TEACHERS' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2010

Sean Parnell, Governor

Prepared by

Department of Administration
Division of Retirement and Benefits
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Alaska Division of Retirement and Benefits

TRS
Teachers' Retirement System

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INTRODUCTORY SECTION

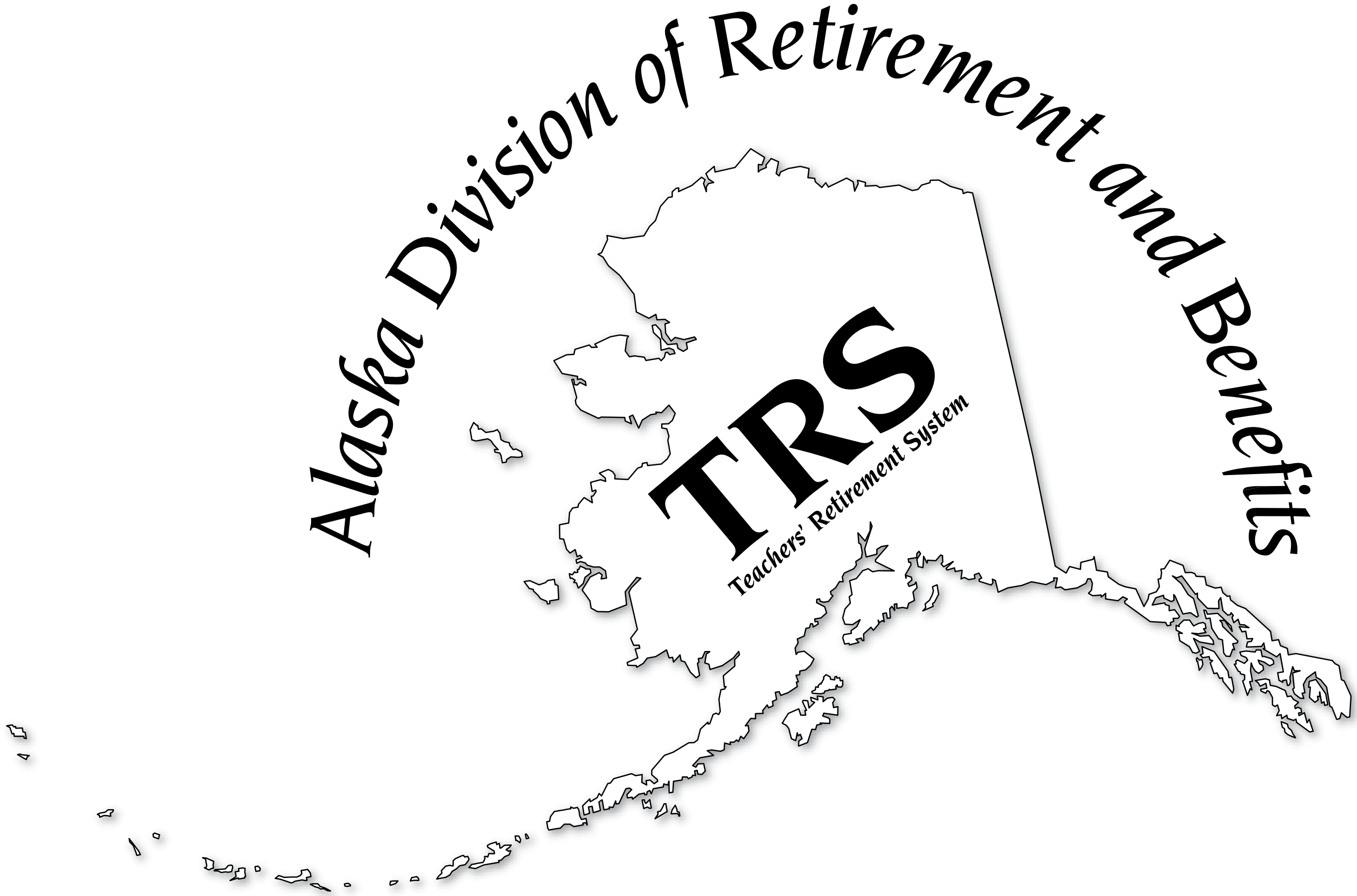
FINANCIAL SECTION

INVESTMENT SECTION

ACTUARIAL SECTION

STATISTICAL SECTION

INTRODUCTORY SECTION



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STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

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LETTER OF TRANSMITTAL

October 29, 2010

The Honorable Sean Parnell, Governor
Members of the Alaska State Legislature
Alaska Retirement Management Board
Employers and Plan Members

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System (TRS) (System) for the fiscal year ended June 30, 2010. The CAFR is intended to fulfill the legal requirements of Alaska Statute (AS) 14.25.004(a)(8).

The CAFR provides comprehensive information on the financial operations of the System for the fiscal year. Responsibility for the accuracy, completeness and fairness of the information presented rests with the management of the System. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the System for the year ended June 30, 2010. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

KPMG LLP, Certified Public Accountants, have issued an unqualified opinion on the Systems' basic financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the Financial Section of this report.

The management's discussion and analysis (MD&A) is also located in the Financial Section of this report. The MD&A provides an analytical overview of the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the administrative organization of the TRS, and a list of the members serving on the Alaska Retirement Management Board;
- **Financial Section**, which contains the Independent Auditor's Report, MD&A, basic financial statements, required supplementary information, and additional information;

- **Investment Section**, which contains a report prepared by the investment consultant, a report on investment activity, investment results, and various investment schedules;
- **Actuarial Section**, which contains the Actuarial Certification letter and the results of the most current annual actuarial valuation; and
- **Statistical Section**, which includes additional information related to financial trends, demographic and economic information, and operating information.

Profile of the System

The System was established in 1955 to provide pension and postemployment healthcare benefits to teachers and other eligible participants. Normal service, survivor, and disability benefits are available to all members who attain the Plan's age and service requirements. During the 2005 legislative session, a law was enacted that closed the Defined Benefit (DB) Plan. Senate Bill 141, signed into law on July 27, 2005, closed the DB Plan effective July 1, 2006, to new members and created a Defined Contribution Retirement (DCR) Plan for members first hired on or after July 1, 2006. Beginning in fiscal year 2007, the System consists of: (1) the DB Plan and (2) the DCR Plan. This report includes both plans. The DB Plan includes the pension plan and the Alaska Retiree Health Care Trust. The DCR Plan includes the DCR trust, occupational death and disability plan (OD&D), retiree major medical plan (RMP), and the health reimbursement arrangement plan (HRA).

Reporting Entity

The System is considered a component unit of the State of Alaska (State) for financial reporting purposes. Due to the closeness of the System's relationship to the State, it is included in the Alaska CAFR as a fiduciary fund.

The Commissioner of the Department of Administration, appointed by the Governor, is responsible for administering the System. In order to meet the statutory requirements of administering the System, the Commissioner appoints the Director of the Division of Retirement and Benefits (Division). The Director is responsible for the daily operations of the System.

The Alaska Retirement Management Board (ARMB), constituted effective October 1, 2005, replaced the Teachers' Retirement Board (effective July 1, 2005) and the Alaska State Pension Investment Board (ASPIB) (effective October 1, 2005).

The ARMB is responsible for:

- adopting investment policies and developing investment objectives;
- providing a range of investment options and establishing the rules by which participants can direct their investments among those options, when applicable;
- establishing crediting rates for members' individual contribution accounts, when applicable;
- assisting in prescribing policies for the proper operation of the System;
- coordinating with the System Administrator to have actuarial valuations performed;
- reviewing actuarial assumptions and conducting experience analyses;

- contracting for an independent audit of actuarial valuations and external performance calculations; and
- reporting the System's financial condition to the governor, legislature, and individual employers participating in the System.

Major Initiatives

The System continues to make progress on several on-going projects. Most of these efforts are focused on the following improvements: technology, methods for employers to submit information, methods for members to obtain information, and continued compliance with accounting requirements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB), as applicable.

The System continues to assess and retool its communication efforts, which include printed handbooks, newsletters, and website content. The System strives to ensure that all communication material is clear, accurate, and user-friendly.

The System also endeavors to provide the highest degree of customer service to all its members. The Division recently established Customer Service Centers to improve phone service and provide faster processing of all customer requests.

The System is a participant in a multi-agency project procuring and implementing Virtual Call Center functionalities for the phone system. These features will enable the Customer Service Representatives to provide faster and higher quality service to our members. The System will activate a new redesigned website in early January 2011. The new website will use a modern navigation model, will be compliant with the Americans with Disabilities Act, and use many "best practices" techniques of the web industry.

The System offers a broad array of fairs and seminars directed toward both active members and employers. A new seminar offered throughout the State of Alaska is titled "Marketing the Defined Contribution Retirement Plan." The goal of the seminar is to assist employers with successfully marketing the DCR plan. In addition, the System continues to expand its Benefits Fairs with the goal of educating members about all benefits available from early career through to retirement, encouraging healthy living and how to best use the health plan.

Funding Requirements

The System's consulting actuary, Buck Consultants, presented the results of the June 30, 2009, actuarial valuation report to the Plan Administrator and the ARMB. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report, the TRS has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and postemployment healthcare benefits) of 57.0%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately $3.4 billion. The unfunded liability continues to be addressed at all levels of the State. The Governor's budget proposes to provide funding to TRS employers in order to maintain an appropriate level of employer contributions while also paying the actuarial required contribution rate adopted by the ARMB.

Investments

At June 30, 2010, the DB Plan's investment portfolio was valued at $3.9 billion and earned an 11.58% return for the fiscal year ended June 30, 2010. The DCR Plan's investment portfolio was valued at $60.5 million for the fiscal year ended June 30, 2010. Over the past five years ending June 30, 2010, the DB Plan's investments earned a 2.66% return. The ARMB has statutory oversight of the System's investments and the Department of Revenue, Treasury Division, provides staff for the ARMB. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The ARMB reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

Accounting System

This CAFR has been prepared to conform with the principles of accounting and reporting established by the GASB. Specific accounting treatments are detailed in the Notes to the Financial Statements found in the Financial Section of this report.

Internal Controls

System management is responsible for establishing and maintaining a system of internal controls to protect TRS assets from loss, theft, or misuse and to ensure adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We are confident our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA for consideration.

Acknowledgements

The preparation of this report is made possible by the dedicated services of the staff of the Department of Administration, Division of Retirement and Benefits, Department of Law, and the Department of Revenue, Treasury Division. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the TRS financial resources.

The report is available on the web at http://doa.alaska.gov/drb/trs/trscafr.html and mailed to those who submit a formal request. This report forms the link between the System and the membership. The cooperation of the membership contributes significantly to the success of the System. We hope the employers and plan members find this report informative.

We are grateful to the Alaska Retirement Management Board, the staff, the advisors, and to the many people who have diligently worked to assure the successful operation of the System.

Respectfully submitted,

Annette Kreitzer
Commissioner

Pat Shier
Director

Teresa Kesey, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alaska Teachers' Retirement System

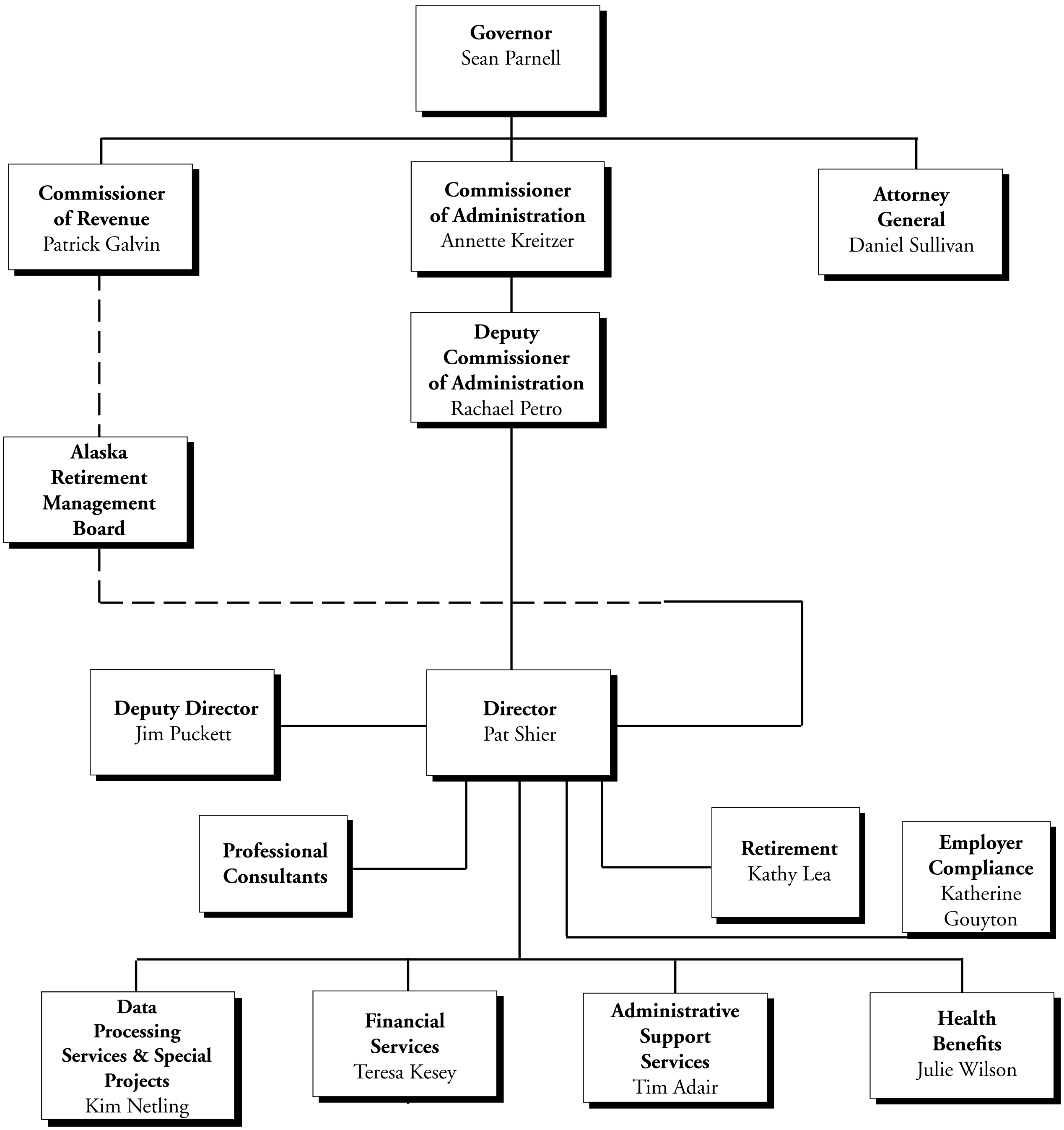
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ORGANIZATION CHART



Section Responsibilities

The **Retirement Section** is responsible for providing comprehensive retirement counseling to the participating members and employers in the plan. This section appoints members to retirement and maintains benefit payment information.

The **Health Benefits Section** is responsible for the administration of health, disability, and life insurance. This section provides benefits counseling and plan change information to the membership.

The **Financial Section** is responsible for maintaining the employee and employer records and accounts in each of the plans administered by the Division, producing financial statements and reports, and assuring compliance with the Internal Revenue Service requirements.

The **Data Processing Services and Special Projects Section** supports the information systems the System uses. Responsibilities include planning, development, data base design, programming, and operational support of the data processing systems, including the Local Area Network.

The **Administrative Support Services Section** is responsible for budget preparation, fiscal management of appropriations, procurement of professional services, supplies, and equipment. The section manages the systems' record center containing the member's physical records and performs other administrative functions such as legislative tracking and personnel management.

PROFESSIONAL CONSULTANTS

Consulting Actuary
Buck Consultants
Denver, Colorado

Independent Auditors
KPMG LLP
Anchorage, Alaska

Benefits Consultant
Buck Consultants
Denver, Colorado

Third-Party Healthcare Claim Administrator
Wells Fargo Insurance Services of Alaska
Anchorage, Alaska

IT Consultant
Computer Task Group
Anchorage, Alaska

Legal Counsel
Anne Johnson
Joan Wilkerson
Jessica Schrader
Toby Steinberger
Assistant Attorney Generals
Juneau, Alaska
Ice Miller LLP
Indianapolis, Indiana

Consulting Physicians
Kim Smith, M.D.
Melissa Hynes M.D.
William Cole, M.D.
Juneau, Alaska
Thomas Rodgers M.D.
Ford, Washington

A list of investment consultants can be found on pages 73-74 and on the Schedule of External Management Fees on pages 81-82.

