 30, 2008	—	—	44	420	100.0	100.0	100.0
June 30, 2007	—	—	16	—	100.0	100.0	0.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A

[1] Change in Assumptions

Teachers' Retirement System Defined Contribution Retirement Plan Retiree Medical Solvency Test (In thousands)							
	Retiree Medical Aggregate Accrued Liability For:				Portion of Accrued Liabilities Covered by Assets:		
Valuation Date	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)	Retiree Medical Valuation Assets	(1)	(2)	(3)
June 20,2012	$ —	$ —	$16,811	$6,937	100.0%	100.0%	41.3%
June 30, 2011	—	—	3,801	5,373	100.0	100.0	100.0
June 30, 2010[1]	—	—	2,430	3,895	100.0	100.0	100.0
June 30, 2009[1]	—	—	1,446	2,353	100.0	100.0	100.0
June 30, 2008[1]	—	—	757	1,308	100.0	100.0	100.0
June 30, 2007	—	—	358	597	100.0	100.0	100.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A

Retiree medical liabilities are calculated using the funding assumptions (i.e., funding investment return and net of Medicare Part D subsidy).

[1] Change in Assumptions

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

1. Effective Date

July 1, 2006, with amendments through June 30, 2012.

2. Administration of Plan

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

The Alaska Retirement Management Board prescribes policies, adopts regulations, invests the funds, and performs other activities necessary to carry out the provisions of the Plan.

3. Employers Included

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

4. Membership

An employee of a participating employer who first enters service on or after July 1, 2006, or a member of the defined benefit plan who works for an employer who began participation on or after July 1, 2006, and meets the following criteria is a participant in the Plan:

- Permanent full-time or part-time elementary or secondary teachers, school nurses, or a person in a position requiring a teaching certificate as a condition of hire in a public school of the State of Alaska, the Department of Education and Early Development or in the Department of Labor and Workforce Development.

- Full-time or part-time teachers at the University of Alaska or persons occupying full-time administrative positions requiring academic standing who are not in the University's Optional Retirement Plan.

Members can convert to the DCR Plan if they are an eligible nonvested member of the TRS defined benefit plan whose employer consents to transfers to the defined contribution plan and they elect to transfer his or her account balance to the TRS DCR Plan.

5. Member Contributions

There are no member contributions for the occupational death & disability and retiree medical benefits.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

6. Retiree Medical

- Member must retire directly from the plan to be eligible for retiree medical coverage. Normal retirement eligibility is the earlier of a) 30 years of service or b) Medicare eligible and 10 years of service.

- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible.

- Coverage cannot be denied except for failure to pay premium.

- Members who are receiving disability benefits or survivors who are receiving monthly survivor benefits are not eligible until the member meets, or would have met if he/she had lived, the normal retirement eligibility requirements.

- The plan's coverage is supplemental to Medicare.

- The Medicare-eligible premium will be based on the member's years of service. The percentage of premium paid by the member is as follows:

Years of Service	Percent of Premium Paid by Member
Less than 15 years	30%
15 – 19	25
20 – 24	20
25 – 29	15
30 years or more	10

7. Occupational Disability Benefits

- Benefit is 40% of salary at date of disability.

- There is no increase in the benefit after commencement.

- Member earns service while on occupational disability.

- Benefits cease when the member becomes eligible for normal retirement at Medicare-eligible age and 10 years of service, or at any age with 30 years of service.

- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

8. Occupational Death Benefits

- Benefit is 40% of salary.
- There is no increase in the benefit after commencement.
- Benefits cease when the member would have become eligible for normal retirement.
- The period during which the survivor is receiving benefits is counted as service credit toward retiree medical benefits.
- No retiree medical benefits are provided until the member would have been eligible for normal retirement. The surviving spouse's premium is 100% until the member would have been Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

Changes Since the Prior Valuation

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

STATISTICAL SECTION

Alaska Division of Retirement and Benefits

TRS

Teachers' Retirement System

Statistical Section Overview

The statistical section of the Teachers' Retirement System (System) comprehensive annual financial report provides additional detail in the form of financial trends, operating statistics and demographic information. This data is provided to enhance the reader's understanding of the System.

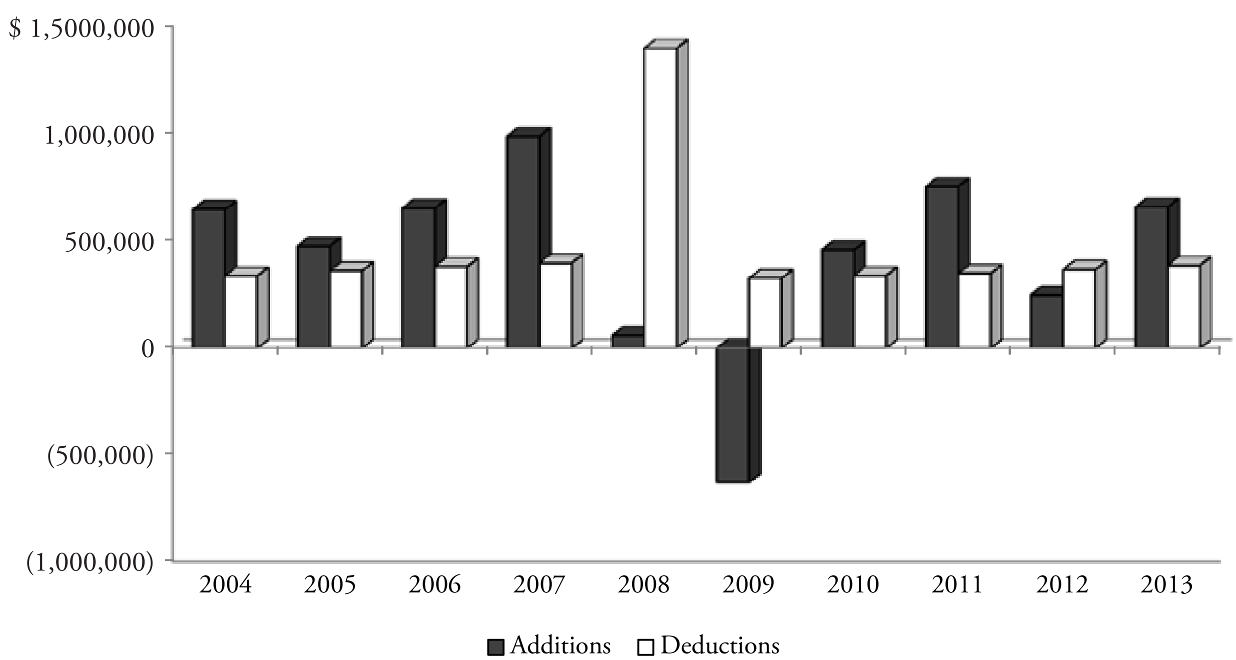
These schedules contain financial trend information utilizing a multi-year presentation so the reader can better understand how the System's financial performance has changed over time. Financial information is presented on an accrual basis.

These schedules contain detailed benefit payment information to provide the reader a better understanding of the pension benefits provided by the Division.

These schedules contain detailed demographic data to provide the reader a better understanding of the membership and employer participation in the System.

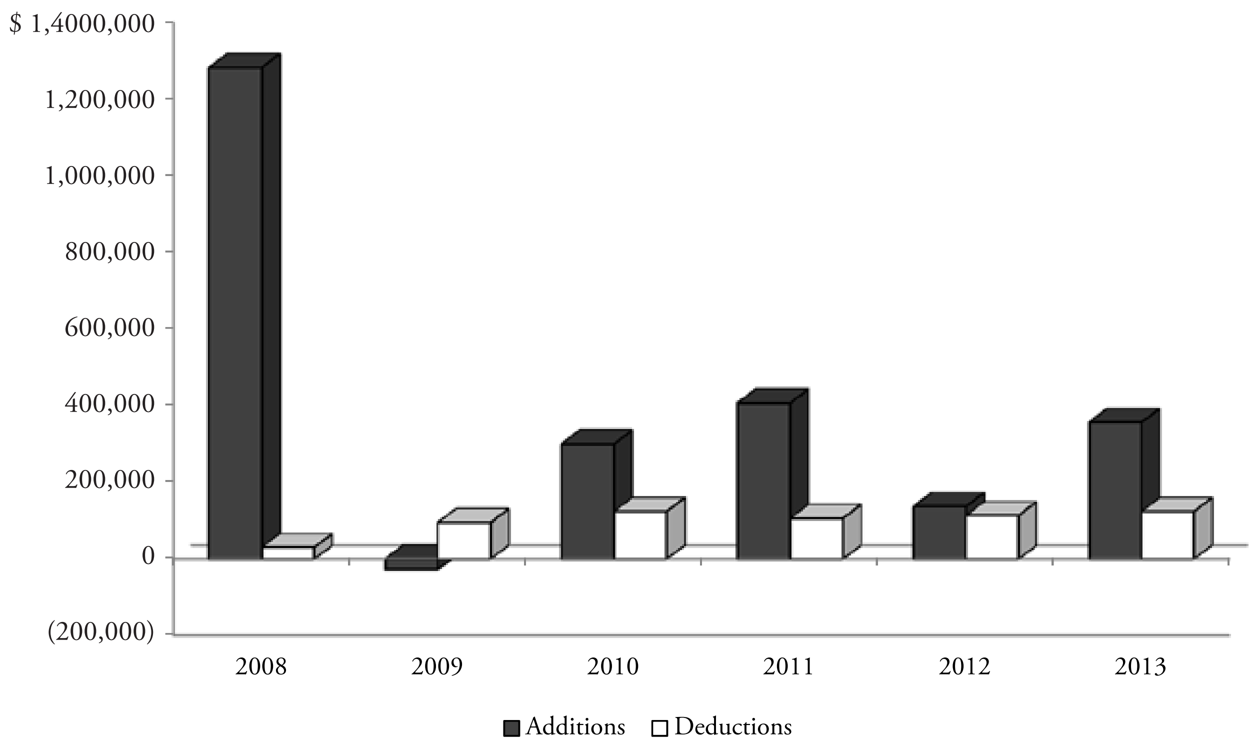
Teachers' Retirement System Defined Benefit Pension Changes in Net Assets (In thousands)					
Year Ended June 30	**Net Assets, Beginning of Year**	**Additions**	**Deductions**	**Increase/ (Decrease) in Net Assets**	**Net Assets, End of Year**
2004	$ 3,602,619	$ 646,298	$ 337,402	$ 308,896	$ 3,911,515
2005	3,911,515	476,969	361,489	115,480	4,026,995
2006	4,026,995	652,648	379,672	272,976	4,299,971
2007	4,299,971	989,840	396,697	593,143	4,893,114
2008	4,893,114	57,423	1,399,739	(1,342,316)	3,550,798
2009	3,550,798	(629,058)	325,307	(954,365)	2,596,433
2010	2,596,433	458,984	338,860	120,124	2,716,557
2011	2,716,557	755,768	348,795	406,973	3,123,530
2012	3,123,530	249,803	366,686	(116,883)	3,006,647
2013	3,006,647	658,405	385,822	272,483	3,279,130

