State of Alaska
Teachers' Retirement System

Actuarial Valuation Report
as of June 30, 2008

Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
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buckconsultants
an ACS company

July 14, 2009

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

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

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Teachers' Retirement System has been prepared as of June 30, 2008 by Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the System as of June 30, 2008;

(2) a review of experience under the System for the year ended June 30, 2008;

(3) a determination of the appropriate total contribution rate for all employers in the System, including additional State contributions pursuant to SB 125, which will be applied for the fiscal year ending June 30, 2011; and

(4) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The following schedules that we have prepared are included in this report:

(1) Summary of actuarial assumptions and methods (Section 2.3)

(2) Schedule of active member valuation data (Section 2.2(c))

(3) Schedule of benefit recipients added to and removed from rolls (Section 2.2(i))

(4) Solvency test (Section 3.3)

(5) Analysis of financial experience (Section 3.1)

(6) Summary of GASB No. 25 and 43 disclosure information (Section 3.2)

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In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. The employee data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of an experience study presented to and adopted by The Alaska Retirement Management Board (Board) in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY09 and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities increased from 61.5% to 64.8% during the year. This report provides an analysis of the factors that led to the increase. This report also provides a history of the funding ratio of the System.

A summary of the actuarial assumptions and methods is presented in Section 2.3 of this report. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the System.

Future contribution requirements may differ from those determined in the valuation because of:

(1) differences between actual experience and anticipated experience based on the assumptions;

(2) changes in actuarial assumptions or methods;

(3) changes in statutory provisions; or

(4) differences between the contribution rates determined by the valuation and those adopted by the Board.

This report does not take into account broad declines in U.S. equity and bond prices that have occurred after the valuation date. Taking these into account would have significantly reduced the market and actuarial value of assets shown. The effect of these on any funded ratios and on the final funding calculations is not known. Plan funding and accounting rules generally prohibit reflection of changes in assets and underlying economic conditions that occur after the measurement date.

The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

We believe that this report conforms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,

David H. Slishinsky

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

Michelle M. DeLange

Michelle Reding DeLange, FSA, EA, MAAA
Director, Consulting Actuary

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.

Melissa A. K

Melissa Krumholz, FSA, MAAA
Senior Consultant, Health & Productivity

Contents

Report Highlights

This report has been prepared by Buck Consultants for the State of Alaska Teachers' Retirement System to:

(1) Present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 2008;

(2) Review experience under the plan for the year ended June 30, 2008;

(3) Determine the appropriate contribution rate for all employers in the System; and

(4) Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during Fiscal Year 2008, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 3 contains additional exhibits showing historical information on system experience and unfunded liabilities.

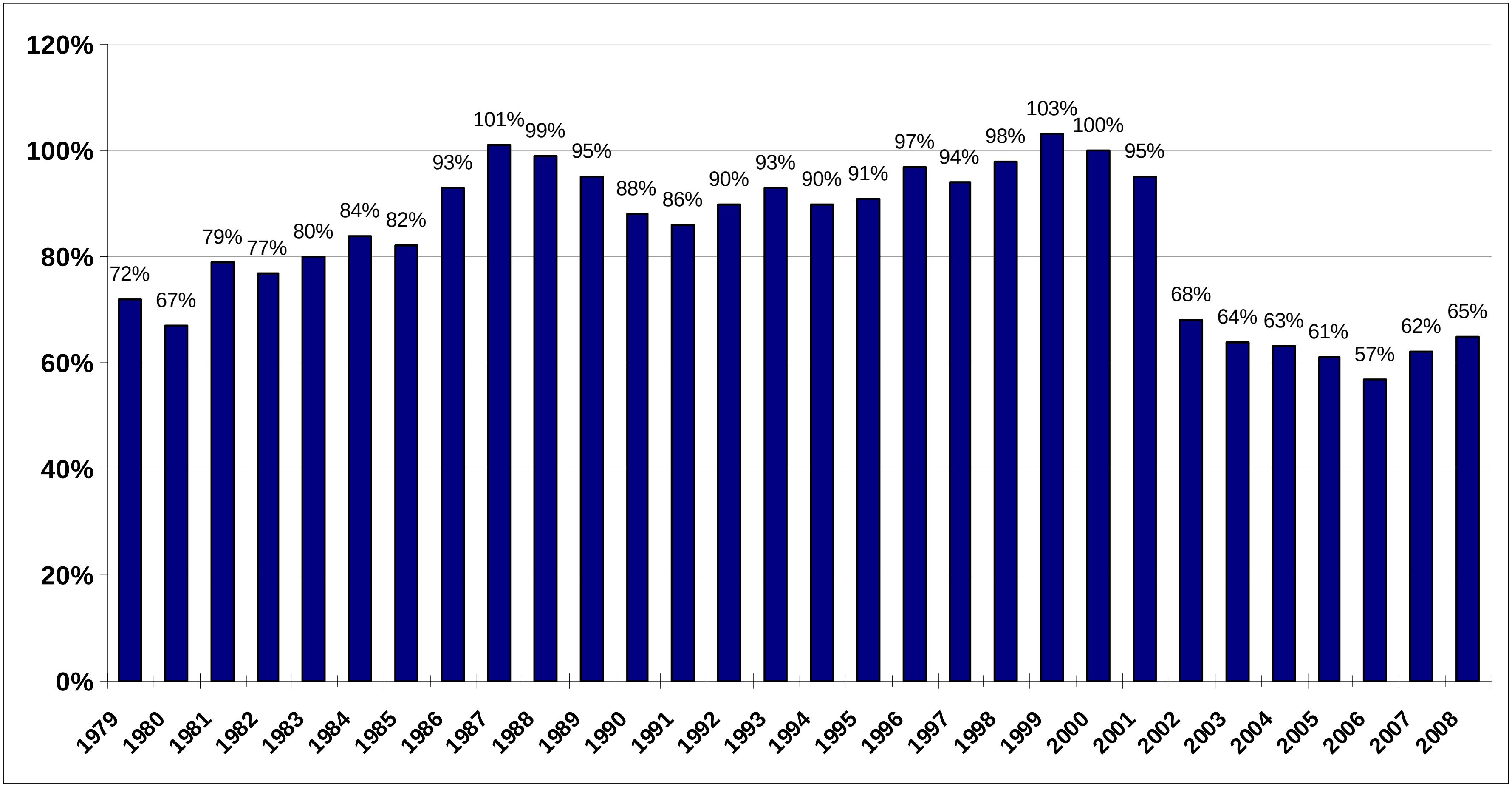
The principal results are as follows:

Funding Status as of June 30[1]	**2007**	**2008**
(a) Valuation Assets[2]	$4,424,399	$4,936,976
(b) Accrued Liability[2]	$7,189,403	$7,619,178
(c) Unfunded Accrued Liability[2]	$2,765,004	$2,682,202
(d) Funding Ratio based on Valuation Assets, *(a) ÷ (b)*	61.5%	64.8%
(e) Market Value of Assets[2]	$4,893,114	$4,804,371
(f) Funding Ratio based on Market Assets, *(e) ÷ (b)*	68.1%	63.1%

[1] *Includes pension and healthcare benefits.*
[2] *In thousands.*

Report Highlights *(continued)*

TRS Funding Ratio History
(Based on Valuation Assets)



Report Highlights *(continued)*

Total Employer/State Contribution Rates for Fiscal Year:	2010	2011
(a) Normal Cost Rate Net of Member Contributions	7.59%	7.56%
(b) Past Service Rate	31.94%	31.00%
(c) Total Employer/State Contribution Rate *(a) + (b)*	39.53%	38.56%
(d) Board Adopted Total Employer/State Contribution Rate	39.53%	TBD

Employer/State Contribution Rates for Pension for Fiscal Year:	2010	2011
(a) Normal Cost Rate Net of Member Contributions	2.71%	2.56%
(b) Past Service Rate	18.24%	17.76%
(c) Total Employer/State Contribution Rate *(a) + (b)*	20.95%	20.32%

Employer/State Contribution Rates for Postemployment Healthcare for Fiscal Year:	2010	2011
(a) Normal Cost Rate	4.88%	5.00%
(b) Past Service Rate	13.70%	13.24%
(c) Total Employer/State Contribution Rate *(a) + (b)*	18.58%	18.24%

Contribution rates are based on salary for both DB plan members and DCR members, combined.

The rates shown above are for funding purposes which differ from the Annual Required Contribution for GASB No. 43 reporting purposes. Under GASB No. 43, postemployment healthcare liabilities are gross of the retiree drug subsidy and are calculated with a discount rate for a partially funded plan.

Contribution rates include Employer contribution rates as limited by State statute, and include the State Relief Funding required under SB 125.

Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio based on valuation assets as of June 30, 2008 has increased from 61.5% to 64.8%, an increase of 3.3%. The total calculated Employer/State contribution rate has decreased from 39.53% of payroll for FY10 to 38.56% for FY11, a decrease of 0.97%. The reasons for the change in the funded status and calculated contribution rate are explained below.

(1) Retiree Medical Costs and Assumptions

The following table summarizes the monthly premium per benefit recipient since 1977.

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	$ 57.64	66%	- -
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	7%	9%

As shown in the above table, the monthly retiree medical premium for the January 1, 2009 to December 31, 2009 time period will increase to $937. This represents an increase of 7% from the previous year’s medical premium of $876. The health cost trend rates used for this valuation are described in Section 2.3. Over the last 10 years, annual premium rate changes have ranged from no change to up 20%. Also, over the last ten years, the increase in the premium rate has been about 7.8% compounded annually.

To help avoid the volatility in the funding and solvency of the System from bringing large health-related gains and losses into the System every year, the health cost trend assumption is being used to determine actuarial liabilities for retiree medical benefits. On June 30, 2002, the assumed total blended premium was reset to the actual total blended premium for FY03.

Effective with the 2004 valuation, the assumptions used to value liabilities for retiree medical benefits were changed. The revised methods and assumptions more accurately measured retiree medical liabilities and incorporated the expected impact on System liabilities due to changes in the Medicare program. In particular, changes were made to the following elements in calculating medical liabilities:

- Claims cost methodology and development
- Offset for Medicare
- Aging factors
- Trend rates

An analysis of medical costs was completed based on claims information provided by Aetna and enrollment data provided by the Division of Retirement and Benefits. Costs for medical services and prescriptions were analyzed separately, and separate trend rates were developed to project expected future medical and prescription costs. An offset for costs expected to be reimbursed by Medicare was incorporated beginning at age 65. Average medical claims were then distributed across the population based on expected increases in medical expenses that occur with age.

For the 2008 valuation, we updated claims cost and Medicare offset analyses using additional claims and enrollment information, and the same methodology as used for the 2005 Experience Analysis. This methodology differs from that used for the 2005 valuation to better reflect Medicare offsets based on eligibility for Medicare Parts A and B. We developed assumptions regarding the number of members with Medicare Part B only coverage and associated claims costs. A lower average claims cost was applied to retirees assumed to be covered by both Medicare Part A and B vs. retirees assumed to be covered only by Medicare Part B. The assumed lag used to adjust claims data from a paid to incurred basis reflects the results of our June 30, 2008 lag study. Assumed lag from incurred date to paid claim is approximately 1.78 months for medical claims and 0.6 months for prescription claims. Composite lag for combined medical and prescription claims is about 2.0 months, similar to the 2-month composite lag assumption used for our 2007 valuation. The trend assumption was changed to the Society of Actuaries' Healthcare Cost Trend Model as adopted by the ARM Board at their December 5, 2008 meeting. The trend rate varies by year declining to 5.1% over 100 years. The trends vary by medical and prescription drugs until 2012, at which point the same trends are used for both benefit types.

Analysis of the Valuation *(continued)*

Individual claim level detail from Aetna and Premera were obtained for calendar years 2005, 2006, 2007 and through June for 2008. This data was reviewed and compared to management level reporting supplied by both Aetna and Premera. For the 2008 valuation, we have not modified any management level reporting information used to develop per capita claim cost rates. However, we will continue to compare data from both sources and potentially modify future claims cost rate derivation to reflect salient information at the individual claimant level that may enhance global management level data. We used individual claimant detail to develop age-graded cost rates for the 2006-2008 period and compared these to the morbidity assumptions in place from the 2004 valuation. For the 2008 valuation, we do not recommend any changes to morbidity assumptions used to project increasing claims costs as members age. However, we will continue to compare age-based claims costs derived from individual claimant data to the current morbidity curve and potentially modify the assumed aging impact on claims costs in future valuations. The portion of retirees assumed to be eligible for Medicare Parts A and B and for Part B only was modified, decreasing the Part B only proportion of all Medicare retirees from 5.0% to 4.0%. Finally, explicit third-party administration (TPA) costs were added to medical and prescription claims cost rates. Per-member TPA costs are derived from the current Premera contract and are projected to increase at the assumed rate of 5%.

Since 2004, the funding valuation also reflects the impact of the Medicare Part D Retiree Drug Subsidy (RDS) in the projection of prescription drug benefit costs. Buck's actuaries have attested that the prescription drug benefits meet the actuarial equivalence requirements and the plan qualifies to receive the RDS under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) for calendar 2008 and 2009. Based on current plan provisions and utilization data, we anticipate the plan will continue to qualify for RDS payments. The State has received RDS payments for calendar 2006, 2007 and the first quarter of 2008. In future valuations, reconciled RDS amounts will be used to refine our assumptions of base year and future RDS payments. Please note, Part D subsidies are not reflected for accounting purposes under GASB No. 43.

Utilization and claims cost data indicate that healthcare experience emerging since the prior valuation is not favorable. A large portion of the unfavorable experience is due to members with chronic diseases (diabetes, ESRD, etc.), and the corresponding large claims that accompany those diseases. Due to the nature of these diseases, it is expected that the State will have these members as benefit recipients for some time, and that costs may be able to be controlled, but not eliminated. With the introduction of a health improvement plan for State employees, as well as disease management provided by the TPA, it is hoped that the incidence of the most severe and costly chronic conditions can be reduced to a more manageable and stable level. As with the prior valuation, a weighting methodology is employed, where each of the experience years is given similar weights when calculating the claims costs. This has the effect of preventing any one year from unduly influencing the claims costs. In future valuations, as Premera-specific data gains credibility, we will assess giving more recent experience greater weight in the overall claims cost rate development process. While continuing to explicitly dampen weighting given to more recent experience periods, we have modified trend rates used to roll prior data forward to the valuation date, thereby more closely reflecting Alaska-specific experience. In the 2006 valuation, we used only the set of trend assumptions historically used for projection purposes to bring prior year data forward to the valuation year. For 2007 and 2008, we averaged these national trend assumptions with Alaska-specific trend during the experience period.

The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2008 as compared to 2007:

Healthcare Cost Rate Data Source or Assumption Change, 2008 vs. 2007	**Gain / Loss Impact on 2008 Valuation Results**
Claim lag specific to medical and prescription experience (1.78 months for medical and 0.6 months for Rx versus 2.0 months combined)	Negligible
Individual claims level data	– No impact on cost data used for 2008, though potentially a source of future modifications – No impact on morbidity assumptions used for 2008, though potentially a source of future modifications – Moderate loss from decreasing the assumed Part B only proportion of all Medicare retirees from 5% to 4%
Explicit TPA fees	Negligible
Actual RDS payments received (final reconciliation in process)	No impact on cost data used for 2008, though potentially a source of future modifications
Weighting of prior experience periods used to derive base claims during the valuation year (near equal weighting for all five periods is similar to 2007)	Dampens the gain from favorable provider discounts and utilization since June 2006 but may be modified in future valuations
Averaging Alaska-specific trend during the experience period with Health Care Cost Trend Rates (HCCTR) used to bring prior data forward to the valuation year	Moderate gain
Aggregate claims data	Moderate loss due to unfavorable experience, but dampened by weighting methodology.

Analysis of the Valuation *(continued)*

(2) Investment Experience

The approximate FY08 investment return based on market values was (3.0)% compared to the expected investment return of 8.25%. This resulted in a loss of approximately $554.2 million to the System from investment experience. The asset valuation method recognizes 20 percent of this loss ($110.8 million) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY04 investment gain, 20 percent of the FY05 investment gain, 20 percent of the FY06 investment gain and 20 percent of the FY07 investment gain were recognized this year. The approximate FY08 investment return based on actuarial values was 10.2% compared to the expected investment return of 8.25%. The net result was an investment gain which increased the funding ratio by 1.10% and decreased the Employer/State contribution rate by 0.85%.

(3) Salary Increase

During the period from June 30, 2007, to June 30, 2008, salary increases for continuing active members were more than anticipated in the valuation assumptions. Higher accrued liabilities caused the funding ratio to decrease by 0.20%. The net effect of the salary loss was an increase of 0.43% in the Employer/State contribution rate.

(4) Demographic Experience

Section 2.2 provides statistics on active and inactive participants. The number of active participants decreased 6.32% from 9,107 at June 30, 2007 to 8,531 at June 30, 2008 due to the closure of the plan to new entrants as of July 1, 2006. The average age of active participants increased from 45.84 to 46.64 and average credited service increased from 11.70 to 12.44 years.

