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

Financial Statements
and Supplemental Schedules

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

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

Table of Contents

KPMG LLP
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Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the State of Alaska Public Employees' Retirement System (Plan), a Component Unit of the State of Alaska, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the 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 Public Employees' Retirement System as of June 30, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Schedules of Funding Progress and Contributions from Employers are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit 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 62-68 are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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

November 13, 2009

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

Financial Highlights

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 are $8,615,632,000 and $10,765,304,000.

The System's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 decreased by ($2,149,672,000) and ($177,020,000) or -20.0% and -1.6% from fiscal years 2008 and 2007.

The System's contributions totaled $548,525,000 and $514,976,000 during fiscal years 2009 and 2008, an increase of $33,549,000 and $46,315,000 or 6.5% and 9.9% from fiscal years 2008 and 2007.

State of Alaska appropriations totaled $241,600,000 and $185,000,000 during fiscal years 2009 and 2008, an increase of $56,600,000 and $166,418,000 or 30.6% and 895.6% from fiscal year 2008 and 2007.

The System's net investment loss increased from ($336,985,000) in fiscal year 2008 to ($2,191,482,000) in fiscal year 2009 reflecting an increase of ($1,854,497,000) or 550.3%. Net investment income decreased from $1,731,853,000 in fiscal year 2007 to ($336,985,000) in fiscal year 2008 reflecting a decrease of ($2,068,838,000) or -119.5%.

The System's pension and postemployment healthcare benefit expenditures totaled $722,493,000 and $516,197,000 during fiscal years 2009 and 2008; reflecting an increase of $206,296,000 or 40.0% and a decrease of ($118,901,000) or -18.7% from fiscal years 2008 and 2007, respectively.

Overview of the Financial Statements

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

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

Statement of *Changes in Plan Net Assets* – This statement presents how the System's net assets held in trust for pension and post employment healthcare benefits changed during the fiscal year ended June 30, 2009 and 2008. This statement presents contributions earned and investment income (loss) during the period. Deductions for pension and 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, 2009 and 2008, and the sources and uses of those funds during fiscal year 2009 and 2008.

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

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

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

Condensed Financial Information

Plan Net Assets (In thousands)

Description	2009	2008	Increase/(decrease) Amount	Increase/(decrease) Percentage	2007
Assets:					
Cash and cash equivalents	$ 39,636	34,332	5,304	15.45%	21,398
Due from State of Alaska General Fund	13,145	20,441	(7,296)	(35.69)	7,692
Contributions receivable	22,053	27,255	(5,202)	(19.09)	18,876
Due from retiree health fund	1,051	—	1,051	100.00	—
Other receivables	2,084	138	1,946	1,410.14	—
Due from postemployment healthcare	—	3,490,576	(3,490,576)	(100.00)	—
Securities lending collateral	—	—	—	n/a	1,191,168
Investments, at fair value	8,550,532	10,779,493	(2,228,961)	(20.68)	10,901,724
Other assets	2,824	8	2,816	35,200.00	4
Total assets	8,631,325	14,352,243	(5,720,918)	(39.9)	12,140,862
Liabilities:					
Accrued expenses	9,747	9,022	725	8.0	7,358
Due to Alaska Retiree Health Care Fund	—	3,490,576	(3,490,576)	(100.0)	—
Due to State of Alaska General Fund	5,844	16,861	(11,017)	(65.3)	12
Due to other funds	102	70,480	(70,378)	(99.9)	—
Securities lending collateral payable	—	—	—	n/a	1,191,168
Total liabilities	15,693	3,586,939	(3,571,246)	(99.6)	1,198,538
Net assets	$ 8,615,632	10,765,304	(2,149,672)	(20.0)%	10,942,324

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

Management's Discussion and Analysis

June 30, 2009 and 2008

Changes in Plan Net Assets (In thousands)

Description	2009	2008	Increase/(decrease) Amount	Increase/(decrease) Percentage	2007
Net assets, beginning of year	$ 10,765,304	10,942,324	(177,020)	(1.6)%	9,379,471
Additions (reductions):					
Contributions	548,525	514,976	33,549	6.5	468,661
Appropriation - State of Alaska	241,600	185,000	56,600	30.6	18,582
Net investment (loss) income	(2,191,482)	(336,985)	(1,854,497)	550.3	1,731,853
Transfers	—	3,490,576	(3,490,576)	(100.0)	—
Other additions	8,780	47	8,733	18,580.9	84
Total (reductions) additions	(1,392,577)	3,853,614	(5,246,191)	(136.1)	2,219,180
Deductions:					
Pension and postemployment healthcare benefits	722,493	516,197	206,296	40.0	635,098
Refund of Contributions	13,884	15,159	(1,275)	(8.4)	14,953
Administrative	20,718	8,702	12,016	138.1	6,276
Transfers	—	3,490,576	(3,490,576)	(100.0)	—
Total deductions	757,095	4,030,634	(3,273,539)	(81.2)	656,327
(Decrease) increase in net assets	(2,149,672)	(177,020)	(1,972,652)	1,114.4	1,562,853
Net assets, end of year	$ 8,615,632	10,765,304	(2,149,672)	(20.0)%	10,942,324

Financial Analysis of the Plans

The Statements of Net Assets as of June 30, 2009 and 2008 showed total net assets held in trust for pension and post employment healthcare benefits of $8,615,632,000 and $10,765,304,000. The entire amount is available to cover the System's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries.

These amounts also represent a decrease in the System's net assets held in trust for pension and postemployment healthcare benefits of $2,149,672,000 or -20.0% from fiscal year 2009 to 2008 and ($177,020,000) or – 1.6% from fiscal years 2008 and 2007. Over the long term, plan member, employer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the Plan. The decrease in net assets is due to the decrease in net investment income caused by a decline in investment returns.

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

Defined Benefit Plan Asset Allocation

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

	2009			
	Pension		Healthcare Trust	
	Allocation	Range	Allocation	Range
Broad domestic equity	34%	± 6%	37%	± 6%
Global equity ex-US	20	± 4	22	± 4
Private equity	7	± 5	3	± 3
Fixed income	18	± 3	20	± 3
Real assets	15	± 8	8	+5/ -8
Absolute return	6	± 4	7	+4 / -7
Cash	—	± 3	3	+5 / -3
Total	100%		100%	
Expected five-year median return	8.15%		7.90%	
Standard deviation	12.85%		12.11%	

	2008	
	Allocation	Range
Domestic large capitalization	30.0%	± 3%
Domestic small capitalization	7.0	± 3
Private equity	7.0	± 5
International equity	14.0	± 3
Emerging markets equity	2.0	± 2
Domestic fixed-income	18.0	± 3
International fixed-income	2.0	± 2
High Yield	3.0	± 3
TIPS	0.5	± 0.5
Real estate	10.0	± 4
Absolute return	4.0	± 4
Other	2.5	± 2.5
Cash	0.0	± 3
Total	100.0%	
Expected return	8.10%	
Standard deviation	12.50%	

For Fiscal Years 2009 and 2008, the Defined Benefit Plan's investments generated a -20.49% and -3.06% rate of return. The Defined Benefit Plan's annualized rate of return was 2.88% over the last three years and +2.20% over the last five years, significantly less than the actuarial rate of return of 8.25%.

Defined Contribution Retirement Plan Asset Allocation

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

	2009	
	Allocation	**Range**
Broad domestic equity	34.0%	±6%
Global equity Ex-U.S.	20.0	±4
Private equity	7.0	+5 / - 7
Fixed income	18.0	±3
Real assets	15.0	+5 / -15
Absolute return	6.0	+4 / -6
Cash	0.0	+3
Total	100.0%	
Expected return	8.15%	
Standard deviation	12.85%	

	2008	
	Allocation	**Range**
Domestic large capitalization	35.0%	±3%
Domestic small capitalization	9.0	±3
International equity	18.0	±3
Emerging markets equity	4.0	±3
Domestic fixed-income	13.0	±3
International fixed-income	2.0	±2
TIPS	10.0	±3
Real estate	9.0	±3
Cash	0.0	+3
Total	100.0%	
Expected return	7.99%	
Standard deviation	12.17%	

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

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing during a fiscal year and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the actuary and adopted by the Board. Employer contribution rates are recommended by the actuary and the actuarially determined contribution rate is considered for adoption by the Board annually. Decreases in investment results, increasing healthcare costs, and contribution shortfalls continue to impact the Defined Benefit Plan's funding ratio. The ratio of assets to liabilities was 69.5%, at June 30, 2008 (the date of the Defined Benefit Plan's latest actuarial valuation report). The goal for the DB Plan is to make progress toward achieving the funding objectives.

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

For fiscal year 2009, (based on the June 30, 2006 actuarial valuation report) the consolidated normal cost rate decreased from 14.48% to 13.72%, the average past service rate increased from 18.03% to 21.50%, thus producing a total fiscal year 2009, actuarially determined, average annual required contribution rate in the DB Plan of 35.22%. The Board adopted the actuarially determined contribution rate of 35.22% for fiscal year 2009.

	Valuation Year (Dollars in thousands)	
	2008	**2007**
Valuation assets	$ 11,040,106	9,900,960
Accrued liabilities (total benefits)	15,888,141	14,570,933
Funding ratio	69.5%	68.0%

Contributions and Investment Income

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

	Additions (In thousands)				
			Increase/(decrease)		
	2009	**2008**	**Amount**	**Percentage**	**2007**
Plan members contributions	$ 141,073	134,151	6,922	5.2%	126,278
Employer contributions	407,452	380,825	26,627	7.0	338,890
Appropriation - State of Alaska	241,600	185,000	56,600	30.6	18,582
Net investment (loss) income	(2,191,482)	(336,985)	(1,854,497)	550.3	1,731,757
Transfer from postemployment health fund	—	3,490,576	(3,490,576)	(100.0)	—
Other additions	8,780	47	8,733	18,580.9	84
Total	$ (1,392,577)	3,853,614	(5,246,191)	(136.1)%	2,215,591

The Plan's employer contributions increased from $380,825,000 in fiscal year 2008 to $407,452,000 in fiscal year 2009, an increase of $26,627,000 or 7.0%. There was an increase from $338,890,000 during fiscal year 2007 to $380,825,000 during fiscal year 2008, an increase of $41,935,000 or 12.4%.

