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

Financial Statements and Supplemental Schedules

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

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

June 30, 2008 and 2007

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KPMG LLP
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Independent Auditors' Report

Division of Retirement and Benefits
State of Alaska Judicial Retirement System:

We have audited the accompanying statements of plan net assets of the State of Alaska Judicial Retirement System (Plan), a Component Unit of the State of Alaska, as of June 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Judicial Retirement System, a Component Unit of the State of Alaska, as of June 30, 2008 and 2007, and the changes in plan net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying required supplementary information of management's discussion and analysis on pages 3 to 9 and schedules of funding progress and employer contributions on pages 37 to 43 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 and 2 on pages 44 and 45 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of the Plan's management, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

December 15, 2008

This section presents management's discussion and analysis (MD&A) of the Judicial Retirement System's (Plan) financial condition and performance for the years ended June 30, 2008 and 2007. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to the financial statements, required supplementary, and additional information to better understand the financial condition and performance of the Plan during the fiscal years ended June 30, 2008 and 2007. Information for fiscal year 2006 is presented for comparative purposes.

Financial Highlights

The Plan's net assets held in trust for pension and post employment healthcare benefits as of June 30, 2008 and 2007 are $133,811,720 and $90,919,640.

The Plan's net assets held in trust for pension and post employment healthcare benefits as of June 30, 2008 and 2007 increased by $42,892,080 or 47.2% and $11,209,537 or 14.1% over fiscal years 2007 and 2006.

Plan members and employer contributions totaled $6,383,723 and $4,132,958 during fiscal years 2008 and 2007, an increase of $2,250,765 and $987,298 or 54.5% and 31.4% from fiscal years 2007 and 2006.

State of Alaska appropriations totaled $49,000,000 during fiscal year 2008. There were no State of Alaska appropriations to the Plan during fiscal year 2007.

Net investment income decreased from $14,214,167 in fiscal year 2007 to ($5,479,509) in fiscal year 2008 reflecting a decrease of 138.5%. Net investment income increased from $8,041,936 in fiscal year 2006 to $14,214,167 in fiscal year 2007 reflecting an increase of 76.8% from fiscal year 2006 to 2007.

Pension and post employment healthcare benefit expenditures totaled $6,930,458 and $7,061,710 during fiscal years 2008 and 2007; reflecting a decrease of $131,252 or 1.9% and an increase of $1,804,913 or 34.3% from fiscal years 2007 and 2006, respectively.

Overview of the Financial Statements

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

Statement of Plan Net Assets – This statement presents information regarding the Plan's assets, liabilities, and resulting net assets held in trust for pension and post employment healthcare benefits. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments, receivables, and other assets less current liabilities at June 30, 2008 and 2007.

Statement of *Changes in Plan Net Assets* – This statement presents how the Plan's net assets held in trust for pension and post employment healthcare benefits changed during the fiscal years ended June 30, 2008 and 2007. This statement presents contributions, State of Alaska appropriations, and investment income (loss) during the period. Deductions for pension and post employment healthcare benefits, refunds, and operating deductions are also presented.

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

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

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

Other Supplementary Schedules – Other schedules include detailed information on administrative and investment deductions incurred by the Plan and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information

Net Assets

Description	2008	2007	Increase/(decrease) Amount	Increase/(decrease) Percentage	2006
Assets:					
Cash and cash equivalents	$ 988,487	194,177	794,310	409.1%	50,743
Due from State of Alaska General Fund	416,686	—	416,686	100.0	362,570
Contributions receivable	257,552	175,201	82,351	47.0	116,792
Other Receivable	1,267	—	1,267	n/a	—
Due from postemployment healthcare	4,002,818	—	4,002,818	n/a	—
Securities lending collateral	—	10,728,980	(10,728,980)	n/a	8,007,877
Investments, at fair value	132,198,934	90,598,268	41,600,666	45.9	79,224,935
Total assets	137,865,744	101,696,626	36,169,118	35.6	87,762,917
Liabilities:					
Accrued expenses	38,422	43,821	(5,399)	(12.3)	44,937
Claims Payable	4,212	—	4,212	n/a	—
Due to Retiree Health Fund	8,572	—	8,572	n/a	—
Due to Alaska Retiree Healthcare fund	4,002,818	—	4,002,818	n/a	—
Due to State of Alaska General Fund	—	4,185	(4,185)	n/a	—
Securities lending collateral payable	—	10,728,980	(10,728,980)	n/a	8,007,877
Total liabilities	4,054,024	10,776,986	(6,722,962)	(62.4)	8,052,814
Net assets	$ 133,811,720	90,919,640	42,892,080	47.2%	79,710,103

Changes in Net Assets

Description		2008	2007	Increase/(decrease) Amount	Increase/(decrease) Percentage	2006
Net assets, beginning of year	$	90,919,640	79,710,103	11,209,537	14.1%	73,705,130
Additions:						
Contributions		6,383,723	4,132,958	2,250,765	54.5	3,145,660
Appropriation - State of Alaska		49,000,000	—	49,000,000	n/a	—
Net investment income (loss)		(5,479,509)	14,214,167	(19,693,676)	(138.5)	8,041,936
Transfers		4,002,818	—	4,002,818	n/a	125,000
Total additions		53,907,032	18,347,125	35,559,907	193.8	11,312,596
Deductions:						
Pension and postemployment healthcare benefits		6,679,640	7,061,710	(382,070)	(5.4)	5,256,797
Claims paid		250,818	—	250,818	n/a	—
Refund of Contributions		17,834	—	17,834	n/a	—
Administrative		63,842	75,878	(12,036)	(15.9)	50,826
Transfers		4,002,818	—	4,002,818	n/a	—
Total deductions		11,014,952	7,137,588	3,877,364	54.3	5,307,623
Increase in net assets		42,892,080	11,209,537	31,682,543	282.6	6,004,973
Net assets, end of year	$	133,811,720	90,919,640	42,892,080	47.2%	79,710,103

Financial Analysis of the Plan

The Statements of Plan Net Assets as of June 30, 2008 and 2007 showed net assets held in trust for pension and post employment healthcare benefits of $133,811,720 and $90,919,640, respectively. The entire amount is available to cover the Plan's obligations to pay pension and post employment healthcare benefits to its members and their beneficiaries. These amounts also represent an increase of $42,892,080 or 47.2% and $11,209,537 or 14.1% from fiscal years 2007 and 2006. Over the long term, plan members and employer contributions, as well as investment income earned, are expected to sufficiently fund the pension benefit and post employment healthcare costs of the Plan.

The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (ARMB) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the Plan's constraints and objectives. During fiscal year 2008, the ARMB adopted an asset allocation that includes 42% in domestic equities, 18% in international equities, 2% emerging markets equity, 15% in domestic fixed income, 2% in international fixed income, 3% in High Yield, 4% treasury inflation protection pool, 4% in Absolute Return, and 10% in real estate. This asset allocation is expected to provide a five-year median return of 7.99%.