The number of retirees and beneficiaries increased 3.60% from 9,678 to 10,026, and their average age increased from 65.33 to 65.82. There was a 3.19% increase in the number of vested terminated participants from 846 to 873. Their average age increased from 49.03 to 49.14.

The overall effect of these participant data changes along with the healthcare experience was an actuarial gain to the System, resulting in a decrease in the Employer/State contribution rate of 1.55% of total payroll. The gain/loss by decrement on the accrued liability is shown on the summary page.

Analysis of the Valuation *(continued)*

(5) Effect of the Two-Year Delay in the Contribution Rate

As of June 30, 2007, the actuarially calculated rate was 39.53% for FY10 Employer/State contributions. Since Employer/State contribution rates are determined two years prior to the fiscal year, the June 30, 2005 adopted employer rate of 54.03% was contributed during FY08. The difference between the two calculated rates, 54.03% and 39.53%, created a contribution surplus to the System. This surplus decreased the Employer/State contribution rate by 0.98%.

(6) Actuarial Projections

At the Fall 1991 Board Meetings, the TRS Board approved the use of an enhanced actuarial projection system in the valuation report. The same actuarial cost method is used, but the enhanced system projects the associated liabilities 30 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 30 years. Section 1.5, Actuarial Projections, contains the results of this analysis.

This type of information can be especially useful to multi-tiered systems, such as TRS. No new DB plan entrants are anticipated.

(7) Changes in Methods from the Prior Valuation

There were no changes in asset or valuation methods from the prior valuation.

(8) Changes in Assumptions from the Prior 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.

(9) Changes in Benefit Provisions Since the Prior Valuation

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

Analysis of the Valuation *(continued)*

Summary

The following table summarizes the sources of change in the total Employer/State contribution rate:

		Pension	Healthcare	Total
1.	Last year's total Employer/State contribution rate	20.95%	18.58%	39.53%
2.	Change due to:			
	a. New assumptions[1]	0.00%	1.98%	1.98%
	b. Effect of two-year delay in the contribution rate	(0.11)%	(0.87)%	(0.98)%
	c. Investment experience	(0.62)%	(0.23)%	(0.85)%
	d. Salary increases	0.43%	N/A	0.43%
	e. Demographic and medical experience[2]	(0.33)%	(1.22)%	(1.55)%
3.	Total Employer/State contribution rate this year	20.32%	18.24%	38.56%

The following table shows the gain/(loss) on total accrued liability (in thousands):	Amount
- Retirement Experience	$ 3,618
- Termination Experience	(2,108)
- Mortality Experience	(15,681)
- Disability Experience	(320)
- Other Demographic Experience	(16,536)
- Salary Increases	(11,870)
- COLA Other Than Expected	20,193
- Medical Experience	76,136
- Total	$ 53,432

[1] *Change of the healthcare cost trend rates*
[2] *Includes changes in healthcare assumptions other than the change in the healthcare cost trend rates*

Section 1

This section sets forth the results of the actuarial valuation.

Section 1.1(a)	Statement of net assets.
Section 1.1(b)	Statement of changes in net assets during FY08 and the investment return for FY08.
Section 1.1(c)	Actuarial value of assets.
Section 1.2	Actuarial present values.
Section 1.3	Development of total Employer/State contribution rate for FY11.
Section 1.4	Development of actuarial gain or loss for FY08.
Section 1.5(a)	Actuarial Projections – Projections at Calculated Rate. Based on Total DB and DCR Payroll.
Section 1.5(b)	Actuarial Projections – Projections at Current Rate. Based on Total DB and DCR Payroll.
Section 1.5(c)	Actuarial Projections – Effect of Economic Scenarios. Based on Total DB and DCR Payroll.

1.1(a) Statement of Net Assets

As of June 30, 2008 (in thousands)	Pension	Healthcare	Total Market Value
Cash and Cash Equivalents	$ 4,303	$ 9,986	$ 14,289
Domestic Equity Pool	1,471,637	95,271	1,566,908
Domestic Fixed Income Pool	465,421	245,729	711,150
International Equity Pool	460,525	246,301	706,826
Real Estate Pool	387,754	193,580	581,334
International Fixed Income Pool	65,454	34,462	99,916
Private Equity Pool	264,967	132,280	397,247
Emerging Markets Equity Pool	87,448	46,864	134,312
Other Investments Pool	105,612	52,725	158,337
High Yield Pool	77,597	41,332	118,929
Absolute Return Pool	129,720	64,761	194,481
Treasury Inflation Protection Pool	17,105	17,591	34,696
Loans and Mortgages (Net of Reserves)	17	0	17
Net Accrued Receivables	13,238	72,691	85,929
Net Assets	$ 3,550,798	$ 1,253,573	$ 4,804,371

1.1(b) Statement of Changes in Net Assets

Fiscal Year 2008 (in thousands)	Pension	Healthcare	Total Market Value
(1) Net Assets, June 30, 2007 (market value)	$ 3,806,494	$ 1,086,620	$ 4,893,114
(2) Additions:			
(a) Plan Member Contributions	$ 54,121	$ 111	$ 54,232
(b) Employer Contributions	31,313	43,697	75,010
(c) Employer Legislative Relief	111,237	158,755	269,992
(d) Interest and Dividend Income	186,391	3,552	189,943
(e) Net Appreciation in Fair Value of Investments	(315,129)	(8,870)	(323,999)
(f) Other	34	0	34
(g) Total Additions	$ 67,967	$ 197,245	$ 265,212
(3) Deductions:			
(a) Medical Benefits	$ 0	$ 29,494[1]	$ 29,494
(b) Retirement Benefits	306,689	0	306,689
(c) Refunds of Contributions	3,761	0	3,761
(d) Investment Expenses	10,544	0	10,544
(e) Administrative Expenses	2,669	798	3,467
(f) Total Deductions	$ 323,663	$ 30,292	$ 353,955
(4) Net Assets, June 30, 2008 (market value)	$ 3,550,798	$ 1,253,573	$ 4,804,371
Approximate Market Value Investment Return Rate During FY08 Net of All Expenses			(3.0)%

[1] *These benefit payments represent actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 Trust. Due to the establishment of this Trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.*

1.1(c) Actuarial Value of Assets

The actuarial value of assets was set equal to the market value at June 30, 2002. Future investment gains and losses will be recognized 20% per year over 5 years. In no event may valuation assets be less than 80% or more than 120% of market value as of the current valuation date.

In Thousands	Pension	Healthcare	Total
(1) Deferral of Investment Return for FY08			
(a) Market Value, June 30, 2007	$3,806,494	$ 1,086,620	$ 4,893,114
(b) Contributions for FY08	196,671	202,563	399,234
- *Weighted for timing*	98,335	101,282	199,617
(c) Benefit Payments for FY08	310,450	29,494[1]	339,944
- *Weighted for timing*	155,225	14,747	169,972
(d) Actual Investment Return *(net of expenses)*	(141,917)	(6,116)	(148,033)
(e) Expected Return Rate *(net of expenses)*	8.25%	8.25%	8.25%
(f) Expected Return - Weighted for Timing, *[(a. + b. - c.) x e.]*	309,343	96,785	406,128
(g) Investment Gain/(Loss) for the Year *(d. – f.)*	(451,260)	(102,901)	(554,161)
(h) Deferred Investment Return/(Loss)	(119,288)	(13,317)	(132,605)
(2) Actuarial Value, June 30, 2008			
(a) Market Value, June 30, 2008	$3,550,798	$ 1,253,573	$ 4,804,371
(b) 2008 Deferred Investment Return/(Loss)	(119,288)	(13,317)	(132,605)
(c) Preliminary Actuarial Value, June 30, 2008 *(a. - b.)*	3,670,086	1,266,890	4,936,976
(d) Upper Limit: 120% of Market Value, June 30, 2008/(Loss)	4,260,958	1,504,288	5,765,245
(e) Lower Limit: 80% of Market Value, June 30, 2008	2,840,638	1,002,858	3,843,497
(f) Actuarial Value, June 30, 2008 *(c. limited by d. and e.)*	$3,670,086	$ 1,266,890	$ 4,936,976
(g) Ratio of Actuarial Value of Assets to Market Value of Assets	103.36%	101.06%	102.76%
(h) Approximate Actuarial Value Investment Return Rate During FY08 Net of All Expenses	10.1%	10.4%	10.2%

[1] *These benefit payments represent actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 Trust. Due to the establishment of this Trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.*

1.1(c) Actuarial Value of Assets *(continued)*

The tables below show the development of gain/(loss) to be recognized in the current year (in thousands).

Pension

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2004[1]	$ 173,473	$ 138,779	$ 34,694	$ 0
6/30/2005[1]	8,842	5,305	1,768	1,769
6/30/2006[1]	96,920	38,767	19,384	38,769
6/30/2007[1]	335,304	67,061	67,061	201,182
6/30/2008	(451,260)	0	(90,252)	(361,008)
Total	**$ 163,279**	**$ 249,912**	**$ 32,655**	**$(119,288)**

Healthcare

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2004[1]	$ 49,520	$ 39,617	$ 9,903	$ 0
6/30/2005[1]	2,524	1,514	505	505
6/30/2006[1]	27,667	11,067	5,533	11,067
6/30/2007[1]	95,718	19,143	19,143	57,432
6/30/2008	(102,901)	0	(20,580)	(82,321)
Total	**$ 72,528**	**$ 71,341**	**$ 14,504**	**$ (13,317)**

Total

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2004	$ 222,993	$ 178,396	$ 44,597	$ 0
6/30/2005	11,366	6,819	2,273	2,274
6/30/2006	124,587	49,834	24,917	49,836
6/30/2007	431,022	86,204	86,204	258,614
6/30/2008	(554,161)	0	(110,832)	(443,329)
Total	**$ 235,807**	**$ 321,253**	**$ 47,159**	**$(132,605)**

[1] *The pension and healthcare assets bases were allocated using a ratio of market value of assets as of June 30, 2007.*

1.2 Actuarial Present Values

As of June 30, 2008 (in thousands)			Normal Cost		Accrued Liability
Active Members					
Retirement Benefits		$	48,209	$	1,568,688
Termination Benefits			5,038		32,011
Disability Benefits			1,288		18,728
Death Benefits			373		9,457
Return of Contributions			11,389		(49,369)
Medical and Prescription Drug Benefits			34,323		964,136
Medicare Part D Subsidy			(2,535)		(57,476)
Indebtedness			N/A		(48,673)
Subtotal		$	98,085	$	2,437,502
Inactive Members					
Not Vested				$	40,679
Vested Terminations	- Retirement Benefits				87,597
	- Medical and Prescription Drug Benefits				150,275
	- Medicare Part D Subsidy				(9,386)
	- Indebtedness				(4,128)
Retirees & Beneficiaries	- Retirement Benefits				3,576,664
	- Medical and Prescription Drug Benefits				1,465,049
	- Medicare Part D Subsidy				(125,074)
Subtotal				$	5,181,676
Total		**$**	**98,085**	**$**	**7,619,178**
Total Pension		**$**	**66,297**	**$**	**5,231,654**
Total Medical, Net of Part D Subsidy		**$**	**31,788**	**$**	**2,387,524**

1.2 Actuarial Present Values
(continued)

As of June 30, 2008 (in thousands)	Normal Cost	Accrued Liability
By Tier		
Tier 1		
- Pension	$ 19,870	$ 4,392,863
- Medical, Net of Part D Subsidy	6,246	1,742,149
Tier 2		
- Pension	46,427	838,791
- Medical, Net of Part D Subsidy	25,542	645,375
Total	**$ 98,085**	**$ 7,619,178**

1.3 Development of Total Employer/State Contribution Rate – FY11
(in thousands)

Normal Cost Rate		Pension	Healthcare	Total
(1)	Total Normal Cost	$ 66,297	$ 31,788	$ 98,085
(2)	DB Member Salaries Projected for FY09	575,946	575,946	575,946
(3)	DCR Member Salaries Projected for FY09	59,750	59,750	59,750
(4)	Total Salaries Projected for FY09	635,696	635,696	635,696
(5)	Normal Cost Rate			
	a. Based on DB Member Salaries, (1) ÷ (2)	11.51%	5.52%	17.03%
	b. Based on Total Salaries, (1) ÷ (4)	10.43%	5.00%	15.43%
(6)	Average Member Contribution Rate[1]	7.87%	0.00%	7.87%
(7)	Employer Normal Cost Rate, (5b) – (6)	2.56%	5.00%	7.56%

Past Service Rate		Pension	Healthcare	Total
(1)	Accrued Liability	$ 5,231,654	$ 2,387,524	$ 7,619,178
(2)	Valuation Assets	3,670,086	1,266,890	4,936,976
(3)	Total Unfunded Liability, (1) – (2)	1,561,568	1,120,634	2,682,202
(4)	Past Service Cost Amortization Payment[2]	112,895	84,153	197,048
(5)	Total Salaries Projected for FY09	635,696	635,696	635,696
(6)	Past Service Rate, (4) ÷ (5)	17.76%	13.24%	31.00%
	Total Employer/State Contribution Rate	**20.32%**	**18.24%**	**38.56%**

Normal Cost Rate by Tier (Total Employer and Member)[3]

	Pension	Healthcare	Total
Tier 1	11.88%	3.74%	15.62%
Tier 2	11.36%	6.25%	17.61%

---

[1] *Assumes no member contribution from members in the DCR plan, 9.65% contributions for Tier 1 members who elected supplemental coverage and 8.65% for the remaining members.*
[2] *Amortized on a level percentage of pay basis.*
[3] *Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.*

1.3 Development of Total Employer/State Contribution Rate – FY11 *(continued)*

Schedule of Past Service Cost Amortizations - Pension

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	19	$ 871,526	$ 928,937	$ 69,293
FY03 Loss[1]	6/30/2003	20	168,666	178,715	12,895
FY04 Loss[1]	6/30/2004	21	83,331	87,565	6,126
FY05 Loss[1]	6/30/2005	22	117,313	121,992	8,292
Change in Assumptions/Methods[1]	6/30/2006	23	284,349	292,051	19,326
FY06 Gain[1]	6/30/2006	23	(21,576)	(22,161)	(1,466)
FY07 Loss	6/30/2007	24	25,203	25,562	1,650
FY08 Gain	6/30/2008	25	(51,093)	(51,093)	(3,221)
Total				**$ 1,561,568**	**$ 112,895**

Schedule of Past Service Cost Amortizations - Healthcare

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	19	$ 851,080	$ 907,145	$ 67,668
FY03 Loss[1]	6/30/2003	20	164,710	174,523	12,592
FY04 Loss[1]	6/30/2004	21	81,376	85,511	5,982
FY05 Loss[1]	6/30/2005	22	114,560	119,131	8,098
Change in Assumptions/Methods[1]	6/30/2006	23	277,678	285,199	18,873
FY06 Gain[1]	6/30/2006	23	(21,071)	(21,642)	(1,432)
FY07 Gain	6/30/2007	24	(375,974)	(381,337)	(24,609)
Change in Assumptions	6/30/2008	25	138,986	138,986	8,761
FY08 Gain	6/30/2008	25	(186,882)	(186,882)	(11,780)
Total				**$ 1,120,634**	**$ 84,153**

[1] *The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.*

1.3 Development of Total Employer/State Contribution Rate – FY11 *(continued)*

Schedule of Past Service Cost Amortizations - Total

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability	6/30/2002	19	$ 1,722,606	$ 1,836,082	$ 136,961
FY03 Loss	6/30/2003	20	333,376	353,238	25,487
FY04 Loss	6/30/2004	21	164,707	173,076	12,108
FY05 Loss	6/30/2005	22	231,873	241,123	16,390
Change in Assumptions/Methods	6/30/2006	23	562,027	577,250	38,199
FY06 Gain	6/30/2006	23	(42,647)	(43,803)	(2,898)
FY07 Gain	6/30/2007	24	(350,771)	(355,775)	(22,959)
Change in Assumptions	6/30/2008	25	138,986	138,986	8,761
FY08 Gain	6/30/2008	25	(237,975)	(237,975)	(15,001)
Total				**$ 2,682,202**	**$ 197,048**

The amortization factor for 25 years is 15.864073. The weighted average amortization factor is 13.611922. The amortization method is level percentage of pay.

The equivalent single amortization period is 19 years.