ALASKA RETIREMENT MANAGEMENT BOARD

Gail (Anagick) Schubert, Chair, is the Executive Vice President and General Counsel for the Bering Straits Native Corporation, and President/CEO of several of its subsidiary entities. Mrs. Schubert is an attorney licensed to practice law in the states of Alaska and New York, and holds a Law Degree and Masters Degree in Business Administration from Cornell University. She received her undergraduate degree from Stanford University. Mrs. Schubert serves as Chair of the Alaska Native Heritage Center, Chair of Akeela Treatment Services, Chair of the Alaska Retirement Management Board, Vice Chair of the Alaska Native Justice Center, Vice Chair of Khoanic Broadcast Corporation, Treasurer of the Bering Straits Native Corporation, and a board member of the Alaska Federation of Natives, and the Alaska Native Arts Foundation. Mrs. Schubert is also a member of the Alaska Rural Justice and Law Enforcement Commission.

Sam Trivette, Vice-Chair, is currently President of the Retired Public Employees of Alaska, and is on the national executive board of the American Federation of Teachers retirees. Mr. Trivette retired from public service after more than 32 years serving as Chief Probation Officer, Director of Community Corrections, Executive Director of the Parole Board, and as a probation and correctional officer. He is President of Quality Corrections Services, and on the board of directors of the Alaska Public Employees Association. Mr. Trivette has also served as an officer in a number of national and statewide professional organizations as well a many not-for-profit organizations around Alaska. He has a Bachelor's degree in Psychology from the University of Alaska, Anchorage and has completed postgraduate work in public administration, law and psychological counseling.

Gayle W. Harbo, Secretary, retired after teaching mathematics in Fairbanks for 25 years. She also served as math department chair, as advanced placement coordinator, on the district curriculum, evaluation and budget committees, and twice as chair of the Lathrop Self-Evaluation for Accreditation Committee. Ms. Harbo is a member of Alpha Delta Kappa, AARP, National Retired Teachers of Alaska, Fairbanks Retired Teachers Association, National Council of Teacher Retirement Systems, and the NCTR Education Committee. She is also a co-manager of a family trust. Ms. Harbo was named Alaska Teacher of the Year in 1989. She holds a Bachelor's of Science in Mathematics from North Carolina State University, and a Masters in Teaching from the University of Alaska, Fairbanks, and has completed an additional 40 hours in mathematics, counseling, law and finance.

Patrick Galvin was appointed Commissioner of the Department of Revenue by former Governor Sarah Palin effective December 4, 2006. Before his appointment he served as a Petroleum Land Manager for the Alaska Department of Natural Resources (DNR), Division of Oil and Gas. His responsibilities included managing the oil and gas leasing and licensing programs, lease administration, and oil and gas permitting for the division. His education background includes a Bachelor's degree in Visual Arts and Quantitative Economics from the University of California, San Diego, a Law Degree from the University of San Diego, and a Master of Business Administration from San Diego State University. Prior to his position at DNR, Mr. Galvin served as Director of the Division of Governmental Coordination, overseeing the Alaska Coastal Management Program. Previously, Mr. Galvin was a private practice attorney focusing on municipal, corporate, and tribal law.

Annette Kreitzer was appointed Commissioner of the Department of Administration by former Governor Sarah Palin in January 2007. Most recently Ms. Kreitzer served as Chief of Staff for former Lieutenant Governor Loren Leman. She also served as Committee Aide for the Senate Special Committee on Oil and Gas, then as Committee Aide for the Senate Labor & Commerce and Resources committees, and Senate Finance Subcommittee staff for the Departments of Revenue, Environmental Conservation, and Natural Resources. Ms. Kreitzer has served as the Governor's appointee to Rural CAP

(2002 - 2007); represented the Alaska Senate on the National Conference of State Legislatures Chemical Weapons Study Group (1998-1999); and served on the Governor's Safety Advisory Council (1994-1997). Ms. Kreitzer has also worked as an Emergency Medical Services Squad Leader and EMT II, administrator for the Anna Livingston Memorial Clinic, a reporter and a freelance writer. Volunteer activities include service on the Bartlett Regional Hospital Board, the Aleutians East Borough Health Committee, teaching gun safety and assisting with Ducks Unlimited and National Rifle Association events. Ms. Kreitzer attended Wright State University with an emphasis on journalism and took additional courses through the University of Washington and University of Alaska Fairbanks.

Martin Pihl came to Alaska in 1962 to work for Ketchikan Pulp Company, becoming President and General Manager in 1987 until his retirement in 1994. He then served as Acting Executive Director for the Alaska Permanent Fund Corporation in 1994-1995. Mr. Pihl serves as a director of National Bank of Alaska and on Wells Fargo Bank's Alaska Statewide Advisory Board, as Chairman of the Board of Governors of the Alaska Timber Insurance Exchange, and as a regent for Pacific Lutheran University. He is also a member of several advisory boards including Holland America-Westmark-Ketchikan Advisory Board, Ketchikan Ports and Harbors Advisory Board, and Alaska Airlines Southeast Alaska Community Advisory Board. Mr. Pihl holds a Bachelor's degree in Accounting from the University of Washington and has been a CPA since 1958.

Kristin Erchinger is currently finance director for the City of Seward, having worked for the city in finance positions since 1994 including a year serving simultaneously as finance director and acting city manager. She became the finance director in 2000. Ms. Erchinger is past president of the Alaska Government Finance Officer's Association and represents that organization in the Alaska Municipal League. She also served on the Providence Alaska Region Board, the Graduate Medical Education Committee, the Alaska Municipal League Board, and the Board of the American Society for Public Administration, Alaska Chapter. Ms. Erchinger earned bachelor's degrees in international studies and Japanese language and literature, both from the University of Washington, and a master's degree in public administration from the University of Alaska Anchorage.

Michael R. Williams is currently a Revenue Auditor for the Alaska Department of Revenue, performing audits of large, multi-state and multi-national corporations since 1998. He is also a partner and principal owner of Williams & Payne, LLC, a tax preparation and consultation business in Anchorage. Mr. Williams has also worked as a tax consultant for Deloitte & Touche and as a tax auditor for the State of Utah. He has served as Secretary for ASEA/AFSCME Local 52, as trustee for the ASEA Health Benefits Trust, and is a member of the National Association of Enrolled Agents. Mr. Williams holds a Bachelor's degree in Accounting & German and a Master of Professional Accountancy from Weber State University.

Tom Richards recently retired after serving 29 years as a mathematics, science and economics teacher in Fairbanks and North Pole. He currently works as an education liaison at the Fairbanks Youth Facility. He also serves on the Alaska State Bond Reimbursement and Grant Review Committee. Mr. Richards received a bachelor of science from the University of Idaho (Moscow) in 1976 with a major in zoology and a minor in chemistry, and obtained his State of Alaska teacher certification in 1978 with a secondary endorsement in biological science and mathematics. In 1999, he received a master of science in education from Western Oregon University (Monmouth) with an emphasis in information technology. He continues to enjoy Alaska with his wife, Debbie.

FINANCIAL SECTION

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KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board

State of Alaska Teachers' Retirement System:

We have audited the accompanying statement of plan net assets of the State of Alaska Teachers' Retirement System (System), a Component Unit of the State of Alaska, as of June 30, 2010, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Teachers' Retirement System as of June 30, 2010, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Schedules of Funding Progress and Schedules of Contributions from Employers and the State of Alaska are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules are presented on pages 68-70 for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules are the responsibility of the management of the System. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

October 29, 2010

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

Management's Discussion and Analysis

June 30, 2010 and 2009

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

Financial Highlights

The System financial highlights as of June 30, 2010 were as follows:

- The System's net assets held in trust for pension and postemployment healthcare benefits increased by $325.0 million during fiscal year 2010.
- The System's plan member and employer contributions increased by $12.2 million during fiscal year 2010.
- The State of Alaska directly appropriated $173.5 million during fiscal year 2010 as statutorily required.
- The System net investment income increased $1,393.3 million to $396.4 million during fiscal year 2010.
- The System's pension benefit expenditures totaled $332.7 million during fiscal year 2010.
- The System's postemployment healthcare benefit expenditures totaled $110.3 million in fiscal year 2010.

Overview of the Financial Statements

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

Statement of Plan Net Assets – This statement presents information regarding the System's assets, liabilities, and resulting net assets held in trust for pension and postemployment healthcare benefits. This statement reflects the System's investments at fair market value, along with cash and short-term investments, receivables, and other assets less liabilities at June 30, 2010 and 2009.

Statement of Changes in Plan Net Assets – This statement presents how the System's net assets held in trust for pension and postemployment healthcare benefits changed during the fiscal year ended June 30, 2010 and 2009. This statement presents contributions earned and investment income (loss) during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

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

Management's Discussion and Analysis

June 30, 2010 and 2009

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

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

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

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

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

Management's Discussion and Analysis

June 30, 2010 and 2009

Condensed Financial Information

Plan Net Assets (In thousands)

Description	2010	2009	Increase/(decrease) Amount	Increase/(decrease) Percentage	2008
Assets:					
Cash and cash equivalents	$ 40,668	19,704	20,964	106.4%	$ 14,972
Due from State of Alaska General Fund	4,852	9,046	(4,194)	(46.4)	19,473
Contributions receivable	4,778	5,591	(813)	(14.5)	5,380
Legal settlement	54,586	—	54,586	100.0	—
Other receivables	1,800	853	947	111.0	65,811
Due from postemployment healthcare	—	—	—	—	1,086,620
Due from PERS ARHCT Fund	101	102	(1)	(1.0)	—
Due from Retiree Health Fund	3,496	3,440	56	1.6	—
Investments, at fair value	4,004,505	3,727,139	277,366	7.4	4,721,128
Other assets	985	984	1	0.1	—
Total assets	4,115,771	3,766,859	348,912	9.3	5,913,384
Liabilities:					
Accrued expenses	3,724	3,913	(189)	(4.8)	3,517
Claims payable	13,551	—	13,551	100.0	1,086,620
Legal fees payable	10,592	—	10,592	100.0	—
Total liabilities	27,867	3,913	23,954	612.2	1,090,137
Net assets	$ 4,087,904	3,762,946	324,958	8.6%	$ 4,823,247

Changes In Plan Net Assets (In thousands)

Description	2010	2009	Increase/(decrease) Amount	Increase/(decrease) Percentage	2008
Net assets, beginning of year	$ 3,762,946	4,823,247	(1,060,301)	(22.0)%	$ 4,900,185
Additions (reductions):					
Contributions	160,081	147,865	12,216	8.3	142,492
Appropriation – State of Alaska	173,462	206,300	(32,838)	(15.9)	269,992
Net investment income (loss)	396,417	(996,876)	1,393,293	139.8	(145,767)
Transfers	—	—	—	—	1,086,620
Legal settlement	54,585	—	54,585	100.0	—
Other additions	4,459	3,598	861	23.9	34
Total additions (reductions)	789,004	(639,113)	1,428,117	223.5	1,353,371
Deductions:					
Pension and postemployment healthcare benefits	443,003	408,719	34,284	8.4	336,183
Refund of contributions	4,402	4,067	335	8.2	3,963
Administrative	6,049	8,402	(2,353)	(28.0)	3,543
Legal settlement fees	10,592	—	10,592	100.0	—
Transfers	—	—	—	—	1,086,620
Total deductions	464,046	421,188	42,858	10.2	1,430,309
Increase (decrease) in net assets	324,958	(1,060,301)	1,385,259	130.6	(76,938)
Net assets, end of year	$ 4,087,904	3,762,946	324,958	8.6%	$ 4,823,247

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

Management's Discussion and Analysis

June 30, 2010 and 2009

Financial Analysis of the System

The statements of plan net assets as of June 30, 2010 and 2009 show net assets held in trust for pension and postemployment healthcare benefits of $4,087,904,000 and $3,762,946,000, respectively. The entire amount is available to cover the System's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

These amounts represent an increase in the System's net assets held in trust for pension and postemployment healthcare benefits of $324,958,000 or 8.6% from fiscal year 2009 to 2010 and a decrease of $1,060,301,000 or 22.0% from fiscal years 2009 and 2008. Over the long term, plan member, employer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

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

Defined Benefit (DB) Plan Asset Allocation

During fiscal year 2010 and 2009, the Board adopted the following asset allocation for the DB Plan:

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

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

Management's Discussion and Analysis

June 30, 2010 and 2009

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

For fiscal years 2010 and 2009, the DB Plan's investments generated an 11.58% and a (20.62%) rate of return, respectively. The DB Plan's annualized rate of return was (4.99%) over the last three years and 2.66% over the last five years, which is less than the actuarial assumed rate of return of 8.25%.

Defined Contribution Retirement (DCR) Plan Asset Allocation

During fiscal year 2010 and 2009, the Board adopted the following asset allocation for the DCR Plan's retiree major medical insurance fund, health reimbursement arrangement fund, and occupational death and disability fund:

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

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

Management's Discussion and Analysis

June 30, 2010 and 2009

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

Actuarial Valuations and Funding Progress

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing during a fiscal year and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the actuary and adopted by the Board. Employer contribution rates are recommended by the actuary and the actuarially determined contribution rate is considered for adoption by the Board annually. Decreases in investment results, increasing healthcare costs, and contribution shortfalls continue to impact the DB Plan's funding ratio. The ratio of assets to liabilities was 57.0%, at June 30, 2009 (the date of the DB Plan's latest actuarial valuation report). The goal for the DB Plan is to make progress toward achieving full funding.

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

For fiscal year 2010, (based on the June 30, 2007 actuarial valuation report) the normal cost rate decreased from 9.37% to 7.59%, the past service rate decreased from 34.80% to 31.94%, thus producing a total fiscal year 2010 actuarially determined annual contribution rate of 39.53%. The Board adopted the actuarially determined contribution rate of 39.53% for fiscal year 2010:

	Valuation Year (In thousands)	
	2009	**2008**
Valuation assets	$ 4,472,958	4,936,976
Accrued liabilities (total benefits)	7,847,514	7,619,178
Unfunded accrued liability	3,374,556	2,682,202
Funding ratio	57.0%	64.8%

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

Management's Discussion and Analysis

June 30, 2010 and 2009

Contributions, Investment Income and Other Additions

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

Additions (Reductions) (In thousands)

	2010	2009	Increase/(decrease) Amount	Percentage	2008
Plan members contributions	$ 67,722	61,737	5,985	9.7%	59,579
Employer contributions	92,359	86,128	6,231	7.2	82,913
Appropriation – State of Alaska	173,462	206,300	(32,838)	(15.9)	269,992
Net investment income (loss)	396,417	(996,876)	1,393,293	139.8	(145,767)
Transfer from postemployment health fund	—	—	—	—	1,086,620
Legal settlement	54,585	—	54,585	100.0	—
Other additions	4,459	3,598	861	23.9	34
Total	$ 789,004	(639,113)	1,428,117	223.5%	1,353,371

The System's employer contributions increased from $86,128,000 in fiscal year 2009 to $92,359,000 in fiscal year 2010, an increase of $6,231,000 or 7.2%. There was an increase from $82,913,000 in fiscal year 2008 to $86,128,000 in fiscal year 2009, an increase of $3,215,000 or 3.9%. The increase in employer contributions is attributable to an increase in members' salaries.

The State of Alaska provided $173,462,000 for fiscal year 2010 and $206,300,000 for fiscal year 2009 in employer on-behalf payments as required by Alaska Statute 14.25.085. The employer on-behalf amount is calculated by the System's actuary. It is based on projected payroll and the difference between the actuarially determined contribution rate and the statutory effective rate. The actuarially determined contribution rate decreased from 44.17% in fiscal year 2009 to 39.53% in fiscal year 2010. The employer contribution rate of 12.56% is established in Alaska Statute 14.25.070(a).