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



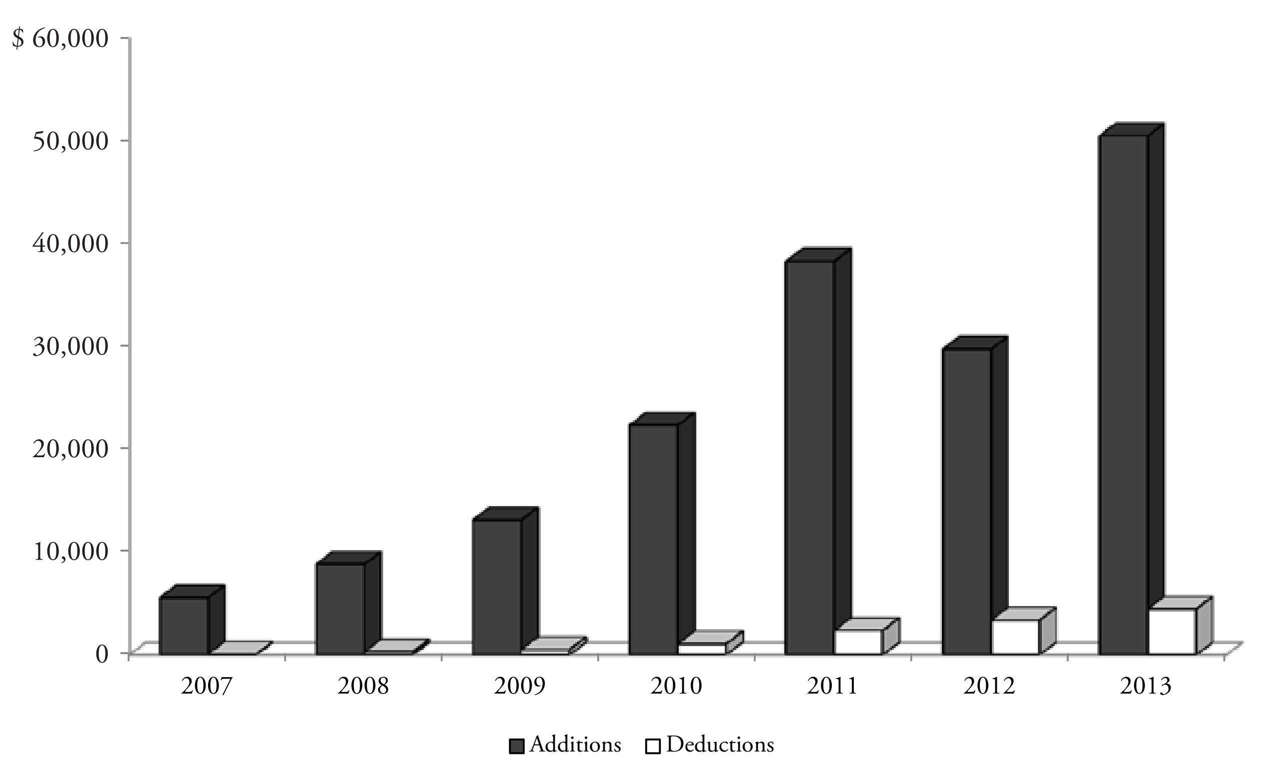
Teachers' Retirement System Defined Benefit Pension Alaska Retiree Healthcare Trust Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase/ (Decrease) in Net Assets	Net Assets, End of Year
2008	$ —	$1,283,865	$ 30,292	$1,253,573	$1,253,573
2009	1,253,573	(27,157)	95,383	(122,540)	1,131,033
2010	1,131,033	300,736	124,133	176,603	1,307,636
2011	1,307,636	408,179	106,485	301,694	1,609,330
2012	1,609,330	137,594	113,883	23,711	1,633,041
2013	1,633,041	357,454	124,074	233,380	1,866,421

6-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



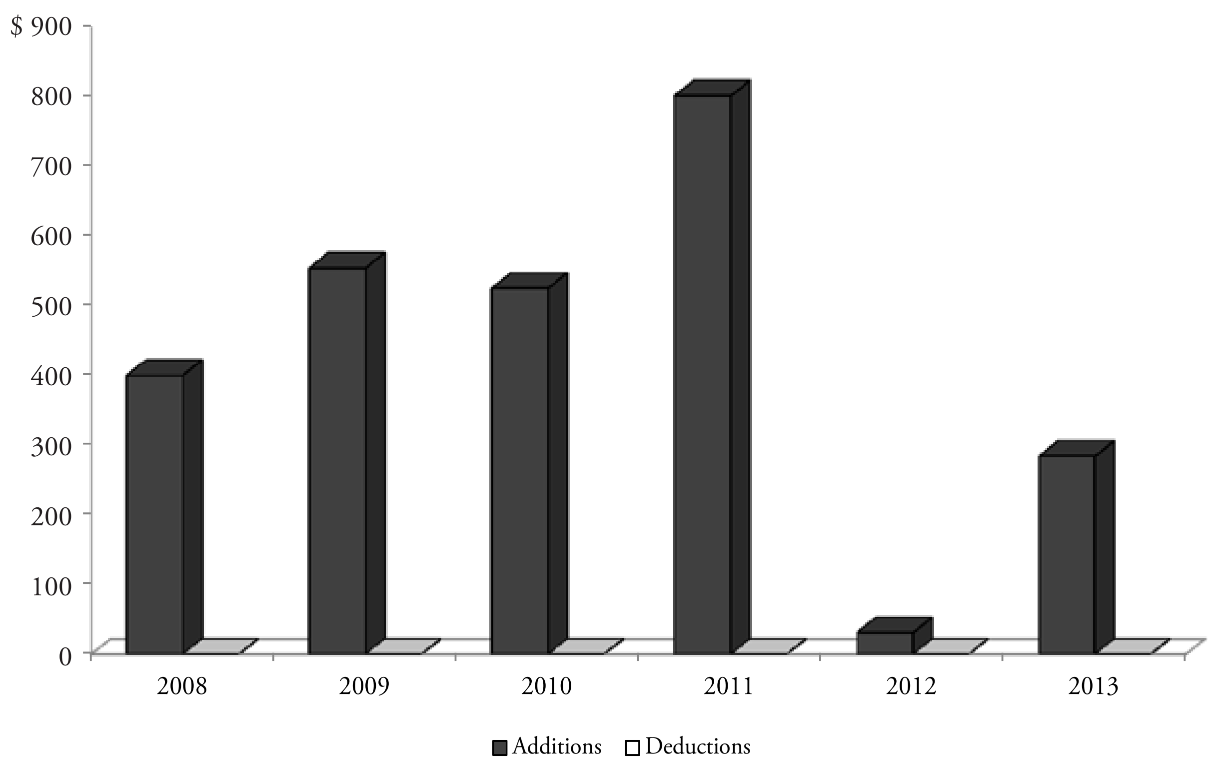
Teachers' Retirement System Defined Contribution Retirement Participant Directed Changes in Net Assets (In thousands)					
Year Ended June 30	**Net Assets, Beginning of Year**	**Additions**	**Deductions**	**Increase/ (Decrease) in Net Assets**	**Net Assets, End of Year**
2007	$ —	$ 5,543	$ 36	$ 5,507	$ 5,507
2008	5,507	8,825	278	8,547	14,054
2009	14,054	13,132	498	12,634	26,688
2010	26,688	22,359	1,053	21,306	47,994
2011	47,994	38,355	2,377	35,978	83,972
2012	83,972	29,791	3,374	26,417	110,389
2013	110,389	50,560	7,715	42,845	153,234