1.4 Development of Actuarial Gain/(Loss) for FY08
(in thousands)

	Pension	Healthcare	Total
(1) Expected Actuarial Accrued Liability			
(a) Accrued Liability, June 30, 2007	$ 5,043,448	$ 2,145,955	$ 7,189,403
(b) Normal Cost for FY08	67,135	29,920	97,055
(c) Interest on (a) and (b) at 8.25%	421,623	179,510	601,133
(d) Benefit Payments for FY08	306,689	29,494[1]	336,183
(e) Refund of Contributions for FY08	3,761	0	3,761
(f) Interest on (d) and (e) at 8.25% for one-half year	12,806	1,217	14,023
(g) Change in Assumptions	0	138,986	138,986
(h) Expected Accrued Liability as of June 30, 2008 (a) + (b) + (c) – (d) – (e) – (f) + (g)	5,208,950	2,463,660	7,672,610
(2) Actual Accrued Liability, June 30, 2008	5,231,654	2,387,524	7,619,178
(3) Liability Gain/(Loss), (1)(h) – (2)	**$ (22,704)**	**$ 76,136**	**$ 53,432**
(4) Expected Actuarial Asset Value			
(a) Actuarial Asset Value, June 30, 2007	$ 3,441,867	$ 982,532	$ 4,424,399
(b) Interest on (a) at 8.25%	283,954	81,059	365,013
(c) Employee Contributions for FY08	54,121	111	54,232
(d) Employer Contributions for FY08	31,313	43,697	75,010
(e) State Relief	111,237	158,755	269,992
(f) Interest on (c) and (d) at 8.25% for one-half year	8,113	8,356	16,469
(g) Benefit Payments for FY08	306,689	29,494[1]	336,183
(h) Refund of Contributions for FY08	3,761	0	3,761
(i) Interest on (g) and (h) at 8.25% for one-half year	12,806	1,217	14,023
(j) Expected Actuarial Asset Value, June 30, 2008 (a) + (b) + (c) + (d) + (e) + (f) – (g) – (h) – (i)	3,607,349	1,243,799	4,851,148
(5) Actuarial Asset Value, June 30, 2008	3,670,086	1,266,890	4,936,976
(6) Actuarial Asset Gain/(Loss), (5) - (4)(i)	**$ 62,737**	**$ 23,091**	**$ 85,828**
(7) Actuarial Gain/(Loss), (3) + (6)	**$ 40,033**	**$ 99,227**	**$ 139,260**
(8) Effect of the 2-Year Delay on Contributions	**$ 11,060**	**$ 87,655**	**$ 98,715**
(9) FY08 Gain/(Loss) to be Amortized, (7) + (8)	**$ 51,093**	**$ 186,882**	**$ 237,975**

[1] *These benefit payments represent actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 Trust. Due to the establishment of this Trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.*

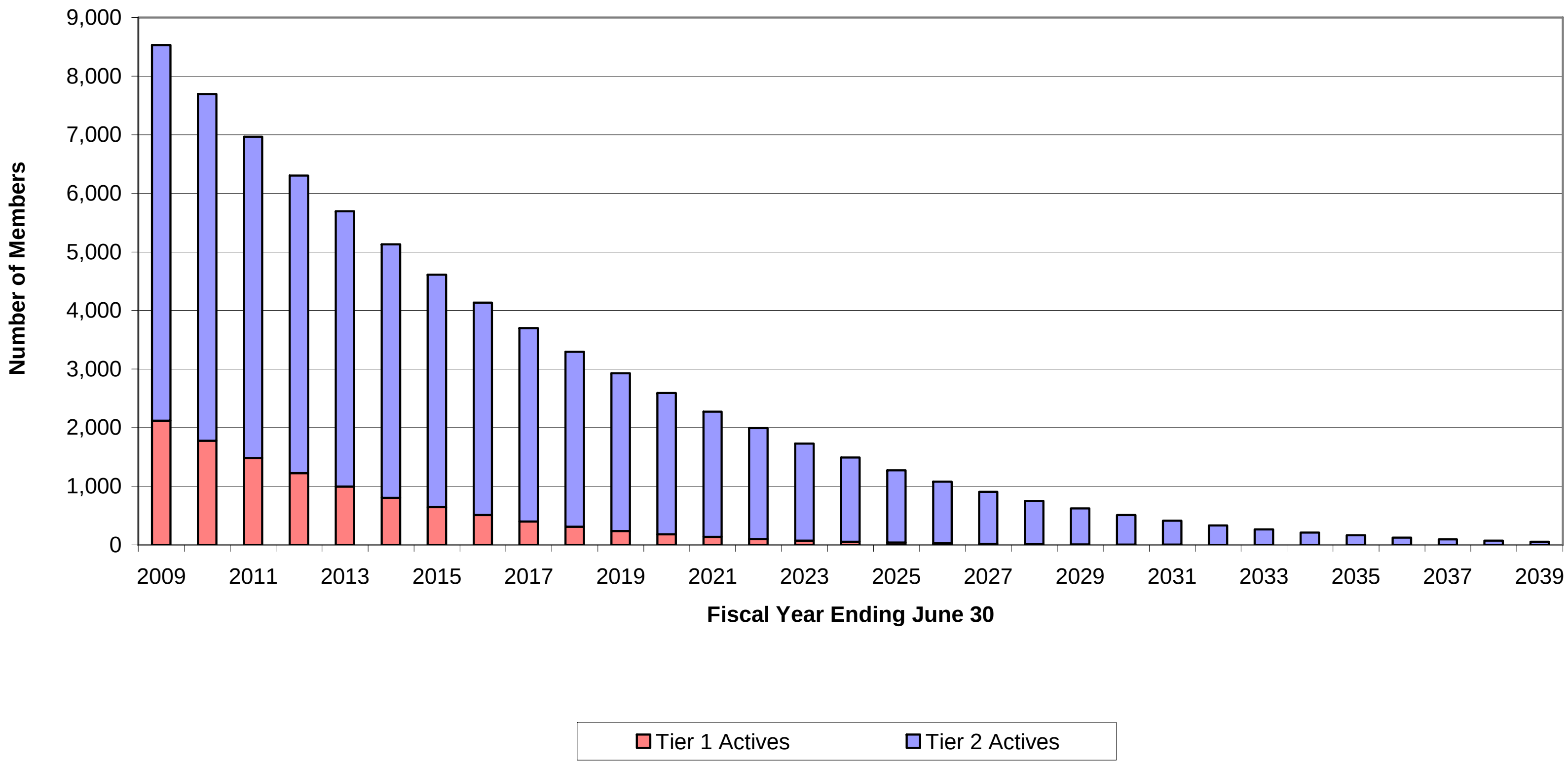
1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll

Key Assumptions

- 8.25% investment return on the Market Value of Assets in all years.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods as described in Section 2.3.
- The actuarially calculated contribution rate with a two-year lag is adopted each year.
- No new DB Plan entrants into Tiers 1 and 2.

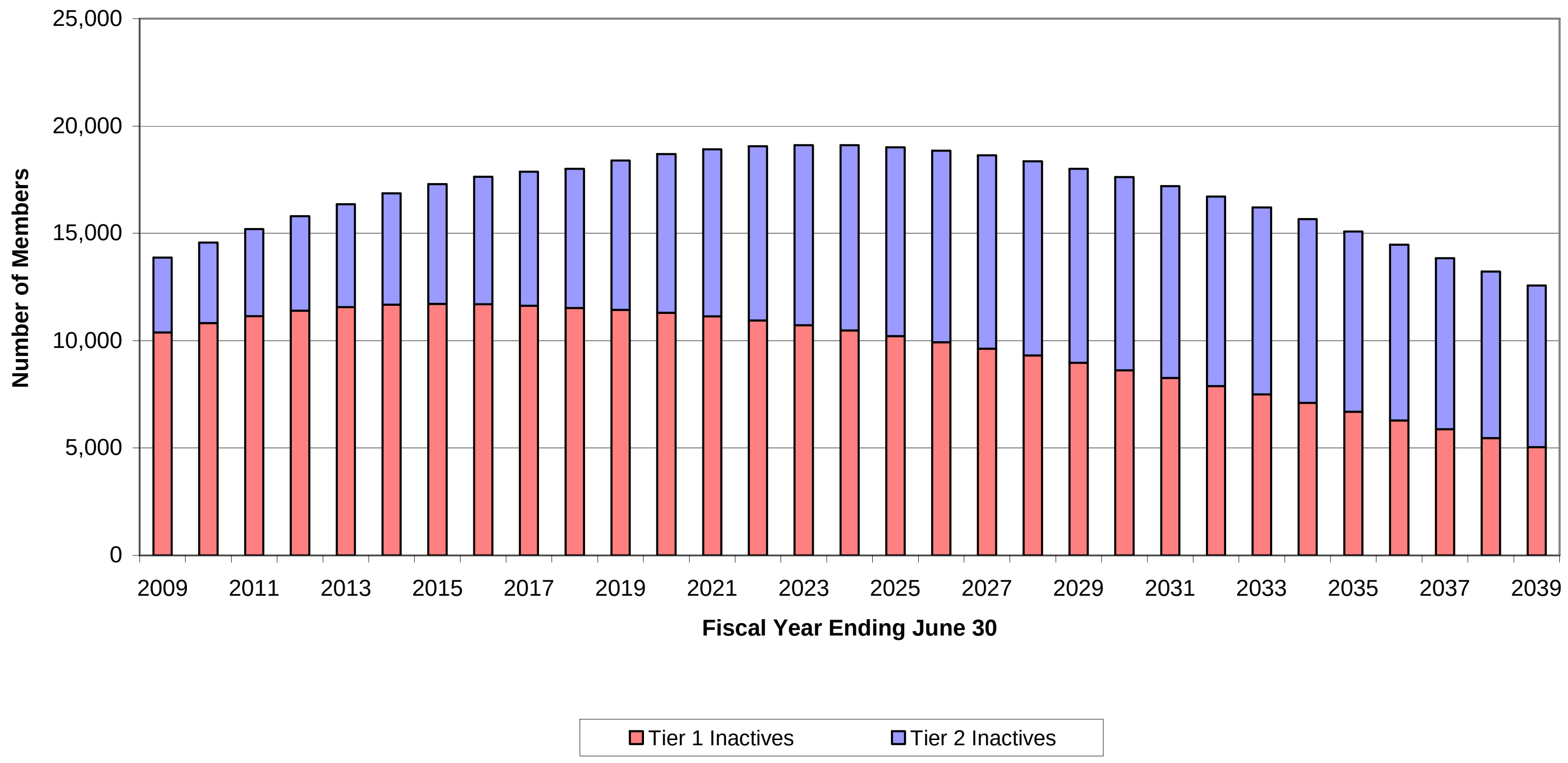
1.5(a) Actuarial Projections – Projections at Calculated Rate Based Total DB and DCR Payroll *(continued)*

Projected Active Member Count



1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Inactive Member Count



1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Observations

- Contribution amounts have been shown instead of rates. The actual contribution amount provides a more meaningful illustration of the contributions due.
- Contributions increase until FY29 before dropping off significantly because the June 30, 200 unfunded liability amortization base is paid off.
- Contributions become $0 towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.
- Funding ratios improve throughout most of the projection period.
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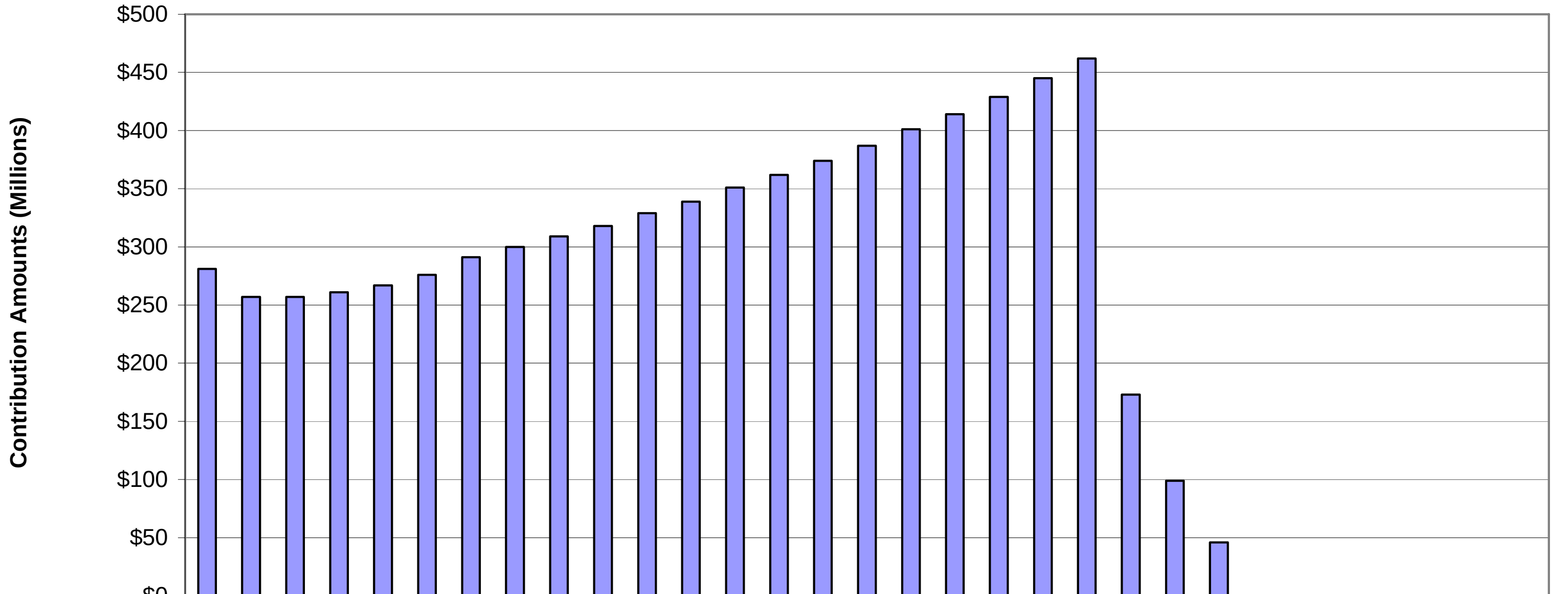
1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts

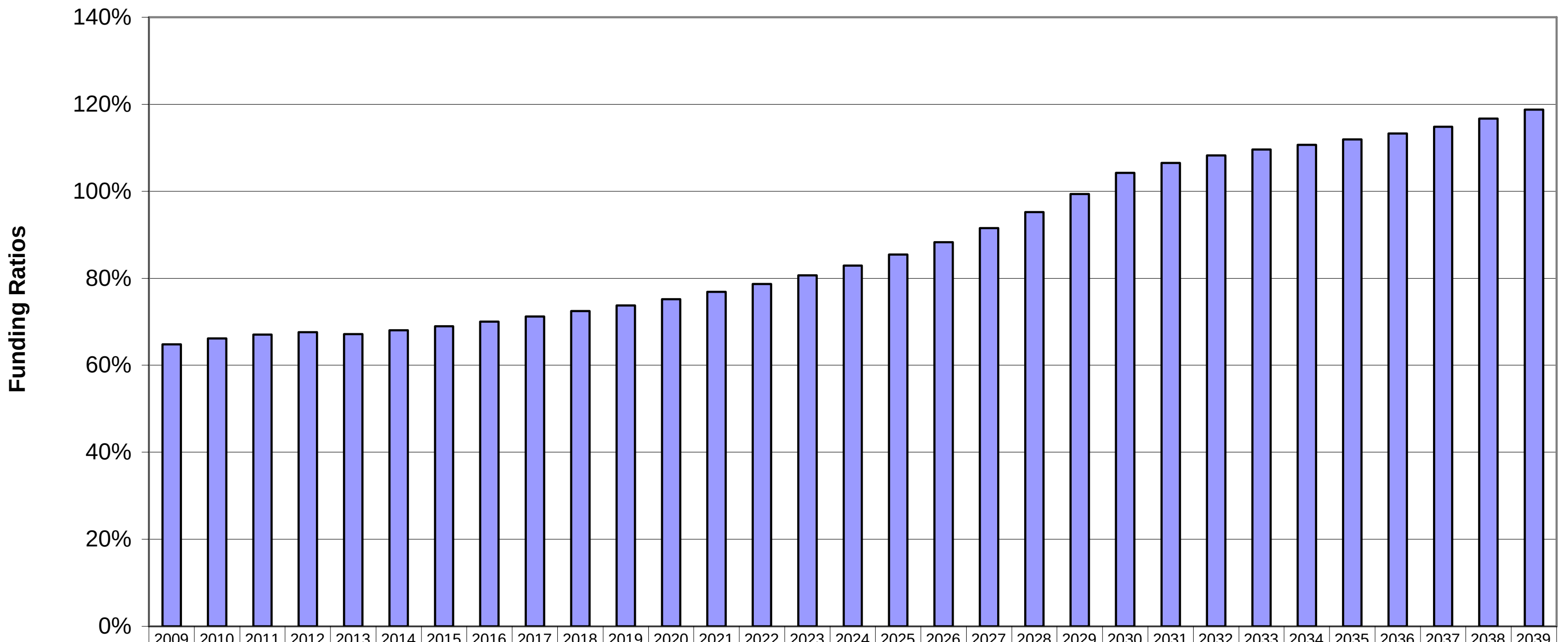


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Contribution Amounts	$281	$257	$257	$261	$267	$276	$291	$300	$309	$318	$329	$339	$351	$362	$374	$387	$401	$414	$429	$445	$462	$173	$99	$46	$-	$-	$-	$-	$-	$-	$-