For fiscal years 2008 and 2007, the Plan's investments generated an -4.62% and a +18.41% rate of return, respectively. The Plan's annualized rate of return was +7.97% over the last three years and +9.48% over the last five years.

Actuarial Valuations and Funding Progress

The overall objective of pension and post employment healthcare funds is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing in the fiscal year following the valuation date and a 25–year fixed amortization of the unfunded accrued liability. The amortization period and employer contribution levels are typically recommended by the Actuary and adopted by the administrator biannually. Barring legislative changes, the employer contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities decreased from 77.1% to 61.5% during the two-year period ending June 30, 2006. Increasing health costs and salary increases for active judges that affect pension benefits for retirees impacted the Plan's funding ratio as of June 30, 2006, and appropriate rate increases in fiscal years 2008 and 2009 will be charged to the employer. The Alaska Legislature appropriated $49,000,000 in fiscal year 2008 in order to reduce the unfunded liability, increase the funding ratio, and decrease the employer contribution rate in fiscal year 2010.

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

	Valuation year 2006	Valuation year 2004
Valuation assets	$ 79,710,103	70,455,634
Accrued liabilities	129,614,185	91,361,249
Funding ratio	61.5%	77.1%

Contributions, Investment Income and Transfer

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

			Additions		
			Increase/(decrease)		
	2008	2007	Amount	Percentage	2006
Plan members contributions	$ 523,699	477,215	46,484	9.7%	374,153
Employer contributions	5,860,024	3,655,743	2,204,281	60.3	2,771,507
Net investment income (loss)	(5,479,509)	14,214,167	(19,693,676)	(138.5)	8,041,936
Appropriation - State of Alaska	49,000,000	—	49,000,000	n/a	—
Transfers	4,002,818	—	4,002,818	n/a	125,000
Total	$ 53,907,032	18,347,125	35,559,907	193.8%	11,312,596

Employer contributions increased from $3,655,743 during fiscal year 2007 to $5,860,024 during fiscal year 2008, an increase of $2,204,281 or 60.3%. There was an increase from $2,771,507 during fiscal year 2006 to $3,655,743 during fiscal year 2007, an increase of $884,236 or 31.9%.

The employer contribution rate increased from 38.53% to 57.70% in fiscal years 2007 and 2008, respectively, a change in the employer rate of 19.7% of eligible compensation, or a 49.75% increase over the previous years. Employer contribution rates for the Plan are determined for a two-year period. The increase is largely due to changes in actuarial assumptions and methods implemented in the valuation for the period ending June 30, 2004 (the valuation used to set fiscal year 2007 and 2008 employer contribution rates).

In 2008, net investment income decreased by ($19,693,676) or -138.5% over amounts recorded in fiscal year 2007. Net Investment income increased by $6,172,231 or 76.8% over amounts recorded in fiscal year 2006. Fiscal year 2008 proved to be a very challenging year in the investment environment due to a number of failures in investment banks tied in with the drop in home prices and increased volatility and risks in all investment classes. The Plan had more than seventy-four percent of invested assets in the domestic equity pool, international equity pool and retirement fixed income pool. The domestic equity pool realized a return of -13.5% in 2008 compared to 20.1% in 2007. The international equity pool realized a return of -9.4% in 2008 compared to 27.8% in 2007. The retirement fixed income pool realized a return of 6.6% in 2008 compared to 6.2% in 2007.

Over the long term, investment income has been a major component of additions to plan assets. During fiscal year 2008, the Plan recorded its first loss in four years. The actuarial rate of return used in the actuarial valuation report to determine liabilities of the Plan is 8.25%. The FY 2008 loss represents a substantial reversal of investments from 2007 and 2006.

During fiscal year 2008, the Plan transferred the fund balance as of June 30, 2007 of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust fund as a result of approval from the Internal Revenue Service for the Public Employees' and Teachers' Retirement Systems for similar pre-funding of postemployment healthcare costs. Also, Senate Bill 221, section 68(a) appropriated $49,000,000 to the Plan. This appropriation virtually eliminated the unfunded liability of the Plan by recording $36,178,570 to fund the pension plan and $12,821,430 to fund the healthcare trust.

During 2006, a review was conducted of all medical reserve amounts in the Retiree Health Fund. The result was excess reserve balances over those deemed necessary for the continued operation of the Retiree Health Fund. The excess amount was allocated to plans participating in the Retiree Health Fund. In fiscal year 2006, the Plan recognized a transfer of $125,000 from the Retiree Health Fund. No transfer occurred in 2007 and 2008.

Benefits and Other Deductions

The primary deduction of the Plan is the payment of pension and post employment healthcare benefits. These benefit payments and the cost of administering the Plan comprises the costs of operation.

				Deductions		
				Increase/(decrease)		
		2008	2007	Amount	Percentage	2006
Pension and postemployement healthcare benefits	$	6,930,458	7,061,710	(131,252)	(1.9)%	5,256,797
Refund of contributions		17,834	—	17,834	n/a	—
Administrative		63,842	75,878	(12,036)	(15.9)	50,826
Total	$	7,012,134	7,137,588	(125,454)	(1.8)%	5,307,623

The Plan's pension and post employment healthcare benefit in 2008 and 2007 decreased ($131,252) or -1.9% and increased $1,804,913 or 34.3% from fiscal years 2007 and 2006, respectively.

The Alaska Retiree Healthcare Trust (ARHCT) was established with Senate Bill 123 and became effective July 1, 2007. Prior to fiscal year 2008, the Plan was responsible for a health care premium paid to the Retiree Health Fund (RHF) for each retired member / beneficiary participating in the Plan. Beginning July 1, 2007, the Plan began recording post employment healthcare contributions to the ARHCT. The RHF continued to pay healthcare claims for the three participating systems (Public Employees', Teachers', and Judicial Retirement Systems) until March 1, 2008. From that date forward, the ARHCT is responsible for payment of healthcare claims. Healthcare costs continue to rise year over year and any increases are directly related to the increased costs as well as the number of new retirees in the Plan.

Funding

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

- The contribution rate is calculated by the Plan's consulting actuary and approved by the administrator. Contributions are determined on a biennial basis.
- Plan member contributions are set by Alaska Statute 22.25.011.
- The ARMB works with an external consultant to determine the proper asset allocation strategy.

Legislation

During the State of Alaska's 25th legislative session, the Alaska legislature appropriated in Senate Bill 221 $49,000,000 to the Plan to reduce the actuarial unfunded liability based on the June 30, 2006 actuarial valuation report.

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

The financial market environment continues to challenge investors. The ARMB continues to diversify and allocated the Plan's portfolio to maintain an optimal risk / return ratio.

The employer contribution rate increased significantly in fiscal year 2008 due to: (1) a revaluation of the June 30, 2004 actuarial valuation report and (2) Senate Bill 237 becoming effective July 1, 2006.

