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STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

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

June 30, 2010 and 2009

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KPMG LLP
Suite 600
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Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
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, 2010 and 2009, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 as of June 30, 2010 and 2009, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Schedules of Funding Progress and Employer Contributions are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this 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. The supplemental schedules presented on pages 43 – 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules are the responsibility of the management of the Plan. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in a material respects when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

October 29, 2010

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, 2010 and 2009. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, notes to required supplementary information, and supplemental schedules to better understand the financial condition and performance of the Plan during the fiscal years ended June 30, 2010 and 2009. Information for fiscal year 2008 is presented for comparative purposes.

Financial Highlights

The Plan's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2010 and 2009 are $112,027,998 and $105,189,077, respectively.

The Plan's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2010 and 2009 increased by $6,838,921 or 6.5% and decreased by $28,622,643 or 21.4% from fiscal years 2009 and 2008.

Plan members and employer contributions totaled $3,629,368 and $6,958,477 during fiscal years 2010 and 2009, a decrease of $3,329,109 and an increase of $574,754 or 47.8% and 9.0% from fiscal years 2009 and 2008.

State of Alaska appropriations totaled $1,550,000 during fiscal year 2010. There were no State of Alaska appropriations to the Plan during fiscal year 2009.

Net investment income increased from a loss of $27,352,403 in fiscal year 2009 to income of $11,041,370 in fiscal year 2010 reflecting an increase in investment income of 140.4%. Net investment loss increased from $5,479,509 in fiscal year 2008 to $27,352,403 in fiscal year 2009 reflecting an increase in investment loss of 399.2%.

Pension and postemployment healthcare benefit expenditures totaled $9,345,838 and $8,137,653 during fiscal years 2010 and 2009; reflecting an increase of $1,208,185 or 14.8% and $1,207,195 or 17.4% from fiscal years 2009 and 2008, 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 supplemental 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 postemployment 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 liabilities at June 30, 2010 and 2009.

Statement of Changes in Plan Net Assets – This statement presents how the Plan's net assets held in trust for pension and postemployment healthcare benefits changed during the fiscal years ended June 30, 2010 and 2009. This statement presents contributions, State of Alaska appropriations, and investment income (loss) during the

(Continued)

period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2010 and 2009, and the sources and uses of those funds during fiscal years 2010 and 2009.

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

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

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

Condensed Financial Information

Plan Net Assets

Description	2010	2009	Increase/(decrease) Amount	Increase/(decrease) Percentage	2008
Assets:					
Cash and cash equivalents	$ 1,481,026	952,190	528,836	55.5%	988,487
Due from State of Alaska General Fund	11,900	—	11,900	100.0	416,686
Due from Retiree Health Fund	21,619	12,609	9,010	71.5	—
Contributions receivable	150,163	286,793	(136,630)	(47.6)	257,552
Other receivables	14,094	6,547	7,547	115.3	1,267
Due from postemployment healthcare	—	—	—	—	4,002,818
Investments, at fair value	110,556,116	104,035,387	6,520,729	6.3	132,198,934
Other assets	8,513	8,499	14	0.2	—
Total assets	112,243,431	105,302,025	6,941,406	6.6	137,865,744
Liabilities:					
Accrued expenses	74,306	44,915	29,391	65.4	42,634
Claims payable	123,000	—	123,000	100.0	—
Due to Alaska Retiree Health Care Fund	—	—	—	—	4,002,818
Due to Retiree Health Fund	8,572	—	8,572	100.0	8,572
Due to State of Alaska General Fund	9,555	68,033	(58,478)	(86.0)	—
Total liabilities	215,433	112,948	102,485	90.7	4,054,024
Net assets	$ 112,027,998	105,189,077	6,838,921	6.5%	133,811,720

Changes in Plan Net Assets

Description	2010	2009	Increase/(decrease) Amount	Increase/(decrease) Percentage	2008
Net assets, beginning of year	$ 105,189,077	133,811,720	(28,622,643)	(21.4)%	90,919,640
Additions (reductions):					
Contributions	3,629,368	6,958,477	(3,329,109)	(47.8)	6,383,723
Appropriation - State of Alaska	1,550,000	—	1,550,000	100.0	49,000,000
Net investment income (loss)	11,041,370	(27,352,403)	38,393,773	140.4	(5,479,509)
Transfers	—	—	—	—	4,002,818
Other	35,546	28,166	7,380	26.2	—
Total additions (reductions)	16,256,284	(20,365,760)	36,622,044	(179.8)	53,907,032
Deductions:					
Pension and postemployment healthcare benefits	9,345,838	8,137,653	1,208,185	14.8	6,930,458
Refund of contributions	—	—	—	—	17,834
Administrative	71,525	119,230	(47,705)	(40.0)	63,842
Transfers	—	—	—	—	4,002,818
Total deductions	9,417,363	8,256,883	1,160,480	14.1	11,014,952
Increase (Decrease) in net assets	6,838,921	(28,622,643)	35,461,564	(123.9)	42,892,080
Net assets, end of year	$ 112,027,998	105,189,077	6,838,921	6.5%	133,811,720

Financial Analysis of the Plan

The Statements of Plan Net Assets as of June 30, 2010 and 2009 showed net assets held in trust for pension and postemployment healthcare benefits of $112,027,998 and $105,189,077, respectively. The entire balance is available to cover the Plan's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries. These amounts also represent an increase of $6,838,921 or 6.5% and a decrease of $28,622,643 or 21.4% from fiscal years 2009 and 2008. Over the long term, plan members and employer contributions, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the Plan.