The State of Alaska provided $241,600,000 in employer on-behalf payments for Fiscal Year 2009 in Senate Bill 53, Section 55 (e).

The DB Plan's actuarial determined employer contribution rate increased from 32.51% in fiscal year 2008 to 35.22% in fiscal year 2009. The employer effective contribution rate for fiscal year 2009 was established to be 22.00%, but not lower than 14.48%, in Senate Bill 53, Section 55 (f).

Increases in actuarial determined contribution rates in Fiscal Year 2009 are largely due to the contribution shortfall related to contributions made in Fiscal Year 2007 and 2008.

The Plan's net investment loss in fiscal year 2009 increased by ($1,854,497,000) or 550.3% from losses incurred in fiscal year 2008. Net investment income decreased by $2,068,742,000 or -119.5% over amount recorded in 2007. Investments were hard hit by the economic downturn and for eight months of the fiscal year, investments results were heavily negative. Beginning March 2009, the investment environment turned around with assistance from the Federal government's intervention in the economy through various stimulus packages.

	2009	2008	2007
System returns	-20.49%	3.06%	18.87%
Domestic equities	-26.72	-13.53	20.10
International equities	-29.11	-7.58	30.20
Fixed income	3.39	6.58	6.20
Private equity	-23.67	-	-
Absolute return	-12.51	-	-
Real assets	-21.02	5.71	20.70
International fixed income	-	18.96	1.97

The Defined Contribution Retirement (DCR) Pension Trust employer effective rate for the DCR Pension Trust Fund's for Fiscal Year 2009 was set at no less than 14.48% and no more than 22.00%, based on their DB plan rate.

The DCR Pension Trust employer contribution rate for Fiscal Year 2009 was 5.00%. The DCR Occupational Death and Disability rate for "peace officers and firefighters" for fiscal year 2009 was 1.33% and for "All Other" employees was 0.58%, per Board Resolution 2007-38. The Retiree Major Medical Insurance Fund was 0.99% per Board Resolution 2007-37, and the rate for the Health Reimbursement Arrangement Fund was set at 3% of the employer's average annual compensation per AS 39.30.370. Any remaining balance, if any, after subtracting the mandatory contributions from the total employer contribution rate of 22.00% was deposited in the DB Plan.

Over the long term, investment income has been a major component of additions to System assets. During fiscal year 2009, the System experienced a significant reduction in rates of return on investments. The rate of return used in the actuarial valuation report to determine liabilities of the DB Plan was 8.25%. The fiscal year 2009 and 2008 losses represent a substantial reversal of investment income from 2007 and 2006.

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

Benefits and Other Deductions

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

		Deductions				
				Increase/(decrease)		
		2009	2008	Amount	Percentage	2007
Pension and postemployment healthcare	$	722,493	516,197	206,296	40.0%	635,098
Refund of contributions		13,884	15,159	(1,275)	(8.4)	14,953
Administrative		20,718	8,702	12,016	138.1	6,276
Total	$	757,095	540,058	217,037	40.2%	656,327

The System's pension and postemployment healthcare benefit payments in 2009 increased $206,296,000 or 40.0% from fiscal year 2008 and decreased ($118,901,000) or –18.7% from fiscal years 2008 and 2007, respectively. The primary reason of the increase was the change in how healthcare costs are reported in the System's financial statements. The DB Plan define was established with Senate Bill 123 and became effective July 1, 2007. The Alaska Retiree Healthcare Trust (ARHCT) healthcare claims payments were $256,408,000 for fiscal year 2009 compared to $77,074,000 in fiscal year 2008. Prior to fiscal year 2008, the System was responsible for a healthcare premium paid directly to the Retiree Health Fund (RHF) for each retired member / beneficiary participating in the System. Beginning July 1, 2007, the System began funding the ARHCT via employer contributions. The RHF continued to pay healthcare claims for the three participating Systems until February 29, 2008. Beginning March 1, 2008, the ARHCT is responsible for payment of healthcare claims.

Administrative deductions in 2009 increased $12,016,000 or 138.1% from fiscal year 2008 and increased $2,426,000 or 38.6% from fiscal year 2008 and 2007, respectively.

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

Funding

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

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

- Plan member contributions are set by Alaska Statute 39.35.160. for the DB Plan and Alaska Statute 39.35.730 for the DCR Plan.
- Alaska Statute 39.25.280 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the Plan's past service liability at the contribution rate adopted by the Board for that fiscal year.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

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

- House Bill 81 appropriates $107.9 million from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2010. This appropriation is to fund the difference between the statutory required contribution established in Senate Bill 125 of 22 percent and the actuarially determined contribution rate of 27.65 percent for fiscal year 2010.

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

The financial market environment continues to challenge investors. With the threat of inflation, the failures of financial institutions and brokerage firms, and continued turmoil in the Middle East, many forces once again pose changes to Plan investments. The Board continues to diversify the portfolio of the Plan to maintain an optimal risk/return ratio.

The return on the DB Plan's investments failed to meet or exceed its' actuarially assumed return of 8.25%. Even with investment returns exceeding the actuarial rate of return, the System will continue to see an increase in actuarial determined contribution rates due to rising medical cost and past contribution shortfalls.

The consulting actuary recommended an increase from the average employer contribution rate of 32.51% in fiscal year 2008 to 35.22% in fiscal year 2009. The Board adopted the actuarially determined contribution rate of 35.22% for fiscal year 2009, up 2.71 points from the fiscal year 2008 Board adopted actuarially determined contribution rate of 32.51%. The employer effective rate for fiscal year 2009 was set at no less than 14.48% and no more than 22.00%.

The June 30, 2008, actuarial valuation for the DB Plan reported a funding ratio of 69.5% and an unfunded liability of $4.85 billion.

For fiscal year 2009 and 2008, the DCR Plan's employer contribution rate was established at 22%. The DCR Plan retiree medical plan contribution rate was adopted by the Board to be 0.99% for fiscal year 2009 and 2008 respectively. The DCR Plan's occupational death and disability rate for peace officers and firefighters was adopted by the Board to be 1.33% for fiscal year 2009 and 2008. The DCR Plan's occupational death and disability rate for all other employees was adopted by the Board to be 0.58% for fiscal year 2009 and 2008, respectively. The actuarial determined rates for fiscal year 2010 was set in the June 30, 2007 valuations to be 27.65% and the 2011 actuarial determined rate was set in the June 30, 2008 valuation to be 27.96%.

Requests for Information

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

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

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

Statements of Plan Net Assets

June 30, 2009 and 2008

(In thousands)

	2009			2008		
	Defined Benefit Plan	**Defined Contribution Plan**	**SYSTEM TOTAL**	**Defined Benefit Plan**	**Defined Contribution Plan**	**SYSTEM TOTAL**
Assets:						
Cash and cash equivalents (notes 3, 4, 5 and 6):						
Short-term fixed income pool	$ 37,439	612	38,051	32,531	1,477	34,008
Great West / participant directed deposit	—	1,585	1,585	—	324	324
Total cash and cash equivalents	37,439	2,197	39,636	32,531	1,801	34,332
Receivables:						
Contributions	22,029	24	22,053	27,079	176	27,255
Due from State of Alaska General Fund	9,169	3,976	13,145	17,624	2,817	20,441
Due from retiree health fund	1,051	—	1,051	—	—	—
Due from postemployment healthcare fund (note 7)	—	—	—	3,490,576	—	3,490,576
Other accounts receivable	2,084	—	2,084	138	—	138
Total receivables	34,333	4,000	38,333	3,535,417	2,993	3,538,410
Investments (notes 3, 4, 5, 6 and 9) at fair value:						
Fixed Income Securities						
Retirement fixed income pool	998,809	2,977	1,001,786	1,642,571	—	1,642,571
High yield pool	189,135	416	189,551	260,351	—	260,351
International fixed income pool	130,194	413	130,607	219,627	—	219,627
Emerging debt pool	65,747	92	65,839	—	—	—
Total Fixed Income Securities	1,383,885	3,898	1,387,783	2,122,549	—	2,122,549
Broad Domestic Equity						
Broad domestic equity	2,839,854	7,683	2,847,537	3,420,343	—	3,420,343
Total Broad Domestic Equity	2,839,854	7,683	2,847,537	3,420,343	—	3,420,343
Global Equity Ex-US						
International equity pool	1,307,598	3,413	1,311,011	1,554,576	—	1,554,576
Emerging markets equity pool	360,383	1,121	361,504	293,598	—	293,598
Total Global Equity Ex-US	1,667,981	4,534	1,672,515	1,848,174	—	1,848,174
Private Equity						
Private equity pool	733,421	1,547	734,968	888,882	—	888,882
Total Private Equity	733,421	1,547	734,968	888,882	—	888,882
Absolute Return						
Absolute return pool	376,296	1,392	377,688	435,243	—	435,243
Total Absolute Return	376,296	1,392	377,688	435,243	—	435,243
Real Assets						
Real estate pool	910,810	1,576	912,386	1,304,634	—	1,304,634
Real estate investment trust pool	23,407	219	23,626	—	—	—
Energy pool	53,556	227	53,783	—	—	—
Farmland pool	317,290	223	317,513	—	—	—
Farmland water pool	10,549	—	10,549	—	—	—
Timber pool	106,774	514	107,288	—	—	—
Treasury inflation protected securities pool	52,074	699	52,773	57,544	1,084	58,628
Mortgages	—	—	—	—	—	—
Total Real Assets	1,474,460	3,458	1,477,918	1,362,178	1,084	1,363,262
Other investment funds, at fair value:						
Pooled investment funds	—	2,568	2,568			—
Collective investment funds	—	49,555	49,555	327,130	33,177	360,307
Other	—	—	—	340,733	—	340,733
Total Other investment funds	—	52,123	52,123	667,863	33,177	701,040
Total investments	8,475,897	74,635	8,550,532	10,745,232	34,261	10,779,493
Other:						
Other	2,824	—	2,824	8	—	8
Total other	2,824	—	2,824	8	—	8
Total assets	8,550,493	80,832	8,631,325	14,313,188	39,055	14,352,243
Liabilities:						
Accrued expenses	8,732	1,015	9,747	8,358	664	9,022
Due to State of Alaska General Fund	5,844	—	5,844	16,861	—	16,861
Due to Retiree Health Medical Fund	—	—	—	5,485	—	5,485
Due to Alaska Retiree Healthcare Trust - TRS	102	—	102	64,995	—	64,995
Due to Alaska Retiree Healthcare Trust - PERS (note 7)	—	—	—	3,490,576	—	3,490,576
Total liabilities	14,678	1,015	15,693	3,586,275	664	3,586,939
Commitment and contingencies (note 9)						
Net assets held in trust for pension and postemployment healthcare benefits (see unaudited Schedule of Funding Progress)	$ 8,535,815	79,817	8,615,632	10,726,913	38,391	10,765,304

