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

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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 Teachers' Retirement System:

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

Management's Discussion and Analysis and Schedules of Funding Progress and Contributions from Employers are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit 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 are presented on pages 59-65 for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules are the responsibility of the management of the Plan. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in a material respects when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

November 13, 2009

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

Management's Discussion and Analysis

June 30, 2009 and 2008

This section presents management's discussion and analysis (MD&A) of the Teachers' Retirement System's (System) financial position and performance for the years ended June 30, 2009 and 2008. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary 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 $3,762,946,000 and $4,823,247,000.

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

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

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

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

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

Overview of the Financial Statements

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

Statement of Plan Net Assets – This statement presents information regarding the System's assets, liabilities, and resulting net assets held in trust for pension and 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 years 2009 and 2008.

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

Required Supplementary Information and Related Notes – The required supplementary information consists of three schedules and related notes concerning the funded status of the Defined Benefit (DB) Plan 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)

			Increase/(decrease)		
Description	**2009**	**2008**	**Amount**	**Percentage**	**2007**
Assets:					
Cash and cash equivalents	$ 19,704	14,972	4,732	31.60%	12,115
Due from State of Alaska General Fund	10,339	19,473	(9,134)	(46.91)	4,792
Contributions receivable	5,591	5,380	211	3.92	9,362
Other receivables	4,395	65,811	(61,416)	(93.32)	6
Due from postemployment healthcare	—	1,086,620	(1,086,620)	(100.00)	—
Securities lending collateral	—	—	—	n/a	531,810
Investments, at fair value	3,727,139	4,721,128	(993,989)	(21.1)	4,877,086
Other assets	984	—	984	100.0	2
Total assets	3,768,152	5,913,384	(2,145,232)	(36.3)	5,435,173
Liabilities:					
Accrued expenses	3,913	3,517	396	11.3	3,178
Due to Alaska Retiree Health Care Fund	—	1,086,620	(1,086,620)	(100.0)	—
Due to State of Alaska General Fund	1,293	—	1,293	100.0	—
Securities lending collateral payable	—	—	—	n/a	531,810
Total liabilities	5,206	1,090,137	(1,084,931)	(99.5)	534,988
Net assets	$ 3,762,946	4,823,247	(1,060,301)	(22.0)%	4,900,185

Changes in Plan Net Assets (In thousands)

Description	2009	2008	Increase/(decrease) Amount	Increase/(decrease) Percentage	2007
Net assets, beginning of year	$ 4,823,247	4,900,185	(76,938)	(1.6)%	4,299,971
Additions (reductions):					
Contributions	147,865	142,492	5,373	3.8	216,121
Appropriation - State of Alaska	206,300	269,992	(63,692)	(23.6)	—
Net investment (loss) income	(996,876)	(145,767)	(851,109)	583.9	780,805
Transfers	—	1,086,620	(1,086,620)	(100.0)	—
Other additions	3,598	34	3,564	10,482.4	21
Total (reductions) additions	(639,113)	1,353,371	(1,992,484)	(147.2)	996,947
Deductions:					
Pension and postemployment healthcare benefits	408,719	336,183	72,536	21.6	389,768
Refund of Contributions	4,067	3,963	104	2.6	4,555
Administrative	8,402	3,543	4,859	137.1	2,410
Transfers	—	1,086,620	(1,086,620)	(100.0)	—
Total deductions	421,188	1,430,309	(1,009,121)	(70.6)	396,733
(Decrease) increase in net assets	(1,060,301)	(76,938)	(983,363)	1,278.1	600,214
Net assets, end of year	$ 3,762,946	4,823,247	(1,060,301)	(22.0)%	4,900,185

Financial Analysis of the System

The Statements of Plan Net Assets as of June 30, 2009 and 2008 showed net assets held in trust for pension and postemployment healthcare benefits of $3,762,946,000 and $4,823,247,000, respectively. The entire amount is available to cover the System's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries.

These amounts represent a decrease in the System's net assets held in trust for pension and postemployment healthcare benefits of ($1,060,301,000) or -22.0% from fiscal year 2008 to 2009 and ($76,938,000) or -1.6% from fiscal years 2008 and 2007. Over the long term, plan member, employer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the System. The decrease in net assets is due to the decrease in net investment income caused by a decline in investment returns.

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

Defined Benefit (DB) Plan Asset Allocation

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

	2009			
	Pension		**Healthcare Trust**	
	Allocation	**Range**	**Allocation**	**Range**
Broad domestic equity	34%	± 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	8.12%	
Standard deviation	12.52%	

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

Defined Contribution Retirement (DCR) Plan Asset Allocation

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

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

	2008	
	Allocation	**Range**
Domestic large capitalization	35%	±3%
Domestic small capitalization	9	±3
International equity	18	±3
Emerging markets equity	4	±3
Domestic fixed income	13	±3
International fixed income	2	±2
TIPS	10	±3
Real estate	9	±3
Cash	—	±3
Total	100%	
Expected return	7.99%	
Standard deviation	12.17%	

Actuarial Valuations and Funding Progress – DB Plan

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing during a fiscal year and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the actuary and adopted by the Board. Employer contribution rates are recommended by the actuary and the actuarially determined contribution rate is considered for adoption by the Board annually. Decreases in investment results, increasing healthcare costs, and contribution shortfalls continue to impact the DB Plan's funding ratio. The ratio of assets to liabilities was 64.8%, at June 30, 2008 (the date of the DB Plan's latest actuarial valuation report). The goal for the DB Plan is to make progress toward achieving the funding objectives.

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

For fiscal year 2009, (based on the June 30, 2006 actuarial valuation report) the normal cost rate decreased from 12.56% to 9.37%, the past service rate increased from 29.70% to 34.80%, thus producing a total fiscal year 2009 actuarially determined annual contribution rate of 44.17%. The Board adopted the actuarially determined contribution rate of 44.17% for fiscal year 2009.

	Valuation Year (Dollars in thousands) 2008	2007
Valuation assets	$ 4,936,976	4,424,399
Accrued liabilities (total benefits)	7,619,178	7,189,403
Unfunded accrued liability	2,682,202	2,765,004
Funding ratio	64.8%	61.5%

Contributions and Investment Income

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

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

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

The State of Alaska provided $206,300,000 in employer on-behalf payments for fiscal year 2009 in House Bill 95, Section 15(a). The actuarially determined contribution rate decreased from 54.03% in fiscal year 2008 to

44.17% in fiscal year 2009. The actual employer contribution rate of 12.56% is established in Alaska Statute for fiscal year 2009 was established in House Bill 95, Section 15 (b).