Fiscal Year Ending June 30

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Funding Ratios



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Funding Ratios	65%	66%	67%	68%	67%	68%	69%	70%	71%	72%	74%	75%	77%	79%	81%	83%	85%	88%	92%	95%	99%	104%	107%	108%	110%	111%	112%	113%	115%	117%	119%

Fiscal Year Ending June 30

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

State of Alaska TRS

Financial Projections (in Thousands)

Investment Return 8.25%

	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									
Fiscal Year End	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	Recognized Asset Gain/(Loss)	Ending Actuarial Assets
2009	$4,936,976	$7,619,178	64.80%	($2,682,202)	$635,696	44.17%	$280,787	$56,133	$336,920	$449,546	($112,626)	$391,807	$2,563	$5,218,720
2010	5,218,720	7,887,779	66.16%	(2,669,059)	650,584	39.53%	257,176	53,351	310,527	481,744	(171,217)	412,470	290	5,460,263
2011	5,460,263	8,142,058	67.06%	(2,681,795)	667,542	38.56%	257,404	50,924	308,328	507,914	(199,586)	431,227	(24,628)	5,667,276
2012	5,667,276	8,383,085	67.60%	(2,715,809)	686,820	37.98%	260,854	48,656	309,510	533,408	(223,898)	449,354	(110,832)	5,781,900
2013	5,781,900	8,611,021	67.15%	(2,829,121)	708,054	37.72%	267,078	46,505	313,583	558,463	(244,880)	467,106	0	6,004,126
2014	6,004,126	8,825,874	68.03%	(2,821,748)	731,401	37.71%	275,811	44,396	320,207	582,635	(262,428)	484,730	0	6,226,428
2015	6,226,428	9,027,528	68.97%	(2,801,100)	756,321	38.50%	291,184	42,210	333,394	607,134	(273,740)	502,612	0	6,455,300
2016	6,455,300	9,214,486	70.06%	(2,759,186)	783,062	38.27%	299,678	40,020	339,698	632,422	(292,724)	520,727	0	6,683,303
2017	6,683,303	9,384,947	71.21%	(2,701,644)	812,688	38.00%	308,821	38,018	346,839	657,033	(310,194)	538,831	0	6,911,940
2018	6,911,940	9,538,804	72.46%	(2,626,864)	844,796	37.69%	318,404	27,033	345,437	679,394	(333,957)	556,732	0	7,134,715
2019	7,134,715	9,675,371	73.74%	(2,540,656)	879,594	37.35%	328,528	24,893	353,421	695,905	(342,484)	574,767	0	7,366,998
2020	7,366,998	9,794,289	75.22%	(2,427,291)	917,282	37.01%	339,486	22,840	362,326	718,709	(356,383)	593,368	0	7,603,983
2021	7,603,983	9,894,724	76.85%	(2,290,741)	956,502	36.68%	350,845	20,756	371,601	741,923	(370,322)	612,356	0	7,846,017
2022	7,846,017	9,974,990	78.66%	(2,128,973)	997,893	36.28%	362,036	18,760	380,796	764,678	(383,882)	631,775	0	8,093,910
2023	8,093,910	10,034,042	80.66%	(1,940,132)	1,041,563	35.92%	374,129	16,769	390,898	786,885	(395,987)	651,737	0	8,349,660
2024	8,349,660	10,070,996	82.91%	(1,721,336)	1,087,716	35.57%	386,901	15,010	401,911	808,865	(406,954)	672,393	0	8,615,099
2025	8,615,099	10,084,509	85.43%	(1,469,410)	1,136,588	35.25%	400,647	13,298	413,945	831,354	(417,409)	693,869	0	8,891,559
2026	8,891,559	10,072,354	88.28%	(1,180,795)	1,187,116	34.91%	414,422	11,634	426,056	852,112	(426,056)	716,327	0	9,181,830
2027	9,181,830	10,034,478	91.50%	(852,648)	1,240,613	34.59%	429,128	10,049	439,177	870,954	(431,777)	740,043	0	9,490,096
2028	9,490,096	9,970,899	95.18%	(480,803)	1,297,195	34.31%	445,068	8,691	453,759	889,769	(436,010)	765,304	0	9,819,390
2029	9,819,390	9,879,839	99.39%	(60,449)	1,357,210	34.03%	461,859	7,329	469,188	905,881	(436,693)	792,443	0	10,175,140
2030	10,175,140	9,762,205	104.23%	412,935	1,420,700	12.15%	172,615	6,251	178,866	921,158	(742,292)	809,436	0	10,242,284
2031	10,242,284	9,616,963	106.50%	625,321	1,486,781	6.65%	98,871	5,352	104,223	932,737	(828,514)	811,490	0	10,225,260
2032	10,225,260	9,445,930	108.25%	779,330	1,555,787	2.95%	45,896	4,356	50,252	939,804	(889,552)	807,617	0	10,143,325
2033	10,143,325	9,251,887	109.64%	891,438	1,628,004	0.00%	0	3,582	3,582	946,209	(942,627)	798,712	0	9,999,410
2034	9,999,410	9,033,843	110.69%	965,567	1,703,729	0.00%	0	2,896	2,896	947,258	(944,362)	786,768	0	9,841,816
2035	9,841,816	8,795,584	111.89%	1,046,232	1,783,153	0.00%	0	2,318	2,318	942,848	(940,530)	773,922	0	9,675,208
2036	9,675,208	8,541,314	113.28%	1,133,894	1,865,539	0.00%	0	1,866	1,866	935,976	(934,110)	760,436	0	9,501,534
2037	9,501,534	8,272,430	114.86%	1,229,104	1,951,863	0.00%	0	1,561	1,561	926,041	(924,480)	746,498	0	9,323,552
2038	9,323,552	7,991,083	116.67%	1,332,469	2,042,014	0.00%	0	1,225	1,225	910,954	(909,729)	732,410	0	9,146,233
2039	9,146,233	7,701,735	118.76%	1,444,498	2,136,469	0.00%	0	855	855	893,632	(892,777)	718,467	0	8,971,923

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll

Key Assumptions

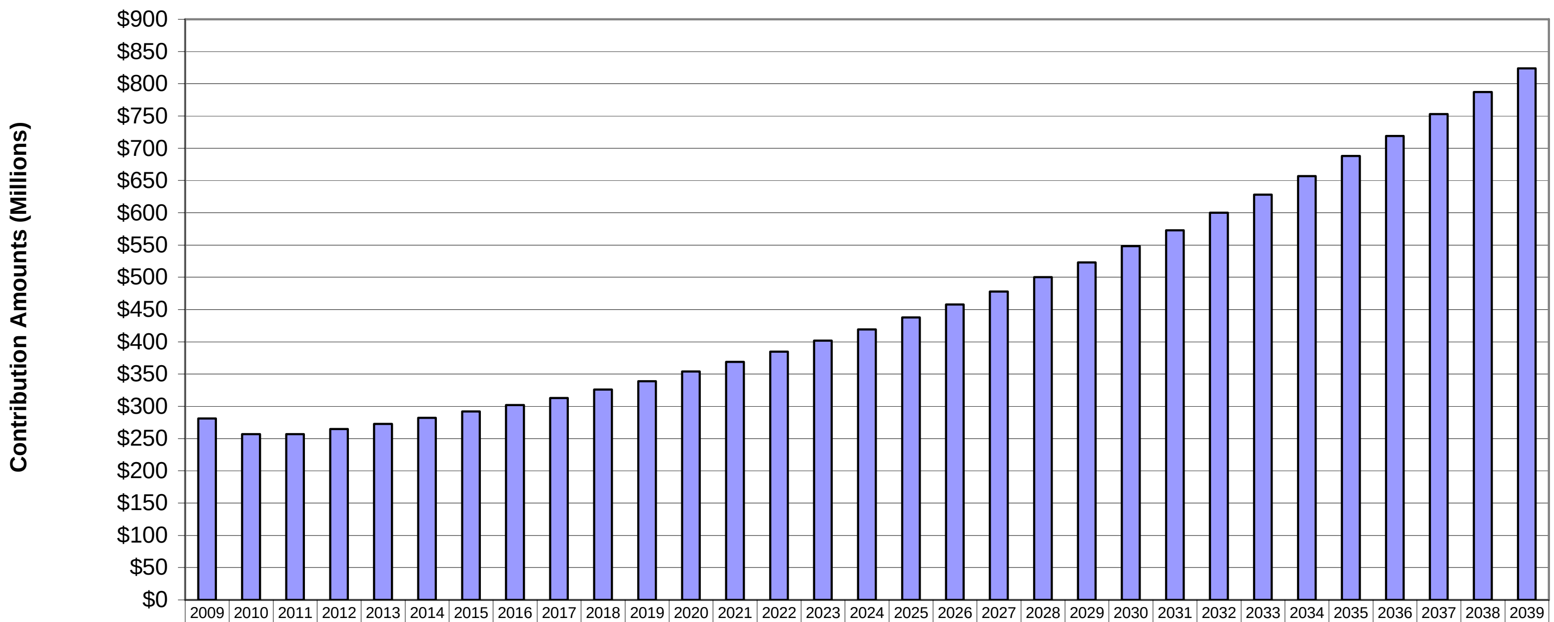
- All assumptions and methods are the same as Section 1.5(a), except adopted contribution rate is maintained at the FY11 level for all future years.

Observations

- Contribution amounts increase through the projection period.
- Funding ratios improve throughout most of the projection period.

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts

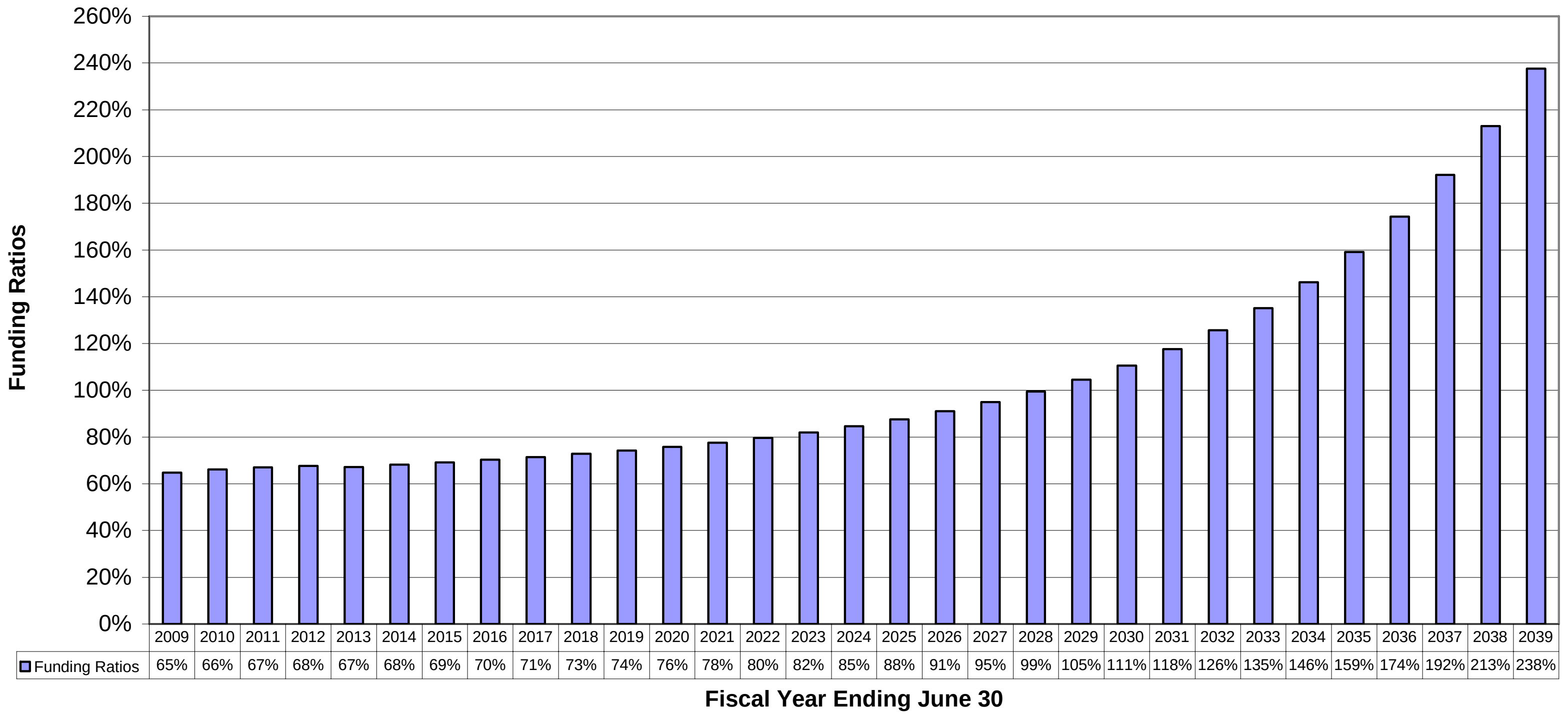


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Contribution Amounts	$281	$257	$257	$265	$273	$282	$292	$302	$313	$326	$339	$354	$369	$385	$402	$419	$438	$458	$478	$500	$523	$548	$573	$600	$628	$657	$688	$719	$753	$787	$824

Fiscal Year Ending June 30

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll *(continued)*

Projected Funding Ratios



1.5(b) Actuarial Projections – Projections at Current Rate
Based on Total DB and DCR Payroll *(continued)*

State of Alaska TRS

Financial Projections (in Thousands)

Investment Return 8.25%

	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									
Fiscal Year End	**Actuarial Assets**	**Accrued Liability**	**Funding Ratio**	**Surplus (Deficit)**	**Total Salaries**	**Employer/State Ctb Rate**	**Employer/State Contribs**	**Employee Contribs**	**Total Contribs**	**Benefit Payments**	**Net Contribs**	**Investment Earnings**	**Recognized Asset Gain/(Loss)**	**Ending Actuarial Assets**
2009	$4,936,976	$7,619,178	64.80%	($2,682,202)	$635,696	44.17%	$280,787	$56,133	$336,920	$449,546	($112,626)	$391,807	$2,563	$5,218,720
2010	5,218,720	7,887,779	66.16%	(2,669,059)	650,584	39.53%	257,176	53,351	310,527	481,744	(171,217)	412,470	290	5,460,263
2011	5,460,263	8,142,058	67.06%	(2,681,795)	667,542	38.56%	257,404	50,924	308,328	507,914	(199,586)	431,227	(24,628)	5,667,276
2012	5,667,276	8,383,085	67.60%	(2,715,809)	686,820	38.56%	264,838	48,656	313,494	533,408	(219,914)	449,515	(110,832)	5,786,045
2013	5,786,045	8,611,021	67.19%	(2,824,976)	708,054	38.56%	273,026	46,505	319,531	558,463	(238,932)	467,688	0	6,014,801
2014	6,014,801	8,825,874	68.15%	(2,811,073)	731,401	38.56%	282,028	44,396	326,424	582,635	(256,211)	485,862	0	6,244,452
2015	6,244,452	9,027,528	69.17%	(2,783,076)	756,321	38.56%	291,637	42,210	333,847	607,134	(273,287)	504,118	0	6,475,283
2016	6,475,283	9,214,486	70.27%	(2,739,203)	783,062	38.56%	301,949	40,020	341,969	632,422	(290,453)	522,467	0	6,707,297
2017	6,707,297	9,384,947	71.47%	(2,677,650)	812,688	38.56%	313,372	38,018	351,390	657,033	(305,643)	540,994	0	6,942,648
2018	6,942,648	9,538,804	72.78%	(2,596,156)	844,796	38.56%	325,753	27,033	352,786	679,394	(326,608)	559,563	0	7,175,603
2019	7,175,603	9,675,371	74.16%	(2,499,768)	879,594	38.56%	339,171	24,893	364,064	695,905	(331,841)	578,570	0	7,422,332
2020	7,422,332	9,794,289	75.78%	(2,371,957)	917,282	38.56%	353,704	22,840	376,544	718,709	(342,165)	598,508	0	7,678,675
2021	7,678,675	9,894,724	77.60%	(2,216,049)	956,502	38.56%	368,827	20,756	389,583	741,923	(352,340)	619,245	0	7,945,580
2022	7,945,580	9,974,990	79.66%	(2,029,410)	997,893	38.56%	384,788	18,760	403,548	764,678	(361,130)	640,909	0	8,225,359
2023	8,225,359	10,034,042	81.97%	(1,808,683)	1,041,563	38.56%	401,627	16,769	418,396	786,885	(368,489)	663,693	0	8,520,563
2024	8,520,563	10,070,996	84.60%	(1,550,433)	1,087,716	38.56%	419,423	15,010	434,433	808,865	(374,432)	687,807	0	8,833,938
2025	8,833,938	10,084,509	87.60%	(1,250,571)	1,136,588	38.56%	438,268	13,298	451,566	831,354	(379,788)	713,444	0	9,167,594
2026	9,167,594	10,072,354	91.02%	(904,760)	1,187,116	38.56%	457,752	11,634	469,386	852,112	(382,726)	740,852	0	9,525,720
2027	9,525,720	10,034,478	94.93%	(508,758)	1,240,613	38.56%	478,380	10,049	488,429	870,954	(382,525)	770,406	0	9,913,601
2028	9,913,601	9,970,899	99.43%	(57,298)	1,297,195	38.56%	500,198	8,691	508,889	889,769	(380,880)	802,472	0	10,335,193
2029	10,335,193	9,879,839	104.61%	455,354	1,357,210	38.56%	523,340	7,329	530,669	905,881	(375,212)	837,483	0	10,797,464
2030	10,797,464	9,762,205	110.60%	1,035,259	1,420,700	38.56%	547,822	6,251	554,073	921,158	(367,085)	875,949	0	11,306,328
2031	11,306,328	9,616,963	117.57%	1,689,365	1,486,781	38.56%	573,303	5,352	578,655	932,737	(354,082)	918,456	0	11,870,702
2032	11,870,702	9,445,930	125.67%	2,424,772	1,555,787	38.56%	599,911	4,356	604,267	939,804	(335,537)	965,766	0	12,500,931
2033	12,500,931	9,251,887	135.12%	3,249,044	1,628,004	38.56%	627,758	3,582	631,340	946,209	(314,869)	1,018,596	0	13,204,658
2034	13,204,658	9,033,843	146.17%	4,170,815	1,703,729	38.56%	656,958	2,896	659,854	947,258	(287,404)	1,077,764	0	13,995,018
2035	13,995,018	8,795,584	159.11%	5,199,434	1,783,153	38.56%	687,584	2,318	689,902	942,848	(252,946)	1,144,362	0	14,886,434
2036	14,886,434	8,541,314	174.29%	6,345,120	1,865,539	38.56%	719,352	1,866	721,218	935,976	(214,758)	1,219,448	0	15,891,124
2037	15,891,124	8,272,430	192.10%	7,618,694	1,951,863	38.56%	752,638	1,561	754,199	926,041	(171,842)	1,304,070	0	17,023,352
2038	17,023,352	7,991,083	213.03%	9,032,269	2,042,014	38.56%	787,401	1,225	788,626	910,954	(122,328)	1,399,481	0	18,300,505
2039	18,300,505	7,701,735	237.62%	10,598,770	2,136,469	38.56%	823,822	855	824,677	893,632	(68,955)	1,507,004	0	19,738,554