The System's net investment income in fiscal year 2010 increased by $1,393,293,000 or 139.8% from amounts recorded in fiscal year 2009 and net investment loss increased in fiscal year 2009 by $851,109,000 or a change of (583.9%) compared to amounts recorded in fiscal year 2008. In fiscal year 2010 investments have started recovering from the economic downturn in fiscal year 2009 where investment results were heavily negative. Over the long term, investment income has been a major component of additions to System assets. During fiscal year 2010, the System experienced some recovery from the prior year's significant reduction in rates of return on investments. The assumed rate of return used in the actuarial valuation report to determine liabilities of the DB Plan was 8.25%.

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

Management's Discussion and Analysis

June 30, 2010 and 2009

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

	Year Ended		
	2010	**2009**	**2008**
System returns	11.58%	(20.62)%	(3.05)%
Domestic equities	15.47	(26.80)	(13.53)
International equities	12.03	(29.12)	(7.48)
Fixed income	11.35	3.36	6.50
Private equity	18.87	(23.67)	—
Absolute return	6.60	(12.52)	—
Real assets	0.06	(21.20)	5.71
International fixed income	—	—	18.95

During fiscal year 2010 the Alaska Retirement Management Board settled a lawsuit against its former actuary, Mercer, regarding claims of professional malpractice, breach of contract and unfair trade practices in advising the state on management of the Alaska Public Employees' Retirement System and the Alaska Teachers' Retirement System. The settlement agreement amounts to $500 million in exchange for dismissal of the lawsuit. The amount allocated to the Teachers' Retirement System was $44 million after legal fees were deducted.

Benefits and Other Deductions

The primary deduction of the DB Plan is the payment of pension and postemployment healthcare benefits. The primary deduction of the DCR Pension Trust Plan is the refund of contributions. These benefit payments, healthcare claims paid, refunds of contributions, and the cost of administering the plans comprise the costs of operation as follows:

Deductions (In thousands)

			Increase/(decrease)		
	2010	**2009**	**Amount**	**Percentage**	**2008**
Pension	$ 332,690	319,148	13,542	4.2%	306,689
Postemployment healthcare	110,313	89,571	20,742	23.2	29,494
Refund of contributions	4,402	4,067	335	8.2	3,963
Administrative	6,049	8,402	(2,353)	(28.0)	3,543
Legal fees	10,592	—	10,592	100.0	—
Total	$ 464,046	421,188	42,858	10.2%	343,689

The System's pension benefit payments in 2010 increased $13,542,000 or 4.2% from fiscal year 2009 and increased $12,459,000 or 4.1% from fiscal year 2008 to 2009. The increase in pension benefits is the result of an increase in the number of retirees.

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

Management's Discussion and Analysis

June 30, 2010 and 2009

The System's postemployment healthcare benefit payments in fiscal year 2010 increased $20,742,000 or 23.2% from fiscal year 2009 and postemployment healthcare benefit payments increased $60,077,000 or 203.7% from fiscal year 2008 to 2009. Healthcare costs continued to rise in fiscal year 2010. However, the increase between fiscal year 2008 and 2009 is largely the result of the establishment of the Alaska Retiree Healthcare Trust (ARHCT) and the transition from paying claims out of the Retiree Health Fund to paying healthcare claims out of the ARHCT.

The System's administrative deductions in 2010 decreased $2,353,000 or 28.0% from fiscal year 2009 and increased $4,859,000 or 137.1% from fiscal year 2009 and 2008, respectively. The fiscal year 2010 reduction in administrative expenses is due to a decrease in management and consulting fees.

During fiscal year 2010, the system incurred legal fees of $10,592,000 associated with the legal settlement paid to the State of Alaska by Mercer.

Funding

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

- The employer contribution rate is determined by the System's consulting actuary and adopted by the Board annually. Alaska Statute 14.25.070(a) sets the employer contribution rate at 12.56%. The difference between the actuarially determined rate and the statutory employer effective rate is paid by the State of Alaska as a direct appropriation.

- Plan member contributions are established by Alaska Statute 14.25.050 for the DB Plan and Alaska Statute 14.25.340 for the DCR Plan.

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

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

Legislation

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

- House Bill 300 appropriates $190.9 million from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2011. This appropriation is to fund the difference between the statutory required contribution established in Senate Bill 125 of 12.56% and the actuarially determined contribution rate of 39.53% for fiscal year 2011.

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

Management's Discussion and Analysis

June 30, 2010 and 2009

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

The financial market environment continues to challenge investors, although fiscal year 2010 was a positive period for most investment categories. The Board continues to diversify the portfolio of the System to maintain an optimal risk/return ratio. The return on the System's investments exceed its' actuarially assumed return of 8.25% with a system rate of return of 11.58% at June 30, 2010. Even with investment returns exceeding the actuarial rate of return, the System will continue to see an increase in employer actuarial determined contribution rates due to rising medical costs and past contribution shortfalls.

The consulting actuary recommended a decrease from the System's actuarially determined contribution rate of 44.17% in fiscal year 2009 to 39.53% in fiscal year 2010. The Board adopted the actuarially determined contribution rate of 39.53% for fiscal year 2010, down 4.64 points from the fiscal year 2009 Board adopted actuarially determined contribution rate of 44.17%. The statutory employer contribution rate remained at 12.56% for fiscal years 2009 and 2010.

The June 30, 2009, actuarial valuation for the DB Plan reported a funding ratio of 57.0% and an unfunded liability of $3.4 billion.

For fiscal year 2010 and 2009, the DCR Plan's employer contribution rate was established at 12.56%. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board to be 1.03% and 0.99% for fiscal year 2010 and 2009, respectively. The DCR Plan's actuarially determined occupational death and disability rate was adopted by the Board to be 0.32% and 0.62% for fiscal year 2010 and 2009, respectively.

Requests for Information

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

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

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

Statement of Plan Net Assets
June 30, 2010

(With summarized financial information for June 30, 2009)

(In thousands)

	Defined benefit plan			Defined contribution pension trust plan						
	Pension	Alaska retiree healthcare trust	Total	Participant directed	Occupational death and disability	Retiree medical plan	Health reimbursement arrangement	Total	System total June 30, 2010	System total June 30, 2009
Assets:										
Cash and cash equivalents (notes 2, 3 and 4):										
Short-term fixed income pool	$ 27,073	11,763	38,836	207	20	63	153	443	39,279	19,154
Great West account	—	—	—	1,389	—	—	—	1,389	1,389	550
Total cash and cash equivalents	27,073	11,763	38,836	1,596	20	63	153	1,832	40,668	19,704
Receivables:										
Contributions	4,778	—	4,778	—	—	—	—	—	4,778	5,591
Due from State of Alaska General Fund (note 2)	226	2,850	3,076	1,398	30	96	252	1,776	4,852	9,046
Due from PERS Alaska Retiree Healthcare Trust	—	101	101	—	—	—	—	—	101	102
Due from Retiree Health Fund	—	3,496	3,496	—	—	—	—	—	3,496	3,440
Legal settlement	—	54,586	54,586	—	—	—	—	—	54,586	—
Other account receivable	—	1,801	1,801	(1)	—	—	—	(1)	1,800	853
Total receivables	5,004	62,834	67,838	1,397	30	96	252	1,775	69,613	19,032
Investments (notes 2, 3, 4 and 5) at fair value:										
Fixed income securities:										
Retirement fixed income pool	237,705	140,629	378,334	—	170	408	1,216	1,794	380,128	416,972
US Treasury fixed income pool	141,291	57,144	198,435	—	40	96	284	420	198,855	—
High yield pool	67,474	30,272	97,746	—	30	72	213	315	98,061	82,475
International fixed income pool	41,311	18,406	59,717	—	30	72	213	315	60,032	56,810
Emerging debt pool	20,900	9,468	30,368	—	29	70	210	309	30,677	28,645
Total fixed income securities	508,681	255,919	764,600	—	299	718	2,136	3,153	767,753	584,902
Broad domestic equity	786,027	364,601	1,150,628	—	409	984	2,928	4,321	1,154,949	1,248,868
Global equity ex-US:										
International equity pool	416,985	189,868	606,853	—	243	585	1,740	2,568	609,421	575,453
Emerging markets equity pool	156,220	75,819	232,039	—	66	159	475	700	232,739	159,663
Total global equity ex-US	573,205	265,687	838,892	—	309	744	2,215	3,268	842,160	735,116
Private equity pool	265,520	120,457	385,977	—	104	251	746	1,101	387,078	322,221
Absolute return pool	137,659	62,657	200,316	—	72	174	519	765	201,081	165,892
Real assets:										
Real estate pool	228,781	106,660	335,441	—	142	341	1,016	1,499	336,940	399,669
Real estate investment trust pool	11,147	4,585	15,732	—	4	10	30	44	15,776	10,360
Energy pool	17,671	7,668	25,339	—	4	11	32	47	25,386	23,593
Farmland pool	98,257	44,691	142,948	—	23	57	168	248	143,196	133,145
Farmland water pool	11,315	—	11,315	—	—	—	—	—	11,315	10,549
Timber pool	33,983	15,600	49,583	—	15	35	105	155	49,738	47,055
Treasury inflation protected securities pool	15,378	7,851	23,229	—	48	114	340	502	23,731	20,804
Mortgages	—	—	—	—	—	—	—	—	—	9
Total real assets	416,532	187,055	603,587	—	236	568	1,691	2,495	606,082	645,184
Other investment funds, at fair value:										
Pooled investment funds	—	—	—	11,078	—	—	—	11,078	11,078	1,557
Collective investment funds	—	—	—	34,324	—	—	—	34,324	34,324	23,399
Total other investment funds	—	—	—	45,402	—	—	—	45,402	45,402	24,956
Total investments	2,687,624	1,256,376	3,944,000	45,402	1,429	3,439	10,235	60,505	4,004,505	3,727,139
Other assets	1	984	985	—	—	—	—	—	985	984
Total assets	2,719,702	1,331,957	4,051,659	48,395	1,479	3,598	10,640	64,112	4,115,771	3,766,859
Liabilities:										
Accrued expenses	3,145	178	3,323	401	—	—	—	401	3,724	3,913
Claims payable (note 6)	—	13,551	13,551	—	—	—	—	—	13,551	—
Legal fees payable	—	10,592	10,592	—	—	—	—	—	10,592	—
Total liabilities	3,145	24,321	27,466	401	—	—	—	401	27,867	3,913
Commitment and contingencies (note 9)	—	—	—	—	—	—	—	—	—	—
Net assets held in trust for pension and postemployment healthcare benefits	$ 2,716,557	1,307,636	4,024,193	47,994	1,479	3,598	10,640	63,711	4,087,904	3,762,946

See accompanying notes to the financial Sstatements.

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

Statement of Changes in Plan Net Assets
Year ended June 30, 2010

(With summarized financial information for June 30, 2009)

(In thousands)

	Defined benefit plan			Defined contribution pension trust plan						
	Pension	Alaska retiree healthcare trust	Total	Participant directed	Occupational death and disability	Retiree medical plan	Health reimbursement arrangement	Total	System total June 30, 2010	System total June 30, 2009
Additions (reductions):										
Contributions:										
Employers	$ 33,800	42,694	76,494	9,658	442	1,421	4,344	15,865	92,359	86,128
Plan members	56,554	117	56,671	11,051	—	—	—	11,051	67,722	61,737
Employer legislative relief	100,475	72,987	173,462	—	—	—	—	—	173,462	206,300
Total contributions	190,829	115,798	306,627	20,709	442	1,421	4,344	26,916	333,543	354,165
Investment income (loss):										
Net appreciation (depreciation) in fair value	225,483	103,351	328,834	1,641	63	118	330	2,152	330,986	(1,124,022)
Interest	22,033	10,565	32,598	9	10	23	68	110	32,708	40,117
Dividends	28,386	12,012	40,398	—	10	24	72	106	40,504	95,074
Total investment income (loss)	275,902	125,928	401,830	1,650	83	165	470	2,368	404,198	(988,831)
Less investment expense	7,756	25	7,781	—	—	—	—	—	7,781	8,045
Net investment income (loss)	268,146	125,903	394,049	1,650	83	165	470	2,368	396,417	(996,876)
Other:										
Legal settlement	—	54,585	54,585	—	—	—	—	—	54,585	—
Other	9	4,450	4,459	—	—	—	—	—	4,459	3,598
Total additions (reductions)	458,984	300,736	759,720	22,359	525	1,586	4,814	29,284	789,004	(639,113)
Deductions:										
Pension and postemployment benefits	332,690	110,313	443,003	—	—	—	—	—	443,003	408,719
Refunds of contributions	3,472	—	3,472	930	—	—	—	930	4,402	4,067
Legal settlement fees	—	10,592	10,592	—	—	—	—	—	10,592	—
Administrative	2,698	3,228	5,926	123	—	—	—	123	6,049	8,402
Total deductions	338,860	124,133	462,993	1,053	—	—	—	1,053	464,046	421,188
Net increase (decrease)	120,124	176,603	296,727	21,306	525	1,586	4,814	28,231	324,958	(1,060,301)
Net assets held in trust for pension and postemployment healthcare benefits:										
Balance, beginning of year	2,596,433	1,131,033	3,727,466	26,688	954	2,012	5,826	35,480	3,762,946	4,823,247
Balance, end of year	$ 2,716,557	1,307,636	4,024,193	47,994	1,479	3,598	10,640	63,711	4,087,904	3,762,946

See accompanying notes to the financial statements.

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

(1) Description

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

At June 30, 2010 and 2009, the number of participating local government employers was:

State of Alaska	1
School districts	53
Other	4
	58

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

Defined Benefit Retirement Plan

General

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

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

	Valuation as of June 30	
	2009	**2008**
Retirees and beneficiaries currently receiving benefits	10,255	10,026
Terminated plan members entitled to future benefits	884	873
Total current and future benefits	11,139	10,899
Active plan members:		
Vested	5,799	5,612
Nonvested	2,427	2,919
Total active plan membership	8,226	8,531
Total members	19,365	19,430

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Pension Benefits

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

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

The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of twenty years is equal to 2% of the employee's average base salary. The benefit for each year over twenty years of service subsequent to June 30, 1990, is equal to 2 ½% of the employee's base salary.

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

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

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

Postemployment Healthcare Benefits

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Death Benefits

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

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

Disability Benefits

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

Contributions

DB Plan Member Contributions

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Employer Contributions

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

Contributions from the State of Alaska

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

Refunds

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

Defined Contribution Retirement Plan

General

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

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

	2010	2009
Retirees and beneficiaries currently receiving benefits	—	—
Terminated plan members entitled to future benefits:		
25% Vested	247	151
50% Vested	106	34
75% Vested	37	2
100% Vested	4	4
Total terminated plan members entitled to future benefits	394	191
Total current and future benefits	394	191
Active plan members:		
25% Vested	622	582
50% Vested	472	319
75% Vested	286	—
100% Vested	3	4
Nonvested	886	901
Total active plan members	2,269	1,806
Total members	2,663	1,997

Pension Benefits

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

Postemployment Healthcare Benefits

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Death Benefits

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

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

Disability Benefits

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

Contributions

DCR Plan Member Contributions

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

Employer Contributions

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

Refunds

A member is eligible to elect distribution of the member's account in accordance with this section 60 days after termination of employment.

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Participant Accounts

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

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

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

GASB Statements No. 25 and No. 43

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Investments

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

Pooled Investments

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

The Short-Term Fixed Income Pool maintains a share price of $1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Forward currency contracts are valued at the mid-point of representative quoted bid and ask prices.

Valuation and Income Allocation

Fixed income investment pools

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

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

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

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

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

DCR Plan Participant Directed Investments

The Board contracts with an external investment manager who is given the authority to invest in a wholly owned pooled environment to accommodate thirteen participant-directed funds. Additionally, the Board contracts with external managers who manage a mix of collective investment funds. Income for the Pooled Investment and Collective Investment Funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Pooled Participant Directed Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, money market instruments, and other cash equivalent instruments with maturities of less than one year which include commercial paper, banker acceptances, certificates of deposit with ratings of A1/P1 or better as well as, obligations of the US Government and its agencies, and repurchase agreements collateralized by US Treasury Instruments.

Collective Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets are comprised of commingled investment funds, alongside other investors, through ownership of equity shares.

Contributions Receivable

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

Administrative Costs

Administrative costs are paid from investment earnings.