The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the Plan's constraints and objectives. During fiscal year 2010 and 2009, the Board adopted the following asset allocations:

	2010	
	Pension and Healthcare Trust	
	Allocation	**Range**
Broad domestic equity	30.0%	± 6%
Global equity ex-U.S.	22.0	± 4
Private equity	7.0	± 5
Fixed income	20.0	± 3
Real assets	16.0	± 8
Absolute return	5.0	± 4
Cash	—	+ 6
Total	100.0%	
Expected five-year median return	9.04%	
Standard deviation	12.85%	

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

For fiscal years 2010 and 2009, the Plan's investments generated a 11.92% and a (20.45%) rate of return, respectively. The Plan's annualized rate of return was (5.35%) over the last three years and 2.27% over the last five years.

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Actuarial Valuations and Funding Progress

The overall objective of pension and postemployment 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 95.0% to 80.6% from valuation period ending June 30, 2008 to valuation period ending June 30, 2009.

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. The June 30, 2009 actuarial roll-forward reflects an unfunded liability of $30,452,000. The full impact of the losses incurred by the Plan in fiscal year 2009 will not be reflected until the June 30, 2010 actuarial valuation report.

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 or roll-forward year	
		2009	2008
Valuation assets	$	126,226,892	141,235,655
Accrued liabilities		156,679,506	148,737,880
Unfunded liability		30,452,614	7,502,225
Funding ratio		80.60%	94.96%

Contributions, Investment Income and Transfer

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

		Additions (reductions)				
				Increase/(decrease)		
		2010	2009	Amount	Percentage	2008
Plan members contributions	$	652,581	609,812	42,769	7.0%	523,699
Employer contributions		2,976,787	6,348,665	(3,371,878)	(53.1)	5,860,024
Net investment income (loss)		11,041,370	(27,352,403)	38,393,773	140.4	(5,479,509)
Appropriation – State of Alaska		1,550,000	—	1,550,000	100.0	49,000,000
Transfers		—	—	—	—	4,002,818
Other		35,546	28,166	7,380	26.2	—
Total	$	16,256,284	(20,365,760)	36,622,044	179.8%	53,907,032

(Continued)

Employer contributions decreased from $6,348,665 during fiscal year 2009 to $2,976,787 during fiscal year 2010, a decrease of $(3,371,878) or (53.1%). Employer contributions increased from $5,860,024 during fiscal year 2008 to $6,348,665 during fiscal year 2009, an increase of $488,641 or 8.3%. The fiscal year 2010 decrease is due to a change in how the Judicial Retirement System was funded. Beginning in fiscal year 2010 the Alaska Court System, sole employer of the JRS participants, paid only the normal cost portion of the JRS employer contribution rate and the State of Alaska funded the past service cost through a direct appropriation.

The actuarially determined contribution rate increased from 57.70% in fiscal year 2009 to 58.70% in fiscal year 2010, an increase of 1.00% of eligible compensation.

In 2010, net investment income increased by $38,393,773 reflecting an increase in investment income of 140.4% over amounts recorded in fiscal year 2009. Net investment loss increased by $21,872,894 or an increase in investment loss of 399.2% over amounts recorded in fiscal year 2008. In fiscal year 2010 investments have started recovering from the economic downturn in fiscal year 2009 where investment results were heavily negative. Over the long term, investment income has been a major component of additions to System assets. During fiscal year 2010, the System experienced some recovery from the prior year's significant reduction in rates of return on investments. The assumed rate of return used in the actuarial valuation report to determine liabilities of the Plan is 8.25%.

The Plan's investment rate of returns at June 30, are as follows:

	Fiscal year ended		
	2010	**2009**	**2008**
System returns	11.92%	(20.45)%	(4.62)%
Domestic equities	15.42	(25.80)	(13.48)
International equities	11.75	(29.22)	(7.86)
Fixed income	11.25	2.99	7.93
Private equity	18.89	—	—
Absolute return	6.55	(12.48)	—
Real assets	0.48	(30.06)	5.70
International fixed income	—	—	18.95

Benefits and Other Deductions

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

	Deductions				
			Increase/(decrease)		
	2010	2009	Amount	Percentage	2008
Pension	$ 8,314,505	7,375,193	939,312	12.7%	6,679,640
Postemployment healthcare	1,031,333	762,460	268,873	35.3	250,818
Refund of contributions	—	—	—	—	17,834
Administrative	71,525	119,230	(47,705)	(40.0)	63,842
Total	$ 9,417,363	8,256,883	1,160,480	14.1%	7,012,134

The Plan's pension benefit in 2010 and 2009 increased $939,312 and $695,553 or 12.7% and 10.4% from fiscal years 2009 and 2008, respectively.

The Plan's postemployment healthcare benefit in 2010 and 2009 increased $268,873 or 35.3% and increased $511,642 or 204.0% from fiscal years 2009 and 2008, respectively. Healthcare costs continue to rise year over year and increases are directly related to the increased cost as well as the number of new retirees in the Plan. The increase between fiscal year 2008 and 2009 was due to recording a full year's healthcare expenditures to the Plan in fiscal year 2009. Only four months were charged to the Plan in fiscal year 2008 due to the establishment of the Alaska Retiree Healthcare Trust.

The decrease in administrative expenses is related to a decrease in actuarial cost as actuarial valuations are performed on a biennial basis.

Funding

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

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

Legislation

During fiscal year 2010, the Twenty-Seventh Alaska State Legislature enacted one law that affects the Plan:

- House Bill 300 appropriates $788,937 from the general fund to the Department of Administration for deposit in the System’s defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers’ contributions for the fiscal year ending June 30, 2011. This appropriation is to fund the past service cost of the Plan.

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

- House Bill 81 appropriates $1.55 million from the general fund to the Department of Administration for deposit in the System’s defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers’ contributions for the fiscal year ending June 30, 2010. This appropriation is to fund the past service cost of the Plan.

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

The financial market environment continues to challenge investors. The Board continues to diversify and allocate the Plan’s portfolio to maintain an optimal risk/return ratio.