The revaluation of the June 30, 2004, actuarial valuation discovered that the prior consulting actuary valued the health insurance premium as a family unit. The Plan's current consulting actuary recommended valuing the healthcare liabilities using a health insurance premium per individual. The revaluation of the liabilities increased the Plan's employer contribution rate by 13.45%. As the budget process for fiscal year 2007 was completed prior to the results of the replication, the fiscal year 2007 employer contribution rate remained at the rate developed with the original actuarial valuation (37.37%), which was an 11.45% increase over the fiscal year 2006 employer contribution rate of 33.53%. Contribution rates are typically set for a two-year period. However, the employer contribution rate for fiscal year 2008, set using the original June 30, 2004 valuation, was adjusted based on the results of the June 30, 2006, actuarial valuation.

Senate Bill 237 increased the salaries for sitting judges by fifty percent and increased the number of sitting judges by six. Because pension benefits for retired members are based on the current authorized salary for the position from which the member retired, this law resulted in a significant increase in benefits to the Plan's retired members.

The June 30, 2004, actuarial valuation replication for the Plan reported a funding ratio of 77.1% and an unfunded liability of $20.9 million. The original June 30, 2004, actuarial valuation for the Plan reported a funding ratio of 88.8% and an unfunded liability of $9.6 million. The June 30, 2006, actuarial valuation report recommended the fiscal year 2008 and 2009 contribution rate at 57.70%.

Requests for Information

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

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

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

Statements of Plan Net Assets

June 30, 2008 and 2007

	2008				2007		
	Pension	**Postemployment healthcare**	**Alaska retiree healthcare trust**	**Total**	**Pension**	**Postemployment healthcare**	**Total**
Assets:							
Cash and cash equivalents (notes 3 and 5):							
Short-term fixed income pool	$ 49,037	6,975	932,475	988,487	168,320	25,857	194,177
Securities lending collateral	—	—	—	—	9,300,307	1,428,673	10,728,980
Total cash and cash equivalents	49,037	6,975	932,475	988,487	9,468,627	1,454,530	10,923,157
Receivables:							
Contributions	204,932	—	52,620	257,552	151,872	23,329	175,201
Other receivables	—	—	1,267	1,267	—	—	—
Due from State of Alaska General Fund (note 1)	312,726	—	103,960	416,686	—	—	—
Due from postemployment healthcare fund (note 6)	—	—	4,002,818	4,002,818	—	—	—
Total receivable	517,658	—	4,160,665	4,678,323	151,872	23,329	175,201
Investments (notes 3, 4, 5 and 7):							
Domestic equity pool	47,649,142	1,645,888	—	49,295,030	34,153,116	1,561,057	35,714,173
Domestic fixed income pool	—	—	—	—	12,106,739	553,370	12,660,109
International equity pool	20,538,877	709,450	—	21,248,327	16,857,700	770,525	17,628,225
Emerging markets equity pool	2,277,973	78,685	—	2,356,658	2,178,998	99,596	2,278,594
Treasury inflation protection pool	4,551,135	157,204	—	4,708,339	3,963,636	181,168	4,144,804
Retirement fixed income pool	17,791,473	614,550	—	18,406,023	—	—	—
Real estate pool	12,035,028	415,712	—	12,450,740	10,906,484	498,509	11,404,993
International fixed income pool	2,423,645	83,717	—	2,507,362	1,431,104	65,412	1,496,516
High yield pool	3,558,817	122,928	—	3,681,745	1,525,562	69,730	1,595,292
Absolute return pool	4,855,259	167,709	—	5,022,968	3,514,904	160,658	3,675,562
Common trust funds							
SSgA Domestic equity	—	—	5,710,327	5,710,327	—	—	—
SSgA International equity	—	—	2,506,121	2,506,121	—	—	—
SSgA Emerging markets	—	—	501,448	501,448	—	—	—
SSgA Domestic fixed income	—	—	1,910,666	1,910,666	—	—	—
SSgA International fixed income	—	—	261,278	261,278	—	—	—
SSgA High yield bond index	—	—	354,782	354,782	—	—	—
SSgA TIPS index	—	—	1,277,120	1,277,120	—	—	—
Total investments	115,681,349	3,995,843	12,521,742	132,198,934	86,638,243	3,960,025	90,598,268
Total assets	116,248,044	4,002,818	17,614,882	137,865,744	96,258,742	5,437,884	101,696,626
Liabilities:							
Accrued expenses	38,422	—	4,212	42,634	37,986	5,835	43,821
Securities lending collateral payable (note 5)	—	—	—	—	9,300,307	1,428,673	10,728,980
Due to Retiree Health Fund	—	—	8,572	8,572	—	—	—
Due to Alaska Retiree Healthcare Trust (note 6)	—	4,002,818	—	4,002,818	—	—	—
Due to State of Alaska General Fund	—	—	—	—	3,627	558	4,185
Total liabilities	38,422	4,002,818	12,784	4,054,024	9,341,920	1,435,066	10,776,986
Commitments and contingencies (note 8)							
Net assets held in trust for pension and postemployment healthcare benefits	$ 116,209,622	—	17,602,098	133,811,720	86,916,822	4,002,818	90,919,640

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Assets

Years ended June 30, 2008 and 2007

	2008				2007		
	Pension	**Postemployment healthcare**	**Alaska retiree healthcare trust**	**Total**	**Pension**	**Postemployment healthcare**	**Total**
Additions:							
Contributions:							
Employer	$ 4,556,415	—	1,303,609	5,860,024	3,168,943	486,800	3,655,743
Plan members	509,539	—	14,160	523,699	413,669	63,546	477,215
State of Alaska appropriation	36,178,570	—	12,821,430	49,000,000	—	—	—
Total contributions	41,244,524	—	14,139,199	55,383,723	3,582,612	550,346	4,132,958
Investment income (loss):							
Net appreciation (depreciation) in fair value (note 3)	(8,897,032)	—	(383,400)	(9,280,432)	10,132,685	1,556,540	11,689,225
Interest	1,410,115	—	70,166	1,480,281	761,517	116,981	878,498
Dividends	2,424,623	—	30,531	2,455,154	1,563,267	240,142	1,803,409
Total investment income (loss)	(5,062,294)	—	(282,703)	(5,344,997)	12,457,469	1,913,663	14,371,132
Less investment expense	182,135	—	—	182,135	157,881	24,254	182,135
Net investment income (loss) before securities lending activities	(5,244,429)	—	(282,703)	(5,527,132)	12,299,588	1,889,409	14,188,997
Securities lending income (note 5)	410,193	—	—	410,193	405,029	62,219	467,248
Less securities lending expenses (note 5)	362,570	—	—	362,570	383,211	58,867	442,078
Net income from securities lending activities	47,623	—	—	47,623	21,818	3,352	25,170
Net investment income (loss)	(5,196,806)	—	(282,703)	(5,479,509)	12,321,406	1,892,761	14,214,167
Transfer from postemployment healthcare fund (note 6)	—	—	4,002,818	4,002,818	—	—	—
Total additions	36,047,718	—	17,859,314	53,907,032	15,904,018	2,443,107	18,347,125
Deductions:							
Pension and post employment healthcare benefits	6,679,640	—	250,818	6,930,458	6,232,138	829,572	7,061,710
Refund of contribution	17,834	—	—	17,834	—	—	—
Administrative	57,444	—	6,398	63,842	65,774	10,104	75,878
Total deductions	6,754,918	—	257,216	7,012,134	6,297,912	839,676	7,137,588
Transfer to Alaska retiree healthcare trust (note 6)	—	4,002,818	—	4,002,818	—	—	—
Net increase (decrease)	29,292,800	(4,002,818)	17,602,098	42,892,080	9,606,106	1,603,431	11,209,537
Net assets held in trust for pension and postemployment healthcare benefits:							
Balance, beginning of year	86,916,822	4,002,818	—	90,919,640	77,310,716	2,399,387	79,710,103
Balance, end of year	$ 116,209,622	—	17,602,098	133,811,720	86,916,822	4,002,818	90,919,640

See accompanying notes to financial statements.