Due From (to) State of Alaska General Fund

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

Federal Income Tax Status

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

(3) Investments

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

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

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

(4) Deposit and Investment Risk

At June 30, 2010, the System investments included the following (in thousands):

	Fair Value								
	Fixed income pools								
	Short-term	Retirement	U.S. Treasury	High Yield	International	Convertible	TIPS	Other	Total
Bridge Loans	$ —	—	—	159	—	—	—	—	159
Commercial Paper	5,148	—	146,047	—	—	—	—	—	151,195
Convertible Bonds	—	—	—	516	—	—	—	—	516
Corporate Bonds	48,223	75,044	3,040	92,031	—	—	—	—	218,338
Deposits	(194)	—	—	—	63	—	—	9,662	9,531
Foreign Corporate Bonds	—	—	—	—	21,538	—	—	—	21,538
Foreign Government Bonds	—	—	—	—	37,413	—	—	—	37,413
Mortgage-backed	812	109,800	—	—	—	—	—	—	110,612
Mortgage-backed TBA	—	36,008	—	—	—	—	—	—	36,008
Mutual Funds	—	—	—	—	—	—	—	29,449	29,449
Other Asset-backed	22,630	1,106	—	158	—	—	—	—	23,894
Overnight Sweep Account (Imcs)	—	—	—	3,355	—	196	—	—	3,551
Short-term Investment Fund	—	—	—	—	278	—	—	4,549	4,827
U.S. Government Agency	6,843	2,071	—	—	—	—	—	—	8,914
U.S. Treasury Bills	12,528	—	—	—	—	—	—	—	12,528
U.S. Treasury Bonds	—	21,081	17,187	—	—	—	—	—	38,268
U.S. Treasury Notes	—	59,824	—	—	—	—	—	—	59,824
U.S. Treasury Notes when-issued	—	64,746	26,591	—	—	—	—	—	91,337
U.S. Treasury Bills when-issued	1,927	—	—	—	—	—	—	—	1,927
U.S. Treasury TIP Bonds	—	—	—	—	—	—	8,044	—	8,044
U.S. Treasury TIP Notes	—	—	—	—	—	—	15,301	—	15,301
Yankees:									
Corporate	1,350	—	—	—	—	—	—	—	1,350
Government	—	410	—	—	—	—	—	—	410
Fixed Income Pools:									
Equity	—	—	—	127	—	—	—	—	127
Warrants	—	—	—	8	—	—	—	—	8
Emerging Markets Debt Pool	—	—	—	—	—	—	—	30,677	30,677
Domestic Equity Pool:									
Convertible Bonds	—	—	—	—	—	14,527	—	—	14,527
Equity	—	—	—	—	—	1,090	—	1,054,940	1,056,030
Limited Partnership	—	—	—	—	—	—	—	71,534	71,534
Treasury Bills	—	—	—	—	—	—	—	610	610
International Equity Pool:									
Convertible Bonds	—	—	—	—	—	—	—	462	462
Corporate Bonds	—	—	—	—	—	—	—	177	177
Equity	—	—	—	—	—	—	—	563,999	563,999
Rights	—	—	—	—	—	—	—	113	113
Emerging Markets Equity Pool	—	—	—	—	—	—	—	232,739	232,739
Private Equity Pool:									
Limited Partnerships	—	—	—	—	—	—	—	387,062	387,062
Absolute Return Pool:									
Limited Partnerships	—	—	—	—	—	—	—	201,081	201,081
Real Estate Pool:									
Commingled Funds	—	—	—	—	—	—	—	72,264	72,264
Limited Partnerships	—	—	—	—	—	—	—	71,668	71,668
Real Estate	—	—	—	—	—	—	—	193,008	193,008
Real Estate Investment Trust Pool:									
Equity	—	—	—	—	—	—	—	15,699	15,699
Energy Pool:									
Limited Partnerships	—	—	—	—	—	—	—	25,387	25,387
Farmland Pool:									
Agricultural Holdings	—	—	—	—	—	—	—	143,196	143,196
Farmland Water Pool:									
Agricultural Holdings	—	—	—	—	—	—	—	11,315	11,315
Timber Pool:									
Timber Holdings	—	—	—	—	—	—	—	49,738	49,738
Participant Directed:									
Collective Investment Funds	—	—	—	—	—	—	—	34,062	34,062
Pooled Investment Funds	—	—	—	—	—	—	—	11,078	11,078
Net Other Assets (Liabilities)	(167)	(29,085)	(1,880)	1,707	740	84	179	448	(27,974)
Other Pool Ownership	(59,821)	39,123	7,870	—	—	—	207	12,621	—
Unallocated Deposits in Transit	—	—	—	—	—	—	—	263	263
Total invested assets	$ 39,279	380,128	198,855	98,061	60,032	15,897	23,731	3,227,801	4,043,784

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Interest Rate Risk

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

Short–Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life *upon purchase.* Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2010, the expected average life of individual fixed rate securities ranged from one day to twenty-nine years and the expected average life of floating rate securities ranged from one day to nine and three-quarters years.

Other DB Plan Fixed Income Pools

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

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

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

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

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

DCR Plan Pooled Investment Funds

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

> For government, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital U.S. Aggregate Bond Index. At June 30, 2010, the duration of the government corporate debt, and mortgage-backed securities was 4.18 years and the duration of the Barclays Capital Aggregate Bond Index was 4.30 years.

The Board does not have a policy with respect to money market or other pooled investment funds to limit interest rate risk. The weighted average maturity of the money market portfolio was 0.15 years at June 30, 2010.

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

DCR Plan Collective Investment Funds

The Board does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2010 the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 0.05 years, SSgA World Government Bond Ex-U.S. Index: 6.95 years, SSgA Long US Treasury Bond Index: 13.75 years, SSgA TIPS Index: 8.06 years, Barclays Gov/Corp Bond Fund: 5.18 years, and the Barclays Intermediate Bond Fund: 3.62 years.

Credit Risk

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

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

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

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

Retirement Fixed Income:

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

Corporate debt securities must be investment grade.

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

No more than 40% of the portfolio's assets may be invested in investment grade corporate debt.

No more than 15% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard and Poor's Corporation or the equivalent by Moody's or Fitch.

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Intermediate U.S. Treasury Fixed Income

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

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

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

High Yield

No more than 10% of the portfolio's assets may be invested in securities rated A3 or higher.

No more than 25% of the portfolio's assets may be invested in securities rated below B3.

No more than 5% of the portfolio's assets may be invested in unrated securities.

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

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

International Fixed Income

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Convertible Bonds

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

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

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

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

TIPS

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

Corporate debt securities must be investment grade.

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

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

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

Domestic Equity, International Equity and Emerging Markets Separate Accounts

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

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Custodial Credit Risk – Deposits

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

	Amount (In thousands)
International equity pool	$ 9,958
International fixed income pool	63

Foreign Currency Risk

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

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

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

The Board has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. At June 30, 2010, the System had exposure to foreign currency risk with the following deposits:

		Amount (In thousands)	
Currency		**International fixed income pool**	**International equity pool**
Australian Dollar	$	—	20
Canadian Dollar		—	39
Danish Krone		—	4
Euro Currency		44	8,678
Hong Kong Dollar		—	56
Israeli Shekel		—	9
Japanese Yen		19	1,047
New Taiwan Dollar		—	1
New Zealand Dollar		—	1
Norwegian Krone		—	6
Pound Sterling		—	43
Singapore Dollar		—	21
Swedish Krona		—	12
Swiss Franc		—	21
	$	63	9,958

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

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

		Amount (In thousands)		
	International fixed income pool		International equity pool	Private equity pool
Currency	Foreign government	Corporate	Equity	Limited partnerships
Australian Dollar	$ 8,606	—	12,439	—
Brazilian Real	—	—	942	—
Canadian Dollar	—	—	17,405	—
Danish Krone	—	—	5,109	—
Euro Currency	11,786	3,649	175,464	38,113
Hong Kong Dollar	—	—	13,317	—
Indonesian Rupah	—	—	835	—
Israeli Shekel	—	—	204	—
Japanese Yen	6,823	17,889	134,084	—
Malaysian Ringgit	—	—	786	—
New Taiwan Dollar	—	—	2,220	—
New Zealand Dollar	—	—	522	—
Norwegian Krone	—	—	2,909	—
Polish Zloty	2,217	—	—	—
Pound Sterling	7,981	—	100,755	5,763
Singapore Dollar	—	—	3,096	—
South African Rand	—	—	314	—
South Korean Won	—	—	9,597	—
Swedish Krona	—	—	10,107	—
Swiss Franc	—	—	39,400	—
Turkish Lira	—	—	1,762	—
	$ 37,413	21,538	531,267	43,876

At June 30, 2010, the Board also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool consists of investments in commingled funds; therefore no disclosure of specific currencies is made.

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Concentration of Credit Risk

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

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

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

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

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

On June 30, 2010 the Board had the following derivative instruments outstanding (in thousands):

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Rights	Investment Revenue	$ 182	Common Stock	$ 113	3,569
Warrants	Investment Revenue	(34)	Common Stock	8	3
Index futures long	Investment Revenue	1,369	Futures	(429)	8
FX forwards	Investment Revenue	948	Long Term Instruments	182	—
TBA transactions long	Investment Revenue	3,824	Long Term Instruments	431	34,230
Grand totals		$ 6,289		$ 305	

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

At June 30, 2010 the Board had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions (in thousands):

Counterparty name	Amount of net exposure	S&P rating	Fitch rating	Moody's rating
Credit Suisse London Branch (GFX)	$ 50	A+	AA-	Aa1
Mellon Bank	$ 328	AA-	AA-	Aa2

Maximum amount of loss Alaska ARMB (TRS) would face in case of default of all counterparties i.e. aggregated (positive) fair value of OTC positions as of June 30, 2010	$ 378
Effect of collateral reducing maximum exposure	—
Liabilities subject to netting arrangements reducing exposure	—
Resulting net exposure	$ 378

(6) Claims Payable

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

Changes in the balances of claims liabilities follows:

	2010 (In thousands)
Benefit deductions	$ 110,313
Benefits paid	(96,762)
Total, end of year	$ 13,551
End of year:	
Due to State of Alaska General Fund for outstanding warrants	$ —
Outstanding claims received but not paid	—
Incurred but not reported	13,551
Total, end of year	$ 13,551

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

(7) Transfers

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

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

(8) Funded Status and Funding Progress

The funded status of the defined benefit pension and postemployment healthcare benefit plan is as follows (dollars in thousands):

	Actuarial valuation date		Actuarial valuation assets	Actuarial aggregate accrued liability (AAL) - entry age	Unfunded actuarial accrued liability (UAAL)	Assets as a percent of accrued liability (funded ratio)		Covered payroll	UAAL as a percentage of covered payroll
Pension	June 30, 2009	$	3,115,719	5,463,987	2,348,268	57.0%	$	557,026	421.6%
Post employment healthcare	June 30, 2009		1,357,239	4,604,820	3,247,581	29.5		557,026	583.0

The funded status of the defined contribution retirement plan occupational death and disability and retiree medical benefits is as follows (dollars in thousands):

	Actuarial valuation date		Actuarial valuation assets	Actuarial accrued liability (AAL) - entry age	Unfunded actuarial accrued liability (UAAL)	Funded ratio		Covered payroll	UAAL as a percentage of covered payroll
Death and disability plan	June 30, 2009	$	1,071	14	(1,057)	7,650.0%	$	89,708	(1.2)%
Retiree medical	June 30, 2009		2,353	1,690	(663)	139.2		89,708	(0.7)

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

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

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

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

	Defined Benefit	**Defined Contribution ODD and Retiree Medical**
Valuation date	June 30, 2009	June 30, 2009
Actuarial cost method	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Entry age normal; level percentage of pay for occupational death and disability; level dollar for retiree medical
Amortization method	Level dollar, closed with bases established annually	Level dollar, closed with bases established annually
Equivalent single amortization period	19 years	25 years
Asset valuation method	5 year smoothed market	5 year smoothed market
Actuarial assumptions:		
Investment rate of return	8.25% for pension, 4.50% for healthcare (includes inflation at 3.5%)	8.25% (includes inflation at 3.5%)
Projected salary increases	6.0% for first 5 years of service grading down to 4.0% after 15 years	6.0% grading down to 4.0% based on service
Cost-of-living adjustment	Postretirement pension adjustment	Not applicable

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

Health cost trend for defined benefit, defined contribution occupational death and disability and retiree medical plans:

Fiscal year:	Medical	Prescription drugs
2010	7.5%	9.6%
2011	6.9	8.3
2012	6.4	7.1
2013	5.9	5.9
2014	5.9	5.9
2015	5.9	5.9
2016	5.9	5.9
2025	5.8	5.8
2050	5.7	5.7
2100	5.1	5.1

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

(9) Commitments and Contingencies

Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2010, the System's share of the unfunded commitment totaled $10,906,200. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2010, the System's share of these unfunded commitments totaled $243,449,733. These commitments are estimated to be paid through 2020.

The Board entered into agreements through external investment managers to provide capital funding for a limited partnerships as it continues to build the energy investment portfolio. At June 30, 2010, the System's share of these unfunded commitments totaled $12,699,703. These commitments are estimated to be paid through 2017.

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

Notes to Financial Statements

June 30, 2010
(with summarized financial information for June 30, 2009)

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2010, the System's share of these unfunded commitments totaled $52,786,956. These commitments are estimated to be paid through 2019.

Contingencies

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

(10) Medicare Part D Retiree Drug Subsidy

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

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

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Benefit Retirement Pension Benefits

June 30, 2010
(In thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2004	$ 2,647,777	4,216,480	1,568,703	62.8%	$ 522,421	300.3%
2005	2,640,642	4,334,585	1,693,943	60.9	561,038	301.9
2006	3,296,934	4,859,336	1,562,402	67.8	574,409	272.0
2007	3,441,867	5,043,448	1,601,581	68.2	554,245	289.0
2008	2,670,086	5,231,654	1,561,568	70.2	549,148	284.4
2009	3,115,719	5,463,987	2,348,268	57.0	557,026	421.6

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

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

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Benefit Retirement Postemployment Healthcare Benefits

June 30, 2010
(In thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2004	$ 1,197,593	1,907,120	709,527	62.8%	$ 522,421	135.8%
2005	1,318,297	2,163,971	845,674	60.9	561,038	150.7
2006	844,766	4,288,707	3,443,941	19.7	574,409	599.6
2007	982,532	4,059,573	3,077,041	24.2	554,245	555.2
2008	1,266,890	4,648,055	3,381,165	27.3	549,148	615.7
2009	1,357,239	4,604,820	3,247,581	29.5	557,026	583.0

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

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

Required Supplementary Information (Unaudited)
Schedule of Funding Progress

Defined Contribution Retirement
Occupational Death and Disability Benefits

June 30, 2010
(In thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2007	$ —	16	16	—%	28,410	0.1%
2008	420	44	(376)	954.5	56,369	(0.7)
2009	1,071	14	(1,057)	7,650.0	89,708	(1.2)

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

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

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Contribution Retirement Retiree Medical Benefits

June 30, 2010
(In thousands)

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2007	$ 597	403	(194)	148.1%	$ 28,410	(0.7)%
2008	1,308	899	(409)	145.5	56,369	(0.7)
2009	2,353	1,690	(663)	139.2	89,708	(0.7)

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

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

Required Supplementary Information (Unaudited)
Schedule of Contributions from Employers and the State of Alaska
Defined Benefit Retirement Pension and Postemployment Healthcare

June 30, 2010
(In thousands)

		Annual required contribution			Pension percentage conributed		Postemployment healthcare percentage contributed		
Year ended June 30	Actuarial valuation date as of June 30[1]	Pension	Postemployment healthcare	Total	By employer	By State of Alaska (note 3)	By employer	By State of Alaska (note 3)	Total percentage contributed (note 3)
2005	2002	$152,168	55,783	207,951	45.0%	—%	45.0%	—%	45.0%
2006	2003	170,019	66,719	236,738	54.1	—	54.1	—	54.1
2007	2004	169,974	76,879	246,853	62.2	—	62.2	—	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	23.6	85.7	107.9
2009	2006	94,388	164,171	258,559	28.7	110.6	28.7	62.1	108.5
2010	2007	134,275	115,681	249,956	25.2	74.8	37.9	63.1	100.0

[1] Actuarial valuation related to annual required contribution for fiscal year.
See accompanying notes to required supplementary information and independent auditors' report.