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Assets

June 30, 2009 and 2008

(In thousands)

	2009			2008		
	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL	Defined Benefit Plan	Defined Contribution Plan	SYSTEM TOTAL
Additions (reductions):						
Contributions:						
Employers	$ 379,540	27,912	407,452	364,078	16,747	380,825
Plan members	119,338	21,735	141,073	120,980	13,171	134,151
State of Alaska	241,600	—	241,600	185,000	—	185,000
Total contributions	740,478	49,647	790,125	670,058	29,918	699,976
Investment income (loss):						
Net (depreciation) in fair value (note 3)	(2,469,944)	(8,263)	(2,478,207)	(737,929)	(675)	(738,604)
Interest	90,059	1,299	91,358	137,756	(2,242)	135,514
Dividends	213,049	275	213,324	284,876	23	284,899
Net recognized loan recovery	13	—	13	—	—	—
Total investment (loss)	(2,166,823)	(6,689)	(2,173,512)	(315,297)	(2,894)	(318,191)
Less investment expense	17,970	—	17,970	23,089	—	23,089
Net investment (loss) before security lending activities	(2,184,793)	(6,689)	(2,191,482)	(338,386)	(2,894)	(341,280)
Securities lending income (note 6)	—	—	—	39,635	7	39,642
Less securities lending expenses (note 6)	—	—	—	35,342	5	35,347
Net income from securities lending activities	—	—	—	4,293	2	4,295
Net investment (loss)	(2,184,793)	(6,689)	(2,191,482)	(334,093)	(2,892)	(336,985)
Transfer from postemployment healthcare fund (note 7)	—	—	—	3,490,576	—	3,490,576
Other:						
Other	8,780	—	8,780	47	—	47
Total (reductions) additions	(1,435,535)	42,958	(1,392,577)	3,826,588	27,026	3,853,614
Deductions:						
Pension and postemployment benefits	722,493	—	722,493	516,197	—	516,197
Refunds of contributions	12,498	1,386	13,884	14,333	826	15,159
Administrative	20,572	146	20,718	8,533	169	8,702
Total deductions	755,563	1,532	757,095	539,063	995	540,058
Transfer to Alaska retiree healthcare trust (note 7)	—	—	—	3,490,576	—	3,490,576
Net (decrease) increase	(2,191,098)	41,426	(2,149,672)	(203,051)	26,031	(177,020)
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	10,726,913	38,391	10,765,304	10,929,964	12,360	10,942,324
Balance, end of year	$ 8,535,815	79,817	8,615,632	10,726,913	38,391	10,765,304

See accompanying notes to financial statements.

(1) Description

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

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

	2009	**2008**
State of Alaska	1	1
Municipalities	77	76
School districts	53	53
Other	29	29
Total employers	160	159

Inclusion in the Defined Benefit Plan (DB Plan) and Defined Contribution Retirement Plan (DCR Plan) is a condition of employment for eligible State employees, except as otherwise provided, for judges, elected officers and certain employees of the Alaska Marine Highway System. Any local government in the State may elect to have its permanent general and peace officer and firefighter employees covered by the System.

Defined Benefit Retirement Plan

General

The DB Plan is a defined benefit, cost-sharing, multiple employer plan within PERS established and administered by the State to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The DB Plan is a plan within PERS. PERS is a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report pension trust fund. The State employees who administer the DB Plan and DCR Plan participate in both. With the passing of SB141, the PERS DB Plan is closed to all new members effective July 1, 2006.

(1) Description (cont.)

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

	Valuation as of June 30	
	2008	**2007**
Retirees and beneficiaries currently receiving benefits	24,082	22,997
Terminated plan members entitled to future benefits	6,627	6,398
Total current and future benefits	30,709	29,395
Active plan members:		
General	26,301	28,675
Peace officer and firefighter	2,549	2,687
Total active plan membership	28,850	31,362
	59,559	60,757
Active plan members:		
Vested:		
General	18,130	17,695
Peace officer and firefighter	1,928	1,892
Nonvested:		
General	8,171	10,980
Peace officer and firefighter	621	795
Total active plan membership	28,850	31,362

Pension Benefits

Members hired prior to July 1, 1986, with five or more paid-up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, fifty-five, or early retirement age, fifty. For members first hired after June 30, 1986, the normal and early retirement ages are sixty and fifty-five, respectively. Members with thirty or more years of credited service (twenty years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal monthly pension benefit is based on years of service and average monthly compensation. For members hired prior to July 1, 1996, and all peace officer and firefighter, the average monthly compensation is based upon the members' three highest, consecutive years' salaries. For all other members hired after June 30, 1996, average monthly compensation is based upon the members' five highest, consecutive years' salaries.

The benefit related to all years of service prior to July 1, 1986, and for years of service through a total of ten years for general members is equal to 2% of the member's average monthly compensation for each year of service. The benefit for each year over ten years of service subsequent to June 30, 1986, is equal to

(1) Description (cont.)

2-1/4% of the member's average monthly compensation for the second ten years and 2-1/2% for all remaining years of service. For peace officer and firefighters, the benefit for years of service through a total of ten years is equal to 2% of the member's average monthly compensation and 2-1/2% for all remaining years of service.

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

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouse consents to another form of benefit or another person is eligible for benefits under a qualified domestic relations order.

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

Postemployment Healthcare Benefits

Major medical benefits are provided to retirees without cost for all members hired before July 1, 1986. Members hired on or after July 1, 1986 with five years of credited service (or ten years of credited service for those first hired on or after July 1, 1996) may pay the full monthly premium if they are under age sixty (or over age 60 with less than 10 years of service for those first hired on or after July 1, 1996), and receive benefits at no premium cost if they are over age sixty or are receiving disability benefits. Peace officers and firefighters with 25 years of membership service and all other members with 30 years of membership service also receive benefits at no premium cost.

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

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust (ARHCT), a healthcare trust fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the 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.

(1) Description (cont.)

Death Benefits

If an active general DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 40% of the DB Plan's member's salary. If an active peace officer or firefighter DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 50% of the DB Plan's member's salary or 75% of the member's retirement benefit calculated as if the member had survived until normal retirement age, whichever is greater. When death is due to occupational causes and there is no surviving spouse, the DB Plan's member's dependent children may receive the monthly pension until they are no longer dependents. If the member does not have a spouse or dependent children at the time of death, a lump sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the DB Plan member had lived. The new benefit is based on the Plan member's average monthly compensation at the time of death and the credited service, including service that would have accrued if the DB Plan member had lived and continued to work until normal retirement. If the death was from nonoccupational causes, and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average monthly compensation at the time of death. If the DB Plan member is not married or vested, a lump sum death benefit is payable to the named beneficiary (ies).

Disability Benefits

Active DB Plan members who become permanently disabled due to occupational or nonoccupational causes receive disability benefits until normal retirement age, or when the service requirement for normal retirement is met. Although there are no minimum service requirements for Plan members to be eligible for occupational disability, DB Plan members must be vested to receive nonoccupational disability benefits. The monthly occupational disability benefit is equal to 40% of the DB Plan's member's salary at the time of the disability. The nonoccupational disability benefit is based on the DB Plan member's service and salary at the time of disability. At normal retirement age, a disabled general DB Plan member receives normal retirement benefits. A peace officer or firefighter Plan member may elect to receive normal retirement benefits calculated under the occupational disability benefit rules.

Contributions

DB Plan Member Contributions

The DB Plan's member contribution rates are 7.5% for peace officers and firefighters, 9.6% for some school district employees, and 6.75% for general DB Plan members, as required by statute. The DB Plan's member contributions are deducted before federal income tax is withheld. Contributions are collected by employers and remitted to the DB Plan. The DB Plan's member contributions earn interest at the rate of 4.5% per annum, compounded semiannually.

(1) Description (cont.)

Employer Contributions

The DB Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percent of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The DB Plan uses the level percentage of pay method to amortize the unfunded liability over a twenty-five year fixed period. Employer contributions are accumulated in both the pension and the healthcare funds based on the adopted actuarially determined contribution rate for the fiscal year.

Contributions from the State of Alaska

Alaska Statute 39.35.280 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year.

Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency sixty days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within fifty years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they re-establish an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not re-established an employee relationship with a participating DB Plan employer by June 30, 2010, will not be eligible to reinstate voluntarily refunded service and will forfeit any claim to DB Plan' membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

Defined Contribution Retirement Plan

General

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

(1) Description (cont.)