(1) Description

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

(a) General

The Plan is a defined benefit, single-employer retirement system established and administered by the State of Alaska (State) to provide pension and post employment healthcare benefits for eligible State justices and judges. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Plan is considered a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a pension trust fund.

Inclusion in the Plan is a condition of employment for eligible State justices and judges. At June 30, plan membership consisted of:

	2008	2007
Retirees and beneficiaries currently receiving benefits	89	89
Terminated plan members entitled to future benefits	3	4
	92	93
Active plan members:		
Vested	43	43
Nonvested	28	27
	71	70
	163	163

(b) Pension Benefits

Members with five or more paid-up years of credited service are entitled to annual pension benefits beginning at normal retirement age, sixty, or early retirement age, fifty-five. Members who are under age sixty and have twenty or more years of credited service may retire at any age and receive an actuarially reduced benefit.

The normal monthly pension benefit is based on the member's years of service and the current authorized salary for the position from which they retired. The pension benefit is equal to 5% for each year of service up to a maximum of 75% of the current salary for an active judge in the month the benefit is paid. In the event of salary increases for active judges, the monthly pension benefit for retired judges also increases.

(c) Postemployment Healthcare Benefits

Major medical benefits are provided without cost to retired Plan members.

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

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

(d) Death Benefits

Upon the death of a member who has served for at least two years, the surviving spouse is entitled to receive monthly benefits equal to one-half of the monthly retirement pay the member would have been entitled to receive if retired at the time of death. If the member was not eligible to retire or would have been entitled to less than 60% of the monthly authorized salary, the spouse is entitled to monthly benefits equal to 30% of the authorized salary. The benefits continue until the surviving spouse dies.

If there is no eligible surviving spouse, the member's surviving dependent child(ren) are entitled to receive a benefit equal to 50% of the above survivor's benefit. Each child will receive an equal share of the benefit while they are dependent. If there is no surviving spouse or dependent child(ren), the member's beneficiary(ies) shall receive the difference between contributions made and interest accrued in the Plan less benefits paid by the Plan.

(e) Disability Benefits

Members who are involuntarily retired for incapacity and have a minimum of two years of service at the time of retirement for incapacity are eligible for pension benefits.

(f) Contributions

Plan Members Contributions

Plan members first appointed after June 30, 1978, contribute 7% of their compensation to the Plan. The Plan member contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years. Plan member contributions earn interest at the rate of 4.5% per annum, compounded semiannually. Contributions are collected by the employer and remitted to the Plan. Members appointed before July 1, 1978, are not required to make contributions.

Employer Contributions

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay both pension and post employment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The Plan amortizes the unfunded liability over a fixed 25-year period. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year.

(g) Refunds

Plan member contributions may be voluntarily refunded to the justice or judge if office is vacated before the justice or judge is fully vested. Plan member contributions may be involuntarily refunded to a garnishing agency. Members whose contributions have been refunded forfeit all retirement benefits, including post employment healthcare benefits. Members are allowed to reinstate voluntary refunded service by repaying the voluntary refunded balance and accrued interest, as long as they have returned to active service. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the involuntary refunded balance and accrued interest.

(h) Administrative Costs

Administrative costs are financed through investment earnings.

(i) 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 Plan on behalf of others and amounts paid by others on behalf of the Plan.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Use of Estimates

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

(c) GASB Statements No. 25 and No. 43

The Plan follows 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 Plan's defined benefit post employment healthcare plan also follows the provisions of GASB Statement No. 43, *Financial Reporting for Post employment Benefit Plans Other Than Pension Plans (GASB 43)*. GASB 43 establishes uniform financial reporting standards for Other Post-employment Benefit Plans (OPEB) and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for 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.

(d) Investments

Investments are carried at fair value. Fair value is "the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale." Security transactions are accounted for on a trade date (ownership) basis at the current fair value. Dividend income on equity securities is accrued on the ex-dividend date. Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment deductions consist of those administrative deductions directly related to the Plan's investment operations.

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

Valuation

Defined Benefit Pension and Postemployment Healthcare Investments

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

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

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

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.

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

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

Defined Benefit Alaska Retiree Healthcare Trust Investments

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

Income Allocation

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

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

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

(e) Reclassifications

Certain reclassifications not affecting net assets held in trust for pension and post employment healthcare benefits have been made to 2007 amounts in order to conform to the 2008 presentation.

(f) Contributions Receivable

Contributions from plan members and the employer 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.

(g) Federal Income Tax Status

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

(3) Investments

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

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages the investments the ARMB has fiduciary responsibility. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments.

(a) Short-Term Fixed Income Pool

The Plan participates in the State's internally managed short-term fixed income pool which was established March 15, 1993, with a start up and maintained share price of $1. Treasury staff determine the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At June 30, 2008 and 2007, the Plan had a 0.02% and 0.005% direct ownership in the short-term fixed income pool, which included interest receivable of $9,924 and $439, respectively. The Plan had a 0.04% and 0.44% indirect ownership in the short-term fixed income pool at June 30, 2008 and 2007.

Pension and Postemployment Healthcare Plan Investments

(b) Retirement Fixed Income Pool

The Plan participates in the ARMB's internally managed retirement fixed income pool which was established March 1, 1996, with a start up share price of $1,000. The share price at June 30, 2008, was $2,083. Treasury staff determine the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 0.77% and 0.45% ownership in the retirement fixed income pool.

Enhanced Cash Fixed Income Pool

The Plan participates in the State's internally managed enhanced cash fixed income pool which was established in June 2007 with a startup share price of $1,000. The share price at June 30, 2008 was $1,009. Treasury staff determine the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At year end only one pool, the retirement fixed income pool, was invested in the enhanced cash fixed income pool. At June 30, 2008 and 2007, the Plan had a 0.77% and 0.40% indirect ownership in the enhanced cash fixed income pool.

(c) International Fixed Income Pool

The Plan participates in the ARMB's externally managed international fixed income pool which was established March 3, 1997, with a start up share price of $1,000. The share price at June 30, 2008, was $2,172. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 0.78% and 0.51% ownership in the international fixed income pool.