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

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

The DCR Pension Trust employer effective rate for fiscal year 2009 was 22%. The DCR Pension Trust employer contribution rate for fiscal year 2009 was 12.56%. The DCR Retiree Medical Fund rate for fiscal year 2009 was 0.99%. The DCR Occupational Death and Disability Fund rate for fiscal year 2009 was 0.62%. The rate for the Retiree Major Medical Insurance Fund was 0.99% per Board Resolution 2007-37, and the rate for the Health Reimbursement Arrangement Fund was set at 3% of the employer's average annual compensation per AS 39.30.370. Any remaining balance, if any, after subtracting the mandatory contributions from the total employer contribution rate of 12.56% was deposited in the DB Plan.

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

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

Benefits and Other Deductions

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

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

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

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

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

Funding

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

- The employer contribution rates are determined by the DB Plan's consulting actuary and adopted by the Board annually. The DCR Pension Trust Fund's employer contribution rate is established by Alaska Statute and the remaining contribution rates adopted by the Board, with the exception of the Healthcare Reimbursement Arrangement Plan amounts, which are calculated and approved by the Department.
- Plan member contributions are established by Alaska Statute 14.25.050 for the DB Plan and Alaska Statute 14.25.340 for the DCR Plan.

- Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the contribution rate adopted by the Board for that fiscal year.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

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

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

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

The financial market environment continues to challenge investors. The Board continues to diversify the portfolio of the System to maintain an optimal risk/return ratio. The return on the DB Plan's investments failed to meet or exceed its' actuarially assumed return of 8.25%. Even with investment returns exceeding the actuarial rate of return, the DB Plan will continue to see an increase in employer actuarial determined contribution rates due to rising medical costs and past contribution shortfalls.

The consulting actuary recommended a decrease from the System's actuarially determined contribution rate of 54.03% in fiscal year 2008 to 44.17% in fiscal year 2009. The Board adopted the actuarially determined contribution rate of 44.17% for fiscal year 2009, down 9.86 points from the fiscal year 2008 actuarially determined contribution rate. The statutory contribution rate remained 12.56% for fiscal years 2008 and 2009.

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

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

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

Requests for Information

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

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
(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	$ 18,472	682	19,154	14,289	606	14,895
Great West Account	—	550	550	—	77	77
Total cash and cash equivalents	18,472	1,232	19,704	14,289	683	14,972
Receivables:						
Contributions	5,591	—	5,591	4,910	470	5,380
Due from State of Alaska General Fund	8,885	1,454	10,339	18,660	813	19,473
Due from PERS Alaska Retiree Healthcare Trust	102	—	102	64,996	—	64,996
Due from Retiree Health Fund	3,440	—	3,440	754	—	754
Due from postemployment healthcare trust (note 7)	—	—	—	1,086,620	—	1,086,620
Other accounts receivable	853	—	853	61	—	61
Total receivables	18,871	1,454	20,325	1,176,001	1,283	1,177,284
Investments (notes 3, 4, 5, 6 and 9) at fair value:						
Fixed Income Securities						
Retirement fixed income pool	415,873	1,099	416,972	697,775	—	697,775
High yield pool	82,322	153	82,475	116,336	—	116,336
International fixed income pool	56,658	152	56,810	98,131	—	98,131
Emerging debt pool	28,611	34	28,645	—	—	—
Total Fixed Income Securities	583,464	1,438	584,902	912,242	—	912,242
Broad Domestic Equity						
Broad domestic equity	1,246,042	2,826	1,248,868	1,526,887	—	1,526,887
Total Broad Domestic Equity	1,246,042	2,826	1,248,868	1,526,887	—	1,526,887
Global Equity Ex-US						
International equity pool	574,198	1,255	575,453	690,435	—	690,435
Emerging markets equity pool	159,250	413	159,663	131,105	—	131,105
Total Global Equity Ex-US	733,448	1,668	735,116	821,540	—	821,540
Private Equity						
Private equity pool	321,652	569	322,221	397,247	—	397,247
Total Private Equity	321,652	569	322,221	397,247	—	397,247
Absolute Return						
Absolute return pool	165,379	513	165,892	194,481	—	194,481
Total Absolute Return	165,379	513	165,892	194,481	—	194,481
Real Assets						
Real estate pool	399,090	579	399,669	581,334	—	581,334
Real estate investment trust pool	10,280	80	10,360	—	—	—
Energy pool	23,509	84	23,593	—	—	—
Farmland pool	133,063	82	133,145	—	—	—
Farmland water pool	10,549	—	10,549	—	—	—
Timber pool	46,866	189	47,055	—	—	—
Treasury inflation protected securities pool	20,548	256	20,804	25,644	419	26,063
Mortgages	9	—	9	17	—	17
Total Real Assets	643,914	1,270	645,184	606,995	419	607,414
Other investment funds, at fair value:						
Pooled investment funds	—	1,557	1,557	—	—	—
Collective investment funds	—	23,399	23,399	86,424	16,556	102,980
Other	—	—	—	158,337	—	158,337
Total Other investment funds	—	24,956	24,956	244,761	16,556	261,317
Total investments	3,693,899	33,240	3,727,139	4,704,153	16,975	4,721,128
Other assets	984	—	984	—	—	—
Total assets	3,732,226	35,926	3,768,152	5,894,443	18,941	5,913,384
Liabilities:						
Accrued expenses	3,467	446	3,913	3,452	65	3,517
Due to State of Alaska General Fund	1,293	—	1,293	—	—	—
Due to Alaska Retiree Healthcare Trust - TRS (note 7)	—	—	—	1,086,620	—	1,086,620
Total liabilities	4,760	446	5,206	1,090,072	65	1,090,137
Commitment and contingencies (note 9)						
Net assets held in trust for pension and postemployment healthcare benefits (see Unaudited Schedule of Funding Progress)	$ 3,727,466	35,480	3,762,946	4,804,371	18,876	4,823,247

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Assets

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

See accompanying notes to financial statements.