The employer contribution rate increased significantly for fiscal years 2008 and 2009 due to: (1) a revaluation of the June 30, 2004 actuarial valuation report and (2) Senate Bill 237 becoming effective July 1, 2006. This increase continued to impact contributions in fiscal year 2010.

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 twoyear 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, 2007, actuarial valuation.

Senate Bill 237, effective July 1, 2006, 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, 2008, actuarial valuation for the Plan reported a funding ratio of 94.96% and an unfunded liability of $7.5 million. The June 30, 2008, actuarial valuation report recommended the fiscal year 2011 contribution rate at 36.20%, 29.94% for the normal cost rate and 6.26% for the past service cost rate.

The June 30, 2009, actuarial roll-forward for the Plan reported a funding ratio of 80.6% and an unfunded liability of $30.5 million. The June 30, 2009, actuarial roll-forward recommended the fiscal year 2012 contribution rate at 48.07%, 29.79% for the normal cost rate and 18.28% for the past service cost rate.

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 Judicial Retirement System
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, 2010 and 2009

	2010			2009		
	Pension	**Alaska retiree healthcare trust**	**Total**	**Pension**	**Alaska retiree healthcare trust**	**Total**
Assets:						
Cash and cash equivalents (notes 2, 3, and 4):						
Short-term fixed income pool	$ 1,310,564	170,462	1,481,026	558,447	393,743	952,190
Receivables:						
Contributions	130,870	19,293	150,163	228,441	58,352	286,793
Other receivables	—	14,094	14,094	—	6,547	6,547
Due from State of Alaska General Fund (note 2)	—	11,900	11,900	—	—	—
Due from Retiree Health Fund	—	21,619	21,619	—	12,609	12,609
Total receivable	130,870	66,906	197,776	228,441	77,508	305,949
Investments (notes 2, 3, 4 and 5) at fair value:						
Fixed income securities:						
Retirement fixed income pool	8,565,503	1,881,408	10,446,911	11,609,383	2,459,423	14,068,806
U.S. Treasury fixed pool	4,935,321	764,518	5,699,839	—	—	—
High yield pool	2,356,885	405,054	2,761,939	2,030,825	388,415	2,419,240
International fixed income pool	1,442,991	246,269	1,689,260	1,391,941	271,947	1,663,888
Emerging debt pool	730,086	126,705	856,791	701,835	137,263	839,098
Total fixed income securities	18,030,786	3,423,954	21,454,740	15,733,984	3,257,048	18,991,032
Broad domestic equity	27,456,308	4,877,662	32,333,970	28,479,813	5,139,627	33,619,440
Global equity ex-U.S.:						
International equity pool	14,565,437	2,540,157	17,105,594	17,354,592	2,834,507	20,189,099
Emerging markets equity pool	5,456,905	1,014,379	6,471,284	2,889,737	606,575	3,496,312
Total global equity ex-U.S.	20,022,342	3,554,536	23,576,878	20,244,329	3,441,082	23,685,411
Private equity pool	9,274,772	1,611,587	10,886,359	6,113,583	575,716	6,689,299
Absolute return pool	4,808,496	838,267	5,646,763	3,857,812	986,634	4,844,446
Real assets:						
Real estate pool	7,991,713	1,426,965	9,418,678	12,435,361	951,261	13,386,622
Real estate investment trust pool	389,384	61,368	450,752	320,368	22,791	343,159
Energy pool	617,292	102,625	719,917	—	30,964	30,964
Farmland pool	3,432,165	597,872	4,030,037	—	178,010	178,010
Timber pool	1,187,070	208,756	1,395,826	1,198,946	76,652	1,275,598
Treasury inflation protected securities pool	537,129	105,067	642,196	731,714	259,692	991,406
Total real assets	14,154,753	2,502,653	16,657,406	14,686,389	1,519,370	16,205,759
Total investments	93,747,457	16,808,659	110,556,116	89,115,910	14,919,477	104,035,387
Other assets	14	8,499	8,513	—	8,499	8,499
Total assets	95,188,905	17,054,526	112,243,431	89,902,798	15,399,227	105,302,025
Liabilities:						
Accrued expenses	73,011	1,295	74,306	34,202	10,713	44,915
Claims payable (note 6)	—	123,000	123,000	—	—	—
Due to Retiree Health Fund	—	8,572	8,572	—	—	—
Due to State of Alaska General Fund (note 2)	9,555	—	9,555	19,930	48,103	68,033
Total liabilities	82,566	132,867	215,433	54,132	58,816	112,948
Commitments and contingencies (note 8)						
Net assets held in trust for pension and postemployment healthcare benefits	$ 95,106,339	16,921,659	112,027,998	89,848,666	15,340,411	105,189,077

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, 2010 and 2009

	2010			2009		
	Pension	**Alaska retiree healthcare trust**	**Total**	**Pension**	**Alaska retiree healthcare trust**	**Total**
Additions (reductions):						
Contributions:						
Employer	$ 2,509,628	467,159	2,976,787	4,937,406	1,411,259	6,348,665
Plan members	636,381	16,200	652,581	594,674	15,138	609,812
Appropriation – State of Alaska	1,144,424	405,576	1,550,000	—	—	—
Total contributions	4,290,433	888,935	5,179,368	5,532,080	1,426,397	6,958,477
Other	2	35,544	35,546	—	28,166	28,166
Investment income (loss):						
Net appreciation (depreciation) in fair value (note 2)	7,798,530	1,406,350	9,204,880	(27,851,745)	(3,250,718)	(31,102,463)
Interest	790,666	145,913	936,579	1,152,631	148,345	1,300,976
Dividends	957,493	160,290	1,117,783	2,423,589	197,812	2,621,401
Total investment income (loss)	9,546,689	1,712,553	11,259,242	(24,275,525)	(2,904,561)	(27,180,086)
Less investment expense	217,821	51	217,872	172,261	56	172,317
Net investment income (loss)	9,328,868	1,712,502	11,041,370	(24,447,786)	(2,904,617)	(27,352,403)
Total additions (reductions)	13,619,303	2,636,981	16,256,284	(18,915,706)	(1,450,054)	(20,365,760)
Deductions:						
Pension and post employment healthcare benefits	8,314,505	1,031,333	9,345,838	7,375,193	762,460	8,137,653
Administrative	47,125	24,400	71,525	70,057	49,173	119,230
Total deductions	8,361,630	1,055,733	9,417,363	7,445,250	811,633	8,256,883
Net increase (decrease)	5,257,673	1,581,248	6,838,921	(26,360,956)	(2,261,687)	(28,622,643)
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	89,848,666	15,340,411	105,189,077	116,209,622	17,602,098	133,811,720
Balance, end of year	$ 95,106,339	16,921,659	112,027,998	89,848,666	15,340,411	105,189,077