(d) High Yield Pool

The Plan participates in the ARMB's externally managed high yield pool which was established April 15, 2005, with a start up share price of $1,000. The share price at June 30, 2008, was $1,179. The manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 0.97% and 0.57% ownership in the high yield pool.

(e) Treasury Inflation Protected Securities (TIPS) Pool

The Plan participates in the ARMB's internally managed Treasury Inflation Protection Securities (TIPS) Pool which was established May 24, 2006, with a start up share price of $1,000. The share price at June 30, 2008 was $1,177. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. . At June 30, 2008, the Plan had a 5.27% ownership in the treasury inflation protected securities pool.

(f) Domestic Equity Pool

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

Large Cap Domestic Equity Pool

The Plan participates in the ARMB's externally managed large cap domestic equity pool which was established July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2008, was $1,182. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 0.93% and 0.62% ownership in the large cap domestic equity pool.

Small Cap Domestic Equity Pool

The Plan participates in the ARMB's externally managed small cap domestic equity pool which was established July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2008, was $1,194. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 1.24% and 0.63% ownership in the small cap domestic equity pool.

(g) International Equity Pool

The Plan participates in the ARMB's externally managed international equity pool which was established January 1, 1992, with a start up share price of $1,000. The share price at June 30, 2008, was $3,899. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 0.94% and 0.65% ownership in the international equity pool.

(h) Emerging Markets Equity Pool

The Plan participates in the ARMB's externally managed Emerging Markets Equity Pool which was established May 2, 1994, with a start up share price of $1,000. The share price at June 30, 2008, was $4,023. The pool participates in two externally managed commingled investment funds through ownership of equity shares. The commingled funds, comprised of various institutional investors, invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 0.55% and 0.56% ownership in the emerging markets equity pool.

(i) Absolute Return Pool

The Plan participates in the ARMB's externally managed absolute return pool which was established October 31, 2004, with a start up share price of $1,000. The share price at June 30, 2008, was $1,267. Underlying assets in the pool are comprised of hedge fund limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had a 0.79% and 0.60% ownership in the absolute return pool.

(j) Real Estate Pool

The Plan participates in the ARMB's externally managed real estate pool which was established June 27, 1997, with a start up share price of $1,000. The share price at June 30, 2008, was $3,273. Underlying assets in the pool are comprised of separate accounts, commingled accounts, limited partnerships, and real estate investment trust holdings. With the exception of investments in real estate investment trusts, each manager independently determines which permissible investments are made. Treasury staff determines the permissible real estate investment trusts to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 and 2007, the Plan had 0.66% ownership in the real estate pool.

Alaska Retiree Healthcare Trust Investments

The ARMB contracts with an external manger who manages a mix of common trust funds.

(k) Domestic Equity

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

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

(l) SSgA International Equity

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

(m) SSgA Emerging Markets

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

(n) SSgA Domestic Fixed Income

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

(o) SSgA International Fixed Income

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

(p) SSgA High Yield Bond Index

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

(q) SSgA TIPS Index

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

At June 30, 2008, the Plan's investments included the following:

	Fair value							
	Fixed income pools							
	Short-term	Enhanced cash	Retirement	International	TIPS	High yield	Other	Total
Deposits	$ -	$ -	$ -	$ 9,199	$ -	$ -	$ 70,450	$ 79,649
Overnight sweep account (lmcs)	-	-	-	-	-	144,860	-	144,860
Short-term investment fund	-	-	-	15,723	-	-	411,772	427,495
Commercial paper	182,020	-	-	-	-	-	-	182,020
Domestic equity	-	-	-	-	-	748	-	748
Bridge loans	-	-	-	-	-	54,609	-	54,609
U.S. treasury notes	-	-	1,821,276	-	3,419,112	-	-	5,240,388
U.S. treasury bonds	-	-	735,977	-	1,243,274	-	-	1,979,251
U.S. government agency	1,178,041	-	329,852	-	-	-	-	1,507,893
Municipal bonds	-	-	6,716	-	-	-	-	6,716
Foreign government bonds	-	-	-	1,392,638	-	-	-	1,392,638
Mortgage-backed	94,647	114,951	9,761,169	-	-	-	-	9,970,767
Other asset-backed	548,779	141,881	982,481	-	-	7,103	-	1,680,244
Corporate bonds	519,441	57,018	3,666,021	1,063,803	-	2,245,253	-	7,551,536
Convertible bonds	-	-	-	-	-	9,250	-	9,250
Yankees:								
Government	-	-	85,743	-	-	-	-	85,743
Corporate	155,742	32,195	473,283	-	-	225,587	-	886,807
Domestic equity pool:								
Limited partnership	-	-	-	-	-	-	2,098,005	2,098,005
Convertible bonds	-	-	-	-	-	-	6,619	6,619
Treasury bills	-	-	-	-	-	-	17,902	17,902
Equity	-	-	-	-	-	-	46,447,769	46,447,769
International equity pool:								
Convertible bonds	-	-	-	-	-	-	10,755	10,755
Equity	-	-	-	-	-	-	20,656,621	20,656,621
Emerging markets equity pool	-	-	-	-	-	-	2,356,658	2,356,658
Absolute return pool:								
Limited partnerships	-	-	-	-	-	-	5,022,968	5,022,968
Real estate pool:								
Real estate	-	-	-	-	-	-	6,044,702	6,044,702
Commingled funds	-	-	-	-	-	-	2,289,362	2,289,362
Limited partnerships	-	-	-	-	-	-	3,606,013	3,606,013
Real estate investment trusts	-	-	-	-	-	-	503,021	503,021
Mutual funds	-	-	-	-	-	991,046	12,521,742	13,512,788
Net other assets (liabilities)	8,468	(28,824)	(573,301)	25,999	40,253	3,289	(62,260)	(586,376)
Other pool ownership	(1,698,651)	(317,221)	1,116,806	-	5,700	-	893,366	-
Total invested assets	$ 988,487	$ -	$ 18,406,023	$ 2,507,362	$ 4,708,339	$ 3,681,745	$ 102,895,465	$ 133,187,421

At June 30, 2007, the Plan's investments included the following:

	Fair value							
	Fixed income pools							
	Short-term	**Enhanced cash**	**Domestic**	**International**	**TIPS**	**High yield**	**Other**	**Total**
Deposits	$ -	$ -	$ -	$ 6,244	$ -	$ -	$ 462,830	$ 469,074
Overnight sweep account	16,362	-	-	-	-	98,065	-	114,427
Money market fund	-	-	-	-	-	-	10,728,980	10,728,980
Short-term investment fund	106,473	-	-	5,313	-	-	-	111,786
Commercial paper	235,845	-	14,566	-	-	28,211	-	278,622
U.S. treasury bills	-	-	-	-	-	-	34,219	34,219
U.S. treasury notes	-	-	1,377,592	-	-	-	-	1,377,592
U.S. treasury strips	-	-	1,110	-	-	-	-	1,110
U.S. treasury bonds	-	-	617,358	-	-	-	-	617,358
U.S. treasury - TIPS	-	-	-	-	4,144,804	-	-	4,144,804
U.S. government agency								
Discount notes	-	-	863,176	-	-	-	-	863,176
U.S. government agency	-	-	5,500	-	-	-	-	5,500
Municipal bonds	-	-	8,257	-	-	-	-	8,257
Foreign government bonds	-	-	-	900,154	-	-	-	900,154
Mortgage-backed	182,212	-	7,113,037	-	-	-	-	7,295,249
Other asset-backed	1,309,254	8,137	811,003	-	-	3,787	-	2,132,181
Corporate bonds	678,849	11,384	2,283,538	560,858	-	1,222,087	-	4,756,716
Convertible bonds	-	-	-	-	-	24,002	-	24,002
Yankees:								
Government	-	-	71,093	-	-	-	-	71,093
Corporate	143,192	-	253,944	-	-	182,089	-	579,225
Fixed income pools:								
Equity	-	-	-	-	-	13,392	-	13,392
Domestic equity pool:								
Limited partnership	-	-	-	-	-	-	2,928,934	2,928,934
Equity	-	-	-	-	-	-	32,201,562	32,201,562
International equity pool:								
Equity	-	-	-	-	-	-	17,128,692	17,128,692
Emerging markets equity pool	-	-	-	-	-	-	2,278,594	2,278,594
Absolute return pool:								
Limited partnerships	-	-	-	-	-	-	3,675,562	3,675,562
Real estate pool:								
Real estate	-	-	-	-	-	-	3,677,206	3,677,206
Commingled funds	-	-	-	-	-	-	2,125,701	2,125,701
Limited partnerships	-	-	-	-	-	-	4,994,529	4,994,529
Real estate investment trusts	-	-	-	-	-	-	599,919	599,919
Net other assets (liabilities)	(11,653)	(3,449)	(2,717,669)	23,947	-	23,659	68,974	(2,616,191)
Other pool ownership	(2,466,357)	(16,072)	1,957,604	-	-	-	524,825	-
Total invested assets	$ 194,177	$ -	$ 12,660,109	$ 1,496,516	$ 4,144,804	$ 1,595,292	$ 81,430,527	$ 101,521,425

(r) Interest Rate Risk

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

Short-Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2008, the expected average life of fixed income securities ranged from eight days to less than three months.

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

Other Fixed Income Pools

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the retirement fixed income portfolio to ± 20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2008, was 4.68 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the enhanced cashed fixed income portfolio to one year.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the international fixed income portfolio to ± 25% of the Salomon Non-U.S. World Government Bond Index. The effective duration of the Salomon Non-U.S. World Government Bond Index at June 30, 2008, was 6.24 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the high yield to ± 20% of the Merrill Lynch U.S. High Yield Master II Index. The effective duration of the Merrill Lynch U.S. High Yield Master II Index at June 30, 2008, was 4.49 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to a band which may not exceed ± 20% around the duration of the Lehman Brothers Global Inflation-Linked U.S. TIPS Index, or a reasonable proxy thereof. The duration of the proxy index at June 30, 2008 was 6.19.

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

At June 30, 2008, the effective duration of the fixed income pools, by investment type, was as follows (in years):

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

Common Trust Funds

The Board does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the Common Trust investment funds that consists solely of debt securities, Domestic Fixed Income, High Yield, International Fixed Income, and TIPS were 4.69, 4.45, 6.31, and 7.83 years at June 30, 2008, respectively

(s) 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:

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

Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

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

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

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

Enhanced Cash Fixed Income:
Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.
The average portfolio credit quality shall be A3 or higher.
No more than 10% percent of the portfolio's assets may be invested in securities rated below investment grade as determined by the Lehman Brothers rating methodology.
No more than 2% percent of the portfolio's assets may be invested in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

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

High Yield:
No more than 10% percent of the portfolio's assets may be invested in securities rated A3 or higher.
No more than 25% of the portfolio's assets may be invested in securities rated below B3.

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

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

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

TIPS:
Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's.
Corporate debt securities must be investment grade.
No more than 5% percent of the portfolio's assets may be invested in investment grade corporate debt.
No more than 5% percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.
Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity, International Equity and Emerging Markets:
Corporate debt obligations must carry a rating of at least A or better by Moody's, Standard & Poor's or Fitch rating services.
Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

The ARMB does not have a policy to limit the concentration of credit risk for the Common Trust Funds.

At June 30, 2008, the Plan 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					
	Rating	Short-term	Retirement	Enhanced cash	International	High Yield	TIPS
Commercial paper	Not rated	6.80 %	- %	- %	- %	- %	- %
Bridge loans	Not rated	-	-	-	-	1.48	-
U.S. treasury notes	AAA	-	9.89	-	-	-	72.62
U.S. treasury bonds	AAA	-	4.00	-	-	-	26.41
U.S. government agency	AAA	44.00	1.34	-	-	-	-
U.S. government agency	Not rated	-	0.46	-	-	-	-
Municipal bonds	AA	-	0.04	-	-	-	-
Mortgage-backed	AAA	2.99	45.33	19.37	-	-	-
Mortgage-backed	AA	0.20	-	-	-	-	-
Mortgage-backed	A	0.12	-	-	-	-	-
Mortgage-backed	BBB	-	-	2.36	-	-	-
Mortgage-backed	Not rated	0.24	7.68	7.70	-	-	-
Other asset-backed	AAA	16.17	3.88	23.11	-	-	-
Other asset-backed	AA	0.63	0.22	0.43	-	-	-
Other asset-backed	A	2.53	0.24	0.13	-	-	-
Other asset-backed	BBB	0.24	0.47	11.75	-	-	-
Other asset-backed	BB	0.92	0.53	0.92	-	0.16	-
Other asset-backed	Not rated	-	-	-	-	0.03	-
Corporate bonds	AAA	2.01	1.23	1.50	-	-	-
Corporate bonds	AA	12.20	4.42	3.42	-	-	-
Corporate bonds	A	4.10	9.07	6.41	-	-	-
Corporate bonds	BBB	-	4.69	2.46	-	3.38	-
Corporate bonds	BB	-	-	-	-	20.92	-
Corporate bonds	B	-	-	-	-	29.01	-
Corporate bonds	CCC	-	-	-	-	4.42	-
Corporate bonds	D	-	-	-	-	0.07	-
Corporate bonds	Not rated	1.09	0.51	0.80	-	3.19	-
Convertible bonds	BBB	-	-	-	-	0.10	-
Convertible bonds	B	-	-	-	-	0.15	-
Yankees:							
Government	AAA	-	-	-	19.32	-	-
Government	AA	-	-	-	6.52	-	-
Government	A	-	-	-	21.96	-	-
Government	BBB	-	0.25	-	-	-	-
Government	Not rated	-	0.22	-	7.74	-	-
Corporate	AAA	-	-	-	28.78	-	-
Corporate	AA	3.81	0.62	2.92	13.00	-	-
Corporate	A	1.26	1.16	0.92	-	-	-
Corporate	BBB	-	0.58	0.93	-	0.15	-
Corporate	BB	-	-	-	-	2.50	-
Corporate	B	-	-	-	-	2.50	-
Corporate	CCC	-	-	-	-	0.29	-
Corporate	D	-	-	-	-	0.12	-
Corporate	Not rated	0.74	0.22	3.47	0.65	0.57	-
No credit exposure		(0.05)	2.95	11.40	2.03	30.96	0.97
		100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

(t) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2008, the Plan had the following uncollateralized and uninsured deposits:

		Amount
International fixed income	$	9,199
International equity pool		70,577

(u) Foreign Currency Risk

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

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

The ARMB's policy with regard to foreign currency risk in the international equity and emerging markets pools is to permit the Plan to hold up to twenty-five percent of total investments in international equity.