(1) Description

The following brief description of the State of Alaska Teachers' Retirement System (TRS or System) Defined Benefit Retirement Pension and Postemployment Healthcare Plan (DB Plan) and Defined Contribution Retirement Trust Fund (DCR Plan). TRS is a Component Unit of the State of Alaska (State). The DB Plan is a plan within the System, which includes the DB Retirement Pension Trust Fund and Alaska Retiree Healthcare Trust Fund. The DCR Plan consists of a Participant Directed Fund, Retiree Medical Fund, Health Reimbursement Arrangement Fund, and Occupational Death and Disability Fund. Members should refer to the System agreement for more complete information than that noted in the notes to the financial statements.

At June 30, 2009 and 2008, the number of participating local government employers was:

State of Alaska	1
School districts	53
Other	4
	58

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

Defined Benefit Retirement Plan

General

The DB Plan is a defined benefit, cost–sharing, multiple employer plan within the System established and administered by the State to provide pension and postemployment healthcare benefits for teachers and other eligible members. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The system is a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a pension trust fund. With the passage of Senate Bill 141, the DB Plan is closed to all new members effective July 1, 2006.

(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	10,026	9,678
Terminated plan members entitled to future benefits	873	846
Total current and future benefits	10,899	10,524
Active plan members:		
Vested	5,612	5,571
Nonvested	2,919	3,536
Total active plan membership	8,531	9,107
	19,430	19,631

Pension Benefits

Vested members hired prior to July 1, 1990, are entitled to pension benefits beginning at normal retirement age, fifty–five, or early retirement age, fifty. For members hired after June 30, 1990, the normal and early retirement ages are sixty and fifty–five, respectively. Members may also retire at any age and receive a normal benefit when they accumulate the required credited service.

The normal annual pension benefit is based on years of service and average base salary. The average base salary is based upon the members' three highest contract years' salaries.

The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of twenty years is equal to 2% of the employee's average base salary. The benefit for each year over twenty years of service subsequent to June 30, 1990, is equal to 2–1/2% of the employee's base salary.

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

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

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

(1) Description (cont.)

Postemployment Healthcare Benefits

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

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

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

Death Benefits

When benefits are payable under the 1% supplemental contribution provision, the DB Plan member's spouse is eligible for a spouse's pension if there is/are no dependent child(ren). If there is/are dependent child(ren), a survivor's allowance may be payable to the DB Plan member's spouse, or guardian of the dependent child(ren). The amount of the pension or allowance is determined by the DB Plan member's base salary. DB Plan members first hired after June 30, 1982, are not eligible to participate in this provision.

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

(1) Description (cont.)

credited service and average base salary at the time of death. If the DB Plan member is not married or vested, a lump sum death benefit is payable to the named beneficiary(ies).

Disability Benefits

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

Contributions

DB Plan Member Contributions

The DB Plan members contribute 8.65% of their base salary as required by statute. The DB Plan's member contributions are deducted before federal tax is withheld. Eligible DB Plan members contribute an additional 1% of their salary under the supplemental contribution provision. Contributions are collected by employers and remitted to the DB Plan. DB Plan member contributions earn interest at the rate of 4.5% per annum, compounded annually.

Employer Contributions

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

Contributions from the State of Alaska

Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year.

Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the employee or a garnishing agency sixty days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within fifty years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to

(1) Description (cont.)

involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they re–establish an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not re–established an employee relationship with a participating DB Plan employer by June 30, 2010, will not be eligible to reinstate voluntarily refunded service and will forfeit any claim to DB Plan membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

Defined Contribution Retirement Plan

General

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

(1) Description (cont.)

At June 30, DCR Pension Trust Fund membership consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits	—	—
Terminated plan members entitled to future benefits:		
25% Vested	151	77
50% Vested	34	—
75% Vested	2	1
100% Vested	4	3
Total terminated plan members entitled to future benefits	191	81
Total current and future benefits	191	81
Active plan members:		
25% Vested	582	378
50% Vested	319	2
75% Vested	—	—
100% Vested	4	5
Nonvested	901	818
Total active plan members	1,806	1,203
	1,997	1,284

Pension Benefits

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

Postemployment Healthcare Benefits

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

(1) Description (cont.)

Death Benefits

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

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

Disability Benefits

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

Contributions

DCR Plan Member Contributions

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

Employer Contributions

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

Refunds

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

(1) Description (cont.)

Participant Accounts

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

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

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

GASB Statements No. 25 and No. 43

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

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

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.

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.

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

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

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

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

DCR Plan Participant Directed Investments

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

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

Income Allocation

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

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

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

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

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

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

Contributions Receivable

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

Administrative Costs

Administrative costs are 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.

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, timber pool, domestic equity pool, international equity pool, emerging markets equity pool, private equity pool, absolute return pool, real estate pool, energy pool, farmland pool, farmland water pool, pooled investment funds, and collective investment funds are managed by external management companies. Treasury manages the Alaska retirement fixed income pool, treasury inflation protected securities pool, real estate investment trust pool

(3) Investments (cont.)

and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

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

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

Short-term Fixed Income Pool

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

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

Alaska Retirement Fixed Income Pool

The System participates in the Board's internally managed Alaska Retirement Fixed Income Pool which was established on March 1, 1996, with a start up share price of $1,000. The share price at June 30, 2009, was $2,163. Treasury staff 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 28.82% and 29.37% 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 30.05% and 30.58% ownership in the High Yield Pool.

(3) Investments (cont.)

International Fixed Income Pool

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

Emerging Markets Debt Pool

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

Domestic Equity Pool

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

Large Cap Domestic Equity Pool

The System participates in the Board's externally managed Large Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $870. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.15% and 30.52% ownership in the Large Cap Domestic Equity Pool.

Small Cap Domestic Equity Pool

The System participates in the Board's externally managed Small Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $844. Each manager independently determines the allocation between

(3) Investments (cont.)

permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the System had a 30.30% and 30.46% ownership in the Small Cap Domestic Equity Pool.

International Equity Pool

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

Emerging Markets Equity Pool

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

Private Equity Pool

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

(3) Investments (cont.)

Absolute Return Pool

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

Real Estate Equities

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

Real Estate Pool A

The System participates in the Board's 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 30.11% and 30.62% 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. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had 30.41% ownership in Real Estate Pool B.

Real Estate Investment Trust (REIT) Pool

The System participates in the Board's 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. The underlying assets in the pool are comprised of REIT holdings. Treasury staff determines the permissible REITs to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset

(3) Investments (cont.)

value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 30.18% ownership in the REIT Pool.

Energy Pool

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

Farmland Pool

The System participates in the Board's externally managed Farmland Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,082. The underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the System had a 29.53% ownership in the Farmland Pool.