7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



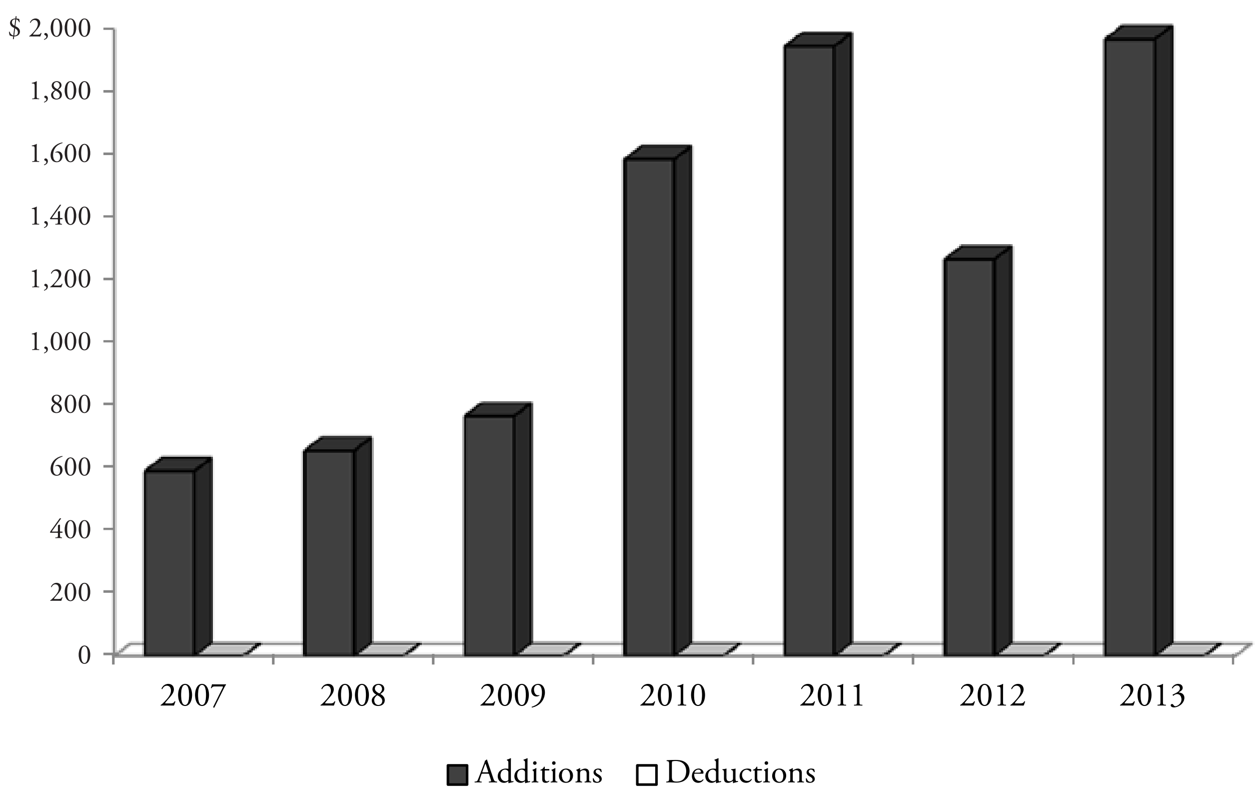
Teachers' Retirement System Defined Contribution Retirement Occupational Death & Disability Changes in Net Assets (In thousands)					
Year Ended June 30	**Net Assets, Beginning of Year**	**Additions**	**Deductions**	**Increase/ (Decrease) in Net Assets**	**Net Assets, End of Year**
2008	$ —	$ 400	$ —	$ 400	$ 400
2009	400	554	—	554	954
2010	954	525	—	525	1,479
2011	1,479	801	—	801	2,280
2012	2,280	31	—	31	2,311
2013	2,311	284	—	284	2,595

6-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



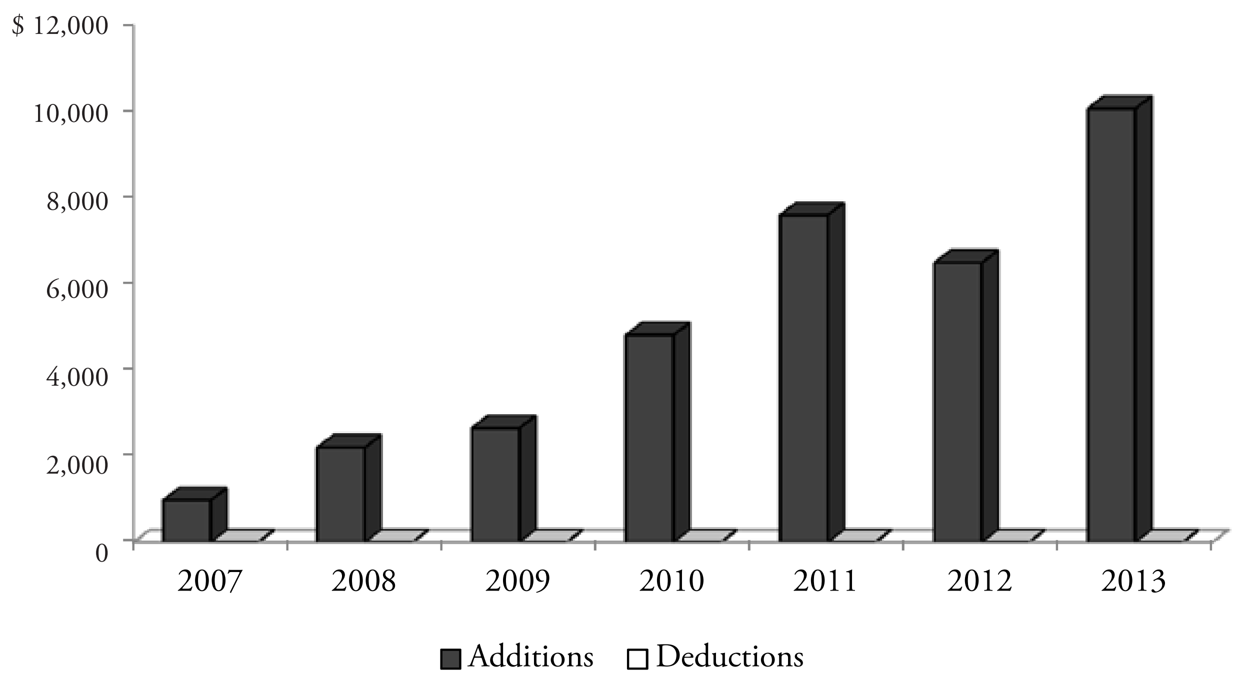
Teachers' Retirement System Defined Contribution Retirement Medical Plan Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase/ (Decrease) in Net Assets	Net Assets, End of Year
2007	$ —	$ 590	$ —	$ 590	$ 590
2008	590	656	—	656	1,246
2009	1,246	766	—	766	2,012
2010	2,012	1,586	—	1,586	3,598
2011	3,598	1,947	—	1,947	5,545
2012	5,545	1,267	—	1,267	6,812
2013	6,812	1,970	3	1,967	8,779

7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



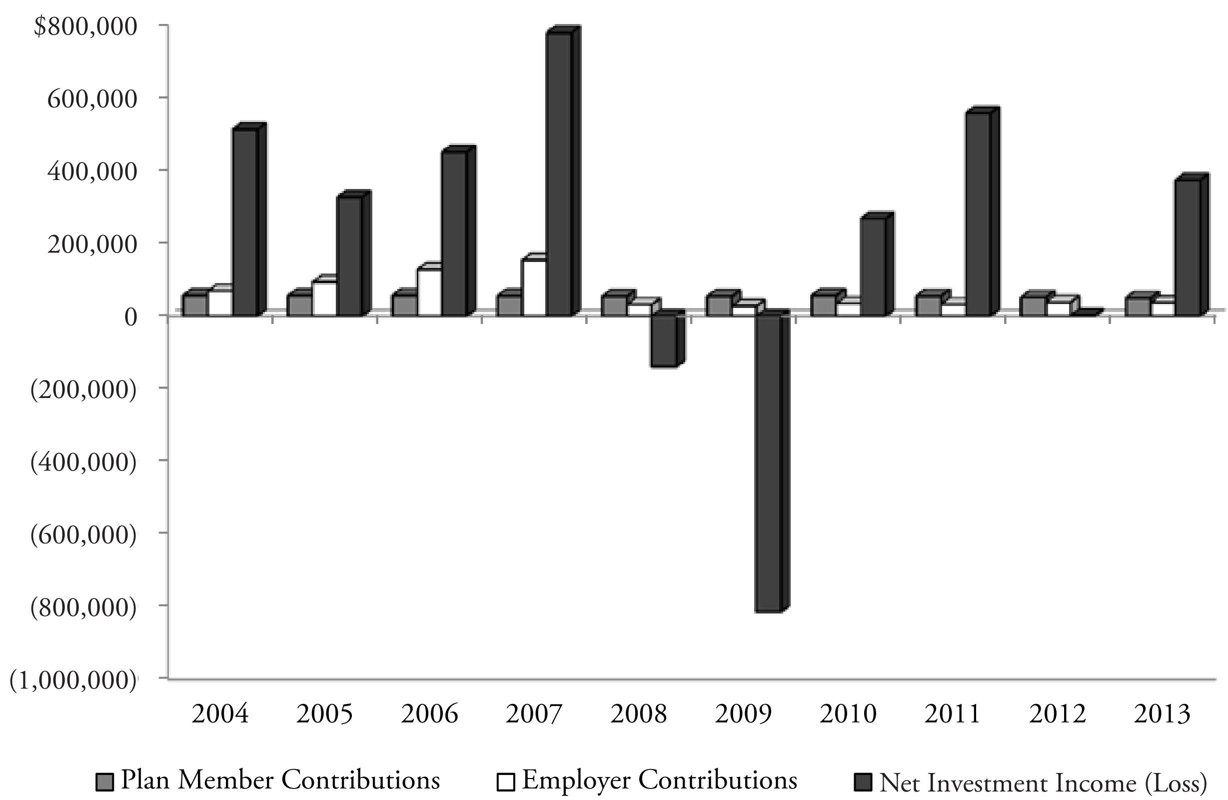
Teachers' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase/(Decrease) in Net Assets	Net Assets, End of Year
2007	$ —	$ 974	$ —	$ 974	$ 974
2008	974	2,202	—	2,202	3,176
2009	3,176	2,650	—	2,650	5,826
2010	5,826	4,814	—	4,814	10,640
2011	10,640	7,606	—	7,606	18,246
2012	18,246	6,491	—	6,491	24,737
2013	24,737	10,079	3	10,076	34,813