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

Required Supplementary Information (Unaudited)
Schedule of Contributions
Defined Contribution Retirement Occupational Death and Disability Benefits

June 30, 2010
(In thousands)

Year ended June 30	Annual required contribution	Percentage of ARC contributed
2007	$ 72	—%
2008	408	100.0
2009	623	100.0

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

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

Required Supplementary Information (Unaudited)
Schedule of Contributions
Defined Contribution Retirement Retiree Medical Benefits

June 30, 2010
(In thousands)

Year ended June 30	Annual required contribution	Percentage of ARC contributed
2007	$ 575	100.0%
2008	763	85.0
2009	1,162	85.0

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

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2009 are as follows:

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

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

(c) Valuation of medical and prescription drug benefits – base claims cost rates are incurred healthcare cost expressed as a rate per member per year. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription claims separated by Medicare status, including eligibility of free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data. Valuation assumes that 3.5% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, the valuation assumes that 3.5% of the current Medicare retiree population does not receive Part A coverage.

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

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

(f) Payroll growth – 4.0% per year (inflation + productivity).

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

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

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

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

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

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

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

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

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

(o) Contribution refunds – 10% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with nonvested benefits are assumed to have their contributions refunded.

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

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

(r) Postretirement pension adjustment (PRPA) – 50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic PRPA as specified in the statute.

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

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

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

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

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

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

(x) Per capita claims cost – sample claims cost rates for FY10 medical benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	$ 7,503	2,419
Medicare Parts A and B	1,336	2,419
Medicare Part B Only	4,754	2,419
Medicare Part D	N/A	477

(y) Third party administrator fees – $153.33 per person per year; assumed trend rate of 5% per year.

(z) Health cost trend – the table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 7.5% is applied to the FY10 rate claims costs to get the FY11 claims cost.

Fiscal year:	Medical	Prescription drugs
2010	7.5%	9.6%
2011	6.9	8.3
2012	6.4	7.1
2013	5.9	5.9
2014	5.9	5.9
2015	5.9	5.9
2016	5.9	5.9
2025	5.8	5.8
2050	5.7	5.7
2100	5.1	5.1

For the June 30, 2009 valuation and later, the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amount beginning in 2012 and projects out to 2100. The model has been populated with assumptions that are specific to the State of Alaska.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

(aa) Aging Factors:

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

(bb) Retired member contributions for medical benefits – currently, contributions are required for TRS members who are under age 60 and have less than 25 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY10 contributions based on monthly rates shown below for calendar 2009 and 2010 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 25 years of service and who are not disabled:

	Calendar 2010		Calendar 2009
Coverage category	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	$ 8,628	719	631
Retiree and spouse	17,268	1,439	1,262
Retiree and child(ren)	12,192	1,016	891
Retiree and family	20,832	1,736	1,523
Composite	12,816	1,068	937

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

(cc) Trend rate for retired member contributions –the table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.0% is applied to the FY10 retired member medical contributions to get the FY11 retired member medical contributions.

Fiscal year:	
2010	7.0%
2011	6.7
2012	6.3
2013	6.0
2014	5.7
2015	5.3
2016	5.0
2017	5.0
2018	5.0
2019 and later	5.0

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. Note that actual FY09 retired member medical contributions are reflected in the valuation so trend on such contribution during FY09 is not applicable.

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

The significant actuarial assumptions used in the defined contribution retirement plan occupational death and disability and retiree medical benefit plan valuation as of June 30, 2009 are as follows:

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

(b) Valuation of assets – recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Market Value of Assets were $0 as of June 30, 2006. All assets are valued at market value. Valuation assets are constrained to a range of 80% to 120% of market value of assets.

(c) Valuation of retiree medical benefits – due to lack of experience for the DCR Plan only, base claims cost are based on those described in the actuarial valuation as of June 30, 2009 for defined benefit pension and postemployment healthcare benefit plan (TRS DB Plan) with some adjustments. The claim costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, fiscal year 2009 claims cost were reduced to 5.9% for medical and 0.7% for prescription drugs. Retiree out-of-pocket amounts were indexed 4.8% each year to reflect the effect of the

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

deductible leveraging on trend, putting the annual projected trend cost to the ultimate trend rate.

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

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

(f) Payroll growth – 4.0% per year.

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

(h) Mortality (Preretirement) – based upon the 2001-2005 actual experience of the TRS DB Plan. 60% of the 1994 Group Annuity Table 1994 Base Year without margin for females and 55% for males. 15% of deaths are assumed to result from occupational causes.

(i) Mortality (Postretirement) – based upon the 2001-2005 actual experience of the TRS DB Plan. 1-year setback of the 1994 Group Annuity Table 1994 Base Year without margin for females and 3-year setback for males.

(j) Turnover – select rates were estimated and ultimate rates were set to the TRS DB Plan's rate loaded by 10%.

(k) Disability – incidence rates based upon the 2001-2005 actual experience of the TRS DB Plan. 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. 15% of disabilities are assumed to result from occupational causes.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

(l) Retirement – retirement rates were estimated in accordance with the following table:

Age:	Rate
< 55	2%
55-59	3
60	5
61	5
62	10
63	5
64	5
65	25
66	25
67	25
68	20
69	20
70	100

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

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

(o) Per capita claims cost – sample claims cost rates for FY10 medical benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	$ 7,503	2,419
Medicare Parts A and B	1,336	2,419
Medicare Part B Only	4,754	2,419
Medicare Part D	N/A	477

(p) Third party administrator fees – $153.33 per person per year; assumed trend rate of 5% per year.

(q) Base claims cost adjustments – due to higher initial copays, deductibles, out-of-pocket limits and member cost sharing compared to the DB medical plan, the following adjustments were made: 0.941 for medical plan, 0.993 for the prescription drug plan, and 0.952 for the annual indexing for member cost sharing.

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

(r) 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, 7.5% is applied to the FY10 rate claims cost to get the FY11 claims costs:

Fiscal year:	Medical	Prescription drugs
2010	7.5%	9.6%
2011	6.9	8.3
2012	6.4	7.1
2013	5.9	5.9
2014	5.9	5.9
2015	5.9	5.9
2016	5.9	5.9
2025	5.8	5.8
2050	5.7	5.7
2100	5.1	5.1

For the June 30, 2008 valuation and later, the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug cost. This model effectively begins estimating trend amount beginning in 2012, and projects out to 2100. This model has been populated with assumptions that are specific to the State of Alaska.

(s) Aging Factors:

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

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

Notes to Required Supplementary Information (Unaudited)

June 30, 2010 and 2009

(t) Retiree medical participation – 100% of members and their spouses are assumed to elect retiree medical benefits as soon as they are eligible.

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

Changes in Assumptions Since the Last Valuation

There were no changes in assumptions from the prior valuation for the defined benefit pension and postemployment healthcare benefit plan.

There was one change in assumptions for the defined contribution retirement plan occupational death and disability and retiree medical benefits from the prior valuation. The occupational factor was changed from 100% for all deaths and disabilities to 15% for all deaths and disabilities.

(3) Contributions – State of Alaska

Alaska Statute 14.25.085 states that the State of Alaska shall contribute to the System each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions of 12.56%, is sufficient to pay the DB Plan's past service liability at the consolidated actuarially required contribution (ARC) adopted by the Board for the fiscal year. During fiscal year 2010, the actuarially determined contribution adopted by the Board for fiscal year 2010 was 42.61%.

SCHEDULE 1

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

Schedule of Administrative and Investment Deductions
Defined Benefit Plan

Year ended June 30, 2010 and 2009
(In thousands)

			TOTALS	
	Administrative	Investment	2010	2009
Personal services:				
Wages	$ 1,314	489	1,803	1,788
Benefits	733	209	942	948
Total personal services	2,047	698	2,745	2,736
Travel:				
Transportation	17	49	66	67
Per diem	4	8	12	12
Moving	1	—	1	—
Total travel	22	57	79	79
Contractual services:				
Management and consulting	3,016	6,373	9,389	11,938
Accounting and auditing	26	291	317	467
Advertising and printing	48	2	50	39
Data processing	329	210	539	493
Communications	50	16	66	65
Rental/leases	99	37	136	114
Legal	10,627	36	10,663	90
Medical specialists	3	6	9	11
Repairs and maintenance	16	10	26	32
Other professional services	108	23	131	112
Transportation	23	1	24	25
Total contractual services	14,345	7,005	21,350	13,386
Other:				
Equipment	83	5	88	104
Supplies	21	16	37	89
Total other	104	21	125	193
Total administrative and investment deductions	$ 16,518	7,781	24,299	16,394

See accompanying independent auditors' report.

Schedule 2

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

Schedule of Administrative Deductions
Defined Contribution Retirement Trust Plan

Year ended June 30, 2010 and 2009
(In thousands)

	2010	2009
Personal services:		
Wages	$ 16	26
Benefits	14	—
Total personal services	30	26
Travel:		
Transportation	1	—
Total travel	1	—
Contractual services:		
Management and consulting	80	10
Accounting and auditing	—	9
Data processing	3	—
Communications	1	—
Rentals/leases	2	—
Legal	3	8
Repairs and maintenance	1	—
Other professional services	1	—
Total contractual services	91	27
Other:		
Equipment	1	—
Total other	1	—
Total administrative and investment deductions	$ 123	53

See accompanying independent auditors' report.

SCHEDULE 3

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

Schedule of Payments to Consultants Other than Investment Advisors

Year ended June 30, 2010 and 2009
(In thousands)

Firm	Services	2010	2009
Paul, Weiss, Rifkind, Wharton & Garrison, LLP	Legal services	$ 10,592	—
State Street Bank and Trust Company	Custodian banking services	288	333
Buck Consultants	Actuarial services	246	249
Computer Task Group, Inc.	Data processing consultants	192	57
Wostmann & Associates, Inc.	Data processing consultants	41	32
KPMG LLP	Auditing services	25	39
State of Alaska, Department of Law	Legal services	22	69
Six Degrees Consulting	Data processing consultants	13	—
First National Bank of Alaska	Banking services	—	8
		$ 11,419	787

See accompanying independent auditors' report.

INVESTMENT SECTION

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CALLAN ASSOCIATES INC

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

September 3, 2010

Alaska Retirement Management Board
State of Alaska, Department of Revenue
Treasury Division
333 Willoughby Avenue, 11th Floor
Juneau, AK 99801

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2010.

Callan Associates Inc. (Callan) independently calculates time-weighted performance statistics based on underlying custodial data provided by the Board's custodian, State Street Bank and Trust Company. The performance calculations were made using a time-weighted return methodology based upon market values. ARMB's real estate consultant, the Townsend Group, calculates returns for the real estate segment of the portfolio. Callan incorporates that data into the total plan returns. Callan serves as ARMB's independent general investment consultant and evaluates the Board's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made in compliance with Global Investment Performance Standards.

ARMB's primary investment objective is to prudently and expertly invest assets, in accordance with governing law and industry practices, in a manner that will help ensure assets under supervision are sufficient to pay promised benefits to its members and their beneficiaries. In pursuit of this objective, the ARMB periodically evaluates liabilities, expected contributions, and potential earnings. This analysis is used to consider a wide range of potentially viable investment strategies. The Board selects a strategic investment policy that balances long-term growth potential and acceptable risk. A policy benchmark is constructed that mirrors the Board's strategic asset allocation policy. This policy benchmark is a custom index comprised of equity, fixed income, real estate and other market indices weighted in the same proportions as ARMB's investment policy.

Fiscal year 2010 was a positive period for most investment categories with the exception of private real estate instruments. The Russell 3000 Index, a measure of the broad U.S. equity market gain15.72% for the fiscal year despite a difficult June quarter where the index declined 11.32%. International stocks, as measured by the MSCI-ACWex-U.S. Index, increased 10.87%. In the last fiscal year 2010, the Barclays Capital Aggregate Bond Index, a widely used measure of the investment grade domestic bond market, achieved an overall return of 9.50%. Absolute Return Strategies such as hedge funds-of-funds also posted positive returns during the fiscal year. For example, the Callan Hedge Fund-of-Funds database median return was a positive 7.69%. Private real estate investments reflected large valuation losses. The NCREIF

Property Index posted a loss of 1.48% for the fiscal year. Publicly traded real estate, as measured by the NAREIT Index, increased 53.90%.

For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of 11.39% and the Teachers Retirement System (TRS) had a time-weighted total return of 11.58%. Both Systems outperformed their strategic policy benchmark target return of 11.11% but ranked below the 12.57% median return for Callan's Public Fund database.

The greatest sources of out-performance relative to the policy target were: strong return in Private Equity (+18.86% versus a target index return of +13.87%) and the international equity component's 12.05% return versus a target return of 10.87%. The 2010 lower than median Peer Group performance was primarily attributable to the negative real estate return within the real asset category. The comparatively low allocation to fixed income was a positive factor this fiscal year, the reverse of fiscal 2009. Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 5-year annualized return was 2.65% versus the policy benchmark's 2.56%. Over the longest period for which Callan has detailed data (18 3/4 years), PERS and TRS have achieved annualized total returns of 7.04% and 7.09% respectively, while the policy benchmark return for the same span was 7.04%.

Both systems are well diversified and currently have asset allocation policies that, in our opinion, are consistent with achievement of a long-term "real" return of 5% or more.

In summary, fiscal 2010 was a strong recovery year for all investors particularly those with significant equity exposure.

Sincerely,

Michael J. O'Leary, Jr., CFA
Executive Vice President

Department of Revenue
Treasury Division
Staff

Commissioner
Patrick Galvin

Deputy Commissioner
Jerry Burnett

Chief Investment Officer
Gary Bader

Comptroller
Pamela Leary, CPA

Cash Management
Michelle M. Prebula, MBA, CPA, CCM

Investment Officers
Bob G. Mitchell
Stephen R. Sikes
Zachary Hanna
Victor Djajalie
Steve Verschoor
Shane Carson
Sean Howard
Casey Colton
Nicholas Orr
Ryan Bigelow
Elizabeth Walton
James McKnight
Jie Shao

ARMB Liaison Officer
Judy Hall

External Money Managers and Consultants

Investment Consultants
Callan Associates, Inc.
Denver, CO
The Townsend Group
San Francisco, CA

Investment Advisory Council
William Jennings
Colorado Springs, CO
Jerrold Mitchell
Wayland, MA
George Wilson
Boston, MA

Absolute Return
Crestline Investors, Inc.
Fort Worth, TX
Global Assets Management Inc.
Los Angeles, CA
Prisma Capital Partners
New York, NY
Mariner Investment Group, Inc.
Harrison, NY

Domestic Equity Large Capitalization
Barrow, Hanley, Mewhinney & Strauss
Dallas, TX
Capital Guardian Trust Co.
Los Angeles, CA
RCM Global Investors
San Francisco, CA
McKinley Capital Management, Inc.
Anchorage, AK
Relational Investors LLC
San Diego, CA
Quantitative Management Associates
Newark, NJ

Domestic Equity Small Capitalization
Jennison Associates LLC
New York, NY
Lord Abbett & Co.
Jersey City, NJ
Luther King Capital Management
Fort Worth, TX
Turner Investment Partners, Inc.
Berwyn, PA

Domestic Equity Index Fund
State Street Global Advisors
San Francisco, CA

Emerging Markets
Capital Guardian Trust Co.
Los Angeles, CA
Eaton Vance Management
Boston, MA

Global Equity
Lazard Freres Asset Management
New York, NY

High Yield
Advent Capital Management
New York, NY
MacKay Shields LLC
New York, NY
Rogge Global Partners
Hartford, CT

External Money Managers and Consultants (con't)

International Equity – EAFE
Brandes Investment Partners, L.P.
San Diego, CA
Capital Guardian Trust Co.
Los Angeles, CA

International Fixed Income
Mondrain Investment Partners
London, England

Private Equity
Abbott Capital Management, L.P.
New York, NY
Pathway Capital Management, LLC
Irvine, CA

Real Estate – Farmland
Hancock Agricultural Investment Group
Boston, MA
UBS AgriVest, LLC
Hartford, CT

Real Estate – Commingled Funds
BlackRock Realty
San Francisco, CA
Colony Capital
Los Angeles, CA
Cornerstone Real Estate Advisers, LLC
Hartford, CT
Coventry Real Estate Fund II, LLC
New York, NY
Heitman Capital Management
Chicago, IL
ING Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Lehman Brothers Real Estate Partners
New York, NY
Lowe Hospitality Investment Partners, LLC
Los Angeles, CA
Sentinel Real Estate Corporation
New York, NY
Tishman Speyer Properties
New York, NY
UBS Realty Investors, LLC
Hartford, CT

Real Estate – Core Separate Accounts
Cornerstone Real Estate Advisers, Inc.
Hartford, CT
LaSalle Investment Management
Chicago, IL
Sentinel Real Estate Corporation
New York, NY
UBS Realty Investors, LLC
San Francisco, CA

Supplemental Benefits System and Deffered Compensation Plan
Black Rock
San Francisco, CA
Brandes Investment Partners
San Diego, CA
Capital Guardian Trust Company
Los Angeles, CA
RCM
San Francisco, CA
State Street Global Advisors
Boston, MA
T. Rowe Price Investment Services
Baltimore, MD

Global Master Custodian
State Street Bank & Trust Co.
Boston, MA

Independent Auditors
KPMG LLP
Anchorage, AK

Legal Counsel
Wohlforth, Johnson, Brecht, Cartledge & Brooking
Anchorage, AK

Teachers' Retirement System
Investment Report

INVESTMENTS

The State of Alaska Teachers' Retirement System's (TRS) investment goals are the long term return and sustainability of the pension funds under management. Near-term market fluctuations are integrated into the overall outlook of the fund guidelines. Annually, the Alaska Retirement Management Board (ARMB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an optimal risk/return level within the set constraints and objectives of the ARMB.