At June 30, 2009 and 2008, the DCR Plan membership consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits	—	—
Terminated plan members entitled to future benefits:		
25% Vested	110	1
50% Vested	1	2
75% Vested	3	4
100% Vested	9	5
Total terminated plan members entitled to future benefits	123	12
Total current and future benefits	123	12
Active plan members:		
General	6,807	4,735
Peace officer and firefighter	586	390
Total active members	7,393	5,125
Total members	7,516	5,137
Active plan members:		
Vested General:		
25% Vested	1,368	13
50% Vested	12	2
75% Vested	2	4
100% Vested	8	6
Total vested general	1,390	25
Vested peace officer and firefighter		
25% Vested	152	—
50% Vested	—	—
75% Vested	—	—
100% Vested	—	—
Total vested peace officer and firefighter	152	—
Nonvested:		
General	5,417	4,710
Peace officer and firefighter	434	390
Total nonvested general and peace officer and firefighter	5,851	5,100
Total members	7,516	5,137

Pension Benefits

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the

(1) Description (cont.)

employer contributions made on that member's behalf, and the related earnings, in the ratio of a) 25% with two years of service, b) 50% with three years of service; c) 75% with four years of service; and d) 100% with five years of service.

Postemployment Healthcare Benefits

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

Death Benefits

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

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

Disability Benefits

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

Contributions

DCR Plan Member Contributions

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

(1) Description (cont.)

Employer Contributions

An employer shall contribute to each member's individual account an amount equal to 5.0% of the member's compensation.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds. Investment options are disclosed in note 3.

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

Refunds

A member is eligible to elect distribution of the member's account in accordance with this section 60 days after termination of employment. Distributions that are being paid to a member may not be affected by the member's subsequent reemployment with the employer. Upon reemployment, a new individual account shall be established for the member to whom any future contributions shall be allocated.

Participant Accounts

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

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

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

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

Use of Estimates

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

GASB Statements No. 25 and No. 43

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

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

Investments

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

Valuation

DB and DCR Plan Investments

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

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

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

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

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

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

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

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

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

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

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

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

DCR Plan Participant Directed Investments

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

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

Income Allocation

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

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

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

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

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

Contributions Receivable

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

Administrative Costs

Administrative costs are paid from investment earnings.

Due from (to) State of Alaska General Fund

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

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

Federal Income Tax Status

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

(3) Investments

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

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

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, domestic equity pool, international equity pool, emerging markets equity pool, private equity pool, absolute return pool, real estate pool, energy pool, farmland pool, farmland water pool, timber pool, pooled investment funds, and collective investment funds are managed by external management companies. Treasury manages the Alaska retirement fixed income pool, treasury inflation protected securities pool, real estate investment trust pool and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

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

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

Short-term Fixed Income Pool

The System participates in the State's internally managed Short–term Fixed Income Pool which was established on March 15, 1993, with a start up and maintained share price of $1. Treasury staff determines the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At June 30, 2009 and 2008, the System had a 1.02% and 0.79% direct

(3) Investments (cont.)

ownership in the short–term fixed income pool. At June 30, 2009 and 2008, the System had a 2.25% and 2.98% indirect ownership through ownership by other investment pools which invest in the Short–term Fixed Income Pool.

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

Alaska Retirement Fixed Income Pool

The System participates in the Board's internally managed Alaska Retirement Fixed Income Pool which was established on March 1, 1996, with a start up share price of $1,000. The share price at June 30, 2009, was $2,163. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 69.24% and 69.15% ownership in the Alaska Retirement Fixed Income Pool.

High Yield Pool

The System participates in the Board's externally managed High Yield Pool which was established on April 15, 2005, with a start up share price of $1,000. The share price at June 30, 2009, was $1,156. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 69.07% and 68.45% ownership in the High Yield Pool.

International Fixed Income Pool

The System participates in the Board's externally managed International Fixed Income Pool which was established on March 3, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,333. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 69.07% and 68.58% ownership in the International Fixed Income Pool.

Emerging Markets Debt Pool

The System participates in the Board's externally managed Emerging Markets Debt Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was

(3) Investments (cont.)

$936. The pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 69.07% ownership in the Emerging Markets Debt Pool.

Domestic Equity Pool

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

Large Cap Domestic Equity Pool

The System participates in the Board's externally managed Large Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $870. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.78% and 68.40% ownership in the Large Cap Domestic Equity Pool.

Small Cap Domestic Equity Pool

The System participates in the Board's externally managed Small Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $844. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.92% and 68.13% ownership in the Small Cap Domestic Equity Pool.

International Equity Pool

The System participates in the Board's externally managed International Equity Pool which was established on January 1, 1992, with a start up share price of $1,000. The share price at June 30, 2009, was $2,703. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool

(3) Investments (cont.)

outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.65% and 68.52% ownership in the International Equity Pool.

Emerging Markets Equity Pool

The System participates in the Board's externally managed Emerging Markets Equity Pool which was established on May 2, 1994, with a start up share price of $1,000. The share price at June 30, 2009, was $2,822. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.90% and 68.75% ownership in the Emerging Markets Equity Pool.

Private Equity Pool

The System participates in the Board's externally managed Private Equity Pool which was established on April 24, 1998, with a start up share price of $1,000. The share price at June 30, 2009, was $1,913. Underlying assets in the pool are comprised of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.08% and 69.11% ownership in the Private Equity Pool.

Absolute Return Pool

The System participates in the Board's externally managed Absolute Return Pool which was established on October 31, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $1,108. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 68.87% and 68.57% ownership in the Absolute Return Pool.

Real Estate Equities

Real Estate Equities are comprised of two pools, Pool A and Pool B.

(3) Investments (cont.)

Real Estate Pool A

The System participates in the Board's externally managed Real Estate Pool A which was established on June 27, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,286. Underlying assets in the pool are comprised of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had 68.87% and 68.72% ownership in Real Estate Pool A.

Real Estate Pool B

The System participates in the Board's externally managed Real Estate Pool B which was established July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $937. Underlying assets in the pool are comprised of one commingled account. The manager independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had 68.62% ownership in Real Estate Pool B.

Real Estate Investment Trust (REIT) Pool

The System participates in the Board's internally managed REIT Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $503. Underlying assets in the pool are comprised of REIT holdings. Treasury staff determines the permissible REITs to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 68.82% ownership in the REIT Pool.

Energy Pool

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

(3) Investments (cont.)

net asset value per share on the day of the transaction. At June 30, 2009, the System had a 68.48% ownership in the Energy Pool.

Farmland Pool

The System participates in the Board's externally managed Farmland Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,082. Underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 70.43% ownership in the Farmland Pool.

Farmland Water Pool

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

Timber Pool

The System participates in the Board's externally managed Timber Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,029. Underlying assets in the pool are comprised of investments through limited partnership interests in two timber entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 68.94% ownership in the Timber Pool.

Treasury Inflation Protected Securities (TIPS) Pool

The System participates in the Board's internally managed TIPS Pool which was established on May 24, 2006 with a start up price of $1,000. The share price at June 30, 2009 was $1,191. Treasury staff

(3) Investments (cont.)

determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had 70.77% and 65.58% ownership in the TIPS Pool.

Alaska Retiree Health Care Trust Investments

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

Domestic Equity

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

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

SSgA International Equity

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

SSgA Emerging Markets

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

SSgA Domestic Fixed Income

The purpose of this fund was to create a well diversified portfolio that was representative of the domestic investment grade bond market. The strategy sought to replicate the returns and characteristics of the

(3) Investments (cont.)

Lehman Brothers Aggregate Bond Index through individual security selection based on criteria generated by SSgA's credit and research group, security availability, and the analysis of its impact on the portfolio's weightings.

SSgA International Fixed Income

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

SSgA High Yield Bond Index

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

SSgA Treasury Inflation Protected Securities (TIPS) Index

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

DCR Plan Health and Occupational Death and Disability Investments

ERISA Commingled and Mutual Funds

During fiscal year 2009 the Board contracted with external managers who managed a mix of ERISA and mutual funds for the DCR Plan's occupational death & disability, retiree major medical, and health reimbursement plans. ERISA and mutual fund investments were liquidated during fiscal year 2009 and monies were invested in the Board's existing investment pools.

Domestic Equity

The investments in Domestic Equity were comprised of two externally managed ERISA Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

The purpose of this fund was to replicate the returns and characteristics of the Russell 2000® Index through buying, holding and trading securities only when there was a change to the composition of

(3) Investments (cont.)

the Index or when cash flow activity occurs in the strategy.

SSgA International Equity

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

SSgA Domestic Fixed Income

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

SSgA International Fixed Income

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

SSgA Real Estate

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

Lazard Emerging Markets Mutual Fund

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

DCR Plan Participant Directed Investments

Pooled Investment Funds

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

T. Rowe Alaska Target 2010 Fund

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

(3) Investments (cont.)

target retirement date before arriving at the final allocation of 20% stocks, and 80% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Alaska Target 2010 – 2040 Trusts

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

T. Rowe Alaska Balanced Trust

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

T. Rowe Long-Term Balanced Trust

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

T. Rowe Alaska Money Market Trust

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

Collective Investment Funds

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

(3) Investments (cont.)

SSgA Money Market

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

SSgA S&P 500 Stock Index Fund

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

SSgA Russell 3000 Index

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

SSgA Real Estate Investment Trust (REIT) Index

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

SSgA World Equity Ex-US Index

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

SSgA Long US Treasury Bond Index

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

SSgA Treasury Inflation Protected Securities Index

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

SSgA World Government Bond Ex-US Index

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

Barclays Government / Corporate Bond Fund

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

(3) Investments (cont.)