1.5(c) Actuarial Projections – Effect of Economic Scenarios Based on Total DB and DCR Payroll

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except investment returns on the Market Value of Assets are assumed as follows:

Base Case:	8.25% for all future years
Optimistic:	9.00% for all future years
Pessimistic:	7.50% for all future years

- In all cases, liabilities have been projected using 8.25% as the discount rate for future benefit payments. These scenarios are intended to illustrate the impact if investment rates are different than the 8.25% assumed investment return. They do not illustrate the effect of changing the assumed discount rate for determining liabilities.

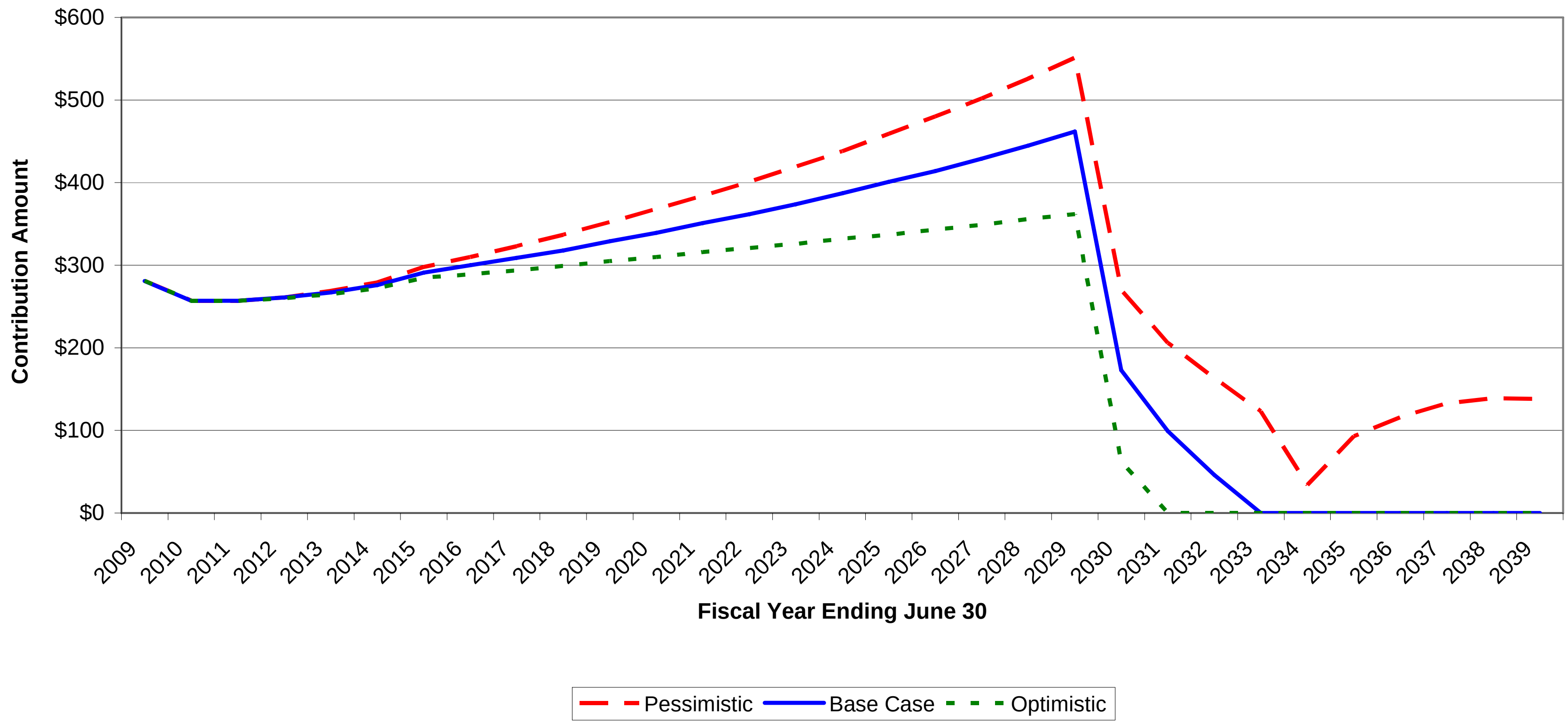
Observations

- As expected, lower investment returns would yield higher contribution requirements and higher investment returns would yield lower contribution requirements.

- In all scenarios, contribution amounts decrease towards end of the projection period upon completion of 25-year amortizations of recent gains and losses.

1.5(c) Actuarial Projections – Projections at Calculated Rate
Effect of Economic Scenarios
Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts



Section 2

In this section, the basis of the valuation is presented and described. This information – the provisions of the plan and the census of participants – is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of plan provisions is provided in Section 2.1 and participant census information is shown in Section 2.2.

The valuation is based upon the premise that the plan will continue in existence so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will retire, die, or terminate their services, their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the plan in a reasonable and acceptable manner, are described in Section 2.3.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through June 30, 2008. Chapter 97, 1990 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the TRS before July 1, 1990 (Tier 1) are eligible for different benefits than members hired after June 30, 1990 (Tier 2). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

(2) Administration of Plan

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

Prior to June 30, 2005, the Teachers' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing TRS funds.

On July 27, 2005, Senate Bill 141, enacted as Chapter 9, 2005 Session laws of Alaska, replaced the Teachers' Retirement Board and the Alaska State Pension Investment Board with the Alaska Retirement Management Board.

(3) Employers Included

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

(4) Membership

Membership in the Alaska TRS is mandatory for the following employees hired before July 1, 2006:

- certificated full-time and part-time elementary and secondary teachers, certificated school nurses, and certificated employees in positions requiring teaching certificates;
- positions requiring a teaching certificate as a condition of employment in the Department of Education and Early Development and the Department of Labor and Workforce Development;
- University of Alaska full-time and part-time teachers, and full-time administrative employees in positions requiring academic standing if approved by the TRS administrator;
- certain full-time or part-time teachers of Alaska Native language or culture who have elected to be covered under the TRS;
- members on approved sabbatical leave under AS 14.20.310;
- certain State legislators who have elected to be covered under the TRS; and
- a teacher who has filed for worker's compensation benefits due to an on-the-job assault and who, as a result of the physical injury, is placed on leave without pay.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the TRS.

Employees who work half-time in the TRS and Public Employees' Retirement System (PERS) simultaneously are eligible for half-time TRS and PERS credit.

Senate Bill 141, signed into law on July 27, 2005, closes the plan effective July 1, 2006 to new members first hired on or after July 1, 2006.

(5) Credited Service

TRS members receive a year of membership credit if they work a minimum of 172 days during the school year (July 1 through June 30 of the following year). Fractional credit is determined based on the number of days worked. Part-time members who work at least 50% of full-time receive membership credit for each day in proportion to full-time service. Credit is granted for all Alaskan public school service.

Members may claim other types of service, including:

- Outside teaching service in out-of-state schools or Alaska private schools (not more than ten years may be claimed);
- Military service (not more than five years of military service or ten years of combined outside and military service may be claimed);
- Alaska Bureau of Indian Affairs (BIA) service;
- Retroactive Alaskan service that was not creditable at the time it occurred, but later became creditable because of legislative change;
- Unused sick leave credit after members retire; and
- Leave of absence without pay.

Except for retroactive Alaska service that occurred before July 1, 1955, and unused sick leave, contributions are required for all claimed service.

Members receiving TRS disability benefits continue to earn TRS credit while disabled.

Survivors who are receiving occupational death benefits continue to earn TRS service credit while occupational survivor benefits are being paid.

(6) Employer Contributions

TRS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

The normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

(7) Additional State Contributions

Pursuant to AS 14.25.070 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

(8) Member Contributions

Mandatory Contributions: Members are required to contribute 8.65% of their base salaries. Members' contributions are deducted from gross salaries before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (5) above.

1% Supplemental Contributions: Members who joined the system before July 1, 1982 and elected to participate in the supplemental contributions provision are required to contribute an additional 1% of their salaries. Supplemental contributions are deducted from gross salaries after federal income taxes are withheld. Under the supplemental provision, an eligible spouse or dependent child will receive a survivor's allowance or spouse's pension if the member dies (see (12) below).

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

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

Reinstatement of Contributions: Refunded accounts and the corresponding TRS service may be reinstated upon reemployment in the TRS prior to July 1, 2010. Accounts attached to satisfy claims under Alaska Statute 09.38.065 or a federal tax levy may be reinstated at any time. Interest accrues on refunds until paid in full or members retire.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

(9) Retirement Benefits

Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1990 (Tier 1) and age 60 or early retirement at age 55 if they were hired on or after July 1, 1990 (Tier 2). Additionally, they must have at least:

- (i) eight years of paid-up membership service;
- (ii) 15 years of paid-up creditable service, the last five years of which are membership service, and they were first hired under the TRS before July 1, 1975;
- (iii) five years of paid-up membership service and three years of paid-up Alaska Bureau of Indian Affairs service;
- (iv) 12 years of combined part-time and full-time paid-up membership service;
- (v) two years of paid-up membership service if they are vested in the Public Employees' Retirement System (PERS); or
- (vi) one year of paid-up membership service if they are retired from the PERS.

(b) Members may retire at any age when they have:

- (i) 25 years of paid-up creditable service, the last five years of which are membership service;
- (ii) 20 years of paid-up membership service;
- (iii) 20 years of combined paid-up membership and Alaska Bureau of Indian Affairs service, the last five years of which are membership service; or
- (iv) 20 years of combined paid-up part-time and full-time membership service.

Benefit Type: Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements to retire at any age under (b) above. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Members may select joint and survivor options and a last survivor option. Under those options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculation: Retirement benefits are calculated by multiplying the average base salary (ABS) times the total TRS service times the percentage multiplier. The ABS is determined by averaging the salaries earned during the three highest school years. Members must earn at least 115 days of credit in a school year to include it in the ABS calculation. The TRS pays a minimum benefit of $25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers are 2% for the first 20 years and 2.5% for all remaining service. Service before July 1, 1990 is calculated at 2%.

Indebtedness: Members who terminate and refund their TRS contributions are not eligible to retire unless they return to TRS employment and pay back their refunds plus interest or accrue additional service which qualifies them for retirement. TRS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded TRS service is included in total service for the purpose of calculating retirement benefits. However, when refunds are not completely paid before retirement, benefits are actuarially reduced for life. Indebtedness balances may also be created when a member purchases qualified claimed service.

(10) Reemployment of Retired Members

Retirees who return to work in a permanent full-time or part-time TRS position after a Normal Retirement have two options available, the Standard Option or the Waiver Option.

Under the Standard Option, retirement and retiree healthcare benefits are suspended while retired members are reemployed under the TRS. During reemployment, members earn additional TRS service and contributions are withheld from their wages.

If an Alaska school district has established that there is a shortage of teachers in a particular discipline or specialty and has passed a resolution to that effect, a retiree returning to work in a permanent full-time or part-time TRS position with that school district may exercise the Waiver Option. The Waiver Option allows a retiree who retired under a Normal Retirement to reemploy with a TRS employer and continue to receive a retirement benefit by signing a waiver of participation in the TRS. The Waiver Option first became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is no longer available after June 30, 2009.

The Waiver Option is not available to members who retired early or under the Retirement Incentive Program (RIP).

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Members retired under the RIP who return to employment under the TRS, Public Employees' Retirement System (PERS), Judicial Retirement System (JRS) or the University of Alaska's Optional Retirement Plan will:

(a) forfeit the three years of incentive credits that they received;

(b) owe the TRS 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; and

(c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

Employers make contributions to the unfunded liability of the plan on behalf of rehired retired members at the rate the employer is making contributions to the unfunded liability of the plan for other members.

(11) Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided by the TRS to (1) all employees first hired before July 1, 1990 (Tier 1) and their surviving spouses and (2) members and their surviving spouses who have twenty-five years of membership service, are disabled or age sixty or older, regardless of their initial hire dates. Employees first hired after June 30, 1990 (Tier 2) and their surviving spouses may receive major medical benefits prior to age sixty by paying premiums.

(12) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. To be eligible, members must have at least five years of paid-up membership service.

Disability benefits are equal to 50% of the member's base salary at the time of disability. The benefit is increased by 10% of the base salary for each minor child, up to a maximum of 40%. Members continue to earn TRS service until eligible for normal retirement.

Members are appointed to normal retirement on the first of the month after they become eligible.

(13) Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the supplemental contributions provision or occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Occupational Death: When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse, unless benefits are payable under the supplemental contributions provision (below). The pension equals 40% of the member's base salary on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's average base salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit, unless benefits are payable under the supplemental contributions provision (below). The monthly benefit is calculated on the member's average base salary and TRS service accrued at the time of death.

Lump Sum Benefit: Upon the death of an active member who has less than one year of service or an inactive member who is not vested, the designated beneficiary receives the member's contribution account, which includes mandatory contributions, indebtedness payments, and interest earned. Any supplemental contributions will also be refunded. If the member has more than one year of TRS service or is vested, the beneficiary also receives $1,000 and $100 for each year of TRS service, up to a maximum of $3,000. An additional $500 may be payable if the member is survived by dependent children.

Supplemental Contributions Provision: Members are eligible for supplemental coverage if they joined the TRS before July 1, 1982, elected to participate in the supplemental provision, and made the required contributions. A survivor's allowance or spouse's pension (below) may be payable if the member made supplemental contributions for at least one year and dies while in membership service or while disabled under the TRS. In addition, the allowance and pension may be payable if the member dies while retired or in deferred vested status if supplemental contributions were made for at least five years.

(a) Survivor's Allowance: If the member is survived by dependent children, the surviving spouse and dependent children are entitled to a survivor's allowance. The allowance for the spouse is equal to 35% of the member's base salary at the time of death or disability, plus 10% for each dependent child up to a maximum of 40%. The allowance terminates and a spouse's pension becomes payable when there is no longer an eligible dependent child.

(b) Spouse's Pension: The spouse's pension is equal to 50% of the retirement benefit that the deceased member was receiving or the unreduced retirement benefit that the deceased member would have received if retired at the time of death. The spouse's pension begins on the first of the month after the member's death or termination of the survivor's allowance.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Death After Retirement: If a joint and survivor option was selected at retirement, the eligible spouse receives continuing, lifetime monthly benefits after the member dies. A survivor's allowance or spouse's pension may be payable if the member participated in the supplemental contributions provision. If a joint and survivor option was not selected and benefits are not payable under the supplemental contributions provision, the designated beneficiary receives the member's contribution account, less any benefits already paid and the member's last benefit check.