Farmland Water Pool

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

(3) Investments (cont.)

Timber Pool

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

Treasury Inflation Protected Securities (TIPS) Pool

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

Alaska Retiree Healthcare Trust Investments

During fiscal year 2009 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

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.

(3) Investments (cont.)

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 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 was to replicate the returns and characteristics of the Lehman Brothers Inflation Notes Index.

DCR Plan Health and Occupational Death and Disability Investments

ERISA Commingled and Mutual Funds

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

(3) Investments (cont.)

Domestic Equity

Domestic Equity was comprised of two externally managed ERISA Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

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

(3) Investments (cont.)

DCR Participant Directed Investments

Pooled Investment Funds

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

T. Rowe Alaska Target 2010 Fund

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

(3) Investments (cont.)

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.

SSgA Money Market Fund

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

SSgA S&P 500 Index Fund

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

SSgA Russell 3000 Index Fund

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

SSgA Real Estate Investment Trust (REIT) Index Fund

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

SSgA World Equity Ex-US Index Fund

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

SSgA Long US Treasury Bond Index Fund

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

SSgA Treasury Inflation Protected Securities Index Fund

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

SSgA World Government Bond Ex-US Index Fund

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

(3) Investments (cont.)

Barclays Daily Government / Corporate Bond Fund

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

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 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 investments included the following:

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

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

	Short-term	Retirement	Enhanced cash	International	High yield	TIPS	Pooled investments funds	Other	Total
Deposits	$ -	-	-	360	-	-	1	2,289	2,650
Overnight sweep account (lmcs)	-	-	-	-	4,577	-	-	-	4,577
Short-term investment fund	-	-	-	615	-	-	10	13,380	14,005
Commercial paper	4,815	-	-	-	-	-	38	-	4,853
Domestic equity	-	-	-	-	24	-	230	-	254
International equity	-	-	-	-	-	-	14	-	14
Bridge loans	-	-	-	-	1,726	-	-	-	1,726
U.S. treasury notes	-	69,045	-	-	-	18,926	-	-	87,971
U.S. treasury bonds	-	27,901	-	-	-	6,882	17	-	34,800
U.S. treasury - TIPS	-	-	-	-	-	-	33	-	33
U.S. government agency	31,160	12,505	-	-	-	-	29	-	43,694
Municipal bonds	-	255	-	-	-	-	4	-	259
Foreign government bonds	-	-	-	54,504	-	-	-	-	54,504
Mortgage-backed	2,504	370,048	4,358	-	-	-	58	-	376,968
Other asset-backed	14,516	37,246	5,379	-	224	-	-	-	57,365
Corporate bonds	13,738	138,979	2,162	41,634	70,945	-	51	-	267,509
Convertible bonds	-	-	-	-	292	-	1	-	293
Yankees:									
Government	-	3,251	-	-	-	-	4	-	3,255
Corporate	4,120	17,942	1,220	-	7,128	-	8	-	30,418
Domestic equity pool:									
Limited partnership	-	-	-	-	-	-	-	69,152	69,152
Convertible bonds	-	-	-	-	-	-	-	218	218
Treasury bills	-	-	-	-	-	-	-	507	507
Equity	-	-	-	-	-	-	-	1,436,932	1,436,932
International equity pool:									
Convertible bonds	-	-	-	-	-	-	-	349	349
Equity	-	-	-	-	-	-	-	671,208	671,208
Emerging markets equity pool	-	-	-	-	-	-	-	131,105	131,105
Private equity pool:									
Limited partnerships	-	-	-	-	-	-	-	397,247	397,247
Absolute return pool:									
Limited partnerships	-	-	-	-	-	-	-	194,481	194,481
Other investments pool:									
Limited partnerships	-	-	-	-	-	-	-	23,827	23,827
Agricultural holdings	-	-	-	-	-	-	-	134,509	134,509
Real estate pool:									
Real estate	-	-	-	-	-	-	-	282,232	282,232
Commingled funds	-	-	-	-	-	-	-	106,892	106,892
Limited partnerships	-	-	-	-	-	-	-	168,367	168,367
Real estate investment trusts	-	-	-	-	-	-	-	23,486	23,486
Mortgages	-	-	-	-	-	-	-	17	17
Mutual funds	-	-	-	-	31,315	-	-	102,436	133,751
Net other assets (liabilities)	(17)	(21,735)	(1,093)	1,018	105	223	(3)	(1,953)	(23,455)
Other pool ownership	(55,941)	42,338	(12,026)	-	-	32	-	25,597	-
Unallocated deposits in transit	-	-	-	-	-	-	-	33	33
Total invested assets	$ 14,895	$ 697,775	$ -	$ 98,131	$ 116,336	$ 26,063	$ 495	$ 3,782,311	$ 4,736,006

(4) Deposit and Investment Risk

Interest Rate Risk

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

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

Short–term Fixed Income Pool

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

Other DB Plan Fixed Income Pools

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the 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% around the duration of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The duration of the proxy index at June 30, 2009, was 5.19 years.

(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:				
Corporate	4.48	-	4.12	-
Government	10.52	-	-	-
Portfolio Effective Duration	**4.16**	**6.34**	**3.68**	**5.06**

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

DCR Plan Pooled Investment Funds

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

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

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

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

(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 counter party to an investment will not fulfill its obligations.

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

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

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

Retirement Fixed Income:

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

High Yield:

No more than 10% percent of the portfolio's assets may be invested in securities rated A3 or higher.
No more than 25% of the portfolio's assets may be invested in securities rated below B3.
No more than 5% percent of the portfolio's assets may be invested in unrated securities.
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 and Poor's.
Corporate debt securities must be investment grade.
No more than 5% percent of the portfolio's assets may be invested in investment grade corporate debt.
No more than 5% percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.
Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity, International Equity and Emerging Markets Separate Accounts:

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

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

(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				
	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	$	310
International Equity Pool		2,398

Foreign Currency Risk

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

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

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

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

(4) Deposit and Investment Risk (cont.)

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

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

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

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

Concentration of Credit Risk

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

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

(4) Deposit and Investment Risk (cont.)