7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



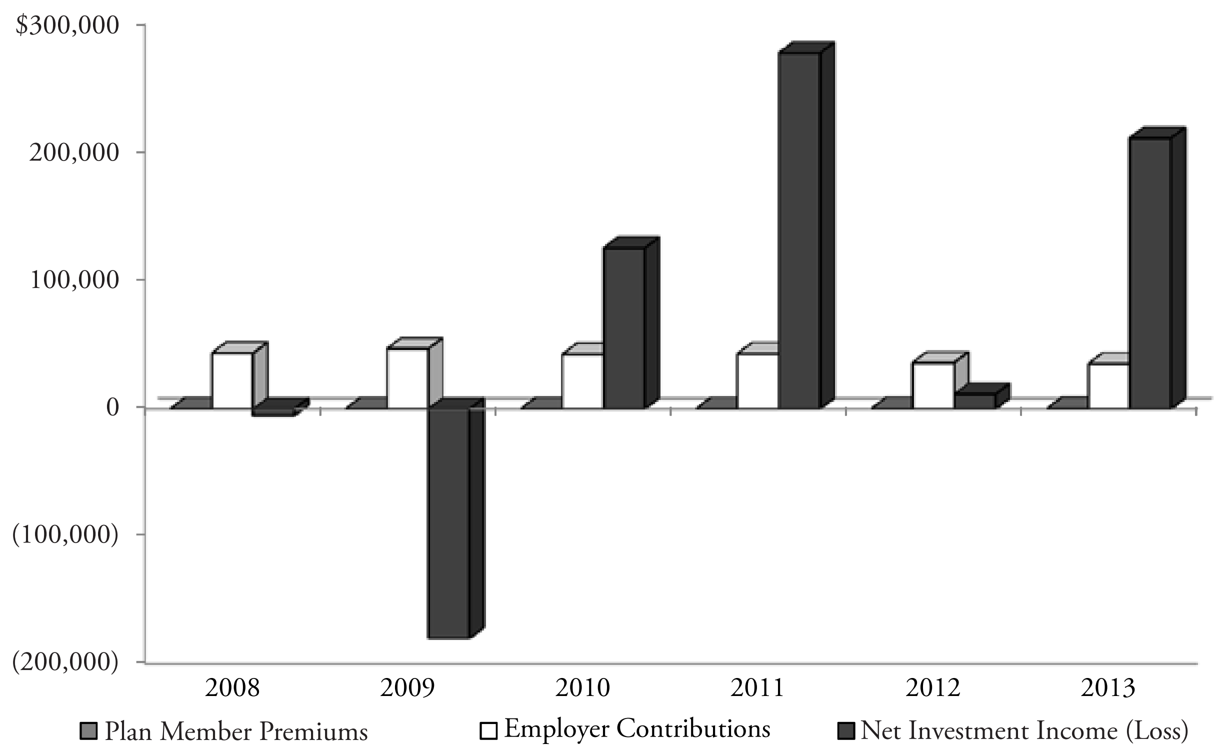
Teachers' Retirement System Defined Benefit Pension Additions by Source (In thousands)						
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Other	Total
2004	$ 57,365	$ 68,692	$ —	$ 513,964	$ 6,277	$ 646,298
2005	55,993	93,540	—	327,426	10	476,969
2006	57,802	127,967	—	451,689	15,190	652,648
2007	55,689	153,618	—	780,512	21	989,840
2008	54,121	31,313	111,237	(139,282)	34	57,423
2009	53,544	27,110	104,423	(814,138)	3	(629,058)
2010	56,554	33,800	100,475	268,146	9	458,984
2011	55,347	32,804	109,343	558,220	54	755,768
2012	52,020	38,189	157,387	2,190	17	249,803
2013	50,201	37,372	196,945	373,868	19	658,405

10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



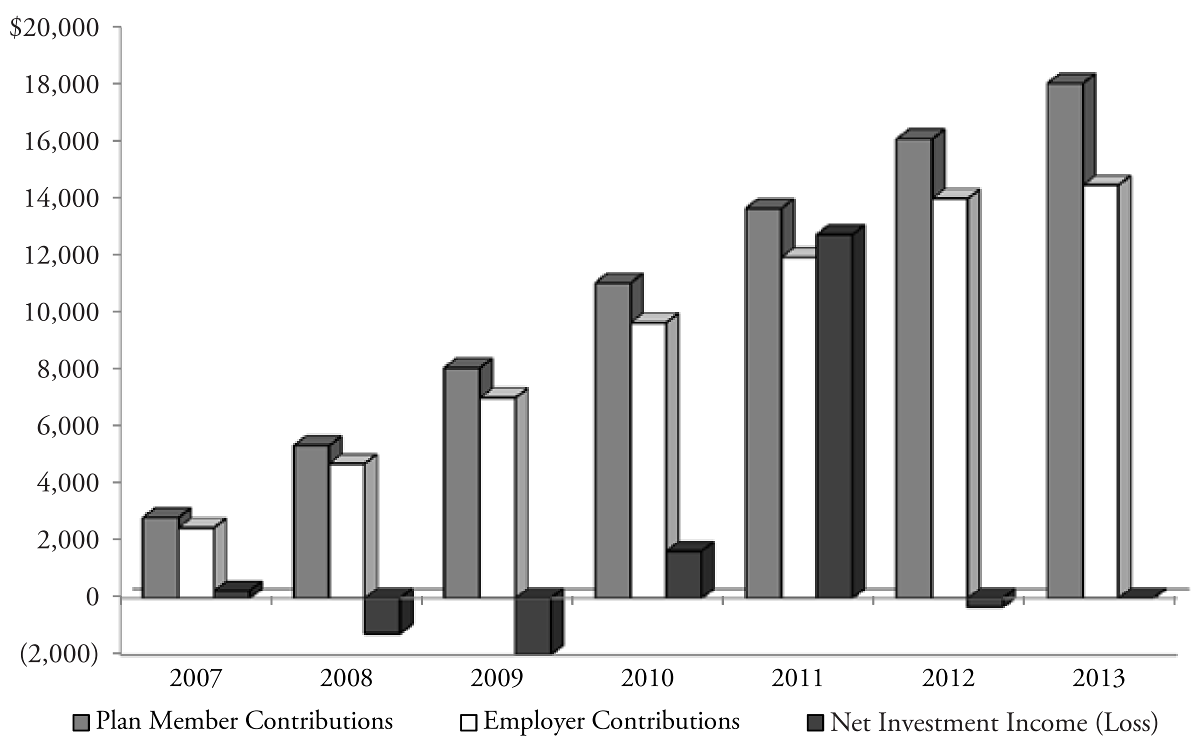
Teachers' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Additions by Source (In thousands)							
Year Ended June 30	Plan Member Premiums	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Transfer	Other	Total
2008	$ 111	$ 43,697	$ 158,755	$ (5,318)	$1,086,620	$ —	$1,283,865
2009	116	47,174	101,877	(179,919)	—	3,595	(27,157)
2010	117	42,694	72,987	125,903	—	59,035	300,736
2011	138	43,217	81,507	278,366	—	4,951	408,179
2012	183	36,281	77,130	11,465	—	12,535	137,594
2013	250	35,293	105,832	211,927	—	4,152	357,454