(14) Postretirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, times:

(a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on TRS disability; or

(b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or under age 60 if the recipient has been receiving benefits for at least eight years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

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

(15) Alaska Cost of Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits. The following benefit recipients are eligible:

(a) members who were first hired under the TRS before July 1, 1990 (Tier 1) and their survivors;

(b) members who were first hired under the TRS after June 30, 1990 (Tier 2) and their survivors if they are at least age 65; and

(c) all disabled members.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation. SB 125 was passed in 2008 which provides for an additional State contribution necessary to pay the adopted rate by the Board.

2.2(a) Member Census Information – Total TRS

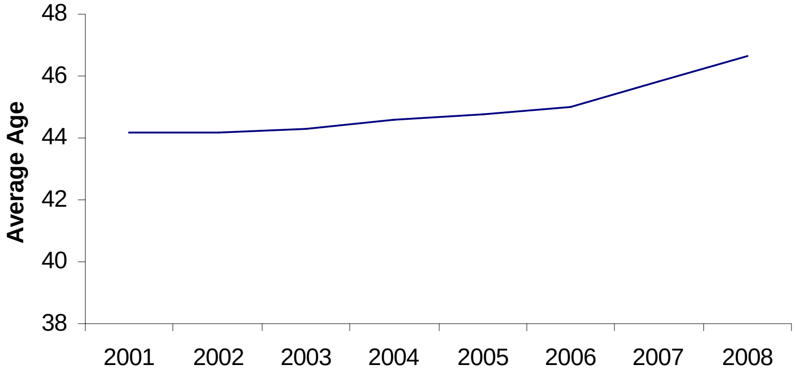
As of June 30	2004	2005	2006	2007	2008
Active Members					
(1) Number	9,688	9,656	9,710	9,107	8,531
(2) Average Age	44.56	44.76	45.02	45.84	46.64
(3) Average Credited Service	10.65	10.58	10.87	11.70	12.44
(4) Average Entry Age	33.91	34.18	34.15	34.14	34.20
(5) Average Annual Earnings	$ 53,925	$ 55,493	$ 59,156	$ 60,859	$ 64,371
(6) Number Vested	5,174	5,254	5,462	5,571	5,612
(7) Percent Who Are Vested	53.4%	54.4%	56.3%	61.2%	65.8%
Retirees, Disableds and Beneficiaries					
(1) Number	8,707	9,020	9,386	9,678	10,026
(2) Average Age	63.95	64.42	64.83	65.33	65.82
(3) Average Monthly Pension Benefit					
Base	$ 1,970	$ 1,968	$ 1,962	$ 1,977	$ 1,994
C.O.L.A.	122	122	122	123	123
P.R.P.A.	458	457	469	483	485
Adjustment	0	0	0	0	0
Sick[1]	N/A	N/A	42	44	45
Total	$ 2,550	$ 2,547	$ 2,595	$ 2,627	$ 2,647
Vested Terminations (vested at time of termination, not refunded contributions or commenced benefit)					
(1) Number	724	826	795	846	873
(2) Average Age	48.83	49.13	48.80	49.03	49.14
(3) Average Monthly Pension Benefit	$ 993	$ 1,072	$ 1,051	$ 1,094	$ 1,099
Non-Vested Terminations (not vested at termination, not refunded contributions)					
(1) Number	2,746[2]	2,874	3,085	3,044	2,971
(2) Average Account Balance	$ 11,710	$ 11,684	$ 12,057	$ 12,675	$ 13,692

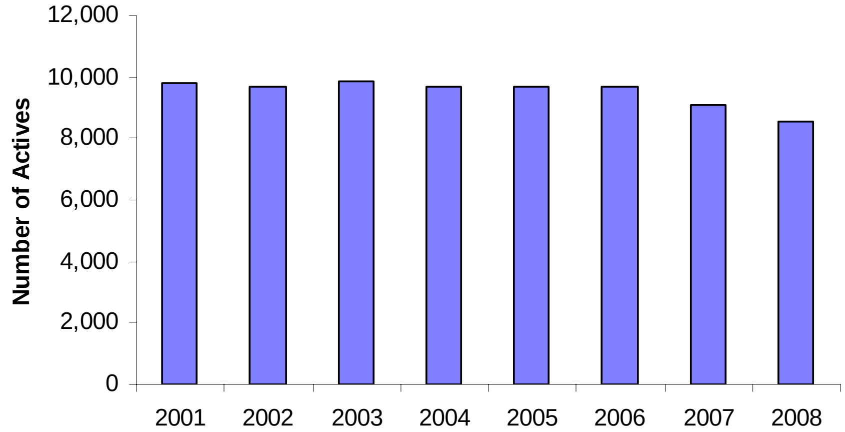
[1] *Prior to 2006, the sick benefit was included in the base benefit.*
[2] *Includes deceased participants with account balances.*

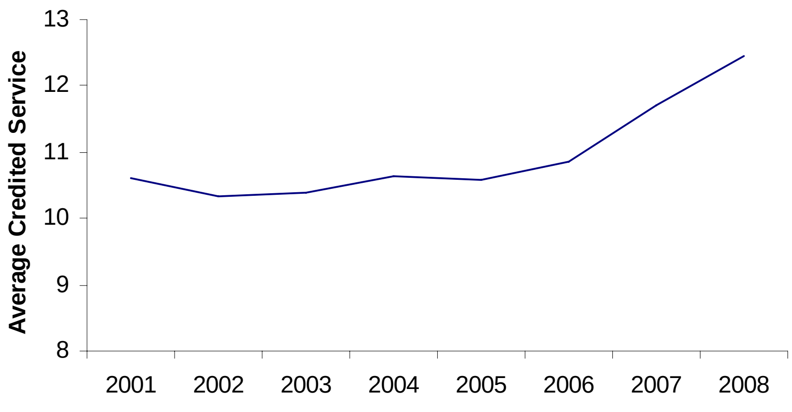
2.2(a) Member Census Information – Total TRS *(continued)*

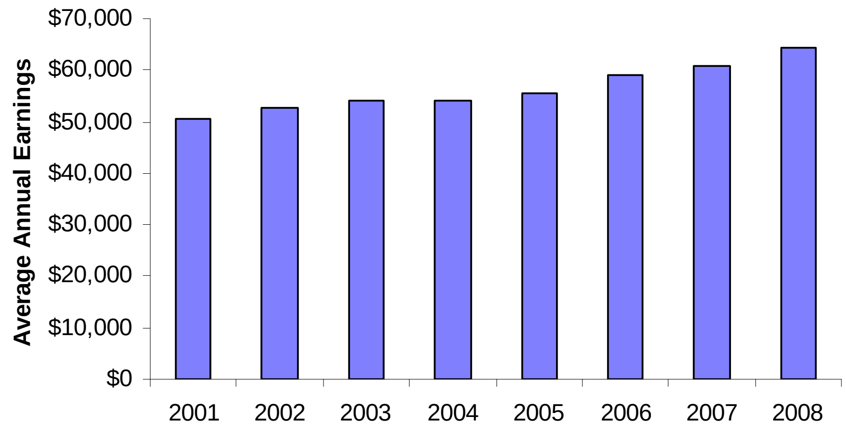
As of June 30, 2008	Tier 1	Tier 2	Total
Retirees, Disableds and Beneficiaries			
(1) Number	9,587	439	10,026
(2) Average Age	65.96	62.81	65.82
(3) Average Monthly Pension Benefit			
Base	$ 2,029	$ 1,228	$ 1,994
C.O.L.A.	128	25	123
P.R.P.A.	505	55	485
Adjustment	0	0	0
Sick	46	25	45
Total	$ 2,708	$ 1,333	$ 2,647

2.2(a) Member Census Information – TRS Active Members at June 30 *(continued)*









2.2(b) Distribution of Active Members

Annual Earnings by Age

Age	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	0	$ 0	$ 0
20 – 24	4	168,233	42,058
25 – 29	409	19,751,426	48,292
30 – 34	814	43,721,737	53,712
35 – 39	1,201	69,879,357	58,184
40 – 44	1,222	76,975,090	62,991
45 – 49	1,371	91,038,865	66,403
50 – 54	1,563	106,626,716	68,219
55 – 59	1,317	93,073,247	70,671
60 – 64	488	36,548,129	74,894
65 – 69	120	9,725,986	81,050
70 – 74	19	1,432,564	75,398
75+	3	206,932	68,977
Total	8,531	$549,148,282	$ 64,371

Annual Earnings by Credited Service

Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0	1	$ 66,274	$ 66,274
1	43	2,055,581	47,804
2	193	9,602,227	49,752
3	557	29,059,120	52,171
4	495	26,475,112	53,485
0 – 4	1,289	67,258,314	52,179
5 – 9	2,417	139,093,403	57,548
10 – 14	1,854	119,204,644	64,296
15 – 19	1,497	107,129,094	71,563
20 – 24	834	63,622,443	76,286
25 – 29	464	37,424,701	80,657
30 – 34	133	11,487,030	86,369
35 – 39	36	3,197,319	88,814
40+	7	731,334	104,476
Total	8,531	$549,148,282	$ 64,371

Years of Credited Service by Age

	Years of Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	0	0	0	0	0	0	0	0	0	0
20 – 24	4	0	0	0	0	0	0	0	0	4
25 – 29	287	122	0	0	0	0	0	0	0	409
30 – 34	262	475	77	0	0	0	0	0	0	814
35 – 39	205	537	409	50	0	0	0	0	0	1,201
40 – 44	141	343	379	329	30	0	0	0	0	1,222
45 – 49	112	323	312	378	203	43	0	0	0	1,371
50 – 54	125	288	326	343	289	173	19	0	0	1,563
55 – 59	101	231	250	282	209	170	65	9	0	1,317
60 – 64	47	72	83	95	75	58	36	21	1	488
65 – 69	5	22	14	19	25	16	10	4	5	120
70 – 74	0	3	3	1	2	4	3	2	1	19
75+	0	1	1	0	1	0	0	0	0	3
Total	1,289	2,417	1,854	1,497	834	464	133	36	7	8,531

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(c) Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Earnings (000's)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2008	8,531	$ 549,148	$ 64,371	5.8%	58
June 30, 2007	9,107	554,245	60,859	2.9%	58
June 30, 2006	9,710	574,409[1]	59,156	6.6%	58
June 30, 2005	9,656	535,837	55,493	2.9%	58
June 30, 2004	9,688	522,421	53,925	0.0%	58
June 30, 2003	9,873	532,630	53,948	2.7%	57
June 30, 2002	9,690	509,437	52,535	3.9%	57
June 30, 2001	9,815	496,188	50,544	1.8%	60
June 30, 1999	9,396	466,414	49,640	(2.1)%	61
June 30, 1998	9,262	469,433	50,684	(0.4)%	61

[1] *Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.*

2.2(d) Statistics on New Benefit Recipients

During the Year Ending June 30	2004	2005	2006	2007	2008
Service					
(1) Number	446	393	425	368	419
(2) Average Age at Commencement	55.09	56.43	56.52	56.73	57.16
(3) Average Monthly Pension Benefit	$ 2,384	$ 2,261	$ 2,290	$ 2,556	$ 2,600
Survivor (including surviving spouse and QDROs)					
(1) Number	35	46	57	61	55
(2) Average Age at Commencement	58.30	60.88	63.29	65.32	64.54
(3) Average Monthly Pension Benefit	$ 1,050	$ 1,263	$ 1,288	$ 1,338	$ 1,460
Disability					
(1) Number	10	7	5	3	7
(2) Average Age at Commencement	49.85	53.64	44.41	54.76	53.60
(3) Average Monthly Pension Benefit	$ 2,887	$ 2,627	$ 2,855	$ 2,844	$ 2,693
Total					
(1) Number	491	446	487	432	481
(2) Average Age at Commencement	55.21	56.57	57.19	57.93	57.95
(3) Average Monthly Pension Benefit	$ 2,299	$ 2,164	$ 2,179	$ 2,386	$ 2,471

2.2(e) Schedule of Average Pension Benefit Payments – New Benefit Recipients

	Years of Credited Service						
	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30+
Period 7/1/07 – 6/30/08:[1]							
Average Monthly Pension Benefit	$ 209	$ 945	$ 1,248	$ 2,226	$ 2,966	$ 3,832	$ 5,057
Number of Recipients	13	44	62	92	95	87	33
Period 7/1/06- 6/30/07:[1]							
Average Monthly Pension Benefit	$ 214	$ 798	$ 1,249	$ 2,250	$ 2,909	$ 3,709	$ 5,109
Number of Recipients	9	41	54	69	102	68	28
Period 7/1/05- 6/30/06:[1]							
Average Monthly Pension Benefit	$ 1,078	$ 960	$ 1,110	$ 1,982	$ 2,695	$ 3,388	$ 4,563
Number of Recipients	9	50	63	90	124	68	26
Period 7/1/04- 6/30/05:[1]							
Average Monthly Pension Benefit	$ 1,287	$ 1,106	$ 1,575	$ 2,255	$ 2,932	$ 3,534	$ 4,018
Number of Recipients	119	24	33	69	105	31	16
Period 7/1/03- 6/30/04:							
Average Monthly Pension Benefit	$ 251	$ 896	$ 1,243	$ 2,044	$ 2,782	$ 3,640	$ 4,860
Number of Recipients	21	51	75	85	178	64	17
Period 7/1/02- 6/30/03:							
Average Monthly Pension Benefit	$ 236	$ 899	$ 1,153	$ 2,350	$ 2,835	$ 3,969	$ 5,133
Number of Recipients	16	40	69	91	264	87	32
Period 7/1/01- 6/30/02:							
Average Monthly Pension Benefit	$ 532	$ 795	$ 1,168	$ 1,706	$ 2,455	$ 3,126	$ 3,915
Number of Recipients	4	36	62	78	180	137	92
Period 7/1/99- 6/30/01:							
Average Monthly Pension Benefit	$ 1,514	$ 1,021	$ 1,488	$ 1,935	$ 2,435	$ 2,551	$ 2,864
Number of Recipients	2	33	101	237	374	201	109
Period 7/1/98- 6/30/99:							
Average Monthly Pension Benefit	$ 1,230	$ 820	$ 1,152	$ 1,691	$ 2,510	$ 3,285	$ 3,756
Number of Recipients	23	43	67	81	176	153	55

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

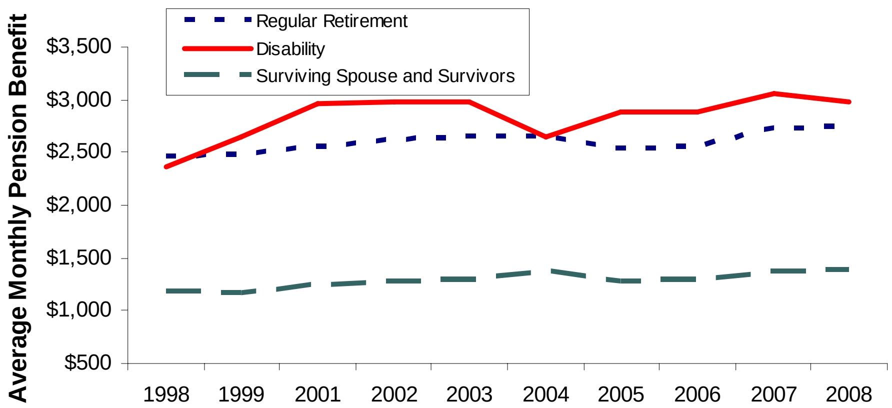
[1] *Does not include beneficiaries.*

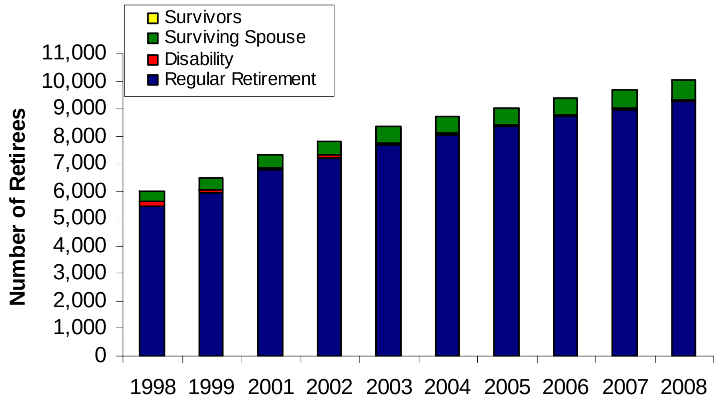
2.2(f) Statistics on All Pension Benefit Recipients