The ARMB categorizes its investments into six asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity and absolute return. The performance of each asset class is compared with a benchmark comprised of one or more market indices. The performance for the total portfolio is compared with its policy portfolio, determined by calculating the weighted performance of the underlying asset class benchmarks at the portfolio's target asset allocation. The asset class benchmarks are illustrated below:

Asset Class	Benchmark
Domestic Equities	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Index Ex-U.S.
Fixed Income	70% Barclays Capital Aggregate Index, 10% Barclays Capital Treasury Index, 10% Citigroup Non-U.S. World Government Bond Index, 10% Merrill Lynch High Yield Master II Constrained Index
Real Assets	60% NCREIF Property Index, 20% Barclays Capital TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timber Index
Private Equity	33.3% S&P 500 Index, 33.3% Russell 2000, 33.3% MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2010 fiscal year, ARMB's target asset allocation was 30% domestic equities, 22% global equities ex-U.S., 20% fixed income, 16% real assets, 7% private equity, and 5% absolute return. The target asset allocation was expected to generate a return of 9.39% with a standard deviation of returns of 12.85%.

Teachers' Retirement System
Schedule of Investment Results
Fiscal Years Ended June 30

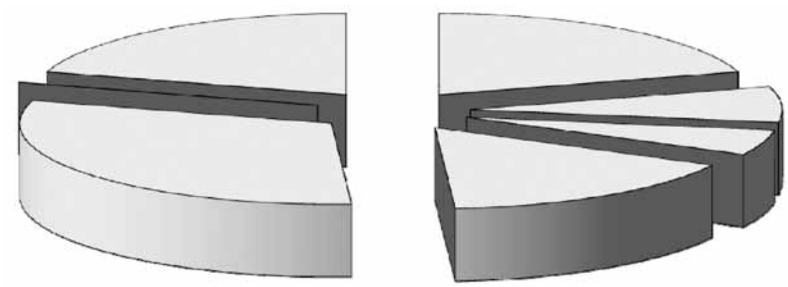
	2006	2007	2008	2009	2010	Annualized 3 Year	Annualized 5 Year
Total Fund							
TRS	11.78%	18.92%	(3.05%)	(20.62%)	11.58%	(4.99%)	2.66%
Actuarial Earnings Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
U.S. Common Stock Returns							
TRS Domestic Equities	9.23%	20.10%	(13.53%)	(26.80%)	15.47%	(9.92%)	(0.84%)
Custom Composite Index	-	-	-	(26.56%)	15.72%	(9.81%)	(0.72%)
S&P 500/Russell 2000 Composite	9.67%	20.59%	(13.68%)	-	-	-	-
International Stock Returns							
TRS International Equities	28.80%	30.15%	(7.48%)	(29.12%)	12.03%	(9.76%)	4.26%
Morgan Stanley Capital International ACWI ex-US	-	-	-	(30.54%)	10.87%	(11.09%)	2.83%
Morgan Stanley Capital International EAFE	26.56%	27.00%	(10.61%)	-	-	-	-
Fixed-Income							
TRS	-	-	-	3.36%	11.35%	7.02%	5.43%
Custom Composite Index	-	-	-	5.41%	10.16%	7.62%	5.58%
Private Equity							
TRS	-	-	-	(23.67%)	18.87%	0.89%	10.73%
Custom Composite Index	-	-	-	(27.19%)	13.87%	(10.42%)	0.32%
Absolute Return							
TRS	-	-	-	(12.52%)	6.60%	(1.81%)	2.85%
3-month Treasury Bill +5%	-	-	-	5.95%	5.16%	6.47%	7.46%
Real Assets							
TRS	-	-	-	(21.20%)	0.06%	(6.19%)	3.48%
Custom Composite Index	-	-	-	(10.82%)	1.17%	(1.23%)	6.00%
Domestic Fixed-Income							
TRS	0.06%	6.20%	6.50%	-	-	-	-
Lehman Brothers Aggregate Index	(0.81%)	6.12%	7.12%	-	-	-	-
International Fixed-Income							
TRS	(0.26%)	1.97%	18.95%	-	-	-	-
Citigroup Non-U.S. Government	(0.01%)	2.20%	18.72%	-	-	-	-
Real Estate Equity							
TRS	18.58%	20.75%	5.71%	-	-	-	-
NCREIF	18.79%	17.24%	6.82%	-	-	-	-

S&P 500 = Standard & Poor's Domestic Equity Stock Index
ACWI = Alll Country World Index
EAFE = Europe, Australia, and Far East Stock Index
NCREIF = National Council of Real Estate Investment Fiduciaries Index

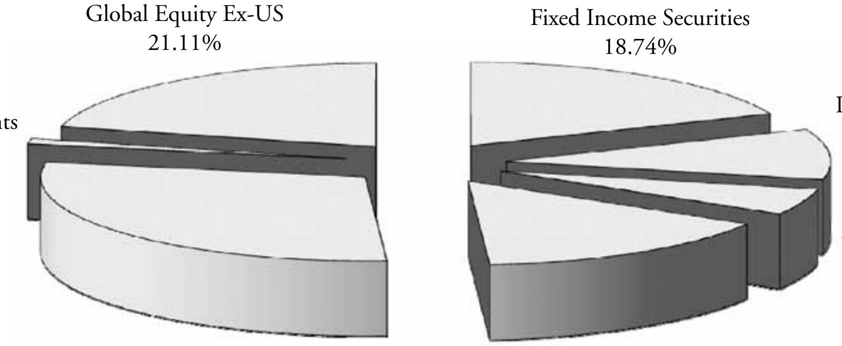
Basis of calculation: Time-Weighed rate of return based on the market rate of return.

Teachers' Retirement System
Asset Allocation
June 30, 2010

Policy

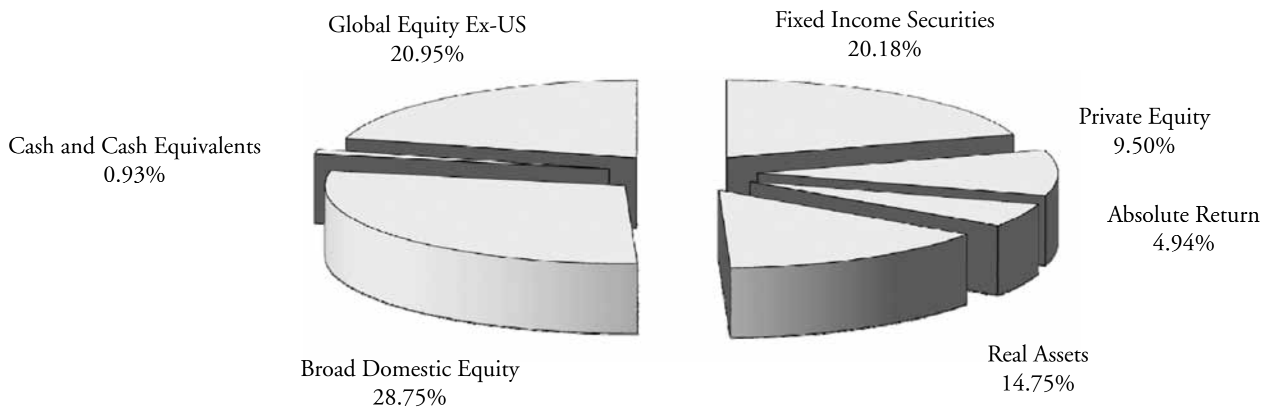


Actual — Defined Benefit Pension

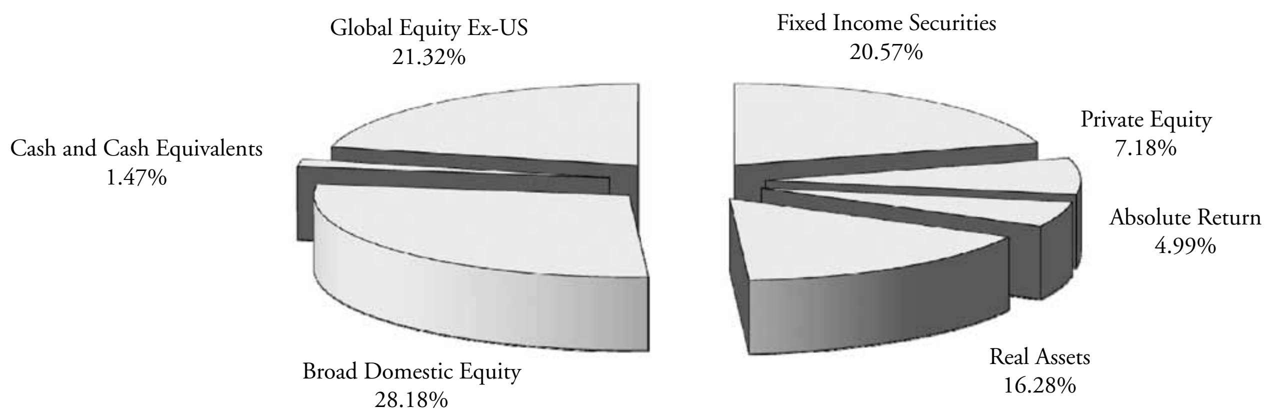


Teachers' Retirement System
Asset Allocation
June 30, 2010

Actual — Defined Benefit Alaska Retiree Healthcare Trust

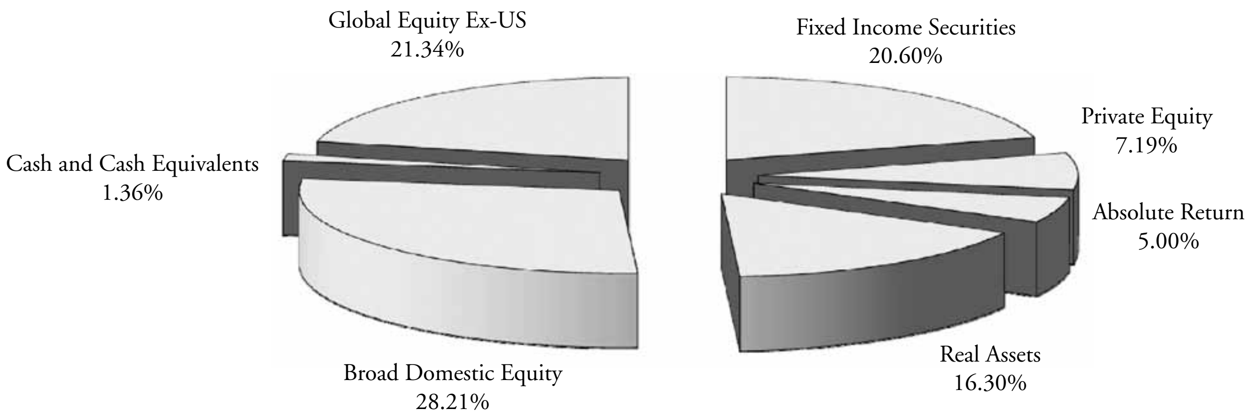


Actual — Defined Contribution Health Reimbursement Arrangement

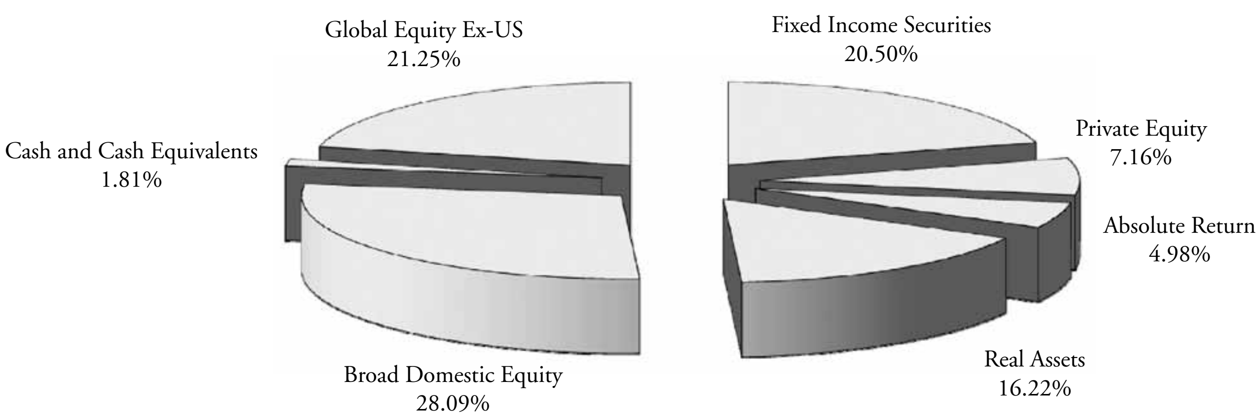


Teachers' Retirement System
Asset Allocation
June 30, 2010

Actual — Defined Contribution Occupational Death & Disability



Actual — Defined Contribution Retiree Medical Plan



Alaska Retirement Management Board
Top Ten Holdings by Asset Type
June 30, 2010

Invested assets under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created eighteen different mutual fund-like pools to accomplish the investment asset allocation policies of the ARMB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ARMB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Below are the ten largest bond and equity holdings.