See accompanying notes to financial statements.

(1) Description

The following is a brief description of the State of Alaska Judicial Retirement System, Defined Benefit Retirement Pension and Postemployment Healthcare Plan (Plan). The Plan is a Component Unit of the State of Alaska (State). Participants should refer to the Plan agreement for more complete information.

General

The Plan is a defined benefit, single-employer retirement system established and administered by the State to provide pension and postemployment 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:

	Valuation as of,	
	2008	**2006**
Retirees and beneficiaries currently receiving benefits	90	86
Terminated plan members entitled to future benefits	5	7
Total current and future benefits	95	93
Active plan members:		
Vested	46	41
Nonvested	27	25
Total active plan members	73	66
	168	159

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.

Postemployment Healthcare Benefits

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

(Continued)

(1) Description (cont.)

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 Retiree Health Fund.

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.

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.

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 postemployment 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.

(1) Description (cont.)

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 postemployment healthcare benefits. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily 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.

(2) Summary of Significant Accounting Policies

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.

Use of Estimates

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

GASB Statements No. 25 and No. 43

The 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 postemployment healthcare plan also follows the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43). GASB 43 establishes uniform financial reporting standards for Other 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.

(2) Summary of Significant Accounting Policies (cont.)

Investments

Investments are reported under the Department of Revenue, Treasury Division (Treasury). Treasury financial statements are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Net contributions (withdrawals) represent contributions from employers and employees, net of benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid and all expenses are recorded on a cash basis.

Pooled Investments

With the exception of the Short-term Fixed Income Pool, ownership in the various pools is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

The Short-Term Fixed Income Pool maintains a share price of $1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. 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 ask prices.

Valuation and Income Allocation

Fixed income investment pools

With the exception of the Emerging Markets Debt Pool, fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the investment manager determines the allocation between permissible securities.

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

Broad Domestic Equity, International Equity, and Real Estate Investment Trust (REIT) Pools

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

(2) Summary of Significant Accounting Policies (cont.)

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

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

Emerging markets securities are valued on the last business day of each month by the investment managers. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries.

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

Absolute return investments are valued monthly by the general partners. The fund administrators are held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

The energy related investments are valued quarterly by the general partner. The general partner is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are comprised of a limited partnership with an energy related venture capital operating company.

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

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.

Administrative Costs

Administrative costs are paid from investment earnings.

(2) Summary of Significant Accounting Policies (cont.)

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.

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

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

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

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

The Short-term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of Board as well as other state funds.

(4) Deposit and Investment Risk

At June 30, 2010, the Plan's investments included the following:

	Fair value								
	Fixed income pools								
	Short-term	Retirement	U.S. Treasury	High yield	International	Convertible	TIPS	Other	Total
Deposits	$ (6,149)	—	—	—	1,769	—	—	271,208	266,828
Short-term investment fund	—	—	—	—	7,825	—	—	127,693	135,518
Commercial paper	163,158	—	—	—	—	—	—	—	163,158
Bridge loans	—	—	—	4,480	—	—	—	—	4,480
U. S. Treasury bills	397,055	—	—	—	—	—	—	—	397,055
U. S. Treasury bills when-issued	61,086	—	—	—	—	—	—	—	61,086
U.S. Treasury notes	—	1,644,114	4,186,205	—	—	—	—	—	5,830,319
U.S. Treasury notes when-issued	—	1,779,388	762,191	—	—	—	—	—	2,541,579
U.S. Treasury bonds	—	579,354	492,623	—	—	—	—	—	1,071,977
U.S. Treasury TIP bonds	—	—	—	—	—	—	217,678	—	217,678
U.S. Treasury TIP notes	—	—	—	—	—	—	414,095	—	414,095
U.S. government agency	216,887	56,912	—	—	—	—	—	—	273,799
Foreign corporate bonds	—	—	—	—	606,046	—	—	—	606,046
Foreign government bonds	—	—	—	—	1,052,777	—	—	—	1,052,777
Mortgage-backed	25,744	3,017,592	—	—	—	—	—	—	3,043,336
Mortgage-backed TBA	—	989,591	—	—	—	—	—	—	989,591
Other asset-backed	717,227	30,391	—	4,451	—	—	—	—	752,069
Oversight sweep account (Imcs)	—	—	—	94,498	—	5,399	—	—	99,897
Corporate bonds	1,528,353	2,062,393	87,141	2,592,103	—	—	—	—	6,269,990
Convertible bonds	—	—	—	14,529	—	—	—	—	14,529
Yankees:									
Government	—	11,269	—	—	—	—	—	—	11,269
Corporate	42,797	—	—	—	—	—	—	—	42,797
Fixed income pool:									
Equity	—	—	—	3,575	—	—	—	—	3,575
Warrants	—	—	—	218	—	—	—	—	218
Emerging markets debt pool	—	—	—	—	—	—	—	856,792	856,792
Domestic equity pool:									
Convertible bonds	—	—	—	—	—	399,557	—		399,557
Limited partnership	—	—	—	—	—	—	—	2,002,482	2,002,482
Treasury bills	—	—	—	—	—	—	—	17,072	17,072
Equity	—	—	—	—	—	29,972	—	29,541,989	29,571,961
International equity pool:									
Convertible bonds	—	—	—	—	—	—	—	12,973	12,973
Corporate bonds	—	—	—	—	—	—	—	4,967	4,967
Equity	—	—	—	—	—	—	—	15,830,669	15,830,669
Rights	—	—	—	—	—	—	—	3,182	3,182
Warrants	—	—	—	—	—	—	—	13	13
Emerging markets equity pool	—	—	—	—	—	—	—	6,471,284	6,471,284
Private equity pool:									
Limited partnerships	—	—	—	—	—	—	—	10,885,919	10,885,919
Absolute return pool:									
Limited partnerships	—	—	—	—	—	—	—	5,646,763	5,646,763
Real estate pool:									
Real estate	—	—	—	—	—	—	—	5,164,013	5,164,013
Commingled funds	—	—	—	—	—	—	—	2,337,142	2,337,142
Limited partnerships	—	—	—	—	—	—	—	1,917,523	1,917,523
Real estate investment trust pool									
Equity	—	—	—	—	—	—	—	448,559	448,559
Energy pool:									
Limited partnerships	—	—	—	—	—	—	—	719,917	719,917
Farmland pool:									
Agricultural holdings	—	—	—	—	—	—	—	4,030,037	4,030,037
Timber pool:									
Timber holdings	—	—	—	—	—	—	—	1,395,825	1,395,825
Mutual funds	—	—	—	—				826,594	826,594
Net other assets (liabilities)	(5,238)	(799,297)	(53,898)	48,085	20,843	2,309	4,821	12,607	(769,768)
Other pool ownership	(1,659,894)	1,075,204	225,577	—	—	—	5,602	353,511	—
Total invested assets	$ 1,481,026	10,446,911	5,699,839	2,761,939	1,689,260	437,237	642,196	88,878,734	112,037,142