6-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



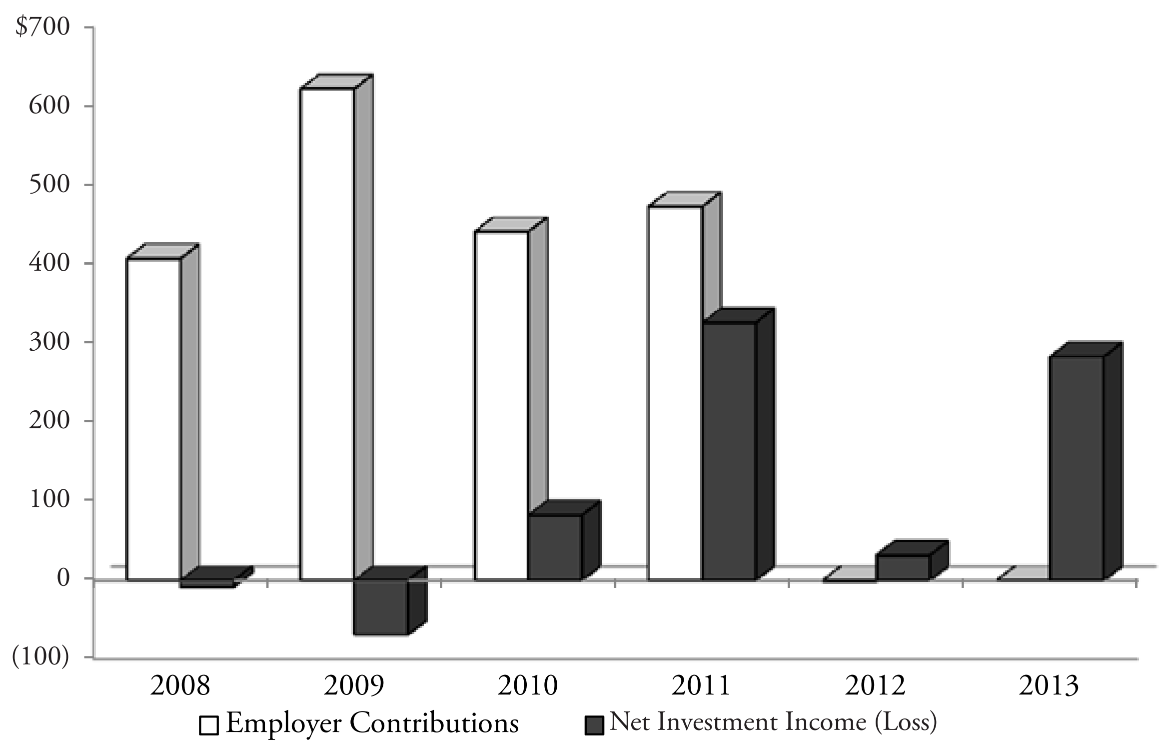
Teachers' Retirement System Defined Contribution Retirement Participant Directed Additions by Source (In thousands)					
Year Ended June 30	Plan Member Contributions	Employer Contributions	Net Investment Income (Loss)	Net Investment Other	Total
2007	$ 2,827	$ 2,465	$ 251	$ —	$ 5,543
2008	5,347	4,717	(1,239)	—	8,825
2009	8,077	7,023	(1,968)	—	13,132
2010	11,051	9,658	1,650	—	22,359
2011	13,665	11,943	12,742	5	38,355
2012	16,095	14,003	(307)	—	29,791
2013	18,044	14,474	18,040	2	50,560

7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



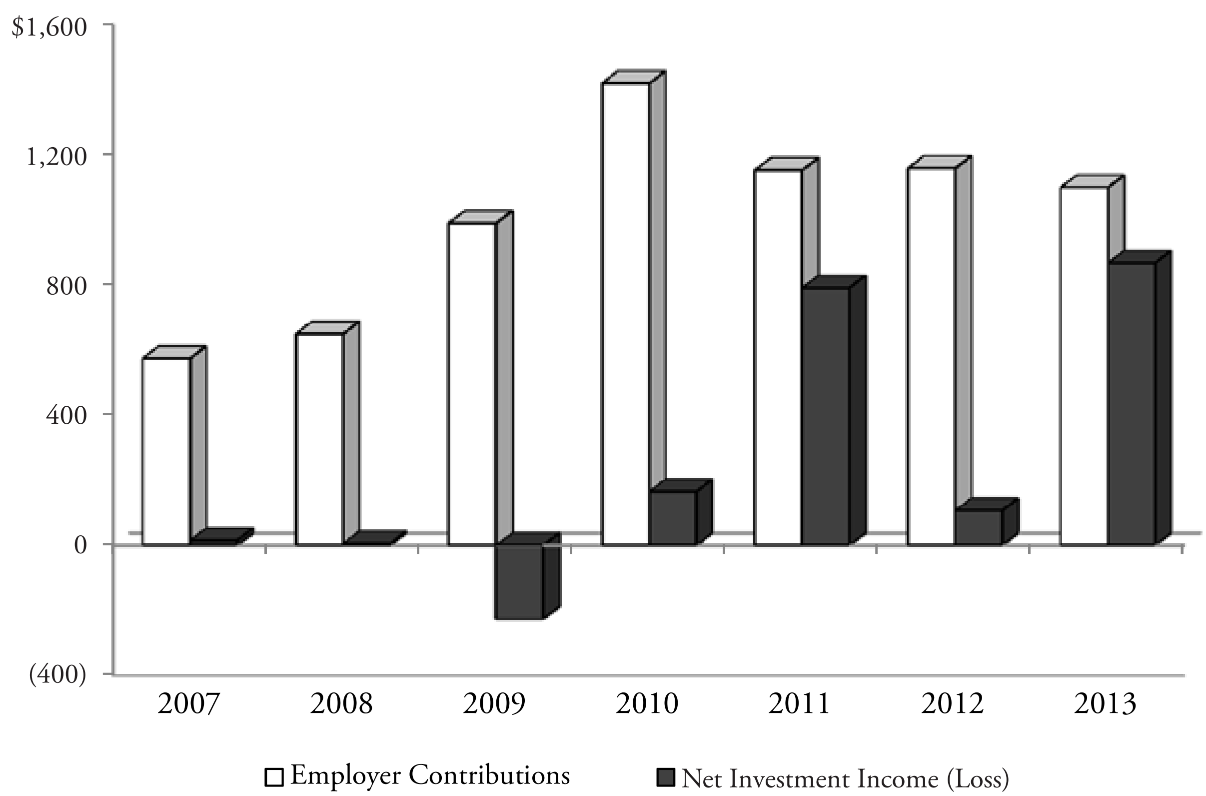
Teachers' Retirement System Defined Contribution Retirement Occupational Death & Disability Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2008	$ 408	$ (8)	$ 400
2009	623	(69)	554
2010	442	83	525
2011	474	327	801
2012	(1)	32	31
2013	—	284	284

6-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



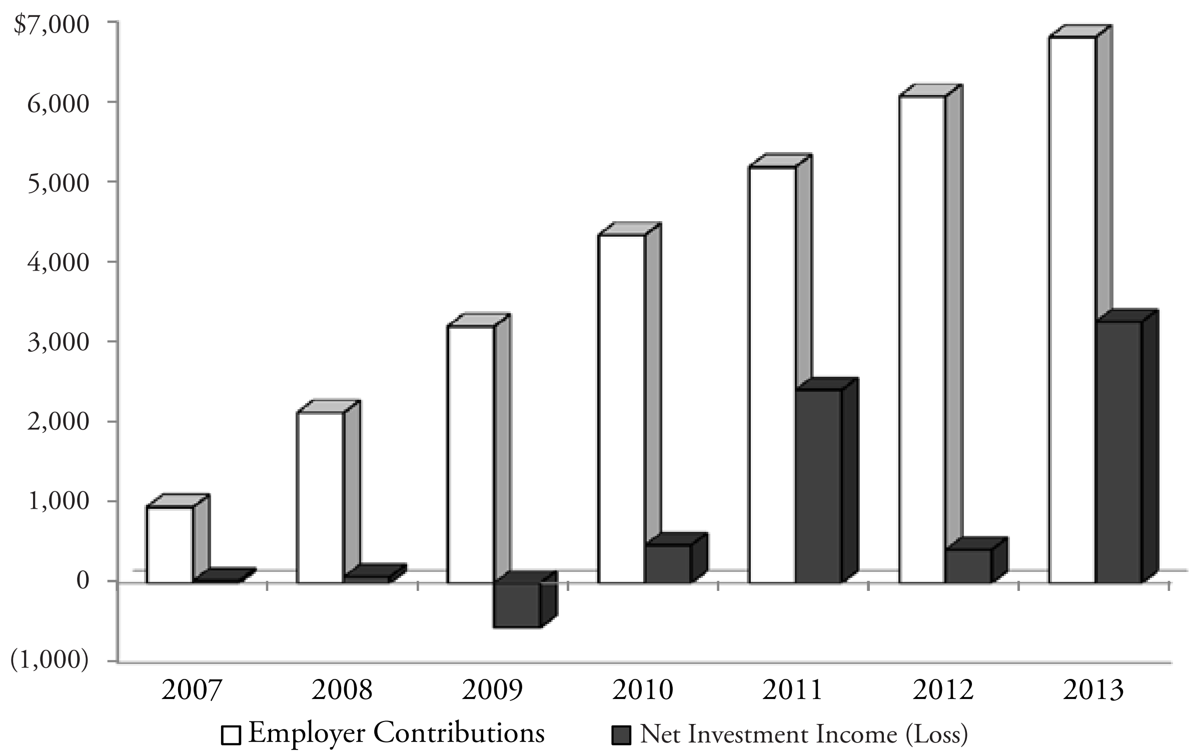
Teachers' Retirement System Defined Contribution Retirement Retiree Medical Plan Additions by Source (In thousands)			
Plan Ended June 30	**Employer Contributions**	**Net Investment Income (Loss)**	**Total**
2007	$ 575	$ 15	$ 590
2008	651	5	656
2009	992	(226)	766
2010	1,421	165	1,586
2011	1,154	793	1,947
2012	1,160	107	1,267
2013	1,101	869	1,970