Barclays Intermediate Bond Fund

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

Brandes Institutional International Equity Fund

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

Capital Guardian Global Balanced Fund

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

Sentinel Sustainable Opportunities Fund

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

RCM Socially Responsible Fund

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

T. Rowe Small Cap Stock Fund

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

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

	Fair Value (in thousands)						
	Fixed Income Pools						
	Short-term	Retirement	High Yield	International	TIPS	Other	Total
Deposits	$ 372	(54)	-	712	-	7,134	8,164
Short-term investment fund	-	-	10,888	670	-	17,224	28,782
Commercial paper	7,463	-	-	-	-	-	7,463
Bridge loans	-	-	5,193	-	-	-	5,193
U.S. Treasury bills	42,107	-	-	-	-	-	42,107
U.S. Treasury notes	-	168,541	-	-	36,261	-	204,802
U.S. Treasury bonds	-	14,197	-	-	15,845	-	30,042
U.S. government agency	3,265	20,154	-	-	-	-	23,419
Foreign government bonds	-	-	-	80,451	-	-	80,451
Mortgage-backed	4,697	509,180	-	-	22	-	513,899
Other asset-backed	14,869	7,166	1,317	-	-	-	23,352
Corporate bonds	40,197	199,736	153,602	47,000	53	-	440,588
Convertible bonds	-	-	775	-	-	-	775
Yankees:							
Government	-	11,648	-	-	-	-	11,648
Corporate	8,653	45,183	13,126	-	-	-	66,962
Fixed income pools:							
Equity	-	-	246	-	-	-	246
Emerging markets debt pool	-	-	-	-	-	65,839	65,839
Domestic equity pool:							
Limited partnership	-	-	-	-	-	147,502	147,502
Treasury bills	-	-	-	-	-	2,430	2,430
Equity	-	-	-	-	-	2,661,319	2,661,319
International equity pool:							
Convertible bonds	-	-	-	-	-	823	823
Equity	-	-	-	-	-	1,260,756	1,260,756
Emerging markets equity pool	-	-	-	-	-	361,503	361,503
Private equity pool:							
Limited partnerships	-	-	-	-	-	734,718	734,718
Absolute return pool:							
Limited partnerships	-	-	-	-	-	377,688	377,688
Real estate pool:							
Real estate	-	-	-	-	-	525,963	525,963
Commingled funds	-	-	-	-	-	197,957	197,957
Limited partnerships	-	-	-	-	-	188,466	188,466
Real estate investment trust pool:							
Equity	-	-	-	-	-	23,421	23,421
Energy pool:							
Limited partnerships	-	-	-	-	-	53,784	53,784
Farmland pool:							
Agricultural holdings	-	-	-	-	-	317,514	317,514
Farmland water pool:							
Agricultural holdings	-	-	-	-	-	10,549	10,549
Timber pool:							
Timber holdings	-	-	-	-	-	107,288	107,288
Participant directed:							
Pooled investment funds	-	-	-	-	-	2,398	2,398
Collective investment funds	-	-	-	-	-	49,555	49,555
Mutual funds	-	-	-	-	-	22,190	22,190
Net other assets (liabilities)	(105)	(21,832)	4,404	1,774	525	4,089	(11,145)
Other pool ownership	(83,467)	47,867	-	-	67	35,533	-
Unallocated deposit in transit	-	-	-	-	-	172	172
Total invested assets	$ 38,051	1,001,786	189,551	130,607	52,773	7,175,815	8,588,583

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

Notes to Financial Statements

June 30, 2009 and 2008

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

	Fair Value (in thousands)								
	Fixed income pools								
	Short-term	Retirement	Enhanced cash	International	High Yield	TIPS	Pooled investments funds	Other	Total
Deposits	$ -	-	-	806	-	-	1	5,154	5,961
Overnight sweep account (lmcs)	-	-	-	-	10,244	-	-	-	10,244
Short-term investment fund	-	-	-	1,377	-	-	15	30,126	31,518
Commercial paper	11,061	-	-	-	-	-	201	-	11,262
Domestic equity	-	-	-	-	53	-	291	-	344
International equity	-	-	-	-	-	-	18	-	18
Bridge loans	-	-	-	-	3,862	-	-	-	3,862
U.S. treasury notes	-	162,532	-	-	-	42,575	-	-	205,107
U.S. treasury bonds	-	65,679	-	-	-	15,481	20	-	81,180
U.S. treasury - TIPS	-	-	-	-	-	-	40	-	40
U.S. government agency									
Discount notes	-	-	-	-	-	-	2	-	2
U.S. government agency	71,585	29,436		-	-	-	31	-	101,052
Municipal bonds		599		-	-	-	22	-	621
Foreign government bonds	-	-	-	121,986	-	-	-	-	121,986
Mortgage-backed	5,751	871,097	10,258	-	-	-	70	-	887,176
Other asset-backed	33,347	87,678	12,662	-	502	-	-	-	134,189
Corporate bonds	31,565	327,159	5,088	93,182	158,771	-	73	-	615,838
Convertible bonds	-	-	-	-	654	-	4	-	658
Yankees:									
Government	-	7,652	-	-	-	-	5	-	7,657
Corporate	9,464	42,236	2,873	-	15,952	-	9	-	70,534
Domestic equity pool:									
Limited partnership	-	-	-	-	-	-	-	154,961	154,961
Convertible bonds	-	-	-	-	-	-	-	489	489
Treasury bills	-	-	-	-	-	-	-	1,136	1,136
Equity	-	-	-	-	-	-	-	3,218,807	3,218,807
International equity pool:									
Convertible bonds	-	-	-	-	-	-	-	787	787
Equity	-	-	-	-	-	-	-	1,511,285	1,511,285
Emerging markets equity pool	-	-	-	-	-	-	-	293,598	293,598
Private equity pool:									
Limited partnership	-	-	-	-	-	-	-	888,882	888,882
Absolute return pool:									
Limited partnership	-	-	-	-	-	-	-	435,243	435,243
Other investments pool:									
Limited partnership	-	-	-	-	-	-	-	53,327	53,327
Agricultural holdings	-	-	-	-	-	-	-	287,405	287,405
Real estate pool:									
Real estate	-	-	-	-	-	-	-	633,386	633,386
Commingled funds	-	-	-	-	-	-	-	239,888	239,888
Limited partnership	-	-	-	-	-	-	-	377,851	377,851
Real estate investment trusts	-	-	-	-	-	-	-	52,708	52,708
Mutual funds	-	-	-	-	70,081	-	-	359,443	429,524
Net other assets (liabilities)	(4)	(51,162)	(2,572)	2,276	232	501	(3)	(4,358)	(55,090)
Other pool ownership	(128,761)	99,665	(28,309)	-	-	71	-	57,334	-
Unallocated deposit in transit	-	-	-	-	-	-	-	65	65
Total invested assets	$ 34,008	1,642,571	-	219,627	260,351	58,628	799	8,597,517	10,813,501

(4) Deposit and Investment Risk

Interest Rate Risk

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

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

Short–term Fixed Income Pool

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

Other DB Plan Fixed Income Pools

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

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

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

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to a band which may not exceed ± 20% of the average life 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, 2009, was 5.19 years.

(4) Deposit and Investment Risk (cont.)

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

	Effective duration (in years)			
	Retirement	**International**	**High yield**	**TIPS**
Corporate bonds	4.96	6.72	4.04	-
Convertible bonds	-	-	1.45	-
Equity	-	-	3.64	-
Foreign government bonds	-	6.23	-	-
Mortgage-backed	3.50	-	-	0.10
Other asset-backed	1.72	-	3.47	-
U.S. Treasury bonds	14.18	-	-	9.57
U.S. Treasury notes	4.95	-	-	3.11
U.S. government and agency securities	5.48	-	-	-
Yankees				
Government	4.48	-	4.12	-
Corporate	10.52	-	-	-
Portfolio effective duration	**4.16**	**6.34**	**3.68**	**5.06**

The Board did not have a policy to limit interest rate risk for common trust funds, ERISA commingled funds, or mutual funds.

DCR Plan Pooled Investment Funds

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

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

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

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

(4) Deposit and Investment Risk (cont.)

DCR Plan Collective Investment Funds

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

Credit Risk

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

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

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

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

Retirement Fixed Income:

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

High Yield:

No more than 10% 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.

(4) Deposit and Investment Risk (cont.)

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

International Fixed Income:

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

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

TIPS:

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

Corporate debt securities must be investment grade.

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

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

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

Domestic equity, international equity and emerging markets separate accounts:

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

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

The Board did not have a policy to limit the concentration of credit risk for the common trust funds, collective investment funds, ERISA commingled funds, or mutual funds.

(4) Deposit and Investment Risk (cont.)

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

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

(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, 2009, the System had the following uncollateralized and uninsured deposits:

		Amount (In thousands)
International Fixed Income Pool	$	712
International Equity Pool		5,464

Foreign Currency Risk

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

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

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

The Board has no policy regarding foreign currency risk in the DCR Plan's pooled investment funds and collective investment funds. Nor did the Board have a policy in regarding foreign currency risk in the common trust funds, collective investment funds, ERISA commingled and mutual funds.

(4) Deposit and Investment Risk (cont.)

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

	Amount (in thousands)	
Currency	**International Fixed Income Pool**	**International Equity Pool**
Australian Dollar	$ —	42
Canadian Dollar	—	25
Danish Krone	—	648
Euro Currency	208	2,784
Hong Kong Dollar	—	74
Japanese Yen	232	1,536
Mexican Peso	245	—
New Taiwan Dollar	—	29
New Zealand Dollar	—	16
Norwegian Krone	—	48
Pound Sterling	27	251
Swedish Krona	—	8
Yuan Renminbi	—	3
	$ 712	5,464

(4) Deposit and Investment Risk (cont.)

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

	Amount (in thousands)			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
Currency	Foreign Government	Corporate	Equity	Limited Partnerships
Australian Dollar	$ 10,247	—	20,058	—
Brazilian Real	—	—	8,015	—
Canadian Dollar	—	—	21,346	—
Danish Krone	—	—	9,421	—
Euro Currency	36,212	6,708	424,380	85,579
Hong Kong Dollar	—	—	45,429	—
Indonesian Rupiah	—	—	703	—
Japanese Yen	767	40,292	302,696	—
Mexican Peso	5,831	—	703	—
New Taiwan Dollar	—	—	7,502	—
New Zealand Dollar	—	—	1,474	—
Norwegian Krone	—	—	3,087	—
Polish Zloty	9,886	—	—	—
Pound Sterling	17,498	—	218,048	14,217
Singapore Dollar	—	—	9,101	—
South African Rand	—	—	2,632	—
South Korean Won	—	—	4,190	—
Swedish Krona	—	—	17,018	—
Swiss Franc	—	—	92,364	—
	$ 80,441	47,000	1,188,167	99,796

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

Concentration of Credit Risk

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

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

(4) Deposit and Investment Risk (cont.)