(4) Deposit and Investment Risk (cont.)

At June 30, 2009, the Plan's investments included the following:

	Fair value						
	Fixed income pools						
	Short-term	Retirement	High yield	International	TIPS	Other	Total
Deposits	$ 6,193	(759)	—	9,073	—	104,464	118,971
Short-term investment fund	—	—	138,968	8,535	—	265,239	412,742
Commercial paper	124,187	—	—	—	—	—	124,187
Bridge loans	—	—	66,281	—	—	—	66,281
U. S. Treasury bills	700,660	—	—	—	—	—	700,660
U.S. Treasury notes	—	2,366,947	—	—	681,235	—	3,048,182
U.S. Treasury bonds	—	199,383	—	—	297,663	—	497,046
U.S. government agency	54,335	283,033	—	—	—	—	337,368
Foreign government bonds	—	—	—	1,024,919	—	—	1,024,919
Mortgage-backed	78,157	7,150,772	—	—	405	—	7,229,334
Other asset-backed	247,434	100,637	16,813	—	—	—	364,884
Corporate bonds	668,911	2,805,044	1,960,422	598,766	995	—	6,034,138
Convertible bonds	—	—	9,886	—	—	—	9,886
Yankees:							
Government	—	163,580	—	—	—	—	163,580
Corporate	143,994	634,534	167,522	—	—	—	946,050
Fixed income pool:							
Equity	—	—	3,136	—	—	—	3,136
Emerging markets debt pool	—	—	—	—	—	839,098	839,098
Domestic equity pool:							
Limited partnership	—	—	—	—	—	1,793,757	1,793,757
Treasury bills	—	—	—	—	—	27,768	27,768
Equity	—	—	—	—	—	31,392,046	31,392,046
International equity pool:							
Convertible bonds	—	—	—	—	—	12,676	12,676
Equity	—	—	—	—	—	19,415,190	19,415,190
Emerging markets equity pool	—	—	—	—	—	3,496,312	3,496,312
Private equity pool:							
Limited partnerships	—	—	—	—	—	6,687,023	6,687,023
Absolute return pool:							
Limited partnerships	—	—	—	—	—	4,844,446	4,844,446
Real estate pool:							
Real estate	—	—	—	—	—	7,760,120	7,760,120
Commingled funds	—	—	—	—	—	2,845,852	2,845,852
Limited partnerships	—	—	—	—	—	2,780,651	2,780,651
Real estate investment trust pool	—	—	—	—	—	340,203	340,203
Energy pool:							
Limited partnerships	—	—	—	—	—	30,964	30,964
Farmland pool:							
Agricultural holdings	—	—	—	—	—	178,010	178,010
Timber pool:							
Timber holdings	—	—	—	—	—	1,275,598	1,275,598
Mutual funds	—	—	—	—	—	337,625	337,625
Net other assets (liabilities)	1,682	(306,608)	56,212	22,595	9,858	65,135	(151,126)
Other pool ownership	(1,073,363)	672,243	—	—	1,250	399,870	—
Total invested assets	$ 952,190	14,068,806	2,419,240	1,663,888	991,406	84,892,047	104,987,577

(4) Deposit and Investment Risk (cont.)

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 to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2010, the expected average life of individual fixed rate securities ranged from one day to twenty-nine years and the expected average life of floating rate securities ranged from one day to nine and three-quarters years.

Other Plan Fixed Income Pools

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

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to ± 20% of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2010, was 4.30 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Intermediate U.S. Treasury Fixed Income portfolio to ± 20% of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2010, was 4.01 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield portfolio to ± 20% of the Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2010, was 4.40 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to ± 25% of the Citigroup Non-USD World Government Bond Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2010, was 6.76 years.

(4) Deposit and Investment Risk (cont.)

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to ± 20% of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2010 was 8.99 years.