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

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

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

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

The international equity pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. At June 30, 2009, the International Equity Pool had one foreign currency forward contract which matured in twenty-two days. The System had net unrealized gains with respect to forward contracts, calculated using forward rates at June 30, as follows:

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

The counterparties to the foreign currency forward 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 Commissioner to lend assets, under an agreement and for a fee, against deposited collateral. In February 2008, the Commissioner suspended the securities lending agreement with the Bank which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the Commissioner's agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agreed to return the collateral for the same securities in the future. At June 30, 2009 and 2008, there were no outstanding securities on loan.

(6) Securities Lending (cont.)

At June 30, 2009 and 2008, there were no loans allocable to the Plan. While the securities lending agreement was active, there was no limit to the amount that could be loaned and the Commissioner was able to sell securities on loan. International equity security loans were collateralized at not less than 105% of their fair value. All other security loans were collateralized at not less than 102% of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day to maintain collateral levels.

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

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

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

(7) Transfers

During fiscal year 2009, the System transferred the amount due as of June 30, 2008, from the $1,086,620,000 balance of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust as a result of the creation of the Alaska Retiree Healthcare Trust fund, which began on July 1, 2007.

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

(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	UAAL as a percentage of covered payroll
Pension						
June 30, 2008	$ 3,670,086	5,231,654	1,561,568	70.2%	$ 549,148	284.4%
Post employment healthcare						
June 30, 2008	$ 1,266,890	4,648,055	3,381,165	27.3%	$ 549,148	615.7%

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

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

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

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

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

Asset valuation method	5 year smoothed market
Actuarial Assumptions:	
Investment rate of return	8.25% for pension, 4.50% for healthcare (includes inflation at 3.5%)
Projected salary increases	6.0% for first 5 years of service grading down to 4.0% after 15 years
Cost-of-living adjustment	Postretirement pension adjustment

Health cost trend:

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

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

(9) Commitments and Contingencies

Commitments

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

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

(9) Commitments and Contingencies (cont.)

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

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

Contingencies

The Division of Retirement and Benefits (the Division) is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, 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 Division issued a request for proposal for claims administration. The contract for the third party administrator for claims payments was awarded to Wells Fargo Insurance Services (Wells Fargo). Wells Fargo began claims administration on July 1, 2009. To initiate claims payment on July 1, 2009, the Plan, along with the Retiree Health Fund, Group Health and Life Fund, Public Employees' and Judicial Alaska Retiree Health Care Trusts, each transferred an amount as an initial deposit with Wells Fargo. The Plan's portion of the deposit was $984,038 and is classified as other assets on the statement of net assets.

(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
TEACHERS' 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
2002	$ 2,699,445	3,959,958	1,260,513	68.2%	509,437	247.4%
2003	2,694,785	4,190,970	1,496,185	64.3	532,630	280.9
2004	2,647,777	4,216,480	1,568,703	62.8	522,421	300.3
2005	2,640,642	4,334,585	1,693,943	60.9	561,038	301.9
2006	3,296,934	4,859,336	1,562,402	67.8	574,409	272.0
2007	3,441,867	5,043,448	1,601,581	68.2	554,245	289.0
2008	3,670,086	5,231,654	1,561,568	70.2	549,148	284.4

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

STATE OF ALASKA
TEACHERS' 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
2002	$ 989,591	1,451,684	462,093	68.2%	509,437	90.7%
2003	1,057,500	1,644,639	587,139	64.3	532,630	110.2
2004	1,197,593	1,907,120	709,527	62.8	522,421	135.8
2005	1,318,297	2,163,971	845,674	60.9	561,038	150.7
2006	844,766	4,288,707	3,443,941	19.7	574,409	599.6
2007	982,532	4,059,573	3,077,041	24.2	554,245	555.2
2008	1,266,890	4,648,055	3,381,165	27.3	549,148	615.7

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

STATE OF ALASKA
TEACHERS' 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)

Year ended June 30	Actuarial valuation date as of June 30 (1)	Annual required contribution			Pension percentage contributed		Postemployment healthcare percentage contributed		Total percentage contributed (note 3)
		Pension	Postemployment healthcare	Total	By employer (note 3)	By State of Alaska (note 3)	By employer (note 3)	By State of Alaska (note 3)	
2004	2001	$ 65,571	17,089	82,660	83.1%	—%	83.1%	—%	83.1%
2005	2002	152,168	55,783	207,951	45.0	—	45.0	—	45.0
2006	2003	170,019	66,719	236,738	54.1	—	54.1	—	54.1
2007	2004	169,974	76,879	246,853	62.2	—	62.2	—	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	23.6	85.7	107.9
2009	2006	94,388	164,171	258,559	28.7	110.6	28.7	62.1	108.5

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

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

(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Assumptions and Methods

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

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

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

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

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

(e) Salary scale – inflation 3.5% per year, merit 2.0% per year for the first 5 years of employment grading down to 0% after 15 years, and productivity 0.5% per year.

(f) Payroll growth – 4.0% per year.

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

(2) Actuarial Assumptions and Methods (cont.)

(h) Mortality (Pre-retirement) – Based upon the 2001-2005 actual experience. 60% of 1994 Group Annuity Table 1994 Base Year without margin for females and 55% for males. All deaths are assumed to result from nonoccupational causes.

(i) Mortality (Post-retirement) – Based upon the 2001-2005 actual experience. 1-year setback of the 1994 Group Annuity Table 1994 Base Year without margin for females and 3-year setback for males.

(j) Turnover – select and ultimate rates based upon the 2001-2005 actual withdrawal experience.

(k) Disability – incidence rates based upon the 2001-2005 actual experience. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security.

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

(m) Marriage and age difference – wives are assumed to be three years younger than husbands. 85% of male members and 75% of female members are assumed to be married.

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

(o) Contribution refunds – 10% of those terminating are assumed to have their contributions refunded.

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

(q) Sick leave – 4.7 days of unused sick leave for each year of service are assumed to be available to be credited once the member is retired.

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

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

(t) Part-time status – part-time members are assumed to earn 0.55 years of credited service per year.

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

(2) Actuarial Assumptions and Methods (cont.)

(v) Service – total credited service is provided by the State. The actuary assumes that this service is the only service that should be used to calculate benefits. Additionally, the State provides claimed service (including Bureau of Indian Affairs Service). Claimed service is used for vesting and eligibility purposes.

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

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

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

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

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

	Medical	Prescription
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. The model has been populated with assumptions that are specific to the State of Alaska.

(2) Actuarial Assumptions and Methods (cont.)