At June 30, 2009, the System's invested assets did not have exposure to any one issuer greater than 5% of total invested assets.

(5) Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Fixed Income and International Equity Pools' investment income includes the following at June 30:

		(In thousands) 2009	2008
Net realized (loss) gain on foreign currency	$	(9,214)	97,772
Net unrealized gain on foreign currency		59	25
Net realized gain (loss) on foreign exchange contracts		4,627	(87)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. At June 30, the International Equity Pool had one foreign currency forward which matured in 22 days.

The System had net unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, as follows:

		(In thousands) 2009	2008
Contract sale	$	2,225	42,308
Less fair value		2,208	42,281
Net unrealized gain on contract	$	17	27

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

(6) Securities Lending

Alaska Statute 37.10.071 authorized the Board to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. In February of 2008, the Board voted to suspend securities lending agreement with State Street Corporation (the Bank) which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the Board's agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and

(6) Securities Lending (cont.)

simultaneously agreed to return the collateral for the same securities in the future. There were no outstanding securities on loan at June 30, 2009 and 2008.

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

There is no cash collateral at June 30, 2009 and 2008. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Collateral securities could have been pledged or sold upon borrower default. Securities under loan, cash collateral and cash collateral payable were recorded on the financial statements at fair value in prior years. The Bank and the DB Plan received a fee from earnings on invested collateral. The Bank and the DB Plan shared a fee paid by the borrower for loans not collateralized with cash.

There was limited credit risk associated with the lending transactions since the Board 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 Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

(7) Transfers

During fiscal year 2009, the System transferred the $3,490,576,000 balance of the Postemployment Healthcare Fund as of June 30, 2008, to the Alaska Retiree Healthcare Trust as a result of the creation of the Alaska Retiree Healthcare Trust fund, which became effective on July 1, 2007.

Under SB 123, enacted in 2007, the State of Alaska sought to enhance compliance of the states' pension systems with the Internal Revenue Code by creating a new defined benefit retiree healthcare trust into which OPEB contributions would be deposited, and from which OPEB benefits would be paid. Historically, all such contributions had been deposited and benefits paid from the pension trust fund account. With the creation of the new healthcare trust fund account, the systems then sought approval from the Internal Revenue Service through the Voluntary Compliance Program to post the amount allocated to healthcare in the 2007 CAFR to the new healthcare trust fund. On October 10, 2008, the Internal Revenue Service (IRS) orally advised tax counsel for the states' pension systems that the request to transfer the 2007 CAFR amount in the new healthcare trust had been approved. The systems received formal VCP decision from the IRS in May 2009.

(8) Funded Status and Funding Progress – DB 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	FE/(UAAL) as a percentage of covered payroll
Pension						
June 30, 2008	$ 7,210,772	9,154,282	1,943,510	78.8%	$ 1,577,846	123.2%
Post employment healthcare						
June 30, 2008	$ 3,829,334	13,013,450	9,184,116	29.4%	$ 1,577,846	582.1%

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

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

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

Valuation date	June 30, 2008
Actuarial cost method	Entry age normal; level percentage of pay for pension; level dollar for healthcare
Amortization method	Level dollar, closed

(8) Funded Status and Funding Progress – DB Pension and Post employment Healthcare Benefit Plan (cont.)

Equivalent single amortization period	20 years
Asset valuation method	5 year smoothed market
Actuarial Assumptions:	
Investment rate of return	8.25% for pension, 4.50% for healthcare (includes inflation at 3.5%)
Projected salary increases	Peace Officer/Firefighter: merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity – 0.5% per year. Others: merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0.0%. Productivity – 0.5% per year.
Cost-of-living adjustment	Postretirement pension adjustment

Health cost trend:

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

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

(9) Commitments and Contingencies

(a) Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2009, the System's share of the unfunded commitment totaled $32,445,432. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2009, the System's share of these unfunded commitments totaled $604,481,979. These commitments are estimated to be paid through 2019.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2009, the System's share of this unfunded commitment totaled $35,434,800 to be paid through 2018.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2009, the System's share of these unfunded commitments totaled $157,951,511 to be paid through the year 2018.

(b) 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.

(10) Subsequent Event

During fiscal year 2009, the Plan issued a request for proposal for claims administration. The contract for the third party administrator for claims payments was awarded to Wells Fargo Insurance Services (Wells Fargo). Wells Fargo began claims administration on July 1, 2009. To initiate claims payment on July 1, 2009, the Plan, along with the Retiree Health Fund, Group Health and Life Fund, Teachers' and Judicial Alaska Retiree Health Care Trusts, each transferred an amount as an initial deposit with Wells Fargo. The Plan's portion of the deposit was $2,815,358 and is classified as other assets on the statement of net assets.

(11) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive a retiree drug subsidy (RDS) payment if the sponsor's plan provides 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, 2009, cannot be reasonably estimated, and therefore is not recorded in the financial statements for the period ended June 30, 2009.

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Pension Benefits

June 30, 2009

(Dollars in thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2003	$ 4,607,673	6,330,541	1,722,868	72.8%	$ 1,300,041	132.5%
2004	4,709,592	6,711,507	2,001,915	70.2	1,305,670	153.3
2005	4,658,413	7,087,191	2,428,778	65.7	1,404,043	173.0
2006	6,331,065	8,094,043	1,762,978	78.2	1,590,693	110.8
2007	6,739,004	8,662,324	1,923,320	77.8	1,605,819	119.8
2008	7,210,772	9,154,282	1,943,510	78.8	1,577,846	123.2

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

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Postemployment Healthcare Benefits

June 30, 2009

(Dollars in thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2003	$ 3,079,608	4,231,112	1,151,504	72.8%	$ 1,300,041	88.6%
2004	3,320,822	4,732,409	1,411,587	70.2	1,305,670	108.1
2005	3,784,506	5,757,650	1,973,144	65.7	1,404,043	140.5
2006	2,709,843	11,455,015	8,745,172	23.7	1,590,693	549.8
2007	3,161,956	11,108,553	7,946,597	28.5	1,605,819	494.9
2008	3,829,334	13,013,450	9,184,116	29.4	1,577,846	582.1

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

STATE OF ALASKA
PUBLIC EMPLOYEES' 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, 2009

(Dollars in thousands)

		Annual required contribution			Pension percentage contributed		Postemployment healthcare percentage contributed		
Year ended June 30	**Actuarial valuation date as of June 30 [1]**	**Pension**	**Postemployment healthcare**	**Total**	**By employer (note 3)**	**By State of Alaska (note 3)**	**By Employer (note 3)**	**By State of Alaska (note 3)**	**Total percentage contributed (note 3)**
2004	2001	$ 74,178	31,407	105,585	100.0%	—%	100.0%	—%	100.0%
2005	2002	234,361	142,393	376,754	47.3	—	47.3	—	47.3
2006	2003	249,488	166,749	416,237	61.0	4.4	61.0	4.4	65.4
2007	2004	268,742	189,495	458,237	73.2	4.1	73.2	4.1	77.3
2008	2005	140,729	370,456	511,185	71.2	36.2	71.2	36.2	107.4
2009	2006	166,016	391,321	557,337	68.1	48.0	68.1	41.4	111.4

[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, 2008 are as follows:

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

(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 non-prescription claims separated by Medicare status, including eligibility of free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data. Valuation assumes that 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, the valuation assumes that 4.0% of the current retiree population does not receive Part A coverage.

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

(e) Salary scale – inflation 3.5% per year. Peace Officer/Firefighter – Merit 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity 0.5% per year. Others: Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.

(f) Payroll growth – 4.0% per year.

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

(2) Actuarial Assumptions and Methods (cont.)

(h) Mortality (Pre-retirement) – Peace Officer/Firefighters: 1994 Group Annuity Mortality Basic Table for males and females, 1994 base year without margin. Others: based upon the 2001-2005 actual experience. 42% of 1994 Group Annuity Table 1994 Base Year, without margin for males and females. Deaths are assumed to be occupation 75% of the time for Peace Officer/Firefighters, 50% of the time for Others.

(i) Mortality (Post-retirement) – 1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin.

(j) Turnover – based upon the 2001–2005 actual withdrawal experience.

(k) Disability – incidence rates based upon the 2001–2005 actual experience. Post–disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 75% of the time for Peace Officers/Firefighters, 50% of the time for Others.

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

(m) Marriage and age difference – wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.

(n) Dependent children – benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.

(o) Contribution refunds – 15% of those terminating are assumed to have their contributions refunded.

(p) Cost of Living Allowance (COLA) – of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.

(q) Post-retirement pension adjustment (PRPA) – 50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic PRPA as specified in the statute. Disability benefits are loaded by 9% to account for the immediate COLA of 75% of assumed inflation or 2.625%.

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

(s) Part–time status – part–time members are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighters and 0.65 years of credited service per year for Other members.

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

(2) Actuarial Assumptions and Methods (cont.)

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

	Medical	Prescription drugs
Pre-Medicare	$ 7,670	2,379
Medicare Part A & B	1,296	2,379
Medicare Part B Only	3,384	2,379
Medicare Part D	N/A	509

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

(w) 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 cost to get the FY10 claims costs.

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

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

(2) Actuarial Assumptions and Methods (cont.)

(x) 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	—

(y) Retired member contributions for medical benefits – currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/ Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY09 contributions based on monthly rates shown below for calendar 2008 and 2009 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in Tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled:

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

(2) Actuarial Assumptions and Methods (cont.)

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

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

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

(aa) Healthcare participation – 100% of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the 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.

Changes in Assumptions Since the Last Valuation

There were two changes in assumptions from the prior valuation. The first was regarding the future increases in healthcare cost trend rates, and the change to the Society of Actuaries' Healthcare Cost Trend Model. This change increased the Employer / State contribution rate by 2.04% and decreased the funded ratio by 1.8%. The second change involved decreasing the assumed Medicare Part B only proportion of all Medicare retirees from 5% to 4%. The impact of this change on the contribution rate is included with the demographic experience.