7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



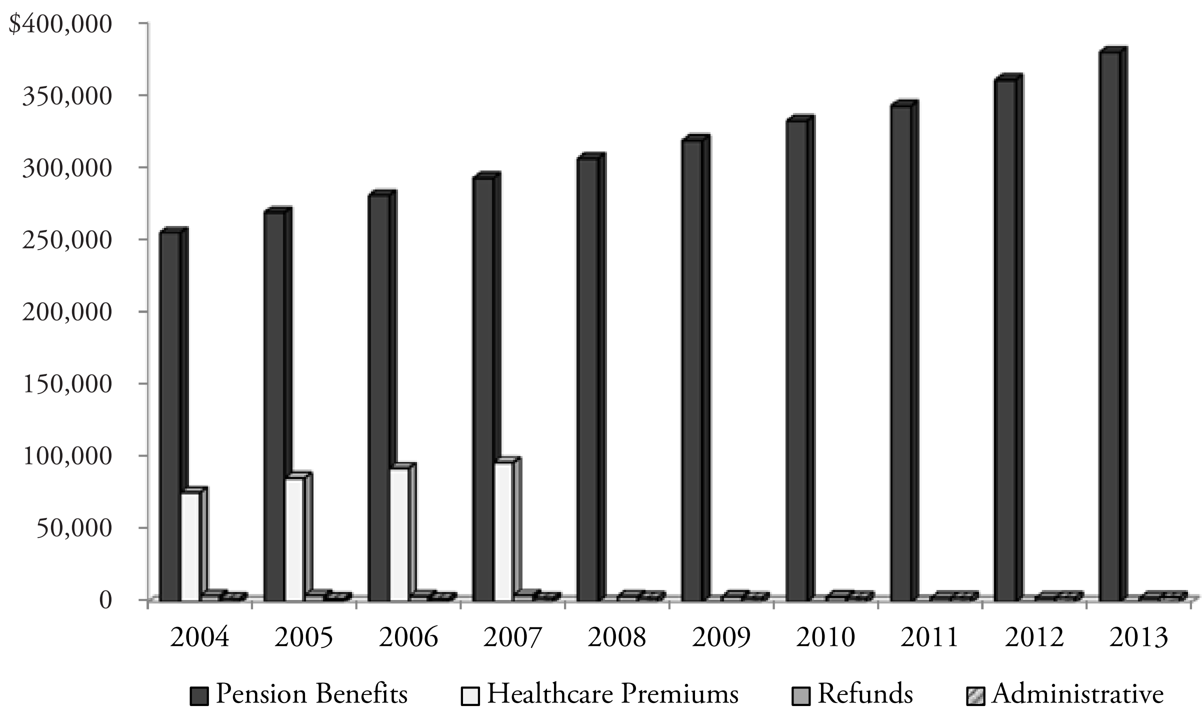
Teachers' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Additions by Source (In thousands)			
Plan Ended June 30	**Employer Contributions**	**Net Investment Income (Loss)**	**Total**
2007	$ 947	$ 27	$ 974
2008	2,127	75	2,202
2009	3,206	(556)	2,650
2010	4,344	470	4,814
2011	5,195	2,411	7,606
2012	6,077	414	6,491
2013	6,816	3,263	10,079

7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



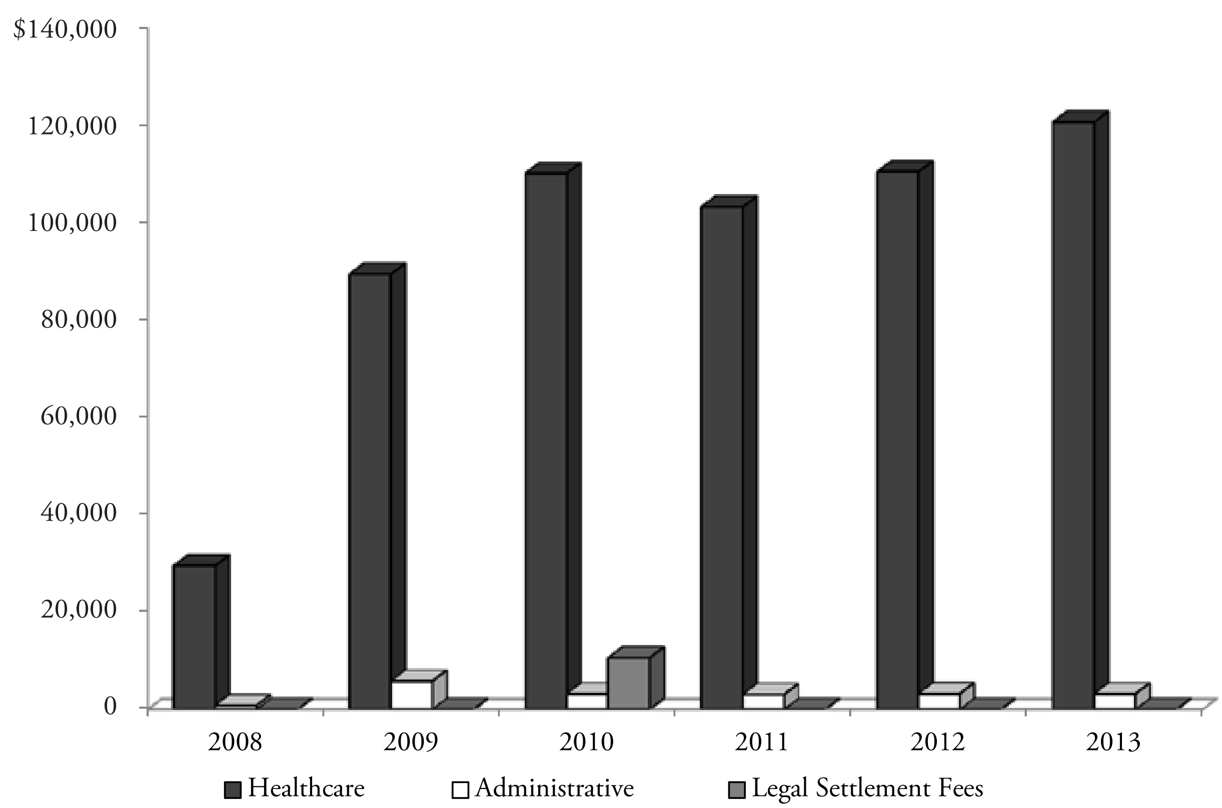
Teachers' Retirement System Defined Benefit Pension Deductions by Type (In thousands)							
Year Ended June 30	Pension Benefits	Healthcare	Refunds of Contributions	Administrative	Legal Fee Settlement	Transfer	Total
2004	$ 255,409	$ 75,601	$ 4,189	$ 2,203	$ —	$ —	$ 337,402
2005	269,414	85,670	4,376	2,029	—	—	361,489
2006	281,205	92,462	3,832	2,173	—	—	379,672
2007	293,224	96,544	4,535	2,394	—	—	396,697
2008	306,689	—	3,761	2,669	—	1,086,620	1,399,739
2009	319,148	—	3,622	2,537	—	—	325,307
2010	332,690	—	3,472	2,698	—	—	338,860
2011	343,191	—	2,798	2,806	—	—	348,795
2012	361,202	—	2,637	2,847	—	—	366,686
2013	380,265	—	2,668	2,989	—	—	385,922