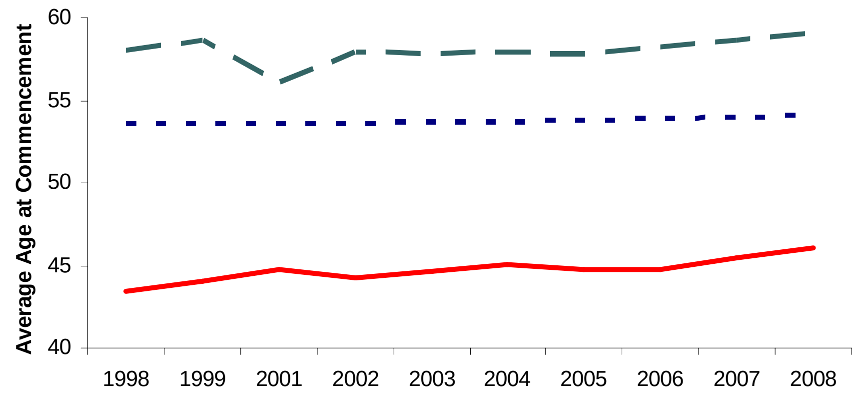
As of June 30	2004	2005	2006	2007	2008
Service					
(1) Number, Fiscal Year Start	7,680	8,052	8,351	8,675	8,926
(2) Net Change	372	299	324	251	324
(3) Number, Fiscal Year End	8,052	8,351	8,675	8,926	9,250
(4) Average Age at Commencement	53.68	53.77	53.81	53.91	54.03
(5) Average Current Age	63.85	64.32	64.72	65.19	65.66
(6) Average Monthly Pension Benefit	$ 2,649	$ 2,537	$ 2,558	$ 2,723	$ 2,745
Surviving Spouse's Benefits (includes QDROs)					
(1) Number, Fiscal Year Start	549	576	602	647	696
(2) Net Change	27	26	45	49	30
(3) Number, Fiscal Year End	576	602	647	696	726
(4) Average Age at Commencement	57.86	57.75	58.16	58.61	59.06
(5) Average Current Age	68.12	67.31	67.71	68.17	68.77
(6) Average Monthly Pension Benefit	$ 1,367	$ 1,270	$ 1,292	$ 1,362	$ 1,390
Survivor's Benefits (other than spouses)					
(1) Number, Fiscal Year Start	1	3	1	1	1
(2) Net Change	2	(2)	0	0	2
(3) Number, Fiscal Year End	3	1	1	1	3
(4) Average Age at Commencement	47.59	35.52	35.52	35.52	33.44
(5) Average Current Age	52.09	35.77	36.77	37.77	35.19
(6) Average Monthly Pension Benefit	$ 581	$ 448	$ 451	$ 469	$ 536
Disabilities					
(1) Number, Fiscal Year Start	82	76	66	63	55
(2) Net Change	(6)	(10)	(3)	(8)	(8)
(3) Number, Fiscal Year End	76	66	63	55	47
(4) Average Age at Commencement	45.09	44.74	44.76	45.47	46.02
(5) Average Current Age	51.12	51.31	51.03	51.71	51.79
(6) Average Monthly Pension Benefit	$ 2,655[1]	$ 2,891	$ 2,885	$ 3,060	$ 2,977
Total					
(1) Number, Fiscal Year Start	8,312	8,707	9,020	9,386	9,678
(2) Net Change	395	313	366	292	348
(3) Number, Fiscal Year End	8,707	9,020	9,386	9,678	10,026
(4) Average Age at Commencement	53.88	53.97	54.05	54.20	54.35
(5) Average Current Age	64.02	64.42	64.83	65.33	65.82
(6) Average Monthly Pension Benefit	$ 2,564	$ 2,455	$ 2,473	$ 2,627	$ 2,647

[1] *Includes benefit increases due to dependents.*

2.2(f) Statistics on All Pension Benefit Recipients *(continued)*







2.2(g) Distribution of Annual Pension Benefits for Benefit Recipients

Annual Pension Benefit by Age

Age	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0 – 19	1	$ 6,696	$ 6,696
20 – 24	0	0	0
25 – 29	0	0	0
30 – 34	0	0	0
35 – 39	5	99,989	19,998
40 – 44	17	429,418	25,260
45 – 49	159	4,575,687	28,778
50 – 54	607	18,731,082	30,858
55 – 59	1,875	55,379,997	29,536
60 – 64	2,556	78,369,543	30,661
65 – 69	2,033	68,047,193	33,471
70 – 74	1,223	42,680,891	34,899
75+	1,550	50,169,337	32,367
Total	10,026	$ 318,489,833	$ 31,766

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0	450	$ 13,276,124	$ 29,502
1	448	13,131,449	29,311
2	447	12,562,489	28,104
3	453	13,078,132	28,870
4	495	13,342,313	26,954
0 – 4	2,293	65,390,507	28,517
5 – 9	2,360	68,359,482	28,966
10 – 14	2,402	81,356,969	33,871
15 – 19	1,187	39,288,779	33,099
20 – 24	1,073	42,582,861	39,686
25 – 29	433	13,694,537	31,627
30 – 34	253	7,145,556	28,243
35 – 39	19	478,980	25,209
40+	6	192,162	32,027
Total	10,026	$ 318,489,833	$ 31,766

Years Since Benefit Commencement by Age

	Years Since Commencement									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	1	0	0	0	0	0	0	0	0	1
20 – 24	0	0	0	0	0	0	0	0	0	0
25 – 29	0	0	0	0	0	0	0	0	0	0
30 – 34	0	0	0	0	0	0	0	0	0	0
35 – 39	4	0	1	0	0	0	0	0	0	5
40 – 44	13	3	1	0	0	0	0	0	0	17
45 – 49	129	26	3	1	0	0	0	0	0	159
50 – 54	362	194	49	1	0	0	0	1	0	607
55 – 59	875	622	348	27	2	1	0	0	0	1,875
60 – 64	593	926	755	218	55	6	3	0	0	2,556
65 – 69	197	391	792	428	213	10	1	1	0	2,033
70 – 74	53	124	307	319	334	76	7	1	2	1,223
75+	66	74	146	193	469	340	242	16	4	1,550
Total	2,293	2,360	2,402	1,187	1,073	433	253	19	6	10,026

2.2(h) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit 1	2	3	Option Selected 1	2	3	4
$ 1 $ 300	165	128	37	0	91	34	30	10
301 – 600	328	257	71	0	170	71	70	17
601 – 900	571	458	113	0	310	122	111	28
901 – 1,200	608	508	100	0	352	137	96	23
1,201 – 1,500	590	473	117	0	322	117	127	24
1,501 – 1,800	598	503	95	0	334	119	126	19
1,801 – 2,100	654	582	69	3	339	142	154	19
2,101 – 2,400	863	801	54	8	444	182	208	29
2,401 – 2,700	966	926	29	11	481	204	254	27
2,701 – 3,000	920	898	16	6	488	172	241	19
3,001 – 3,300	826	810	11	5	431	130	244	21
3,301 – 3,600	740	724	9	7	426	121	180	13
3,601 – 3,900	593	589	3	1	341	75	168	9
3,901 – 4,200	434	429	3	2	230	56	142	6
Over $4,200	1,170	1,164	2	4	643	138	357	32
Totals	10,026	9,250	729	47	5,402	1,820	2,508	296

Type of Pension Benefit
1. *Regular retirement*
2. *Survivor payment*
3. *Disability*

Option Selected
1. *Whole Life Annuity*
2. *75% Joint and Contingent Annuity*
3. *50% Joint and Contingent Annuity*
4. *66 2/3% Joint and Survivor Annuity*

2.2(i) Schedule of Pension Benefit Recipients Added to and Removed from Rolls

Year Ended	Added to Rolls No.[1]	Added to Rolls Annual Pension Allowances[1]	Removed from Rolls No.[1]	Removed from Rolls Annual Pension Allowances[1]	Rolls – End of Year No.	Rolls – End of Year Annual Pension Allowances	Percent Increase in Annual Pension Allowances	Average Annual Pension Allowance
June 30, 2008	481	$14,265,236	133	$806,945	10,026	$318,489,833	4.41%	$31,766
June 30, 2007	432	12,388,703	140	(14,114,559)	9,678	305,031,542	9.52%	31,518
June 30, 2006	487	12,731,292	121	(50,838)	9,386	278,528,280	4.81%	29,675
June 30, 2005	446	11,243,448	121	13,053,612	9,020	265,746,150	(0.68)%	29,462
June 30, 2004	491	17,867,366	96	5,503,666	8,707	267,556,314	4.84%	30,729
June 30, 2003	599	21,475,421	91	3,377,352	8,312	255,192,614	7.63%	30,702
June 30, 2002	589	24,789,896	118	4,966,397	7,804	237,094,545	9.12%	30,381
June 30, 2001	1,057	39,213,327	210	7,790,727	7,333	217,271,046	16.91%	29,629
June 30, 1999	598	19,014,567	91	2,893,521	6,486	185,848,446	9.50%	28,654
June 30, 1998	674	24,479,595	38	1,380,155	5,979	169,727,400	15.75%	28,387

[1] *Numbers are estimated, and include other internal transfers.*

2.3 Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2008 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in October 2006. These assumptions were the result of an experience study performed as of June 30, 2005. The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

Valuation of Liabilities

(A) Actuarial Method – Entry Age Actuarial Cost.

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay amount. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for pension benefits (constant dollar amount for healthcare benefits) from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Changes in Methods from the Prior Valuation

There were no changes in methods from the prior valuation, except for any described in the healthcare sections below.

(B) Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(C) Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Teachers' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our Experience Study for the period July 1, 2001 to June 30, 2005.

Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data.

We analyzed Aetna and Premera management level reporting for calendar 2005 through fiscal 2008, as well as Aetna and Premera claim level data for calendar 2004 – 2006, and fiscal years 2007 and 2008, and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.

2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting and the State's approved RDS listing from Medicare were used to augment cost data by Medicare status.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

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

   Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I TRS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 4.0% of the current Medicare retiree population does not receive Part A coverage.

   All claims cost rates developed from management level reporting have been compared to similar rates developed from claim level data.

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four calendar years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 1.78 months for medical claims and 0.6 months for prescription claims. This “trend and blend” methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year’s data in the 5-year experience period at approximately 20%. We also incorporated actual administrative costs that are projected to increase at 5%.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

June 30, 2008 Valuation – FY 2009 Claims Cost Rates

	Medical			Prescription Drugs			
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**	**Pre-Medicare**	**Medicare A&B**	**Medicare B Only**	**Total**
Calendar 2005 Paid Claims	**$ 146,356,647**	**$ 25,618,571**	**$ 3,976,509**	**$ 42,812,358**	**$ 35,481,585**	**$ 1,999,302**	**$ 256,244,972**
Membership	33,343	18,603	979	33,343	18,603	979	52,925
Paid Claims Cost Rate	$ 4,389	$ 1,377	$ 4,061	$ 1,284	$ 1,907	$ 2,042	$ 4,842
Trend to FY2009	1.360	1.360	1.360	1.442	1.442	1.442	
FY 2009 Paid Cost Rate	$ 5,968	$ 1,872	$ 5,522	$ 1,852	$ 2,751	$ 2,945	$ 6,708
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$ 6,054**	**$ 1,899**	**$ 5,602**	**$ 1,862**	**$ 2,766**	**$ 2,962**	**$ 6,785**
Calendar 2006 Paid Claims	**$ 150,287,171**	**$ 24,546,905**	**$ 4,079,223**	**$ 45,461,356**	**$ 39,644,399**	**$ 2,235,948**	**$ 266,255,002**
Membership	33,473	19,490	1,026	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	$ 4,490	$ 1,259	$ 3,977	$ 1,358	$ 2,034	$ 2,180	$ 4,932
Trend to FY2009	1.261	1.261	1.261	1.303	1.303	1.303	
FY 2009 Paid Cost Rate	$ 5,660	$ 1,588	$ 5,013	$ 1,770	$ 2,651	$ 2,841	$ 6,286
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$ 5,741**	**$ 1,611**	**$ 5,085**	**$ 1,780**	**$ 2,666**	**$ 2,857**	**$ 6,358**
Fiscal 2007 Paid Claims	**$ 129,762,975**	**$ 22,677,328**	**$ 3,524,812**	**$ 46,176,199**	**$ 42,348,638**	**$ 2,391,089**	**$ 246,881,041**
Membership	33,446	20,315	1,069	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	$ 3,880	$ 1,116	$ 3,297	$ 1,381	$ 2,085	$ 2,236	$ 4,503
Trend to FY2009	1.216	1.216	1.216	1.241	1.241	1.241	
FY 2009 Paid Cost Rate	$ 4,719	$ 1,358	$ 4,010	$ 1,714	$ 2,587	$ 2,776	$ 5,518
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$ 4,787**	**$ 1,377**	**$ 4,067**	**$ 1,723**	**$ 2,602**	**$ 2,791**	**$ 5,579**
Fiscal 2008 Paid Claims	**$ 169,598,064**	**$ 28,657,490**	**$ 6,079,463**	**$ 53,506,123**	**$ 52,529,773**	**$ 2,346,512**	**$ 312,717,425**
Membership	33,630	21,434	893	33,630	21,434	893	55,957
Paid Claims Cost Rate	$ 5,043	$ 1,337	$ 6,807	$ 1,591	$ 2,451	$ 2,627	$ 5,589
Trend to FY2009	1.102	1.102	1.102	1.112	1.112	1.112	
FY 2009 Paid Cost Rate	$ 5,555	$ 1,473	$ 7,499	$ 1,769	$ 2,724	$ 2,921	$ 6,176
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	**$ 5,635**	**$ 1,494**	**$ 7,607**	**$ 1,779**	**$ 2,740**	**$ 2,937**	**$ 6,246**
Weighted Average 7/1/2008-6/30/2009 Incurred Claims Cost Rates:							
At average age	$ 5,601	$ 1,640	$ 5,189	$ 1,794	$ 2,719	$ 2,917	$ 6,310
At age 65*	$ 7,670	$ 1,296	$ 3,384	$ 2,379	$ 2,379	$ 2,379	$ 7,322

* Methodology prior to 2006 did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A&B and B only rates based on the 5.0% of Medicare membership assumed to lack Part A.

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

*** Calendar 2006 Paid Claims covers the period from 01/01/2006 through 06/30/2006, along with estimated claims runout under the then current TPA. Fiscal 2007 Paid Claims covers the period from 07/01/2006 through 06/30/2007, with claims paid under the then current TPA.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2008 through June 30, 2009

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug and Medicare Retiree Drug Subsidy
45	$ 4,248	$ 4,248	$ 1,255
50	4,806	4,806	1,490
55	5,437	5,437	1,770
60	6,458	6,458	2,052
65	1,296	3,384	1,870
70	1,577	4,117	2,014
75	1,873	4,889	2,149
80	2,018	5,266	2,203

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions

Investment Return / Discount Rate	8.25% per year, compounded annually, net of expenses.
Salary Scale	Inflation – 3.5% per year. Merit– 2.0% per year for first 5 years of employment grading down to 0% after 15 years. Productivity – 0.5% per year.
Payroll Growth	4.0% per year.
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.
Mortality (Preretirement)	Based upon the 2001-2005 actual experience. (See Table 1). 60% of the 1994 Group Annuity Table 1994 Base Year without margin for females and 55% for males. All deaths are assumed to result from non-occupational causes.
Mortality (Postretirement)	Based upon the 2001-2005 actual experience. (See Table 2). 1-year setback of the 1994 Group Annuity Table 1994 Base Year without margin for females and 3-year setback for males.
Turnover	Select and ultimate rates based upon the 2001-2005 actual withdrawal experience. (See Table 3).
Disability	Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 4. 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.
Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Table 5. Deferred vested members are assumed to retire at their earliest retirement date.
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.
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.
Contribution Refunds	10% of those terminating are assumed to have their contributions refunded.
COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

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.
Postretirement Pension Adjustment	50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Postretirement Pension Adjustment (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%.
Expenses	All expenses are net of the investment return assumption.
Part-time Status	Part-time employees are assumed to earn 0.55 years of credited service per year.
Re-employment Option	We assume all re-employed retirees return to work under the Standard Option.
Service	Total credited service is provided by the State. We assume that this service is the only service that should be used to calculate benefits. Additionally, the State provides claimed service (including Bureau of Indian Affairs Service). Claimed service is used for vesting and eligibility purposes as described in Section 2.1.
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.
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 & B	$ 1,296	$ 2,379
Medicare Part B Only	$ 3,384	$ 2,379
Medicare Part D	N/A	$ 509

Third Party Administrator Fees	$153.49 per person per year; assumed trend rate of 5% per year.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Health Cost Trend

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

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

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

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%	0.0%

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

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

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Trend Rate for Retired Member Medical Contribution	The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.3% is applied to the FY09 retired member medical contributions to get the FY10 retired member medical contributions.

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

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations lead 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.