The ARMB has no policy regarding foreign currency risk in the Common Trust Funds.

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

		Amount	
Currency		**International fixed income pool**	**International equity pool**
Australian dollar	$	—	(258)
Brazilian real		—	313
Canadian dollar		—	451
Danish krone		—	4,827
Euro currency		19	12,253
Hong Kong dollar		—	4,553
Japanese yen		4,879	42,523
Mexican peso		4,301	—
New Zealand dollar		—	571
Norwegian krone		—	2,225
Pound sterling		—	1,780
Swedish krona		—	1,081
Swiss franc		—	(27)
	$	9,199	70,292

At June 30, 2008, the Plan had exposure to foreign currency risk with the following investments in its international pools:

	Amount		
	Fixed income		International
	International fixed income pool		equity pool
Currency	Foreign government	Corporate	Equity
Australian dollar	$ —	—	468,436
Brazilian feal	—	—	91,212
Canadian dollar	—	—	618,220
Danish krone	—	—	165,639
Euro currency	881,196	38,713	6,119,185
Hong Kong dollar	—	—	485,187
Indonesian rupah	—	—	60,196
Japanese yen	237,065	1,025,089	4,502,243
Mexican peso	274,377	—	8,914
New Taiwan dollar	—	—	22,128
New Zealand dollar	—	—	30,020
Norwegian krone	—	—	157,841
Polish zloty	—	—	3,487
Pound sterling	—	—	3,880,720
Singapore dollar	—	—	154,640
South African rand	—	—	88,289
South Korean won	—	—	129,061
Swedish krona	—	—	284,803
Swiss franc	—	—	1,711,981
	$ 1,392,638	1,063,802	18,982,202

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

(v) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

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

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

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

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

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

		2008	2007
Net realized gain on foreign currency	$	933,459	417,847
Net unrealized gain on foreign currency		682	339
Net realized gain (loss) on foreign exchange contracts		(902)	2,311

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

		2008	2007
Contract sales	$	438,704	77,245
Less fair value		437,817	76,785
Net unrealized gains on contracts	$	887	460

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

(5) Securities Lending

Alaska Statute 37.10.071 authorized the ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. In February 2008, the ARMB voted to suspend its securities lending agreement with the Bank, which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the ARMB's agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agreed to return the collateral for the same securities in the future. There were no outstanding securities on loan at June 30, 2008.

At June 30, 2007, the fair value of securities on loan allocable to the Plan totaled $11,064,035. While the securities lending agreement was active, there was no limit to the amount that can be loaned and the ARMB is able to sell securities on loan. International equity security loans are collateralized at not less than 105% of their fair value. All other security loans are collateralized at not less than 102% of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day to maintain collateral levels.

Cash collateral was invested in a registered 2(a)–7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Collateral securities could have been pledged or sold upon borrower default. Securities under loan, cash collateral and cash collateral payable were recorded on the financial statements at fair value. The Bank, the Plan and the borrower received a fee from earnings on invested collateral. The Bank and the Plan shared a fee paid by the borrower for loans not collateralized with cash.

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

For the year ended June 30, 2008 and 2007, there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions or failures by any borrowers to return loaned securities.

(6) Transfers

During fiscal year 2008, the Plan transferred the $4,002,818 balance of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust as a result of the creation of the Alaska Retiree Healthcare Trust fund, which began on July 1, 2007. The State of Alaska appropriated $49,000,000 in Senate Bill 221, Section 68(a) that enabled the Plan to be virtually fully funded in both pension and healthcare.

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

(7) Funded Status and Funding Progress – Pension and Post employment Healthcare Benefit Plan

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

Actuarial valuation date		Actuarial value of assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Pension							
June 30, 2006	$	77,310,716	111,819,972	34,509,256	69.1%	7,130,592	484.0%
Post employment healthcare							
June 30, 2006	$	2,399,387	17,794,213	15,394,826	13.5%	7,130,592	215.9%

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

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

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

Valuation date	June 30, 2006
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, closed
Remaining amortization period	24 years
Asset valuation method	5 year smoothed market

Actuarial assumptions:	
Investment rate of return	8.25%

	Medical	**Prescription drugs**
Health cost trend:		
FY08	8.5%	12.0%
FY09	8.0	11.0
FY10	7.5	10.0
FY11	7.0	9.0
FY12	6.5	8.0
FY13	6.0	7.0
FY14	5.5	6.0
FY15 and later	5.0	5.0

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

The Plan's retiree health care benefits are fully funded. Therefore, the 8.25% discount rate used for GASB 25 reporting is also applied herein for GASB 43 disclosure purposes.

The retiree drug subsidy the State of Alaska receives under Medicare Part D has not been recognized for GASB 43 disclosure purposes.

(8) Commitments and Contingencies

(a) Commitments

The ARMB entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2008, the Plan's participant share of the unfunded commitment totaled $793,238. This commitment can be withdrawn annually in December with ninety days notice.

The ARMB entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2008, the Plan's participant share of these unfunded commitments totaled $1,914,351 to be paid through the year 2018.

(b) Contingencies

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

The System has recorded a transfer to the ARHCT representing an amount calculated by management to establish the appropriate amount of assets that should be available to pay postemployment claims. This transfer will take place subsequent to year end.

(9) Subsequent Event

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short-term liquidity associated with certain investments held by the System, which could impact the value of investments after the date of these financial statements. Estimated losses through November 30, 2008 are $29.5 million, which could ultimately affect the funded status of the System. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual actuarial valuation report for the year ended June 30, 2010 is performed.