10-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



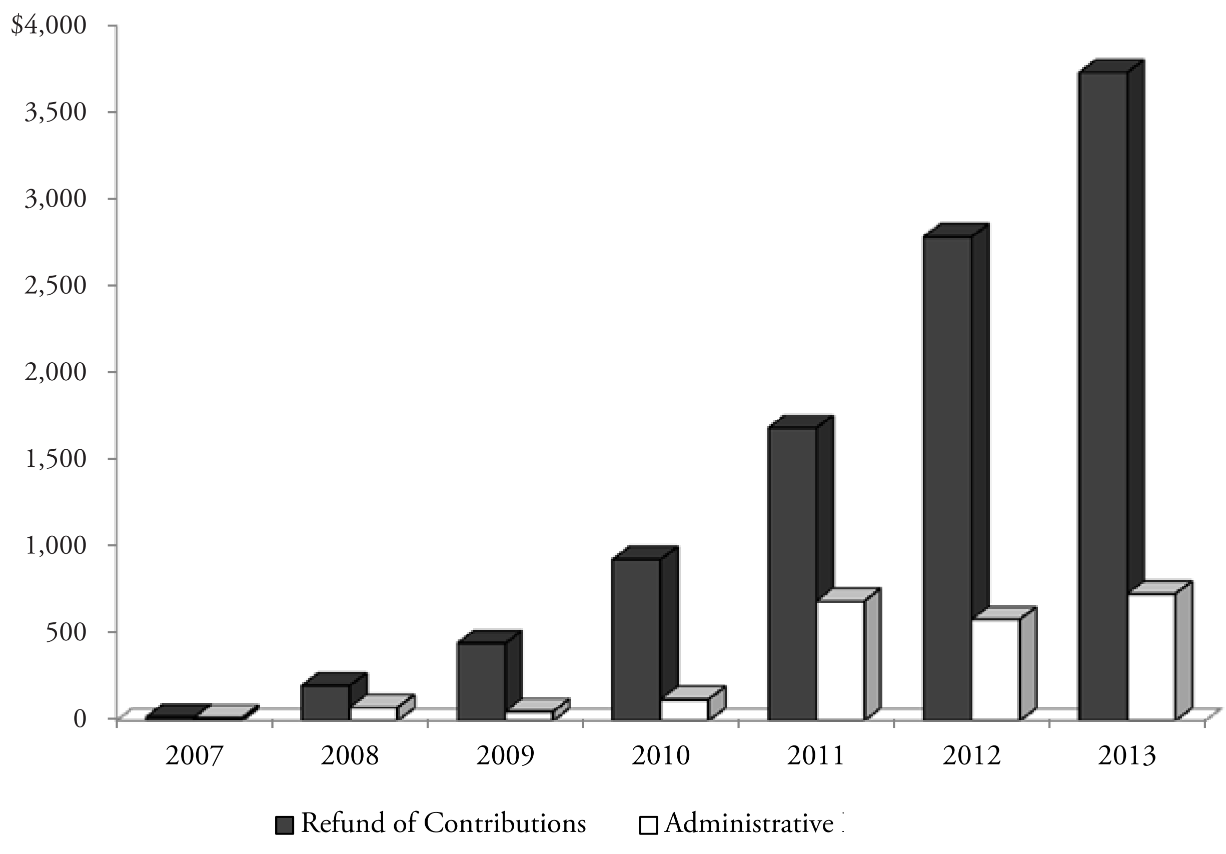
Teachers' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Deductions by Type (In thousands)				
Plan Ended June 30	Healthcare	Administrative	Legal Settlement Fees	Total
2008	$ 29,494	$ 798	$ —	$ 30,292
2009	89,571	5,812	—	95,383
2010	110,313	3,228	10,592	124,133
2011	103,405	3,080	—	106,485
2012	110,632	3,251	—	113,883
2013	120,855	3,219	—	124,074

6-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



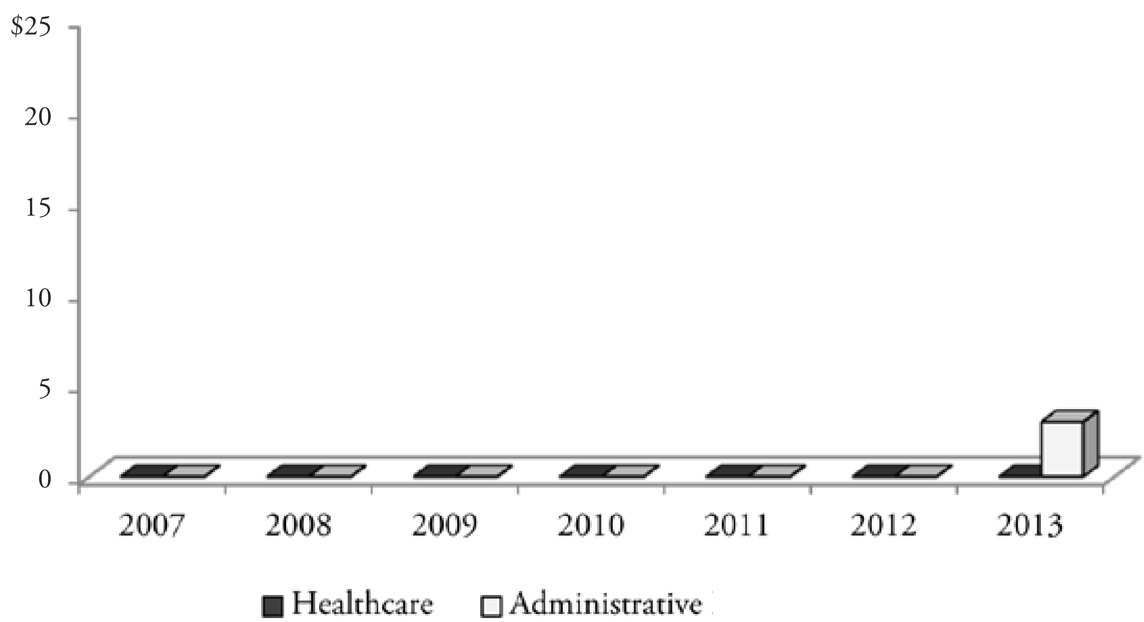
Teachers' Retirement System Defined Contribution Retirement Participant Directed Deductions by Type (In thousands)				
Plan Ended June 30	Refund of Contributions	Administrative	Prior Year Forfeiture Payable Adjustment	Total
2007	$ 20	$ 16	$ —	$ 36
2008	202	76	—	278
2009	445	53	—	498
2010	930	123	—	1,053
2011	1,688	689	—	2,377
2012	2,791	583	—	3,374
2013	3,737	731	3,247	7,715

7-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



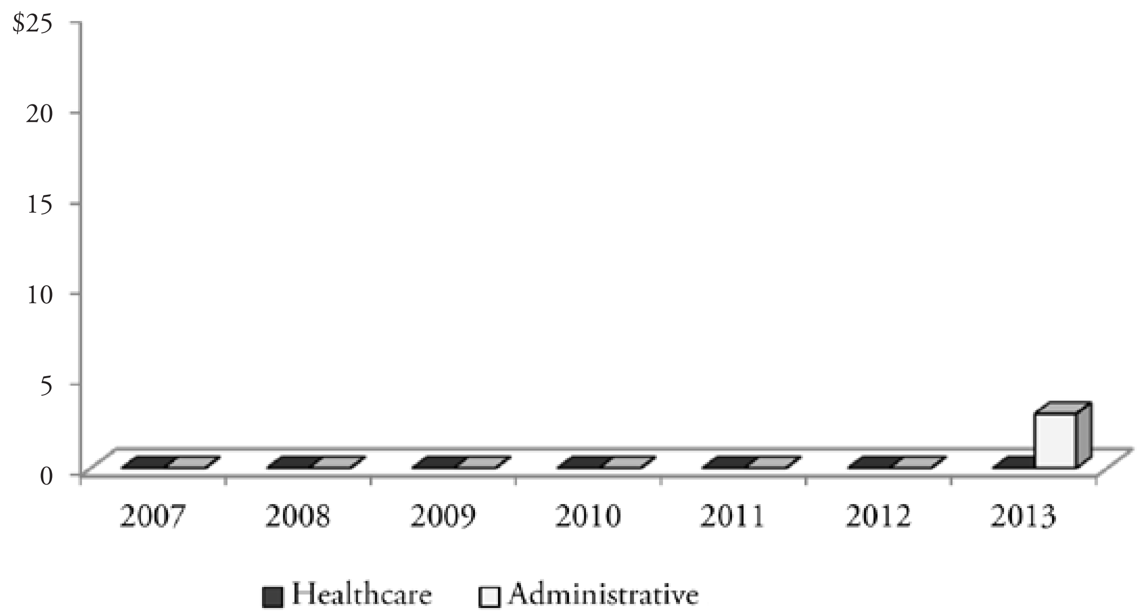
Teachers' Retirement System Defined Contribution Retirement Medical Plan Deductions by Type (In thousands)			
Plan Ended June 30	Healthcare	Administrative	Total
2007	$ —	$ —	$ —
2008	—	—	—
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	3	3

7-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Teachers' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Deductions by Type (In thousands)			
Plan Ended June 30	Healthcare	Administrative	Total
2007	$ —	$ —	$ —
2008	—	—	—
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	3	3