Healthcare Participation	100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 1
Alaska TRS
Mortality Table (Preretirement)

Age	Male	Female
20	.030%	.018%
21	.031	.019
22	.033	.019
23	.035	.019
24	.037	.019
25	.039	.019
26	.041	.019
27	.043	.019
28	.045	.020
29	.046	.021
30	.047	.023
31	.049	.024
32	.050	.026
33	.050	.027
34	.050	.029
35	.050	.031
36	.051	.033
37	.053	.036
38	.056	.039
39	.059	.042
40	.063	.046
41	.068	.050
42	.074	.053
43	.080	.057
44	.086	.060
45	.093	.063
46	.102	.067
47	.112	.072
48	.124	.078
49	.138	.085
50	.153	.092
51	.170	.101
52	.190	.112
53	.212	.123
54	.235	.135
55	.262	.148
56	.293	.165
57	.330	.188
58	.373	.217
59	.419	.249
60	.472	.286
61	.532	.329
62	.600	.376
63	.678	.431
64	.765	.492

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 2
Alaska TRS
Mortality Table (Postretirement)

Age	Male	Female
50	.204%	.141%
51	.226	.154
52	.250	.169
53	.277	.186
54	.309	.205
55	.346	.224
56	.385	.247
57	.428	.276
58	.476	.314
59	.532	.361
60	.600	.415
61	.677	.477
62	.762	.548
63	.858	.627
64	.966	.718
65	1.091	.819
66	1.233	.929
67	1.391	1.042
68	1.563	1.157
69	1.746	1.265
70	1.939	1.367
71	2.135	1.476
72	2.336	1.608
73	2.552	1.775
74	2.791	1.972
75	3.063	2.192
76	3.355	2.439
77	3.661	2.723
78	4.001	3.050
79	4.393	3.412
80	4.857	3.802
81	5.399	4.236
82	6.007	4.726
83	6.670	5.285
84	7.378	5.899
85	8.122	6.557

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 3
Alaska TRS
Turnover Assumptions

Select Rates of Turnover During the First 8 Years of Employment

Year of Employment	Current Age 25 Male	Current Age 25 Female	Year of Employment	Current Age 40 Male	Current Age 40 Female
1	14.85%	13.42%	1	14.76%	13.33%
2	14.84	13.42	2	14.74	13.32
3	13.34	12.06	3	13.22	11.96
4	13.33	12.06	4	13.20	11.95
5	11.82	10.71	5	11.68	10.59
6	10.32	9.35	6	10.15	9.22
7	8.82	8.00	7	8.62	7.86
8	7.31	6.65	8	7.08	6.49

Ultimate Rates of Turnover
After the First 8 Years of Employment

Age	Male	Female	Age	Male	Female
15	4.9538%	4.3747%	40	4.7988%	4.2658%
16	4.9475	4.3714	41	4.7850	4.2559
17	4.9425	4.3692	42	4.7675	4.2460
18	4.9375	4.3681	43	4.7513	4.2372
19	4.9350	4.3670	44	4.7300	4.2262
20	4.8963	4.3351	45	4.7063	4.2130
21	4.8938	4.3351	46	4.6813	4.2009
22	4.8888	4.3340	47	4.6500	4.1844
23	4.8850	4.3340	48	4.6138	4.1657
24	4.8788	4.3329	49	4.5763	4.1470
25	4.8738	4.3329	50	4.5338	4.1250
26	4.8688	4.3318	51	4.4838	4.0997
27	4.8638	4.3307	52	4.4250	4.0700
28	4.8588	4.3274	53	4.3600	4.0348
29	4.8538	4.3241	54	4.2875	3.9974
30	4.8500	4.3208	55	4.2050	3.9523
31	4.8475	4.3186	56	4.1050	3.8940
32	4.8438	4.3142	57	3.9825	3.8192
33	4.8413	4.3109	58	3.8488	3.7345
34	4.8400	4.3065	59	3.6875	3.6267
35	4.8375	4.3021	60	3.5063	3.5046
36	4.8338	4.2955	61	3.3050	3.3682
37	4.8288	4.2900	62	3.0713	3.2131
38	4.8200	4.2823	63	2.8050	3.0360
39	4.8100	4.2746	64	2.5163	2.8435
			65+	5.0000	4.4000

Select rates vary slightly by age.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 4
Alaska TRS
Disability Table

Age	Male	Female
20	.028%	.025%
21	.028	.025
22	.029	.026
23	.029	.026
24	.030	.027
25	.030	.027
26	.030	.027
27	.031	.028
28	.032	.029
29	.033	.030
30	.034	.031
31	.034	.031
32	.035	.032
33	.036	.032
34	.037	.033
35	.038	.034
36	.040	.036
37	.041	.037
38	.043	.039
39	.044	.040
40	.046	.041
41	.048	.043
42	.051	.046
43	.054	.049
44	.059	.053
45	.065	.059
46	.070	.063
47	.076	.068
48	.083	.075
49	.089	.080
50	.096	.086
51	.104	.094
52	.114	.103
53	.127	.114
54	.142	.128
55	.160	.144
56	.184	.166
57	.214	.193
58	.244	.220
59	.288	.259
60	.337	.303
61	.390	.351
62	.452	.407
63	.522	.470
64	.596	.536

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 5
Alaska TRS
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	5.60%	5.70%
50	6.00%	6.30%	20.00	12.50
51	6.80	6.80	17.50	15.00
52	6.80	6.70	20.00	15.00
53	7.90	8.90	15.00	20.00
54	7.80	10.00	25.00	20.00
55	5.90	7.20	22.50	22.50
56	5.80	7.10	19.50	19.50
57	5.50	6.90	17.50	17.50
58	6.20	8.50	17.50	20.00
59	6.30	8.30	25.00	20.00
60	N/A	N/A	20.00	20.00
61	N/A	N/A	20.00	20.00
62	N/A	N/A	12.50	25.00
63	N/A	N/A	25.50	29.75
64	N/A	N/A	34.00	34.00
65	N/A	N/A	25.00	50.00
66	N/A	N/A	20.00	30.00
67	N/A	N/A	20.00	30.00
68	N/A	N/A	20.00	25.00
69	N/A	N/A	20.00	30.00
70	N/A	N/A	100.00	100.00

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2007	June 30, 2008
Healthcare Trend Rates	Trend table started at 8.5% for medical and 12% for prescription drugs and graded down to an ultimate rate of 5% by FY15.	Trend table is based on the Society of Actuaries' Healthcare Cost Trend Model and starts at 8.0% for medical and 10.8% for prescription drugs. The table grades down to 5.1% over 100 years.

Section 3

Section 3.1	Analysis of Financial Experience.
Section 3.2(a)	Summary of Accrued and Unfunded Accrued Liabilities.
Section 3.2(b)	Schedule of Contributions from Employers and Other Contributing Entities.
Section 3.2(c)	Actuarial Assumptions, Methods and Additional Information Under GASB.
Section 3.3	Solvency Test.

3.1 Analysis of Financial Experience

Change in Employer/State Contribution Rate
Due to Gains and Losses in Accrued Liabilities During the Last Three Fiscal Years
Resulting From Differences Between Assumed Experience and Actual Experience

	Change in Employer/State Contribution Rate During Fiscal Year					
	Pensions			Healthcare		
Type of Gain or Loss	2006	2007	2008	2006	2007	2008
(1) Health Experience	N/A	N/A	N/A	(2.52)%	(3.90)%	(1.22)%
(2) Salary Experience	0.79%	(0.27)%	0.43%	0.00%	0.00%	0.00%
(3) Investment Experience	0.10%	(0.32)%	(0.62)%	(0.46)%	(1.05)%	(0.23)%
(4) Demographic Experience	(0.27)%	1.63%	(0.33)%	N/A	N/A	N/A
(5) Contribution Shortfall	(0.41)%	0.42%	(0.11)%	1.62%	0.89%	(0.87)%
(6) (Gain) or Loss During Year From Experience, *(1) + (2) + (3) + (4) + (5)*	0.21%	1.46%	(0.63)%	(1.36)%	(4.06)%	(2.32)%
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	2.96%	(1.08)%*	0.00%	0.10%	(0.96)%*	1.98%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Composite (Gain) or Loss During Year, *(6) + (7) + (8) + (9) + (10)*	3.17%	0.38%	(0.63)%	(1.26)%	(5.02)%	(0.34)%
(12) Beginning Total Employer/State Contribution Rate	17.40%	20.57%	20.95%	24.86%	23.60%	18.58%
(13) Ending Total Employer/State Contribution Rate, *(11) + (12)*	20.57%	20.95%	20.32%	23.60%	18.58%	18.24%
(14) Fiscal Year Above Rate is Applied	FY09	FY10	FY11	FY09	FY10	FY11

*Includes change in rate by using total payroll.

3.1 Analysis of Financial Experience *(continued)*

Change in Employer/State Contribution Rate

Due to Gains and Losses in Accrued Liabilities During the Last Five Fiscal Years
Resulting From Differences Between Assumed Experience and Actual Experience

	Change in Employer/State Contribution Rate During Fiscal Year				
Type of Gain or Loss	**2004**	**2005**	**2006**	**2007**	**2008**
(1) Health Experience	0.00%	1.47%	(2.52)%	(3.90)%	(1.22)%
(2) Salary Experience	0.54%	(0.26)%	0.79%	(0.27)%	0.43%
(3) Investment Experience	0.06%	(0.02)%	(0.36)%	(1.37)%	(0.85)%
(4) Demographic Experience	(0.85)%	(2.10)%	(0.27)%	1.63%	(0.33)%
(5) Contribution Shortfall	1.24%	1.42%	1.21%	1.31%	(0.98)%
(6) (Gain) or Loss During Year From Experience, *(1) + (2) + (3) + (4) + (5)*	0.99%	0.51%	(1.15)%	(2.60)%	(2.95)%
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	1.94%	0.00%	3.06%	(2.04)%*	1.98%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Change due to revaluation of plan liabilities as of June 30, 2004	0.00%	(0.03)%	0.00%	0.00%	0.00%
(12) Composite (Gain) or Loss During Year, *(6) + (7) + (8) + (9) + (10) + (11)*	2.93%	0.48%	1.91%	(4.64)%	(0.97)%
(13) Beginning Total Employer/State Contribution Rate	38.85%	41.78%	42.26%	44.17%	39.53%
(14) Ending Total Employer/State Contribution Rate, *(12) + (13)*	41.78%	42.26%	44.17%	39.53%	38.56%
(15) Fiscal Year Above Rate is Applied	FY07	FY08	FY09	FY10	FY11

*Includes change in rate by using total payroll.

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities

The exhibit below shows the pension disclosure under GASB No. 25.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2008	$ 5,231,654	$ 3,670,086	70.2%	$ 1,561,568	$ 549,148	284.4%
June 30, 2007	$ 5,043,448	$ 3,441,867	68.2%	$ 1,601,581	$ 554,245	289.0%
June 30, 2006	$ 4,859,336	$ 3,296,934	67.8%	$ 1,562,402	$ 574,409	272.0%

The exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2008[1]	$ 4,648,055	$ 1,266,890	27.3%	$ 3,381,165	$ 549,148	615.7%
June 30, 2007	$ 4,059,573	$ 982,532	24.2%	$ 3,077,041	$ 554,245	552.2%
June 30, 2006	$ 4,288,707	$ 844,766	19.7%	$ 3,443,941	$ 574,409	599.6%

For illustration, the exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy discounted at 8.25% and at 4.50% per annum under GASB No. 43 for the current year. These values show the minimum and maximum accrued liability amounts depending on the portion of ARC actually contributed.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2008 – 8.25%	$ 2,579,460	$ 1,266,890	49.1%	$ 1,312,570	$ 549,148	239.0%
June 30, 2008 – 4.50%	$ 4,648,055	$ 1,266,890	27.3%	$ 3,381,165	$ 549,148	615.7%

[1] *Change in assumptions*

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities *(continued)*

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25, prior to 2006.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2005	$ 6,498,556	$ 3,958,939	60.9%	$ 2,539,617	$ 535,837	474.0%
June 30, 2004 [2]	$ 6,123,600	$ 3,845,370	62.8%	$ 2,278,230	$ 522,421	436.1%
June 30, 2003	$ 5,835,609	$ 3,752,285	64.3%	$ 2,083,324	$ 532,630	391.1%
June 30, 2002 [1 2 3]	$ 5,411,642	$ 3,689,036	68.2%	$ 1,722,606	$ 509,437	338.1%
June 30, 2001	$ 4,603,147	$ 4,372,229	95.0%	$ 230,918	$ 496,188	46.5%
June 30, 2000 [1 2 3]	$ 4,198,868	$ 4,184,015	99.6%	$ 14,853	$ 482,571	3.1%
June 30, 1999	$ 3,720,954	$ 3,815,633	102.5%	$ N/A	$ 466,414	N/A
June 30, 1998	$ 3,528,757	$ 3,446,070	97.7%	$ 82,687	$ 469,433	17.6%
June 30, 1997	$ 3,320,069	$ 3,120,044	94.0%	$ 200,025	$ 466,455	42.9%

[1] *Change in Asset Valuation Method*
[2] *Change of Assumptions*
[3] *Change in Methods*

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25 and 26 for fiscal years ending in 2006 and before.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2006	$ 236,738	54.0%
2005	207,951	45.0%
2004	82,660	83.0%
2003	47,370	133.0%
2002	39,576	155.0%
2001	56,391	114.0%
2000	67,874	92.0%
1999	53,901	114.0%
1998	76,504	80.0%

The following shows pension disclosure under GASB No. 25 for fiscal year ending 2007 and later.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2008	$134,544	108.0%
2007	$169,974	62.0%

The following shows postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2007 and later.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2008	$185,271	108.0%
2007	$ 76,879	62.0%

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities *(continued)*

The exhibit below shows the annual required contribution as a percentage of pay for pension and healthcare.

		ARC (% of Pay)		
Valuation Date	**Fiscal Year**	**Pension**	**Healthcare**	**Total**
June 30, 2005	FY08	22.73%	54.45%	77.18%
June 30, 2006	FY09	26.89%	52.20%	79.09%
June 30, 2007	FY10	28.61%	52.42%	81.03%
June 30, 2008	FY11	28.76%	28.71%	57.47%

3.2(c) Actuarial Assumptions, Methods and Additional Information Under GASB

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
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions: Investment rate of return* Projected salary increases	 8.25% for pension, 4.50% for healthcare 6.0% for first 5 years of service grading down to 4.0% after 15 years
*Includes inflation at	3.5%
Cost-of-living adjustment	Postretirement Pension Adjustment as described in Section 2.1, item (13)

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

The State of Alaska Teachers Retirement System's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State of Alaska has utilized the second methodology to develop a discount rate of 4.50% as of June 30, 2008, to be used for fiscal 2009 disclosure.

The development of the discount rate used for the healthcare liabilities valuation is summarized below:

Investment Returns		
Plan Assets (Long-Term Return)	=	8.25%
Employer Assets (Estimated Short-Term Return)	=	4.50%

Based on Percentage of ARC Contributed during FY06*		
1. Contribution Allocated to Healthcare	=	6.77%
2. Annual Required Contribution, Funding Assumptions	=	24.70%
3. Pay-as-you-go Contribution	=	12.67%
4. Portion of ARC Contributed: [(1-3) / (2-3), not less than 0%]	=	0.00%
5. Multiplied by long-term investment return	=	0.00%
6. Portion of ARC not Contributed: [100% - (4)]	=	100.00%
7. Multiplied by short-term investment return	=	4.50%
8. Total: (5) + (7)	=	4.50%

*It is assumed that fiscal 2004 contributions allocated to healthcare ARC for funding purposes and pay-as-you-go contributions are used to derive the GASB 43 discount rate applied to the June 30, 2006 valuation (fiscal 2007), which in turn drives the fiscal 2009 GASB 43 ARC.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2009 employer ARC rate for accounting purposes is 52.20% of pay for healthcare benefits and 79.09% of pay for healthcare and pension benefits combined.

3.3 Solvency Test – Pension and Healthcare

Valuation Date	Aggregate Accrued Liability For: (1) Active Member Contributions (000's)	(2) Inactive Members (000's)	(3) Active Members (Employer-Financed Portion) (000's)	Valuation Assets (000's)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
June 30, 2008 [2]	$ 654,662	$ 5,181,676	$ 1,782,840	$ 4,936,976	100%	82.6%	0.0%
June 30, 2007	638,420	4,912,025	1,638,958	4,424,399	100%	77.1%	0.0%
June 30, 2006 [2 3]	615,207	4,925,922	1,688,722	4,141,700	100%	71.6%	0.0%
June 30, 2005	589,169	4,694,176	1,215,211	3,958,939	100%	71.8%	0.0%
June 30, 2004 [2]	569,435	4,423,036	1,131,129	3,845,370	100%	74.1%	0.0%
June 30, 2003	548,947	4,105,445	1,181,217	3,752,285	100%	78.0%	0.0%
June 30, 2002 [1 2 3]	523,142	3,755,882	1,132,618	3,689,036	100%	84.3%	0.0%
June 30, 2001	533,752	3,213,431	855,964	4,372,229	100%	100%	73.0%
June 30, 2000 [1 2 3]	490,176	2,872,250	836,442	4,184,015	100%	100%	98.2%
June 30, 1999	469,068	2,571,345	680,541	3,815,633	100%	100%	100.0%

Healthcare liabilities are calculated using the funding assumptions (i.e., 8.25% investment return and net of Medicare Part D subsidy).

[1] *Change in Asset Valuation Method*
[2] *Change in Assumptions*
[3] *Change in Methods*