(3) Contributions – State of Alaska

Alaska Statute 39.35.280 states that the State of Alaska shall contribute to the System each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions of 22 percent, is sufficient to pay the

(3) Contributions – State of Alaska (cont.)

DB Plan's past service liability at the consolidated actuarially required contribution (ARC) adopted by the Alaska Retirement Management Board (Board) for the fiscal year. During fiscal year 2008, the actuarially required contribution adopted by the Board was 32.51 percent. The additional state contribution is sufficient to contribute the 13.51 percent difference between the ARC and the employer contribution rate of 22 percent.

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

Statements of Plan Net Assets

June 30, 2009

(In thousands)

	Defined benefit plans			Defined contribution pension trust plans						
					Occupational death and disability					
	Pension	Alaska retiree healthcare trust	Total	Participant directed	All Others	Peace officer / Firefighter	Retiree medical plan	Healthcare reimbursement arrangement	Total	SYSTEM TOTAL
Assets:										
Cash and cash equivalents (notes 3, 4, 5 and 6):										
Short-term fixed income pool	$ 30,991	6,448	37,439	443	14	8	30	117	612	38,051
Great West / participant directed deposit	—	—	—	1,585	—	—	—	—	1,585	1,585
Total cash and cash equivalents	30,991	6,448	37,439	2,028	14	8	30	117	2,197	39,636
Receivables:										
Contributions	21,939	90	22,029	16	1	—	1	6	24	22,053
Due from State of Alaska General Fund	—	9,169	9,169	2,859	115	29	218	755	3,976	13,145
Due from retiree health fund	—	1,051	1,051	—	—	—	—	—	—	1,051
Other account receivable	—	2,084	2,084	—	—	—	—	—	—	2,084
Total receivables	21,939	12,394	34,333	2,875	116	29	219	761	4,000	38,333
Investments (notes 3, 4, 5, 6 and 9) at fair value:										
Fixed Income Securities										
Retirement fixed income pool	580,397	418,412	998,809	—	267	72	582	2,056	2,977	1,001,786
High yield pool	110,534	78,601	189,135	—	37	10	81	288	416	189,551
International fixed income pool	75,736	54,458	130,194	—	37	10	81	285	413	130,607
Emerging debt pool	38,375	27,372	65,747	—	8	3	18	63	92	65,839
Total Fixed Income Securities	805,042	578,843	1,383,885	—	349	95	762	2,692	3,898	1,387,783
Broad Domestic Equity										
Broad domestic equity	1,643,106	1,196,748	2,839,854	—	689	185	1,502	5,307	7,683	2,847,537
Total Broad Domestic Equity	1,643,106	1,196,748	2,839,854	—	689	185	1,502	5,307	7,683	2,847,537
Global Equity Ex-US										
International equity pool	754,666	552,932	1,307,598	—	305	82	667	2,359	3,413	1,311,011
Emerging markets equity pool	213,380	147,003	360,383	—	100	27	219	775	1,121	361,504
Total Global Equity Ex-US	968,046	699,935	1,667,981	—	405	109	886	3,134	4,534	1,672,515
Private Equity										
Private equity pool	447,974	285,447	733,421	—	139	37	302	1,069	1,547	734,968
Total Private Equity	447,974	285,447	733,421	—	139	37	302	1,069	1,547	734,968
Absolute Return										
Absolute return pool	215,799	160,497	376,296	—	125	33	272	962	1,392	377,688
Total Absolute Return	215,799	160,497	376,296	—	125	33	272	962	1,392	377,688
Real Assets										
Real estate pool	598,896	311,914	910,810	—	141	38	308	1,089	1,576	912,386
Real estate investment trust pool	14,235	9,172	23,407	—	20	5	43	151	219	23,626
Energy pool	32,438	21,118	53,556	—	20	5	45	157	227	53,783
Farmland pool	191,614	125,676	317,290	—	20	5	44	154	223	317,513
Farmland water pool	10,549	—	10,549	—	—	—	—	—	—	10,549
Timber pool	92,937	13,837	106,774	—	45	11	100	358	514	107,288
Treasury inflation protected securities pool	28,372	23,702	52,074	—	63	17	136	483	699	52,773
Total Real Assets	969,041	505,419	1,474,460	—	309	81	676	2,392	3,458	1,477,918
Other investment funds, at fair value										
Pooled investment funds	—	—	—	2,568	—	—	—	—	2,568	2,568
Collective investment funds	—	—	—	49,555	—	—	—	—	49,555	49,555
Total Other investment funds	—	—	—	52,123	—	—	—	—	52,123	52,123
Total investments	5,049,008	3,426,889	8,475,897	52,123	2,016	540	4,400	15,556	74,635	8,550,532
Other:										
Other	9	2,815	2,824	—	—	—	—	—	—	2,824
Total other	9	2,815	2,824	—	—	—	—	—	—	2,824
Total assets	5,101,947	3,448,546	8,550,493	57,026	2,146	577	4,649	16,434	80,832	8,631,325
Liabilities:										
Accrued expenses	5,663	3,069	8,732	1,015	—	—	—	—	1,015	9,747
Due to State of Alaska General Fund	5,844	—	5,844	—	—	—	—	—	—	5,844
Due to Alaska Retiree Healthcare Trust - TRS	—	102	102	—	—	—	—	—	—	102
Total liabilities	11,507	3,171	14,678	1,015	—	—	—	—	1,015	15,693
Commitment and contingencies (note 9)										
Net assets held in trust for pension and postemployment healthcare benefits (see Unaudited Schedule of Funding Progress)	$ 5,090,440	3,445,375	8,535,815	56,011	2,146	577	4,649	16,434	79,817	8,615,632

See accompanying notes to financial statements.

Schedule 2

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

Statements of Changes in Plan Net Assets

June 30, 2009

(In thousands)

	Defined benefit plans			Defined contribution pension trust plans						
					Occupational death and disability					
	Pension	Alaska retiree healthcare trust	Total	Participant directed	All Others	Peace officer / Firefighter	Retiree medical plan	Healthcare reimbursement arrangement	Total	SYSTEM TOTAL
Additions (reductions):										
Contributions:										
Employers	$ 113,059	266,481	379,540	13,470	1,390	397	2,667	9,988	27,912	407,452
Plan members	118,815	523	119,338	21,735	—	—	—	—	21,735	141,073
State of Alaska	79,681	161,919	241,600	—	—	—	—	—	—	241,600
Total contributions	311,555	428,923	740,478	35,205	1,390	397	2,667	9,988	49,647	790,125
Investment income (loss):										
Net (depreciation) in fair value (note 3)	(1,942,579)	(527,365)	(2,469,944)	(5,555)	(247)	(61)	(570)	(1,830)	(8,263)	(2,478,207)
Interest	84,356	5,703	90,059	1,206	8	3	18	64	1,299	91,358
Dividends	204,301	8,748	213,049	—	22	6	55	192	275	213,324
Net recognized loan recovery	13	—	13	—	—	—	—	—	—	13
Total investment (loss)	(1,653,909)	(512,914)	(2,166,823)	(4,349)	(217)	(52)	(497)	(1,574)	(6,689)	(2,173,512)
Less investment expense	17,885	85	17,970	—	—	—	—	—	—	17,970
Net investment (loss)	(1,671,794)	(512,999)	(2,184,793)	(4,349)	(217)	(52)	(497)	(1,574)	(6,689)	(2,191,482)
Other:										
Other	22	8,758	8,780	—	—	—	—	—	—	8,780
Total (reductions) additions	(1,360,217)	(75,318)	(1,435,535)	30,856	1,173	345	2,170	8,414	42,958	(1,392,577)
Deductions:										
Pension and postemployment benefits	466,085	256,408	722,493	—	—	—	—	—	—	722,493
Refunds of contributions	12,498	—	12,498	1,386	—	—	—	—	1,386	13,884
Administrative	6,568	14,004	20,572	146	—	—	—	—	146	20,718
Total deductions	485,151	270,412	755,563	1,532	—	—	—	—	1,532	757,095
Net (decrease) increase	(1,845,368)	(345,730)	(2,191,098)	29,324	1,173	345	2,170	8,414	41,426	(2,149,672)
Net assets held in trust for pension and postemployment healthcare benefits:										
Balance, beginning of year	6,935,808	3,791,105	10,726,913	26,687	973	232	2,479	8,020	38,391	10,765,304
Balance, end of year	$ 5,090,440	3,445,375	8,535,815	56,011	2,146	577	4,649	16,434	79,817	8,615,632

See accompanying notes to financial statements.