(z) Aging Factors –

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

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

Coverage category	FY09 annual contribution	Calendar 2009 monthly contribution	Calendar 2008 monthly contribution
Retiree only	$ 7,572	631	590
Retiree and spouse	15,144	1,262	1,179
Retiree and child(ren)	10,692	891	833
Retiree and family	18,276	1,523	1,423
Composite	11,244	937	876

(bb) 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.

(2) Actuarial Assumptions and Methods (cont.)

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 assumptions above for the contribution trends. Note that actual FY08 retired member medical contributions are reflected in the valuation so trend on such contribution during FY08 is not applicable.

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

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

Changes in Assumptions Since the Last Valuation

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

(3) Contributions – State of Alaska

Alaska Statute 14.25.085 states that the State of Alaska shall contribute to the System each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions of 12.56 percent, is sufficient to pay the DB Plan's past service liability at the consolidated actuarially required contribution (ARC) adopted by the Board for the fiscal year. During fiscal year 2009, the actuarially determined contribution adopted by the Board was 44.17 percent. The additional state contribution was not sufficient to contribute the 31.61

percent difference between the actuarially determined contribution rate and the employer contribution rate of 12.56 percent and will be adjusted for accordingly in future actuarial valuation reports.

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

Statement of Plan Net Assets

June 30, 2009

(In thousands)

	Defined benefit plan			Defined contribution pension trust plan					
	Pension	Alaska retiree healthcare trust	Total	Participant directed	Occupational death and disability	Retiree medical plan	Health reimbursement arrangement	Total	SYSTEM TOTAL
Assets:									
Cash and cash equivalents (notes 3, 4, 5 and 6):									
Short-term fixed income pool	$ 14,466	4,006	18,472	517	23	36	106	682	19,154
Great West Account	—	—	—	550	—	—	—	550	550
Total cash and cash equivalents	14,466	4,006	18,472	1,067	23	36	106	1,232	19,704
Receivables:									
Contributions	5,591	—	5,591	—	—	—	—	—	5,591
Due from State of Alaska General Fund	—	8,885	8,885	1,111	46	73	224	1,454	10,339
Due from PERS Alaska Retiree Healthcare Trust	—	102	102	—	—	—	—	—	102
Due from Retiree Health Fund	—	3,440	3,440	—	—	—	—	—	3,440
Other account receivable	—	853	853	—	—	—	—	—	853
Total receivables	5,591	13,280	18,871	1,111	46	73	224	1,454	20,325
Investments (notes 3, 4, 5, 6 and 9) at fair value:									
Fixed Income Securities									
Retirement fixed income pool	285,083	130,790	415,873	—	117	252	730	1,099	416,972
High yield pool	56,322	26,000	82,322	—	16	35	102	153	82,475
International fixed income pool	38,632	18,026	56,658	—	16	35	101	152	56,810
Emerging debt pool	19,548	9,063	28,611	—	4	8	22	34	28,645
Total Fixed Income Securities	399,585	183,879	583,464	—	153	330	955	1,438	584,902
Broad Domestic Equity									
Broad domestic equity	853,583	392,459	1,246,042	—	302	650	1,874	2,826	1,248,868
Total Broad Domestic Equity	853,583	392,459	1,246,042	—	302	650	1,874	2,826	1,248,868
Global Equity Ex-US									
International equity pool	389,604	184,594	574,198	—	134	288	833	1,255	575,453
Emerging markets equity pool	110,171	49,079	159,250	—	44	95	274	413	159,663
Total Global Equity Ex-US	499,775	233,673	733,448	—	178	383	1,107	1,668	735,116
Private Equity									
Private equity pool	230,646	91,006	321,652	—	61	131	377	569	322,221
Total Private Equity	230,646	91,006	321,652	—	61	131	377	569	322,221
Absolute Return									
Absolute return pool	111,351	54,028	165,379	—	55	118	340	513	165,892
Total Absolute Return	111,351	54,028	165,379	—	55	118	340	513	165,892
Real Assets									
Real estate pool	298,996	100,094	399,090	—	62	133	384	579	399,669
Real estate investment trust pool	7,347	2,933	10,280	—	9	18	53	80	10,360
Energy pool	16,729	6,780	23,509	—	9	19	56	84	23,593
Farmland pool	94,474	38,589	133,063	—	9	19	54	82	133,145
Farmland water pool	10,549	—	10,549	—	—	—	—	—	10,549
Timber pool	42,211	4,655	46,866	—	20	43	126	189	47,055
Treasury inflation protected securities pool	14,634	5,914	20,548	—	27	59	170	256	20,804
Mortgages	9	—	9	—	—	—	—	—	9
Total Real Assets	484,949	158,965	643,914	—	136	291	843	1,270	645,184
Other investment funds, at fair value:									
Pooled investment funds	—	—	—	1,557	—	—	—	1,557	1,557
Collective investment funds	—	—	—	23,399	—	—	—	23,399	23,399
Total Other investment funds	—	—	—	24,956	—	—	—	24,956	24,956
Total investments	2,579,889	1,114,010	3,693,899	24,956	885	1,903	5,496	33,240	3,727,139
Other assets	—	984	984	—	—	—	—	—	984
Total assets	2,599,946	1,132,280	3,732,226	27,134	954	2,012	5,826	35,926	3,768,152
Liabilities:									
Accrued expenses	2,220	1,247	3,467	446	—	—	—	446	3,913
Due to State of Alaska General Fund	1,293	—	1,293	—	—	—	—	—	1,293
Total liabilities	3,513	1,247	4,760	446	—	—	—	446	5,206
Commitment and contingencies (note 9)									
Net assets held in trust for pension and postemployment healthcare benefits (See Unaudited Schedule of Funding Progress)	$ 2,596,433	1,131,033	3,727,466	26,688	954	2,012	5,826	35,480	3,762,946

See accompanying independent auditors' report.