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

At June 30, 2010, the effective duration of the fixed income pools, by investment type, was as follows:

	Effective duration (In years)				
	Retirement	**U.S. Treasury**	**High yield**	**International**	**TIPS**
Corporate bonds	6.19	4.13	4.24	—	—
Convertible bonds	—	—	3.32	—	—
Foreign corporate bonds	—	—	—	6.80	—
Foreign government bonds	—	—	—	6.01	—
Mortgage-backed	2.73	—	—	—	—
Mortgage-backed TBA	2.97	—	—	—	—
Other asset-backed	3.57	—	2.92	—	—
U.S. Government Agency	6.73	—	—	—	—
U.S. Treasury bonds	10.77	7.98	—	—	7.05
U.S. Treasury notes	4.40	3.53	—	—	2.78
U.S. Treasury notes when-issue	3.52	4.83	—	—	—
Warrants	—	—	3.95	—	—
Yankees:					
Government	6.95	—	—	—	—
Portfolio effective duration	**4.25**	**4.83**	**4.08**	**6.26**	**4.21**

Credit Risk

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

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

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Asset-backed and nonagency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and nonagency mortgage securities may be purchased if rated by only one of these agencies if they are rated AAA.

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

Retirement Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.

Corporate debt securities must be investment grade.

(4) Deposit and Investment Risk (cont.)

Corporate, asset-backed and nonagency 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 nonagency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

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.

Intermediate U.S. Treasury Fixed Income:

No more than 5% of the portfolio's assets may be invested in securities that are not full faith and credit obligations of the U.S. Government at the time of purchase.

No more than 10% of the portfolio's assets may be invested in securities that are not nominal, coupon-paying United States Treasury obligations at the time of purchase.

Corporate, asset-backed and nonagency 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 nonagency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

High Yield:

No more than 10% 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% of the portfolio's assets may be invested in unrated securities.

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

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

International Fixed Income:

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

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

(4) Deposit and Investment Risk (cont.)

Convertible Bonds:

Nonrated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard and Poor's, Moody's or Fitch. Nonrated securities are limited to 35% of the total market value of the portfolio.

The weightedaverage rating of the portfolio shall not fall below the Standard and Poor's equivalent of B.

Investments are limited to instruments with a credit rating above CCC_ by Standard and Poor's and Caa3 by Moody's. However, the manager may continue to hold securities downgraded below CCC by Standard and Poor's and Caa3 by Moody's if such an investment is considered appropriate given the Board's investment objective.

In case of a split rating by two or more of the rating agencies, the lower rating shall apply.

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% of the portfolio's assets may be invested in investment grade corporate debt.

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

Corporate, asset-backed and nonagency 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 nonagency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity, International Equity and Emerging Markets Separate Accounts:

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

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

The Board does not have a policy to limit the concentration of credit risk for the Collective Investment Funds.

(4) Deposit and Investment Risk (cont.)

At June 30, 2010, the Plan's investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

Investment type	Rating	Fixed income pools Short-term	Retirement	U.S. treasury	High yield	International	Convertible	TIPS
Bridge loans	Not rated	0.00%	0.00%	0.00%	0.16%	0.00%	0.00%	0.00%
Commercial paper	A-1	1.17	—	—	—	—	—	—
Commercial paper	Not rated	4.03	—	—	—	—	—	—
Convertible bonds	AAA	—	—	—	—	—	1.52	—
Convertible bonds	AA	—	—	—	—	—	2.22	—
Convertible bonds	A	—	—	—	—	—	8.61	—
Convertible bonds	BBB	—	—	—	—	—	14.31	—
Convertible bonds	BB	—	—	—	—	—	19.80	—
Convertible bonds	B	—	—	—	0.33	—	18.13	—
Convertible bonds	CCC	—	—	—	—	—	4.51	—
Convertible bonds	Not rated	—	—	—	0.20	—	22.29	—
Corporate bonds	AAA	41.70	0.10	0.77	—	—	—	—
Corporate bonds	AA	1.88	2.64	—	—	—	—	—
Corporate bonds	A	3.74	9.77	—	—	—	—	—
Corporate bonds	BBB	—	6.85	0.75	3.67	—	—	—
Corporate bonds	BB	—	—	—	33.72	—	—	—
Corporate bonds	B	—	—	—	42.61	—	—	—
Corporate bonds	CCC	—	—	—	9.69	—	—	—
Corporate bonds	D	—	—	—	0.12	—	—	—
Corporate bonds	Not rated	1.35	0.39	—	4.04	—	—	—
Foreign corporate bonds	AAA	—	—	—	—	26.91	—	—
Foreign corporate bonds	AA	—	—	—	—	2.89	—	—
Foreign corporate bonds	A	—	—	—	—	4.91	—	—
Foreign corporate bonds	BBB	—	—	—	—	1.16	—	—
Foreign government bonds	AAA	—	—	—	—	13.30	—	—
Foreign government bonds	AA	—	—	—	—	18.67	—	—
Foreign government bonds	A	—	—	—	—	16.02	—	—
Foreign government bonds	NA	—	—	—	—	14.34	—	—
Mortgage-backed	AAA	0.79	27.48	—	—	—	—	—
Mortgage-backed	AA	—	0.64	—	—	—	—	—
Mortgage-backed	A	—	0.18	—	—	—	—	—
Mortgage-backed	Not rated	0.03	0.58	—	—	—	—	—
Mortgage-backed TBA	Not rated	—	9.47	—	—	—	—	—
Other asset-backed	AAA	21.16	0.09	—	—	—	—	—
Other asset-backed	AA	—	0.09	—	—	—	—	—
Other asset-backed	BBB	—	0.11	—	—	—	—	—
Other asset-backed	BB	—	—	—	0.16	—	—	—
Other asset-backed	Not rated	1.68	—	—	—	—	—	—
Overnight sweep account (lmcs)	Not rated	—	—	—	3.42	—	1.23	—
Short-term investment fund	Not rated	—	—	—	—	0.46	—	—
U.S. government agency	AAA	1.07	0.54	—	—	—	—	—
U.S. government agency	Not rated	5.84	—	—	—	—	—	—
U.S. Treasury bills	AAA	12.65	—	—	—	—	—	—
U.S. Treasury bills when-issued	AAA	1.95	—	—	—	—	—	—
U.S. Treasury bonds	AAA	—	5.55	8.64	—	—	—	33.90
U.S. Treasury notes	AAA	—	15.74	73.46	—	—	—	64.48
U.S. Treasury notes when-issued	AAA	—	17.03	13.37	—	—	—	—
Yankees:								
Government	BBB	—	0.11	—	—	—	—	—
Corporate	AAA	0.58	—	—	—	—	—	—
Corporate	AA	0.20	—	—	—	—	—	—
Corporate	Not rated	0.58	—	—	—	—	—	—
No credit exposure		(0.40)	2.64	3.01	1.88	1.34	7.38	1.62
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(4) Deposit and Investment Risk (cont.)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2010, the Plan's Invested Assets had the following uncollateralized and uninsured deposits:

		Amount
International equity pool	$	279,510
International fixed income pool		1,769

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citigroup Non-USD World Government Bond Index and Mexico. The Board has no specific policy with regard to foreign currency risk relating to international or private equity. However, through its asset allocation policy, the Board limits total investments in international fixed income, global equity ex-U.S and private equity to the following:

Fixed-Income	Global Equity Ex-U.S.	Private Equity Pool
23%	26%	12%

(4) Deposit and Investment Risk (cont.)

At June 30, 2010, the Plan had exposure to foreign currency risk with the following deposits:

		Amount	
Currency		**International fixed income pool**	**International equity pool**
Australian Dollar	$	2	565
Canadian Dollar		—	1,105
Danish Krone		—	121
Euro Currency		1,226	243,574
Hong Kong Dollar		—	1,561
Israeli Shekel		—	263
Japanese Yen		541	29,379
New Taiwan Dollar		—	17
New Zealand Dollar		—	24
Norwegian Krone		—	160
Pound Sterling		—	1,220
Singapore Dollar		—	595
Swedish Krona		—	344
Swiss Franc		—	582
	$	1,769	279,510

(4) Deposit and Investment Risk (cont.)

At June 30, 2010, the Plan had exposure to foreign currency risk with the following investments:

	Amount			
	International fixed income pool		International equity pool	Private equity pool
Currency	Foreign government	Corporate	Equity	Limited partnerships
Australian Dollar	$ 242,165	—	349,142	—
Brazilian Real	—	—	26,441	—
Canadian Dollar	—	—	488,529	—
Danish Krone	—	—	143,391	—
Euro Currency	331,645	102,662	4,925,019	1,071,916
Hong Kong Dollar	—	—	373,802	—
Indonesian Rupiah	—	—	23,427	—
Israeli Shekel	—	—	5,730	—
Japanese Yen	192,000	503,384	3,763,553	—
Malaysian Ringgit	—	—	22,064	—
New Taiwan Dollar	—	—	62,310	—
New Zealand Dollar	—	—	14,662	—
Norwegian Krone	—	—	81,654	—
Polish Zloty	62,374	—	—	—
Pound Sterling	224,593	—	2,828,040	162,084
Singapore Dollar	—	—	86,911	—
South African Rand	—	—	8,815	—
South Korean Won	—	—	269,376	—
Swedish Krona	—	—	283,695	—
Swiss Franc	—	—	1,105,908	—
Turkish Lira	—	—	49,462	—
	$ 1,052,777	606,046	14,911,931	1,234,000

At June 30, 2010, 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.

Concentration of Credit Risk

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

The Board's policy with regard to concentration of credit risk for the Retirement Fixed Income, Intermediate U.S. Treasury Fixed Income, High Yield, International Fixed Income and Convertible Bond

(4) Deposit and Investment Risk (cont.)

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

At June 30, 2010, the Plan Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

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

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

On June 30, 2010 the Plan had the following derivative instruments outstanding:

	Changes in fair value		Fair value at June 30, 2010		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Rights	Investment Revenue	$ 5,103	Common Stock	$ 3,182	100,171
Warrants	Investment Revenue	(965)	Common Stock	231	86
Index Futures Long	Investment Revenue	38,365	Futures	(12,023)	226
FX Forwards	Investment Revenue	26,602	Long Term Instruments	5,102	—
TBA Transactions Long	Investment Revenue	105,104	Long Term Instruments	11,840	940,735
Grand total		$ 174,209		$ 8,332	

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of 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.

At June 30, 2010 the Plan had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty Name	Amount of net exposure	S&P rating	Fitch rating	Moody's rating
Credit Suisse London Branch (GFX)	$ 1,406	A+	AA-	Aa1
Mellon Bank	9,212	AA-	AA-	Aa2

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

Maximum amount of loss the Plan would face in case of default of all counterparties i.e. aggregated (positive) fair value of OTC positions as of June 30, 2010	$	10,618
Effect of collateral reducing maximum exposure		—
Liabilities subject to netting arrangements reducing exposure		—
Resulting net exposure	$	10,618

(6) Claims Payable

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

Changes in the balances of claims liabilities follows:

Beginning of year:		
Due to State of Alaska General Fund for outstanding warrants	$	48,103
Incurred but not reported		—
Total, beginning of year		48,103
Benefit deductions		1,031,333
Benefits paid		(956,436)
Total, end of year	$	123,000
End of year:		
Due to State of Alaska General Fund for outstanding warrants	$	—
Incurred but not reported		123,000
Total, end of year	$	123,000

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

The funded status as of June 30, 2008 of the defined benefit pension and postemployment healthcare benefit plan is as follows:

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) – entry age	Unfunded Actuarial Accrued Liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Pension	$ 122,882,726	130,596,048	7,713,322	94.09%	10,462,322	73.72%
Postemployment healthcare	18,352,929	19,941,128	1,588,199	92.04%	10,462,322	15.18%

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

(7) Funded Status and Funding Progress – Pension and Postemployment Healthcare Benefit Plan (cont.)