Schedule 3

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska

Statement of Plan Net Assets

June 30, 2008

(In thousands)

	Defined benefit plans				Defined contribution pension trust plans						
						Occupational death and disability					
	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total	Participant directed	All Others	Peace officer / Firefighter	Retiree medical plan	Healthcare reimbursement arrangement	Total	SYSTEM TOTAL
Assets:											
Cash and cash equivalents (notes 3, 4, 5 and 6):											
Short-term fixed income poo	$ 3,273	2,659	26,599	32,531	1,099	47	9	62	260	1,477	34,008
Great West / participant directed deposit	—	—	—	—	324	—	—	—	—	324	324
Total cash and cash equivalents	3,273	2,659	26,599	32,531	1,423	47	9	62	260	1,801	34,332
Receivables:											
Contributions	26,267	—	812	27,079	130	5	1	10	30	176	27,255
Due from State of Alaska General Fund	—	—	17,624	17,624	2,074	84	20	158	481	2,817	20,441
Due from postemployment healthcare fund (note 7)	—	—	3,490,576	3,490,576	—	—	—	—	—	—	3,490,576
Other account receivable	—	—	138	138	—	—	—	—	—	—	138
Total receivables	26,267	—	3,509,150	3,535,417	2,204	89	21	168	511	2,993	3,538,410
Investments (notes 3, 4, 5, 6 and 9) at fair value:											
Fixed Income Securities											
Retirement fixed income poo	906,295	736,276	—	1,642,571	—	—	—	—	—	—	1,642,571
High yield pool	143,650	116,701	—	260,351	—	—	—	—	—	—	260,351
International fixed income poo	121,180	98,447	—	219,627	—	—	—	—	—	—	219,627
Total Fixed Income Securities	1,171,125	951,424	—	2,122,549	—	—	—	—	—	—	2,122,549
Broad Domestic Equity											
Broad domestic equity	3,069,144	351,199	—	3,420,343	—	—	—	—	—	—	3,420,343
Total Broad Domestic Equity	3,069,144	351,199	—	3,420,343	—	—	—	—	—	—	3,420,343
Global Equity Ex-US											
International equity pool	857,743	696,833	—	1,554,576	—	—	—	—	—	—	1,554,576
Emerging markets equity poo	161,994	131,604	—	293,598	—	—	—	—	—	—	293,598
Total Global Equity Ex-US	1,019,737	828,437	—	1,848,174	—	—	—	—	—	—	1,848,174
Private Equity											
Private equity pool	490,444	398,438	—	888,882	—	—	—	—	—	—	888,882
Total Private Equity	490,444	398,438	—	888,882	—	—	—	—	—	—	888,882
Absolute Return											
Absolute return pool	240,147	195,096	—	435,243	—	—	—	—	—	—	435,243
Total Absolute Return	240,147	195,096	—	435,243	—	—	—	—	—	—	435,243
Real Assets											
Real estate pool	719,837	584,797	—	1,304,634	—	—	—	—	—	—	1,304,634
Treasury inflation protected securities pool	31,750	25,794	—	57,544	—	85	20	233	746	1,084	58,628
Total Real Assets	751,587	610,591	—	1,362,178	—	85	20	233	746	1,084	1,363,262
Other investment funds, at fair value:											
Other investments pool	188,001	152,732	—	340,733	—	—	—	—	—	—	340,733
Collective investment funds, at fair value:											
Participant directed	—	—	327,130	327,130	23,724	—	—	—	—	23,724	350,854
ERISA commingled and mutual funds	—	—	—	—	—	752	182	2,016	6,503	9,453	9,453
Total Other investment funds	188,001	152,732	327,130	667,863	23,724	752	182	2,016	6,503	33,177	701,040
Total investments	6,930,185	3,487,917	327,130	10,745,232	23,724	837	202	2,249	7,249	34,261	10,779,493
Other:											
Other	8	—	—	8	—	—	—	—	—	—	8
Total other	8	—	—	8	—	—	—	—	—	—	8
Total assets	6,959,733	3,490,576	3,862,879	14,313,188	27,351	973	232	2,479	8,020	39,055	14,352,243
Liabilities:											
Accrued expenses	7,064	—	1,294	8,358	664	—	—	—	—	664	9,022
Due to State of Alaska General Fund	16,861	—	—	16,861	—	—	—	—	—	—	16,861
Due to Retiree Health Fund	—	—	5,485	5,485	—	—	—	—	—	—	5,485
Due to Alaska Retiree Healthcare Trust - TRS	—	—	64,995	64,995	—	—	—	—	—	—	64,995
Due to Alaska Retiree Healthcare Trust - PERS (note 7)	—	3,490,576	—	3,490,576	—	—	—	—	—	—	3,490,576
Total liabilities	23,925	3,490,576	71,774	3,586,275	664	—	—	—	—	664	3,586,939
Commitment and contingencies (note 9)											
Net assets held in trust for pension and postemployment healthcare benefits	$ 6,935,808	—	3,791,105	10,726,913	26,687	973	232	2,479	8,020	38,391	10,765,304

See accompanying notes to financial statements.

Schedule 4

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

Statement of Changes in Plan Net Assets

June 30, 2008

(In thousands)

	Defined benefit plans				Defined contribution pension trust plans						
						Occupational death and disability					
	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total	Participant directed	All Others	Peace officer / Firefighter	Retiree medical plan	Healthcare reimbursement arrangement	Total	SYSTEM TOTAL
Additions (reductions):											
Contributions:											
Employers	$ 100,323	—	263,755	364,078	8,221	847	216	1,561	5,902	16,747	380,825
Plan members	120,506	—	474	120,980	13,171	—	—	—	—	13,171	134,151
State of Alaska	50,875	—	134,125	185,000	—	—	—	—	—	—	185,000
Total contributions	271,704	—	398,354	670,058	21,392	847	216	1,561	5,902	29,918	699,976
Investment income (loss):											
Net (depreciation) in fair value (note 3)	(707,662)	—	(30,267)	(737,929)	—	(47)	(5)	(154)	(469)	(675)	(738,604)
Interest	130,125	—	7,631	137,756	(2,294)	4	2	11	35	(2,242)	135,514
Dividends	281,043	—	3,833	284,876	—	2	—	5	16	23	284,899
Total investment (loss)	(296,494)	—	(18,803)	(315,297)	(2,294)	(41)	(3)	(138)	(418)	(2,894)	(318,191)
Less investment expense	23,089	—	—	23,089	—	—	—	—	—	—	23,089
Net investment (loss) before security lending activities	(319,583)	—	(18,803)	(338,386)	(2,294)	(41)	(3)	(138)	(418)	(2,894)	(341,280)
Securities lending income (note 6)	39,635	—	—	39,635	—	1	—	2	4	7	39,642
Less securities lending expenses (note 6)	35,342	—	—	35,342	—	—	—	1	4	5	35,347
Net income from securities lending activities	4,293	—	—	4,293	—	1	—	1	—	2	4,295
Net investment (loss)	(315,290)	—	(18,803)	(334,093)	(2,294)	(40)	(3)	(137)	(418)	(2,892)	(336,985)
Transfer from postemployment healthcare fund (note 7)	—	—	3,490,576	3,490,576	—	—	—	—	—	—	3,490,576
Other:											
Other	47	—	—	47	—	—	—	—	—	—	47
Total (reductions) additions	(43,539)	—	3,870,127	3,826,588	19,098	807	213	1,424	5,484	27,026	3,853,614
Deductions:											
Pension and postemployment benefits	439,123	—	77,074	516,197	—	—	—	—	—	—	516,197
Refunds of contributions	14,333	—	—	14,333	826	—	—	—	—	826	15,159
Administrative	6,585	—	1,948	8,533	169	—	—	—	—	169	8,702
Total deductions	460,041	—	79,022	539,063	995	—	—	—	—	995	540,058
Transfer to Alaska retiree healthcare trust (note 7)	—	3,490,576	—	3,490,576	—	—	—	—	—	—	3,490,576
Net (decrease) increase	(503,580)	(3,490,576)	3,791,105	(203,051)	18,103	807	213	1,424	5,484	26,031	(177,020)
Net assets held in trust for pension and postemployment healthcare benefits:											
Balance, beginning of year	7,439,388	3,490,576	—	10,929,964	8,584	166	19	1,055	2,536	12,360	10,942,324
Balance, end of year	$ 6,935,808	—	3,791,105	10,726,913	26,687	973	232	2,479	8,020	38,391	10,765,304

See accompanying notes to financial statements.

Schedule 5

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

Schedule of Administrative and Investment Deductions

Defined Benefit Plan

Year ended June 30, 2009 and 2008

(In thousands)

				Totals	
		Administrative	**Investment**	**2009**	**2008**
Personal services:					
Wages	$	3,092	1,256	4,348	3,737
Benefits		2,122	551	2,673	2,280
Total personal services		5,214	1,807	7,021	6,017
Travel:					
Transportation		50	106	156	168
Per diem		10	14	24	29
Honorarium		2	—	2	—
Total travel		62	120	182	197
Contractual services:					
Management and consulting		13,258	14,386	27,644	21,878
Accounting and auditing		53	759	812	972
Data processing		666	521	1,187	826
Communications		138	45	183	233
Advertising and printing		85	5	90	92
Rentals/leases		183	58	241	220
Legal		63	70	133	209
Medical specialists		36	—	36	22
Repairs and maintenance		52	23	75	43
Transportation		17	6	23	11
Securities lending		—	—	—	35,342
Other services		363	47	410	322
Total contractual services		14,914	15,920	30,834	60,170
Other:					
Equipment		289	12	301	405
Supplies		93	111	204	175
Total other		382	123	505	580
Total administrative and investment deductions	$	20,572	17,970	38,542	66,964

See accompanying independent auditors' report.

Schedule 6

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

Schedule of Administrative and Investment Deductions

Defined Contribution Retirement Trust Plan

Year ended June 30, 2009 and 2008

(In thousands)

	Totals 2009	Totals 2008
Personal services:		
Wages	$ 62	40
Benefits	—	—
Total personal services	62	40
Travel:		
Transportation	—	—
Per diem	—	—
Honorarium	—	—
Total travel	—	—
Contractual services:		
Management and consulting	46	49
Accounting and auditing	22	—
Data processing	1	—
Communications	—	—
Advertising and printing	—	—
Rentals/leases	—	—
Legal	15	—
Medical specialists	—	—
Repairs and maintenance	—	—
Transportation	—	—
Securities lending	—	5
Other services	—	80
Total contractual services	84	134
Other:		
Equipment	—	—
Supplies	—	—
Total other	—	—
Total administrative and investment deductions	$ 146	174

See accompanying independent auditors' report.

Schedule 7

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

Schedule of Payments to Consultants
Other than Investment Advisors

Year ended June 30, 2009 and 2008

(In thousands)

Firm	Services	2009	2008
State Street Bank and Trust Corporation	Custodian banking services	$ 794	929
Buck Consultant LLP	Actuarial services	426	258
Computer Task Group Inc.	Data processing consultants	153	130
Wostmann & Associates	Data processing consultants	89	103
State of Alaska, Department of Law	Legal services	379	355
First National Bank Alaska	Banking services	19	22
KPMG LLP	Auditing services	50	33
		$ 1,910	1,830

See accompanying independent auditors' report.