7-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



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

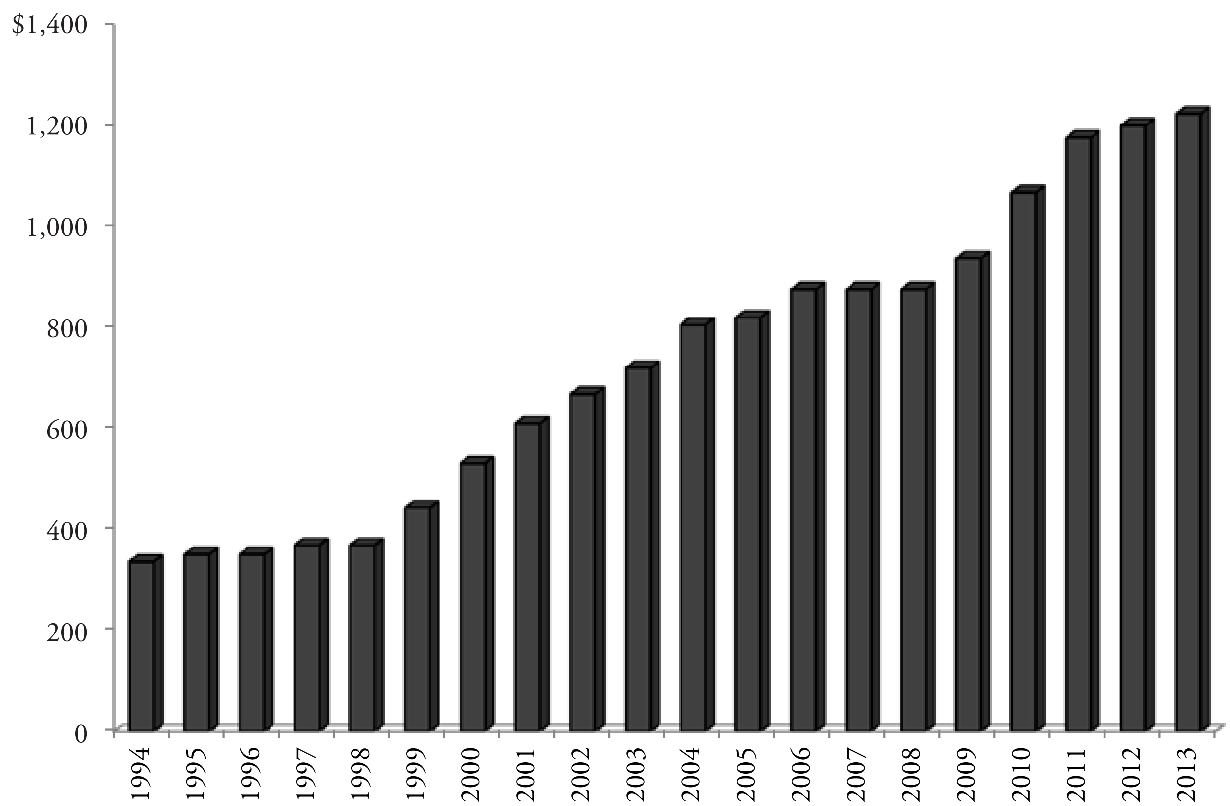
	Years of Credited Service						
	0 - 4	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Period 7/1/06 - 6/30/07[1]:							
Average Monthly Benefit	$ 214	$ 798	$1,249	$2,250	$2,909	$3,709	$5,109
Number of Recipients	9	41	54	69	102	68	28
Period 7/1/07 - 6/30/08[1]:							
Average Monthly Benefit	$ 209	$ 945	$1,248	$2,226	$2,966	$3,832	$5,057
Number of Recipients	13	44	62	92	95	87	33
Period 7/1/08 - 6/30/09[1]:							
Average Monthly Benefit	$ 230	$ 950	$1,168	$2,239	$2,957	$3,897	$4,860
Number of Recipients	13	35	64	52	67	54	18
Period 7/1/09 - 6/30/10[1]:							
Average Monthly Benefit	$ 482	$1,020	$1,343	$2,263	$2,992	$4,120	$6,263
Number of Recipients	14	50	63	85	109	79	49
Period 7/1/10 - 6/30/11[1]:							
Average Monthly Benefit	$ 146	$ 902	$1,432	$2,328	$3,131	$4,283	$5,496
Number of Recipients	5	68	63	77	118	104	67
Period 7/1/11 - 6/30/12[1]:							
Average Monthly Benefit	$ 353	$ 1,064	$1,512	$2,241	$3,276	$4,320	$5,739
Number of Recipients	11	43	62	61	118	81	58

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

[1] Does not include beneficiaries

Teachers' Retirement System Schedule of Pension and Healthcare Benefits Deductions by Type (In thousands)						
Year Ended June 30	Service	Disability	Survivor	Dependent	Healthcare	Total
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
2010	319,109	1,757	11,787	37	117,556	450,246
2011	329,308	1,337	12,499	47	133,152	476,343
2012	346,538	1,222	13,398	45	146,309	507,512
2013	364,387	1,377	14,467	34	160,337	540,602

20-YEAR COMPARISON OF RETIREE MONTHLY COMPOSITE MEDICAL PREMIUMS

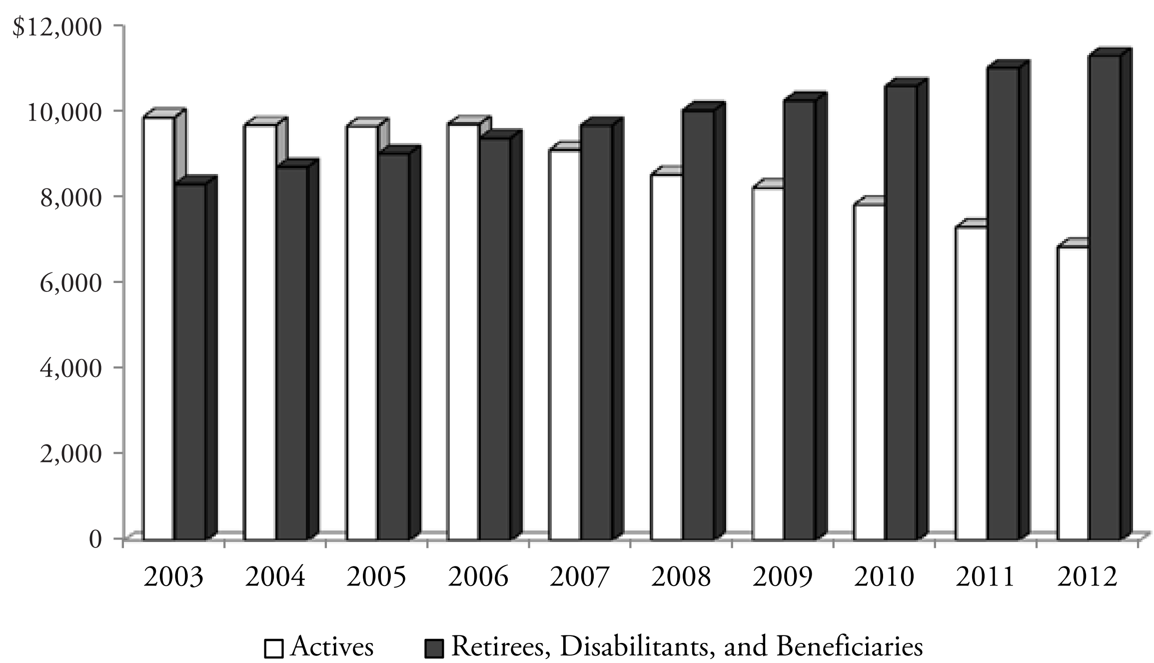


Teachers' Retirement System Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Elected Valuation as of June 30, 2012				
Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit		
		Regular Retirement	Survivor Payment	Disability
$ 1 - 300	199	150	49	—
301 - 600	342	254	88	—
601 - 900	635	524	111	—
901 - 1,200	700	580	120	—
1,201 - 1,500	644	520	124	—
1,501 - 1,800	601	498	102	1
1,801 - 2,100	681	570	110	1
2,101 - 2,400	849	785	61	3
2,401 - 2,700	991	937	50	4
2,701 - 3,000	964	927	31	6
3,001 - 3,300	863	836	21	6
3,301 - 3,600	829	813	13	3
3,601 - 3,900	673	665	6	2
3,901 - 4,200	582	575	3	4
over 4,200	1,748	1,737	8	3
Totals	**11,301**	**10,371**	**897**	**33**

Teachers' Retirement System Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Elected Valuation as of June 30, 2012					
Amount of Monthly Pension Benefit	Number of Recipients	Option Selected			
		Whole Life Annuity	75% Joint and Contingent Annuity	50% Joint and Contingent Annuity	66 2/3% Joint and Contingent Annuity
$ 1 - 300	199	114	44	33	8
301 - 600	342	178	73	71	20
601 - 900	635	322	142	137	34
901 - 1,200	700	396	156	117	31
1,201 - 1,500	644	328	149	139	28
1,501 - 1,800	601	333	129	121	18
1,801 - 2,100	681	353	153	151	24
2,101 - 2,400	849	404	183	230	32
2,401 - 2,700	991	475	239	251	26
2,701 - 3,000	964	467	201	270	26
3,001 - 3,300	863	419	162	263	19
3,301 - 3,600	829	415	155	238	21
3,601 - 3,900	673	347	119	191	16
3,901 - 4,200	582	304	83	187	8
over 4,200	1,748	840	246	613	49
Totals	**11,301**	**5,695**	**2,234**	**3,012**	**360**

Teachers' Retirement System System Membership by Status					
Year Ended June 30	**Active**	**Retirees Disabilitants & Beneficiaries**	**Vested Terminations**	**Nonvested Terminations w/Balance**	**Total**
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
2009	8,226	10,255	884	2,830	22,195
2010	7,832	10,598	840	2,789	22,059
2011	7,303	11,016	852	2,675	21,846
2012	6,845	11,301	868	2,559	21,573

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



Teachers' Retirement System Principal Participating Employers June 30, 2013			
Employer	**Non-retired Members**	**Rank**	**Percentage of Total Non-retired Members**
Anchorage School District	4,893	1	32.50%
Matanuska-Susitna Borough School District	1,452	2	9.60
Fairbanks North Star Borough School District	1,335	3	8.90
Total	**7,680**		**51.00%**

Teachers' Retirement System
Participating Employers
at June 30, 2013

Alaska Department of Education
Alaska Gateway School District
Aleutian Region School District
Aleutians East Borough School District
Anchorage School District
Annette Island School District

Bering Strait School District
Bristol Bay Borough School District

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

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

Fairbanks North Star Borough School District

Galena City School District

Haines Borough School District
Hoonah City School District
Hydaburg City School District

Iditarod Area School District

Juneau School District, City and Borough of

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

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

Matanuska-Susitna Borough School District

Nenana City School District
Nome City School District
North Slope Borough School District
Northwest Arctic Borough School District

Pelican City School District
Petersburg City School District
Pribilof School District

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

Tanana School District

Unalaska City School District
University of Alaska

Valdez City School District

Wrangell Public School District

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

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

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