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, 2008
Actuarial cost method	Entry age normal level percentage of pay for pension; level dollar for healthcare
Amortization method	– Level percentage of pay normal cost for pension – Level dollar normal cost for healthcare
Equivalent single amortization period	13 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25% - includes inflation at 3.5%
Projected salary increases	4.0%
Cost-of-living adjustment	4.0%

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

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

(7) Funded Status and Funding Progress – Pension and Postemployment Healthcare Benefit Plan (cont.)

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

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

Using the GASB 43 discount rate determined above and disregarding future Medicare part D payments, the fiscal year 2010 employer ARC for accounting purposes is 12.61% of pay for healthcare benefits and 58.70% of pay for healthcare and pension benefits combined.

(8) Commitments and Contingencies

Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2010, the Plan's share of the unfunded commitment totaled $306,600. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2010, the Plan's share of the unfunded commitments totaled $6,816,593 to be paid through the year 2020.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2010, the Plan's share of the unfunded commitment totaled $358,749 to be paid through the year 2017.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2010, the Plan's share of these unfunded commitments totaled $1,416,498 to be paid through the year 2019.

Contingencies

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

(9) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive a retiree drug subsidy (RDS) payment if the sponsor’s plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to twenty-eight percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor’s plan. The Plan was approved for participation in the Medicare Part D program beginning calendar year 2006. The RDS for the six month period ended June 30, 2010, cannot be reasonably estimated, and therefore is not recorded in the financial statements for the period ended June 30, 2010.

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, 2010

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
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
2008	122,882,726	130,596,048	7,713,322	94.1	10,462,322	73.7

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, 2010

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
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
2008	18,352,929	19,941,128	1,588,199	92.0	10,462,322	15.2

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

June 30, 2010

Year ended June 30	Actuarial valuation or roll-forward 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
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	1,045.0	2,489.4	1,228.6
2009	2006	4,937,406	1,411,259	6,348,665	100.0	100.0	100.0
2010	2007	5,236,646	1,432,721	6,669,367	69.8	60.9	67.9

[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 System require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to the unfunded actuarial accrued liability.

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

(2) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the valuation as of June 30, 2008, are as follows:

a. Actuarial cost method – entry age, any funding surplus or unfunded actuarial accrued liability is amortized over 25 years 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 market value. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

c. Valuation of medical and prescription drug benefits – base claims cost rates are incurred healthcare cost expressed as a rate per member per year. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription claims separated by Medicare status, including eligibility of free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data. Valuation assumes that 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, the valuation assumes that 4.0% of the current retiree population does not receive Part A coverage.

d. 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 without margin for males and females, 1994 Base Year.

g. Post-retirement mortality – 1994 Group Annuity Mortality Table without margin setback 1 year for females and 3 years for males, 1994 Base Year.

(Continued)

(2) Actuarial Assumptions and Methods (cont.)

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 FY09 medical and prescription costs are shown below:

	Medical			Prescription drugs	
	Total	Medicare Part A and B	Medicare Part B Only	Total	Medicare Part D Reimb-ursement
Age 65	$ 7,670	1,296	3,384	2,379	509

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

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

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

(2) Actuarial Assumptions and Methods (cont.)

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
65-73	4.0	1.5
74-83	1.5	0.5
84+	0.5	—

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.

Terminated vested members are expected to commence benefits at age 60.

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 – age 70.

r. Marital status – married 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.

s. Form of payment – modified cash refund annuity.

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.

(Continued)

(2) Actuarial Assumptions and Methods (cont.)

Changes in Assumptions from the Last Valuation – June 30, 2006 to June 30, 2008

a. Healthcare trend rates – For June 30, 2007, the trend table started at 8.5% for medical and 12% for prescription drugs and graded down to an ultimate rate of 5% by FY 2015. For June 30, 2008, the trend table is based on the Society of Actuaries’ Healthcare Cost Trend Model and starts at 8.0% for medical and 10.8% for prescription drugs. The table grades down to 5.1% over 100 years.

Schedule 1

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

Schedule of Administrative and Investment Deductions (Unaudited)

Year ended June 30, 2010
with summarized financial information for 2009

	Administrative	Investment	Total 2010	Total 2009
Personal services:				
Wages	$ 13,979	1,164	15,143	10,409
Benefits	7,677	410	8,087	5,820
Total personal services	21,656	1,574	23,230	16,229
Travel:				
Transportation	328	603	931	339
Per diem	61	1,020	1,081	703
Total travel	389	1,623	2,012	1,042
Contractual services:				
Management and consulting	37,697	198,236	235,933	250,450
Accounting and auditing	6,224	7,530	13,754	13,031
Other services	4,712	8,427	13,139	9,017
Total contractual services	48,633	214,193	262,826	272,498
Other:				
Supplies	262	482	744	927
Equipment	585	—	585	851
Total other	847	482	1,329	1,778
Total administrative and investment deductions	$ 71,525	217,872	289,397	291,547

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 (Unaudited)

Years ended June 30, 2010 and 2009

Firm	Services		2010	2009
Buck Consultants, an ACS Company	Actuarial services	$	15,582	45,575
State Street Corporation	Custodian banking services		7,448	6,235
KPMG LLP	Auditing services		6,225	6,779
Wostmann Group LLC	Data processing consultants		320	327
State of Alaska, Department of Law	Legal services		113	3,033
		$	29,688	61,949

See accompanying independent auditors' report.