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Pension Benefits

June 30, 2008

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2002	$ 56,704,841	63,970,331	7,265,490	88.6%	$ 5,941,860	122.3%
2004	53,600,707	69,505,123	15,904,416	77.1	6,529,608	243.6
2006	77,310,716	111,819,972	34,509,256	69.1	7,130,592	484.0

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

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Postemployment Healthcare Benefits

June 30, 2008

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2002	$ 6,979,068	7,873,284	894,216	88.6%	$ 5,941,860	15.0%
2004	16,854,927	21,856,126	5,001,199	77.1	6,529,608	76.6
2006	2,399,387	17,794,213	15,394,826	13.5	7,130,592	215.9

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

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JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions
Pension and Postemployment Healthcare Benefits

June 30, 2008

Year ended June 30	Actuarial valuation date as of June 30 [1]	Pension annual required contribution	Postemployment healthcare annual required contribution	Total annual required contribution	Pension percentage contributed	Postemployment healthcare percentage contributed	Total percentage contributed
2002	1998	$ 945,590	60,378	1,005,968	100.0%	100.0%	100.0%
2003	2000	1,637,032	109,219	1,746,251	100.0	100.0	100.0
2004	2000	1,675,077	111,758	1,786,835	100.0	100.0	100.0
2005	2002	1,911,799	235,299	2,147,098	100.0	100.0	100.0
2006	2002	2,133,876	262,631	2,396,507	115.6	115.6	115.6
2007	2004	3,168,943	486,800	3,655,743	100.0	100.0	100.0
2008	2006	3,898,001	567,415	4,465,416	84.4	84.4	84.4

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

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

(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Assumptions and Methods

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

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

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

c. Valuation of medical and prescription drug benefits – medical and prescription drug benefits for retirees are calculated using state-specific claims experience. A pre-age 65 cost and lower post-age 65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health cost inflation assumption. The actuarial cost method, Entry Age Normal, used for funding retirement benefits is also used to value health benefits.

d. Accounting impact of Medicare Part D – the State's prescription drug program is actuarially equivalent to the federal Medicare Part D program and that the State qualifies for the Medicare Part D subsidy.

e. Investment return – 8.25% per year, compounded annually, net of expenses for all funding calculation and pension disclosure; 8.25% for healthcare liabilities under GASB 43.

f. Pre-retirement mortality – 55% of the male rates and 60% of the females rates in the 1994 Group Annuity Mortality Table for males and females, 1994 Base Year.

g. Post-retirement mortality – 1994 Group Annuity Mortality Table setback one year for females and three years for males, 1994 Base Year.

h. Salary scale – 4% per year, compounded annually.

i. Total payroll growth – 4% per year.

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

k. Per capita claims cost – sample claims cost rates for FY08 medical and prescription are shown below:

	Medical			Prescription drugs	
	Total	**Medicare Part A&B**	**Medicare Part B Only**	**Total**	**Medicare Part D Reimbursement**
Age 65	$ 9,304	8,356	7,408	2,409	515

l. Health cost trend:

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

m. Aging Factors:

Age	**Medical**	**Prescription drugs**
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-74	4.0	1.5
75-84	1.5	0.5
85-94	0.5	—
95+	—	—

n. Medical Participation – because medical benefits are provided at no cost to the retiree, 100% participation in the medical plans is assumed.

o. Turnover and early retirement – annual turnover and early retirement at each age and service is the greatest of the following amounts:

   1. 0%.
   2. 3% if service is greater than 15 years.
   3. 6% if vested and immediately eligible for full benefits based on retirement provision.
   4. 10% if vested and age is greater than 64.

p. Disability – based upon actual historical occurrence rates of the Plan. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security.

q. Maximum retirement age – 70 years old.

r. Marital status – married inactive members are assumed to choose the 50% Joint and Survivor benefit option. 90% of active and inactive members are assumed to be married. Husbands are assumed to be 4 years older than their wives.

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

Effective June 30, 2006, there was a change in the actuarial cost methods. The cost method was changed from Projected Unit Credit to Entry Age Normal. The assumption changes made include a change in mortality assumption, the percentage of population assumed to be married, healthcare assumptions and the payroll growth assumption. The actuarial value of assets was changed from market value to 5-year smoothing method.

(Continued)

Changes in Assumptions from the Last Valuation – June 30, 2004 to June 30, 2006

a. Pre-retirement mortality – 55% of the male rates and 60% of the females rates the 1994 Group Annuity Mortality Table for males and females, 1994 Base Year.

b. Post-retirement Mortality – 1994 Group Annuity Mortality Table setback 1 year for females and 3 years for males, 1994 Base Year.

c. Payroll Growth – 4.00% per year

d. Marital Status – 90% of active and inactive member.

e. Healthcare – Actual claims experience used to set claims costs. Adjusted for age – based morbidity. Distinct medical claims costs for Medicare A & B vs. Medicare B only. Distinct prescription drug claims costs for pre-Medicare vs. Medicare Part D. Distinct trend rates for medical and prescription drugs. Valued liabilities based on a composite individual basis with actual dependent elections. This is a weighted average of the prior years (FY06) claims cost used for the June 30, 2005 valuations for PERS and TRS, rolled forward with expected trend to FY07. There is a description of this methodology in the June 30, 2005 PERS and TRS reports.

(3) Revaluation of June 30, 2004 actuarial valuation

The Plan’s current actuarial consultant, Buck Consultants, prepared a full replication of the June 30, 2004, actuarial valuation of the Plan’s prior actuary. The replication of the June 30, 2004, actuarial valuation discovered that the prior consulting actuary valued the health insurance premium as a family unit. The Plan’s current consulting actuary valued the healthcare liabilities using a health insurance premium per individual. The replication and subsequent revaluation of the liabilities had an effect of increasing the Plan’s employer contribution rate by 13.45%.

(4) Approved Future Contribution Rates

Due to changes in valuing the post employment healthcare benefits and increases in active judges’ salaries as a result of SB 237 and HB 98, the June 30, 2006 actuarial valuation report for the Plan reported a funding ratio of 62.41%. As a result, the Fiscal Year 2008 and 2009 employer matching contribution rate will be 57.70% or a 54.40% increase over the Fiscal Year 2006 and 2007 employer matching contribution rate of 37.37%.

Schedule 1

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

Schedule of Administrative and Investment Deductions

Year ended June 30, 2008
with summarized financial information for 2007

	Administrative	Investment	Totals 2008	Totals 2007
Personal services:				
Wages	$ 7,505	10,271	17,776	15,418
Benefits	4,026	4,582	8,608	8,780
Total personal services	11,531	14,853	26,384	24,198
Contractual services:				
Management and consulting	27,834	151,997	179,831	217,709
Accounting and auditing	10,226	7,743	17,969	13,135
Securities lending	—	362,570	362,570	442,078
Other services	8,018	7,152	15,170	2,607
Total contractual services	46,078	529,462	575,540	675,529
Other:				
Supplies	400	390	790	261
Equipment	5,833	—	5,833	103
Total other	6,233	390	6,623	364
Total administrative and investment deductions	$ 63,842	544,705	608,547	700,091

See accompanying independent auditors' report.

Schedule 2

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

Schedule of Payments to Consultants
Other than Investment Advisors

Years ended June 30, 2008 and 2007

Firm	Services		2008	2007
State Street Corporation	Custodian banking services	$	7,732	7,585
Mercer Human Resource Consulting	Actuarial services		—	1,870
Buck Consultants, Inc.	Actuarial services		21,424	13,546
KPMG LLP	Auditing services		10,226	5,172
State of Alaska, Department of Law	Legal services		2,487	—
		$	41,869	28,173

See accompanying independent auditors' report.