Schedule 2

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

Statement of Changes in Plan Net Assets

Year ended June 30, 2009

(In thousands)

	Defined benefit plan			Defined contribution retirement plan					
	Pension	**Alaska retiree healthcare trust**	**Total**	**Participant directed**	**Occupational death and disability**	**Retiree medical plan**	**Health reimbursement arrangement**	**Total**	**SYSTEM TOTAL**
Additions (reductions):									
Contributions:									
Employers	$ 27,110	47,174	74,284	7,023	623	992	3,206	11,844	86,128
Plan members	53,544	116	53,660	8,077	—	—	—	8,077	61,737
Employer legislative relief	104,423	101,877	206,300	—	—	—	—	—	206,300
Total contributions	185,077	149,167	334,244	15,100	623	992	3,206	19,921	354,165
Investment (loss):									
Net (depreciation) in fair value (note 3)	(933,967)	(186,531)	(1,120,498)	(2,536)	(82)	(259)	(647)	(3,524)	(1,124,022)
Interest	36,825	2,688	39,513	568	4	9	23	604	40,117
Dividends	91,021	3,952	94,973	—	9	24	68	101	95,074
Total investment (loss)	(806,121)	(179,891)	(986,012)	(1,968)	(69)	(226)	(556)	(2,819)	(988,831)
Less investment expense	8,017	28	8,045	—	—	—	—	—	8,045
Net investment (loss)	(814,138)	(179,919)	(994,057)	(1,968)	(69)	(226)	(556)	(2,819)	(996,876)
Other:									
Other	3	3,595	3,598	—	—	—	—	—	3,598
Total (reductions) additions	(629,058)	(27,157)	(656,215)	13,132	554	766	2,650	17,102	(639,113)
Deductions:									
Pension and postemployment benefits	319,148	89,571	408,719	—	—	—	—	—	408,719
Refunds of contributions	3,622	—	3,622	445	—	—	—	445	4,067
Administrative	2,537	5,812	8,349	53	—	—	—	53	8,402
Total deductions	325,307	95,383	420,690	498	—	—	—	498	421,188
Net (decrease) increase	(954,365)	(122,540)	(1,076,905)	12,634	554	766	2,650	16,604	(1,060,301)
Net assets held in trust for pension and postemployment healthcare benefits:									
Balance, beginning of year	3,550,798	1,253,573	4,804,371	14,054	400	1,246	3,176	18,876	4,823,247
Balance, end of year	$ 2,596,433	1,131,033	3,727,466	26,688	954	2,012	5,826	35,480	3,762,946

See accompanying independent auditors' report.

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

Statement of Plan Net Assets

June 30, 2008

(In thousands)

	Defined benefit plan				Defined contribution retirement plan					
	Pension	**Postemployment healthcare**	**Alaska retiree healthcare trust**	**Total**	**Participant directed**	**Occupational death and disability**	**Retiree medical plan**	**Health reimbursement arrangement**	**Total**	**SYSTEM TOTAL**
Assets:										
Cash and cash equivalents (notes 3, 4, 5 and 6):										
Short-term fixed income pool	$ 4,303	2,148	7,838	14,289	159	35	108	304	606	14,895
Great West Account	—	—	—	—	77	—	—	—	77	77
Total cash and cash equivalents	4,303	2,148	7,838	14,289	236	35	108	304	683	14,972
Receivables:										
Contributions	3,196	—	1,714	4,910	361	15	24	70	470	5,380
Due from State of Alaska General Fund	12,963	—	5,697	18,660	639	26	42	106	813	19,473
Due from PERS Alaska Retiree Healthcare Trust	—	—	64,996	64,996	—	—	—	—	—	64,996
Due from Retiree Health Fund	—	—	754	754	—	—	—	—	—	754
Due from postemployment healthcare trust (note 7)	—	—	1,086,620	1,086,620	—	—	—	—	—	1,086,620
Other account receivable	5	—	56	61	—	—	—	—	—	61
Total receivables	16,164	—	1,159,837	1,176,001	1,000	41	66	176	1,283	1,177,284
Investments (notes 3, 4, 5, 6 and 9) at fair value:										
Fixed Income Securities										
Retirement fixed income pool	465,421	232,354	—	697,775	—	—	—	—	—	697,775
High yield pool	77,597	38,739	—	116,336	—	—	—	—	—	116,336
International fixed income pool	65,454	32,677	—	98,131	—	—	—	—	—	98,131
Emerging debt pool	—	—	—	—	—	—	—	—	—	—
Total Fixed Income Securities	608,472	303,770	—	912,242	—	—	—	—	—	912,242
Broad Domestic Equity										
Broad domestic equity	1,471,637	55,250	—	1,526,887	—	—	—	—	—	1,526,887
Total Broad Domestic Equity	1,471,637	55,250	—	1,526,887	—	—	—	—	—	1,526,887
Global Equity Ex-US										
International equity pool	460,525	229,910	—	690,435	—				—	690,435
Emerging markets equity pool	87,448	43,657	—	131,105	—	—	—	—	—	131,105
Total Global Equity Ex-US	547,973	273,567	—	821,540	—	—	—	—	—	821,540
Private Equity										
Private equity pool	264,967	132,280	—	397,247	—	—	—	—	—	397,247
Total Private Equity	264,967	132,280	—	397,247	—	—	—	—	—	397,247
Absolute Return										
Absolute return pool	129,720	64,761	—	194,481	—	—	—	—	—	194,481
Total Absolute Return	129,720	64,761	—	194,481	—	—	—	—	—	194,481
Real Assets										
Real estate pool	387,754	193,580	—	581,334	—	—	—	—	—	581,334
Treasury inflation protected securities pool	17,105	8,539	—	25,644	—	33	110	276	419	26,063
Mortgages	17	—	—	17	—	—	—	—	—	17
Total Real Assets	404,876	202,119	—	606,995	—	33	110	276	419	607,414
Other investment funds, at fair value:										
Other investments pool	105,612	52,725	—	158,337	—	—	—	—	—	158,337
Collective investment funds, at fair value:										
Participant directed	—	—	—	—	12,883	—	—	—	12,883	12,883
Common trust funds	—	—	86,424	86,424	—	—	—	—	—	86,424
ERISA commingled and mutual funds	—	—	—	—	—	291	962	2,420	3,673	3,673
Total Other investment funds	105,612	52,725	86,424	244,761	12,883	291	962	2,420	16,556	261,317
Total investments	3,533,257	1,084,472	86,424	4,704,153	12,883	324	1,072	2,696	16,975	4,721,128
Total assets	3,553,724	1,086,620	1,254,099	5,894,443	14,119	400	1,246	3,176	18,941	5,913,384
Liabilities:										
Accrued expenses	2,926	—	526	3,452	65	—	—	—	65	3,517
Due to Alaska Retiree Healthcare Trust - TRS (note 7)	—	1,086,620	—	1,086,620	—	—	—	—	—	1,086,620
Total liabilities	2,926	1,086,620	526	1,090,072	65	—	—	—	65	1,090,137
Commitment and contingencies (note 9)										
Net assets held in trust for pension and postemployment healthcare benefits	$ 3,550,798	—	1,253,573	4,804,371	14,054	400	1,246	3,176	18,876	4,823,247

See accompanying independent auditors' report.