Fixed Income	Rank	Security	Market Value	Par Value
	1	US Treasury 1.125% 06/15/13	$155,436,326	$154,821,968
	2	US Treasury 1.875% 06/30/15	$61,589,217	61,354,998
	3	US Treasury 0.625% 06/30/12	$29,747,807	29,747,808
	4	US Treasury 3.625% 02/15/20	$23,478,650	22,225,394
	5	US Treasury 3.125% 01/31/17	$19,255,738	18,418,282
	6	US Treasury 3.5% 05/15/20	$17,969,063	17,170,322
	7	FNMA 4.5% TBA JUL 30	$15,392,085	14,852,521
	8	FNMA 5.0% TBA JUL 30	$7,872,039	7,440,708
	9	FNMA 5.5% TBA JUL 30	$6,699,891	6,241,526
	10	FNMA 5.0% POOL 725027	$6,407,117	6,027,791

Equities	Rank	Largest Domestic Equity Holdings	Market Value
	1	Apple Inc	$18,901,356
	2	JPMorgan Chase & Co	$17,169,989
	3	Microsoft Corp	$15,095,148
	4	Exxon Mobil Corp	$14,338,334
	5	Wells Fargo & Co	$13,326,107
	6	Johnson & Johnson	$12,948,424
	7	Proctor & Gamble Co	$12,916,203
	8	Chevron Corp	$12,446,025
	9	Bank of America Corp	$11,828,760
	10	AT&T Inc	$11,556,916

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

Teachers' Retirement System
Schedule of External Management Fees
Year Ended June 30, 2010

Investment Management Fees	Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	$ 60,032,692	$ 158,472
High Yield Pool		
* Mackay Shields, LLC	50,543,828	234,317
* ING Investments	47,517,141	241,010
Total High Yield	98,060,969	475,327
Domestic Equity Pool		
** Relational Investors	71,533,588	570,669
* Advent Capital	15,788,829	83,896
* Barrow, Hanley, Mewhinney & Strauss, Inc	32,503,517	165,778
* Capital Guardian Trust	3,020	73,050
* Jennison Associates LLC	34,427,396	323,503
* Lazard Asset Management	81,269,379	376,551
* Lord Abbett & Co.	40,827,595	322,412
* Luther King Cap. Management	25,756,967	163,118
* McKinley Capital	92,998,480	332,253
* Quantitative Management Associates	31,594,917	136,528
* Dresdner RCM Capital	101,171,452	321,368
* SSgA Russell 1000 Growth	119,340,780	20,156
* SSgA Russell 1000 Value	282,634,684	37,605
* SSgA Russell 2000 Growth	23,197,275	6,439
* SSga Russell 2000 Value	110,858,165	42,793
* SSgA Russell 200	88,753,929	30,781
* SSgA Futures Large Cap	1,094,778	4,333
* SSgA Future Small Cap	1,085,495	3,305
* Turner Investment Partners	-	112,334
Total Domestic Equities	1,154,840,246	3,126,882
Private Equity Pool		
** Blum Capital Partners-Strategic	8,231,909	128,596
** Warburg Pincus X	4,059,895	134,935
** Angelo Gordon & Co.	8,846,309	79,973
** Lexington Partners	68,602	104,762
** Onex Partners	447,184	91,053
* Pathway Capital Management	173,421,959	698,721
* Abbott Capital Management	192,004,751	466,099
Total Private Equities	387,080,609	1,704,139
International Equity Pool		
* SSgA	71,584,147	129,475
* Brandes Investment Partners	220,161,978	914,430
* Capital Guardian Trust Co.	147,823,647	548,955
* McKinley Capital Mgmt.	84,936,394	449,028
* Lazard Freres	84,914,344	328,315
Total International Equities	609,420,510	2,370,203
Absolute Return Pool		
** Global Asset Management	30,003,045	85,498
** Prisma Capital Partners	22,463,175	59,029
** Mariner Investment Group	71,956,661	602,093
** Cadogan Management LLC	7,225,445	223,902
** Crestline Investors Inc.	69,432,789	573,956
Total Absolute Return	201,081,115	1,544,478
Emerging Markets Equity Pool		
** The Capital Group Inc.	107,902,794	621,369
** Lazard Freres Asset Managers	71,773,824	-
** Eaton Vance	53,062,842	-
Total Emerging Markets	232,739,460	621,369

(continued)

Teachers' Retirement System
Schedule of External Management Fees (Cont.)
Year Ended June 30, 2010

	Fair Value	Fees
Real Estate Pool		
** JPM Strategic	$ 49,380,136	$ 484,838
** UBS Consolidated	17,880,019	170,233
** Cornerstone	43,529,348	371,257
** Lasalle	48,413,558	392,756
** Sentinel , SA	26,159,233	160,715
** UBS Separate	74,905,487	573,473
** Lowe Hospitality	533,797	88,762
** ING Clarion	5,480,025	167,962
** Lehman Brothers Real Estate Partners	24,899,034	535,411
** Rothschild Five Arrows	15,482,501	221,275
** Tishman Speyer	9,768,859	356,526
** BlackRock Diamond	5,004,019	141,933
** Colony Investors VIII, L.P.	7,320,488	301,800
** LaSalle Medical Office Fund II	4,154,942	132,485
** Cornerstone Apartment Venture III	4,028,766	75,457
Total Real Estate	336,940,212	4,174,883
Timber Pool		
** Timberland INVT Resources	35,650,506	251,962
** Hancock Natural Resource Group	14,087,958	92,842
Total Timber Pool	49,738,464	344,804
Farmland Pool		
** UBS Agrivest	93,528,619	388,506
** Hancock Agriculture Investment Group	48,901,756	742,343
Total Farmland	142,430,375	1,130,849
Farmland Water Pool		
** Hancock Farmland & Water	3,378,399	25,614
** UBS Agrivest	7,936,348	65,868
Total Farmland Water Pool	11,314,747	91,482
Energy Pool		
** TCW Energy Fund XD	70,867,014	77,620
** TCW Energy Fund XIV-A	18,300,578	798,246
Total Energy Pool	$ 89,167,592	875,866
Custodian		
* State Street Bank		287,637
Investment Advisory		
* Townsend Group		31,298
* Callan Associates		83,297
* Investment Advisory Council		9,261
Total Investment Advisory		123,856
Investment Performance		
* Callan Associates		94,921
Total External Management Fees		**$ 17,125,168**

*These fees are paid through the Alaska Statewide Accounting System (AKSAS).
**These fees are deducted from earnings by the fund manager and are not directly recorded in AKSAS.

Teachers' Retirement System
Investment Summary Schedule

June 30, 2010

Investments (at Fair Value)	Defined Benefit - Pension Asset Allocation Policy	 Range	 Fair Market Value	 % of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 27,073,333	
Total Cash and Cash Equivalents	0.00%	0-6%	27,073,333	1.00%
Fixed Income Securities				
Retirement Fixed Income Pool			237,704,847	
U.S. Treasury Fixed Income Pool			141,290,737	
High Yield Pool			67,473,572	
International Fixed Income Pool			41,311,380	
Emerging Debt Pool			20,900,220	
Total Fixed Income Securities	20.00%	17-23%	508,680,756	18.74%
Broad Domestic Equity				
Broad Domestic Equity			786,026,657	
Total Broad Domestic Equity	30.00%	24-36%	786,026,657	28.95%
Global Equity Ex-U.S.				
International Equity Pool			416,984,797	
Emerging Markets Equity Pool			156,220,426	
Total Global Equity Ex-U.S.	22.00%	18-26%	573,205,224	21.11%
Private Equity				
Private Equity Pool			265,520,330	
Total Private Equity	7.00%	2-12%	265,520,330	9.78%
Absolute Return				
Absolute Return Pool			137,658,187	
Total Absolute Return	5.00%	1-9%	137,658,187	5.07%
Real Assets				
Real Estate Pool			228,781,061	
Real Estate Investment Trust Pool			11,146,643	
Energy Pool			17,671,566	
Farmland Pool			98,257,559	
Farmland Water Pool			11,314,746	
Timber Pool			33,982,714	
Treasury Inflation Protected Securities Pool			15,378,285	
Total Real Assets	16.00%	8-24%	416,532,574	15.34%
Total Invested Assets	**100.00%**		**$2,714,697,062**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule

June 30, 2010

	Defined Benefit - Alaska Retiree Healthcare Trust			
	Asset Allocation		Fair	% of Total
Investments (at Fair Value)	Policy	Range	Market Value	Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 11,762,863	
Total Cash and Cash Equivalents	0.00%	0-6%	11,762,863	0.93%
Fixed Income Securities				
Retirement Fixed Income Pool			140,628,673	
U.S. Treasury Fixed Income Pool			57,144,203	
High Yield Pool			30,272,443	
International Fixed Income Pool			18,406,284	
Emerging Debt Pool			9,467,545	
Total Fixed Income Securities	20.00%	17-23%	255,919,147	20.18%
Broad Domestic Equity				
Broad Domestic Equity			364,601,378	
Total Broad Domestic Equity	30.00%	24-36%	364,601,378	28.75%
Global Equity Ex-U.S.				
International Equity Pool			189,867,719	
Emerging Markets Equity Pool			75,818,824	
Total Global Equity Ex-U.S.	22.00%	18-26%	265,686,544	20.95%
Private Equity				
Private Equity Pool			120,456,517	
Total Private Equity	7.00%	2-12%	120,456,517	9.50%
Absolute Return				
Absolute Return Pool			62,657,395	
Total Absolute Return	5.00%	1-9%	62,657,395	4.94%
Real Assets				
Real Estate Pool			106,659,652	
Real Estate Investment Trust Pool			4,585,088	
Energy Pool			7,668,722	
Farmland Pool			44,690,803	
Farmland Water Pool			-	
Timber Pool			15,600,759	
Treasury Inflation Protected Securities Pool			7,850,389	
Total Real Assets	16.00%	8-24%	187,055,412	14.75%
Total Invested Assets	**100.00%**		**$1,268,139,257**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule

June 30, 2010

Defined Contribution - Health Reimbursement Arrangement

Investments (at Fair Value)	Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 152,980	
Total Cash and Cash Equivalents	0.00%	0-6%	152,980	1.47%
Fixed Income Securities				
Retirement Fixed Income Pool			1,215,726	
U.S. Treasury Fixed Income Pool			284,470	
High Yield Pool			213,424	
International Fixed Income Pool			213,484	
Emerging Debt Pool			209,804	
Total Fixed Income Securities	20.00%	17-23%	2,136,908	20.57%
Broad Domestic Equity				
Broad Domestic Equity			2,927,541	
Total Broad Domestic Equity	30.00%	24-36%	2,927,541	28.18%
Global Equity Ex-U.S.				
International Equity Pool			1,740,278	
Emerging Markets Equity Pool			474,503	
Total Global Equity Ex-U.S.	22.00%	18-26%	2,214,781	21.32%
Private Equity				
Private Equity Pool			745,900	
Total Private Equity	7.00%	2-12%	745,900	7.18%
Absolute Return				
Absolute Return Pool			518,772	
Total Absolute Return	5.00%	1-9%	518,772	4.99%
Real Assets				
Real Estate Pool			1,016,161	
Real Estate Investment Trust Pool			30,092	
Energy Pool			31,844	
Farmland Pool			168,026	
Farmland Water Pool			-	
Timber Pool			105,030	
Treasury Inflation Protected Securities Pool			339,862	
Total Real Assets	16.00%	8-24%	1,691,015	16.28%
Total Invested Assets	**100.00%**		**$ 10,387,897**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule
June 30, 2010

Defined Contribution - Occupational Death & Disability

Investments (at Fair Value)	Asset Allocation Policy	Asset Allocation Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 19,658	
Total Cash and Cash Equivalents	0.00%	0-6%	19,658	1.36%
Fixed Income Securities				
Retirement Fixed Income Pool			169,809	
U.S. Treasury Fixed Income Pool			39,735	
High Yield Pool			29,816	
International Fixed Income Pool			29,813	
Emerging Debt Pool			29,300	
Total Fixed Income Securities	20.00%	17-23%	298,473	20.60%
Broad Domestic Equity				
Broad Domestic Equity			408,675	
Total Broad Domestic Equity	30.00%	24-36%	408,675	28.21%
Global Equity Ex-U.S.				
International Equity Pool			242,985	
Emerging Markets Equity Pool			66,268	
Total Global Equity Ex-U.S.	22.00%	18-26%	309,254	21.34%
Private Equity				
Private Equity Pool			104,221	
Total Private Equity	7.00%	2-12%	104,221	7.19%
Absolute Return				
Absolute Return Pool			72,449	
Total Absolute Return	5.00%	1-9%	72,449	5.00%
Real Assets				
Real Estate Pool			141,903	
Real Estate Investment Trust Pool			4,203	
Energy Pool			4,448	
Farmland Pool			23,465	
Farmland Water Pool			-	
Timber Pool			14,669	
Treasury Inflation Protected Securities Pool			47,469	
Total Real Assets	16.00%	8-24%	236,157	16.30%
Total Invested Assets	**100.00%**		**$ 1,448,887**	**100.00%**

Teachers' Retirement System
Investment Summary Schedule

June 30, 2010

Investments (at Fair Value)	Asset Allocation Policy	Asset Allocation Range	Defined Contribution - Retiree Medical Plan Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-Term Fixed Income Pool			$ 63,272	
Total Cash and Cash Equivalents	0.00%	0-6%	63,272	1.81%
Fixed Income Securities				
Retirement Fixed Income Pool			408,497	
U.S. Treasury Fixed Income Pool			95,584	
High Yield Pool			71,713	
International Fixed Income Pool			71,732	
Emerging Debt Pool			70,496	
Total Fixed Income Securities	20.00%	17-23%	718,022	20.50%
Broad Domestic Equity				
Broad Domestic Equity			983,664	
Total Broad Domestic Equity	30.00%	24-36%	983,664	28.09%
Global Equity Ex-U.S.				
International Equity Pool			584,730	
Emerging Markets Equity Pool			159,436	
Total Global Equity Ex-U.S.	22.00%	18-26%	744,166	21.25%
Private Equity				
Private Equity Pool			250,642	
Total Private Equity	7.00%	2-12%	250,642	7.16%
Absolute Return				
Absolute Return Pool			174,310	
Total Absolute Return	5.00%	1-9%	174,310	4.98%
Real Assets				
Real Estate Pool			341,434	
Real Estate Investment Trust Pool			10,111	
Energy Pool			10,700	
Farmland Pool			56,458	
Farmland Water Pool			-	
Timber Pool			35,291	
Treasury Inflation Protected Securities Pool			114,198	
Total Real Assets	16.00%	8-24%	568,192	16.22%
Total Invested Assets	**100.00%**		**$ 3,502,267**	**100.00%**

Teachers' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2010

FUND	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	$ 57,254	$ 28,580	$ 85,834
Defined Benefit Plan - Alaska Retiree Health Care Trust	26,284	13,070	39,354
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	158	89	247
Defined Contribution Retirement Plan - Occupational Death & Disability	25	13	38
Defined Contribution Retirement Plan - Retiree Medical Plan	54	30	84
Total Recaptured Commission Fees	**$ 83,775**	**$ 41,782**	**$ 125,557**

The ARMB's Commission Recapture program has been in place since 1995, first working with various brokers then switching to the State Street program in 2005. Under a commission recapture program a portion of the commissions and mark-ups on trades (placed through the State Street broker network) flow directly back to the fund.

The program allows managers to place trades for commission recapture purposes. The ARMB has established direction percentages for the managers to strive for, but is only requiring best efforts to meet them given their fiduciary obligation to achieve best execution of transactions.

The current rebate arrangement with State Street Global Markets is: 80% of the brokerage commissions earned in executing domestic equity transactions; 72% of the brokerage commissions earned in executing domestic equity transactions via correspondent brokers; and, 60% of the brokerage commissions earned in executing international equity transactions.

ACTUARIAL SECTION

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buckconsultants A Xerox Company

July 9, 2010

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, 2009 Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the System as of June 30, 2009;
(2) a review of experience under the System for the year ended June 30, 2009;
(3) a determination of the appropriate total contribution rate to be paid by all employers in the System including additional State contributions pursuant to SB 125, which will be applied for the fiscal year ending June 30, 2012; 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
(2) Schedule of active member valuation data
(3) Schedule of benefit recipients added to and removed from rolls
(4) Solvency test
(5) Analysis of financial experience
(6) Summary of GASB No. 25 and 43 disclosure infomration

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The Alaska Retirement Management Board,
The Department of Revenue and The Department of Administration
July 9, 2010
Page 2

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. This 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 in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The total contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY10 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 decreased from 64.8% to 57.0% during the year. This report provides an analysis of the factors that led to the decrease. This report also provides a history of the funding ratio of the System.

A summary of the actuarial assumptions and methods is presented in 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.

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

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The Alaska Retirement Management Board,
The Department of Revenue and The Department of Administration
July 9, 2010
Page 3

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. Bissett

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

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STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2009 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.

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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

B. Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the difference between actual and expect inventment return in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at fair 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 2009, as well as Aetna and Premera claim level data for calendar 2005 and fiscal years 2006 through 2009, 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 was used to augment cost data by Medicare status.