Schedule 4

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

Statement of Changes in Plan Net Assets

Year ended June 30, 2008

(In thousands)

	Defined benefit plan				Defined contribution pension trust plan					
	Pension	**Postemployment healthcare**	**Alaska retiree healthcare trust**	**Total**	**Participant directed**	**Occupational death and disability**	**Retiree medical plan**	**Health reimbursement arrangement**	**Total**	**SYSTEM TOTAL**
Additions (reductions):										
Contributions:										
Employers	$ 31,313	—	43,697	75,010	4,717	408	651	2,127	7,903	82,913
Plan members	54,121	—	111	54,232	5,347	—	—	—	5,347	59,579
Employer legislative relief	111,237	—	158,755	269,992	—	—	—	—	—	269,992
Total contributions	196,671	—	202,563	399,234	10,064	408	651	2,127	13,250	412,484
Investment income (loss):										
Net (depreciation) in fair value (note 3)	(315,129)	—	(8,870)	(323,999)	(1,579)	(10)	(51)	(116)	(1,756)	(325,755)
Interest	58,061	—	2,386	60,447	340	2	53	184	579	61,026
Dividends	126,385	—	1,166	127,551	—	—	3	7	10	127,561
Net recognized loan recovery	11	—	—	11	—	—	—	—	—	11
Total investment income (loss)	(130,672)	—	(5,318)	(135,990)	(1,239)	(8)	5	75	(1,167)	(137,157)
Less investment expense	10,544	—	—	10,544	—	—	—	—	—	10,544
Net investment (loss) income before securities lending	(141,216)	—	(5,318)	(146,534)	(1,239)	(8)	5	75	(1,167)	(147,701)
Securities lending income (note 6)	17,913	—	—	17,913	—	—	—	—	—	17,913
Less securities lending expenses (note 6)	15,979	—	—	15,979	—	—	—	—	—	15,979
Net income from securities lending activities	1,934	—	—	1,934	—	—	—	—	—	1,934
Net investment (loss) income	(139,282)	—	(5,318)	(144,600)	(1,239)	(8)	5	75	(1,167)	(145,767)
Transfer from postemployment healthcare fund (note 7)	—	—	1,086,620	1,086,620	—	—	—	—	—	1,086,620
Other:										
Other	34	—	—	34	—	—	—	—	—	34
Total additions (reductions)	57,423	—	1,283,865	1,341,288	8,825	400	656	2,202	12,083	1,353,371
Deductions:										
Pension and postemployment benefits	306,689	—	29,494	336,183	—	—	—	—	—	336,183
Refunds of contributions	3,761	—	—	3,761	202	—	—	—	202	3,963
Administrative	2,669	—	798	3,467	76	—	—	—	76	3,543
Total deductions	313,119	—	30,292	343,411	278	—	—	—	278	343,689
Transfer to Alaska Retiree Healthcare Trust (note 7)	—	1,086,620	—	1,086,620	—	—	—	—	—	1,086,620
Net (decrease) increase	(255,696)	(1,086,620)	1,253,573	(88,743)	8,547	400	656	2,202	11,805	(76,938)
Net assets held in trust for pension and postemployment healthcare benefits:										
Balance, beginning of year	3,806,494	1,086,620	—	4,893,114	5,507	—	590	974	7,071	4,900,185
Balance, end of year	$ 3,550,798	—	1,253,573	4,804,371	14,054	400	1,246	3,176	18,876	4,823,247

See accompanying independent auditors' report.

Schedule 5

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

Schedule of Administrative and Investment Deductions

Defined Benefit Plan

Year ended June 30, 2009 and 2008

(In thousands)

	Administrative	Investment	2009	2008
Personal services:				
Wages	$ 1,228	560	1,788	1,596
Benefits	702	246	948	825
Total personal services	1,930	806	2,736	2,421
Travel:				
Transportation	19	48	67	74
Per diem	6	6	12	13
Total travel	25	54	79	87
Contractual services:				
Management and consulting	5,582	6,356	11,938	9,898
Accounting and auditing	41	426	467	441
Advertising and printing	37	2	39	31
Data processing	262	231	493	411
Communications	45	20	65	60
Legal	66	24	90	82
Medical specialists	3	8	11	11
Repairs and maintenance	22	10	32	18
Other professional services	176	50	226	204
Securities lending	—	—	—	15,979
Transportation	22	3	25	24
Total contractual services	6,256	7,130	13,386	27,159
Other:				
Equipment	99	5	104	246
Supplies	39	50	89	77
Total other	138	55	193	323
Total administrative and investment deductions	$ 8,349	8,045	16,394	29,990

See accompanying independent auditors' report.

Schedule 6

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

Schedule of Administrative and Investment Deductions

Defined Contribution Retirement Trust Plan

Year ended June 30, 2009 and 2008

(In thousands)

		2009	2008
Personal services:			
Wages	$	26	15
Benefits		—	—
Total personal services		26	15
Travel:			
Transportation		—	—
Per diem		—	—
Total travel		—	—
Contractual services:			
Management and consulting		10	44
Accounting and auditing		9	9
Advertising and printing		—	—
Data processing		—	—
Communications		—	—
Rentals/leases		—	—
Legal		8	8
Medical specialists		—	—
Repairs and maintenance		—	—
Other professional services		—	—
Securities lending		—	—
Transportation		—	—
Total contractual services		27	61
Other:			
Equipment		—	—
Supplies		—	—
Total other		—	—
Total administrative and investment deductions	$	53	76

See accompanying independent auditors' report.

Schedule 7

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

Schedule of Payments to Consultants

Other than Investment Advisors

Year ended June 30, 2009 and 2008

(In thousands)

Firm	Services	2009	2008
State Street Bank and Trust Company	Custodian banking services	$ 333	416
Buck Consultants	Actuarial services	249	168
Computer Task Group, Inc.	Data processing consultants	57	100
Wostmann & Associates, Inc.	Data processing consultants	32	31
KPMG LLP	Auditing services	39	19
State of Alaska, Department of Law	Legal services	69	28
First National Bank of Alaska	Banking services	8	9
		$ 787	771

See accompanying independent auditors' report.