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 smaller 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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 3.5% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 3.5% 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 fiscal years and calender year 2005. 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 2.57 months for medical claims and 0.5 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%.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

June 30, 2009 Valuation – FY 2010 Claims Cost Rates

	Medical		
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**
Calendar 2005 Paid Claims	**$146,356,647**	**$25,618,571**	**$3,976,509**
Membership	33,343	18,603	979
Paid Claims Cost Rate	$4,389	$1,377	$4,061
Trend to FY2010	1.468	1.468	1.468
FY 2010 Paid Cost Rate	$6,445	$2,022	$5,963
Paid to Incurred Factor**	1.021	1.021	1.021
FY 2010 Incurred Cost Rate	**$6,508**	**$2,064**	**$6,088**
Calendar 2006 Paid Claims*	**$150,287,171**	**$24,546,905**	**$4,079,223**
Membership	33,473	19,490	1,026
Paid Claims Cost Rate	$4,490	$1,259	$3,977
Trend to FY2010	1.361	1.361	1.361
FY 2010 Paid Cost Rate	$6,112	$1,715	$5,413
Paid to Incurred Factor**	1.021	1.021	1.021
FY 2010 Incurred Cost Rate	**$6,240**	**$1,750**	**$5,527**
Fiscal 2007 Paid Claims*	**$129,762,975**	**$22,677,328**	**$3,524,812**
Membership	33,446	20,315	1,069
Paid Claims Cost Rate	$3,880	$1,116	$3,297
Trend to FY2010	1.313	1.313	1.313
FY 2010 Paid Cost Rate	$5,096	$1,466	$4,330
Paid to Incurred Factor**	1.021	1.021	1.021
FY2010 Incurred Cost Rate	**$5,202**	**$1,497**	**$4,421**
Fiscal 2008 Paid Claims	**$169,598,064**	**$28,657,490**	**$6,079,463**
Membership	33,630	21,434	893
Paid Claims Cost Rate	$5,043	$1,337	$6,807
Trend to FY2010	1.190	1.190	1.190
FY 2010 Paid Cost Rate	$5,999	$1,591	$8,098
Paid to Incurred Factor**	1.021	1.021	1.021
FY 2010 Incurred Cost Rate	**$6,125**	**$1,624**	**$8,268**
Fiscal 2009 Paid Claims	**$187,868,089**	**$30,550,328**	**$10,093,527**
Membership	33,832	23,424	850
Paid Claims Cost Rate	$5,553	$1,304	$11,881
Trend to FY2010	1.080	1.080	1.080
FY 2010 Paid Cost Rate	$5,997	$1,408	$12,830
Paid to Incurred Factor**	1.021	1.021	1.021
FY 2010 Incurred Cost Rate	**$6,122**	**$1,438**	**$13,099**
Weighted Average 7/1/2009 – 6/30/2010 Incurred Claims Cost Rates:			
At average age	$6,075	$1,691	$7,289
At age 65*	$7,503	$1,336	$4,754

* 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 3.5% 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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

June 30, 2009 Valuation – FY 2010 Claims Cost Rates (cont.)

	Prescription Drugs			
	Pre-Medicare	Medicare A&B	Medicare B Only	Total
Calendar 2005 Paid Claims	**$42,812,358**	**$35,481,585**	**$ 1,999,302**	**$256,244,972**
Membership	33,343	18,603	979	52,925
Paid Claims Cost Rate	$1,284	$1,907	$2,042	$4,842
Trend to FY2010	1.558	1.558	1.558	
FY 2010 Paid Cost Rate	$2,000	$2,971	$3,180	$7,244
Paid to Incurred Factor**	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$2,009**	**$2,985**	**$3,195**	**$7,359**
Calendar 2006 Paid Claims* **	**$45,461,356**	**$39,644,399**	**$2,235,948**	**$266,255,002**
Membership	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	$1,358	$2,034	$2,180	$4,932
Trend to FY2010	1.407	1.407	1.407	
FY 2010 Paid Cost Rate	$1,912	$2,863	$3,068	$6,788
Paid to Incurred Factor**	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$1,920**	**$2,876**	**$3,082**	**$6,894**
Fiscal 2007 Paid Claims* **	**$46,176,199**	**$42,348,638**	**$2,391,089**	**$246,881,041**
Membership	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	$1,381	$2,085	$2,236	$4,503
Trend to FY2010	1.340	1.340	1.340	
FY 2010 Paid Cost Rate	$1,851	$2,794	$2,998	$5,959
Paid to Incurred Factor**	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$1,859**	**$2,807**	**$3,012**	**$6,048**
Fiscal 2008 Paid Claims	**$53,506,123**	**$52,529,773**	**$2,346,512**	**$312,717,425**
Membership	33,630	21,434	893	55,957
Paid Claims Cost Rate	$1,591	$2,451	$2,627	$5,589
Trend to FY2010	1.200	1.200	1.200	
FY 2010 Paid Cost Rate	$1,910	$2,942	$3,154	$6,669
Paid to Incurred Factor**	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$1,919**	**$2,956**	**$3,169**	**$6,771**
Fiscal 2009 Paid Claims	**$63,181,353**	**$57,263,605**	**$2,226,629**	**$351,183,531**
Membership	33,832	23,424	850	58,106
Paid Claims Cost Rate	$1,867	$2,445	$2,621	$6,044
Trend to FY2010	1.080	1.080	1.080	
FY 2010 Paid Cost Rate	$2,017	$2,640	$2,830	$6,527
Paid to Incurred Factor**	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$2,026**	**$2,652**	**$2,844**	**$6,627**
Weighted Average 7/1/2009 – 6/30/2010 Incurred Claims Cost Rates:				
At average age	$1,941	$2,868	$3,076	$6,756
At age 65*	$2,419	$2,419	$2,419	$7,252

* 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 3.5% 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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

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, 2009 through June 30, 2010

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	$ 4,155	$ 4,155	$ 1,276	0
50	4,701	4,701	1,516	0
55	5,319	5,319	1,800	0
60	6,318	6,318	2,087	0
65	1,336	4,754	2,419	477
70	1,626	5,784	2,606	514
75	1,931	6,867	2,780	548
80	2,080	7,398	2,850	562

D. Actuarial Assumptions

1.	Investment Return/ Discount Rate	8.25% per year geometric, compounded annually, net of expenses.
2.	Salary Scale	Inflation - 3.5% per year Merit - 2.0% per year for the first 5 years of employment grading down to 0% after 15 years. Productivity - 0.5% per year
3.	Payroll Growth	4.0% per year. (Inflation + Productivity).
4.	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.
5.	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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

6.	Mortality (Post-Retirement)	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.
7.	Turnover	Select and ultimate rates based upon the 2001-2005 actual withdrawal experience. (See Table 3.)
8.	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.
9.	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.
10.	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.
11.	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.
12.	Contribution Refunds	10% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.
13.	COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.
14.	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, terminates or dies.
15.	Post Retirement Pension Adjustment	50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Post Retirement Pension Adjustment (PRPA) as specified in the statute.
16.	Expenses	All expenses are net of the investment return assumption.
17.	Part-Time Status	Part-time employees are assumed to earn 0.55 years of credited service per year.
18.	Re-employment Option	We assume all re-employed retirees return to work under the Standard Option.
19.	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.
20.	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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

21. Per Capita Claims Cost

Sample claims cost rates for FY10 medical benefits are shown below:

	Medical	Prescription Drugs
Pre-Medicare	$7,503	$2,419
Medicare Parts A & B	$1,336	$2,419
Medicare Part B Only	$4,754	$2,419
Medicare Part D	n/a	$ 477

22. Third Party Administrator Fees

$153.33 per person per year; assumed trend rate of 5% per year.

23. 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, 7.5% is applied to the FY10 rate claims costs to get the FY11 claims costs.

	Medical	Prescription Drugs
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%
FY16	5.9%	5.9%
FY25	5.8%	5.8%
FY50	5.7%	5.7%
FY100	5.1%	5.1%

For the June 30, 2009 valuation and later the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. 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.

24. Aging Factors

Age	Medical	Prescription Drugs
00-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-74	4.0%	1.5%
75-84	1.5%	0.5%
85-94	0.5%	0.0%
95+	0.0%	0.0%

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

25. Retired Member Contributions for Medical Benefits

Currently contributions are required for TRS members who are under age 60 and have less than 25 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY10 contributions based on monthly rates shown below for calendar 2009 and 2010 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 25 years of service and who are not disabled:

Coverage Category	Calendar 2010 Annual Contribution	Calendar 2010 Monthly Contribution	Calendar 2009 Monthly Contribution
Retiree Only	$ 8,628	$ 719	$ 613
Retiree and Spouse	$ 17,268	$ 1,439	$ 1,262
Retiree and Child(ren)	$ 12,192	$ 1,016	$ 891
Retiree and Family	$ 20,832	$ 1,736	$ 1,523
Composite	$ 12,816	$ 1,068	$ 937

26. 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, 7.0% is applied to the FY10 retired member medical contributions to get the FY11 retired member medical contributions.

FY10	7.0%
FY11	6.7%
FY12	6.3%
FY13	6.0%
FY14	5.7%
FY15	5.3%
FY16	5.0%
FY17	5.0%
FY 18 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. Note that actual FY09 retired member medical contributions are reflected in the valuation so trend on such contribution during FY09 is not applicable.

27. Healthcare Participation

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

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 very slightly by age.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

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

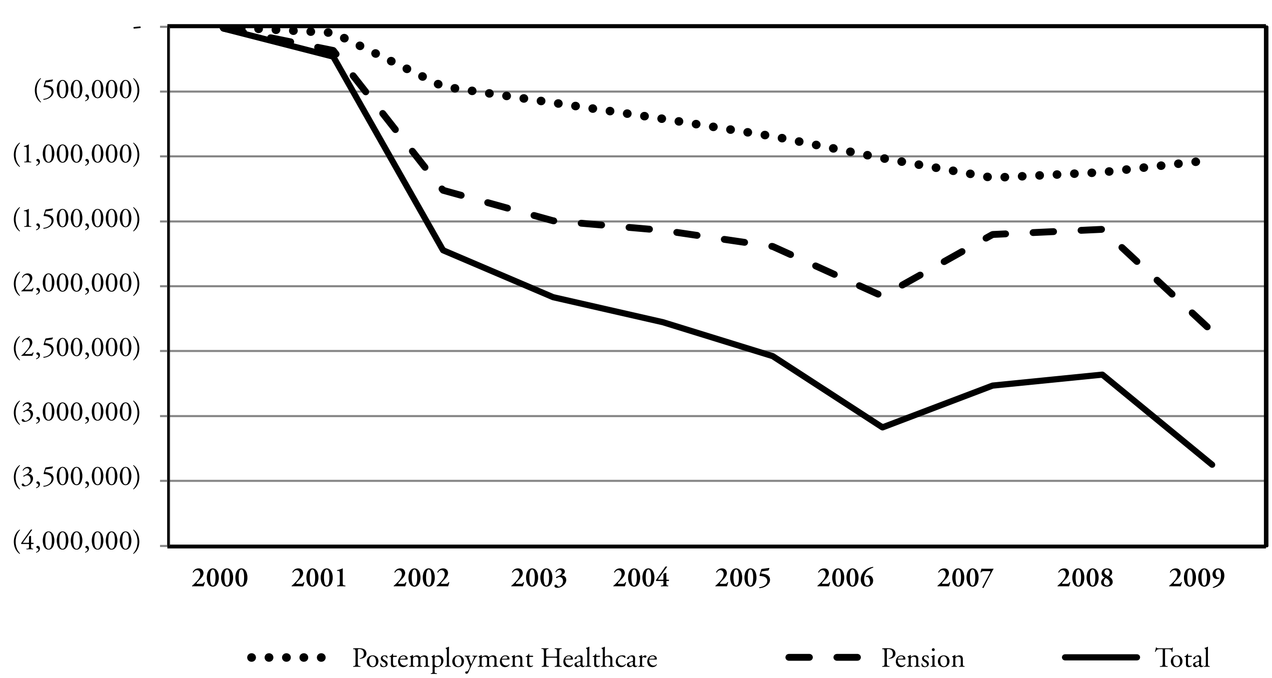
STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Summary of Actuarial Assumptions, Methods and Procedures

Changes in Actuarial Assumptions Since the Prior Valuation

There were no changes in Actuarial Assumptions since the prior valuation.

Teachers' Retirement System Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Postemployment Healthcare	Pension	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
2000	(3,001)	(11,852)	(14,853)	99.6
2001	(47,740)	(183,178)	(230,918)	95.0
2002	(462,093)	(1,260,513)	(1,722,606)	68.2
2003	(587,139)	(1,496,185)	(2,083,324)	64.3
2004	(709,527)	(1,568,703)	(2,278,230)	62.8
2005	(845,674)	(1,693,934)	(2,539,608)	60.9
2006	(1,012,540)	(2,075,617)	(3,088,157)	57.3
2007	(1,163,423)	(1,601,581)	(2,765,004)	61.5
2008	(1,120,634)	(1,561,568)	(2,682,202)	64.8
2009	(1,026,288)	(2,348,268)	(3,374,556)	57.0

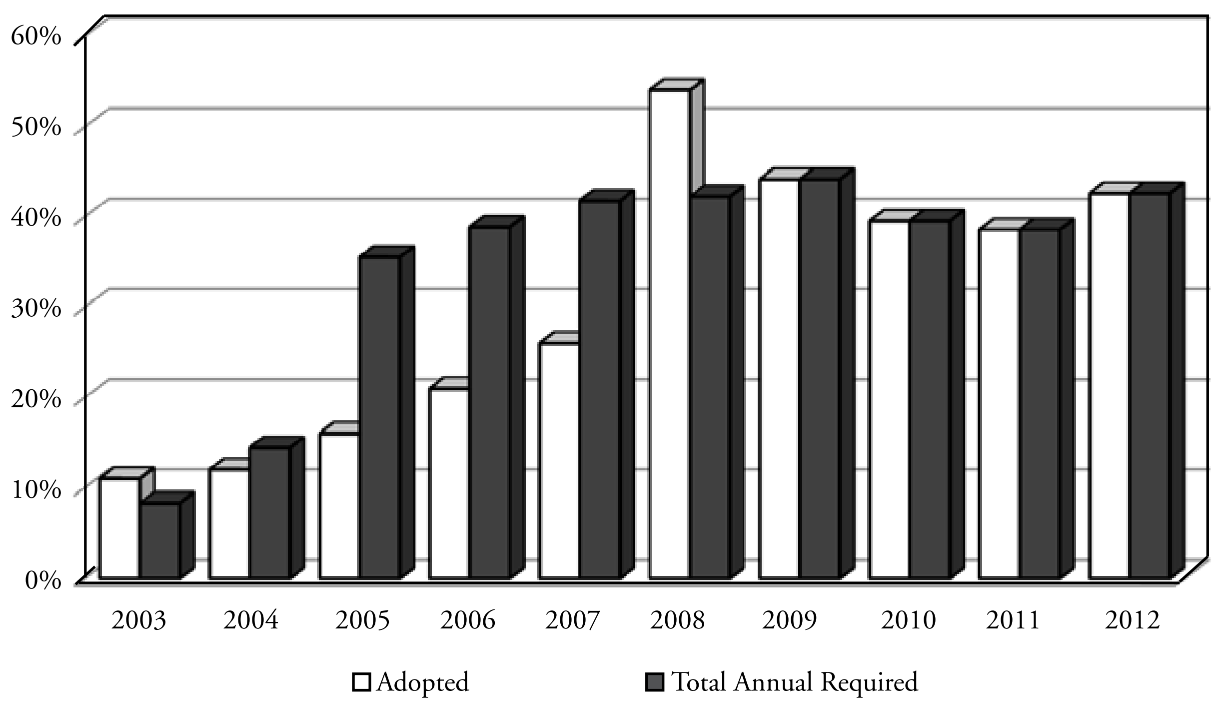
10-YEAR TREND OF UNFUNDED LIABILITY
(In thousands)



Teachers' Retirement System Employer Contribution Rates					
	Actuarially Determined				
Year Ended June 30	Actuarial Valuation Year Ended June 30	Normal Cost[1]	Past Service	Total Annual Required	Adopted
2003	2000	8.02	0.27	8.29	11.00
2004	2001	10.33	4.11	14.44	12.00
2005	2002	14.76	20.81	35.57	16.00
2006	2003	14.28	24.57	38.85	21.00
2007	2004	13.76	28.02	41.78	26.00
2008	2005	12.56	29.70	42.26	54.03[2]
2009	2006	9.37	34.80	44.17	44.17
2010	2007	7.59	31.94	39.53	39.53
2011	2008	7.56	31.00	38.56	38.56
2012	2009	6.57	36.04	42.61	42.61

[1] Also referred to as the consolidated rate.
[2] The ARMB recognized the fact that the Plan becomes a closed Plan on July 1, 2006, and set a rate reflecting no payroll growth.
Valuations are used to set contribution rates in future years.

10-YEAR COMPARISON OF EMPLOYER CONTRIBUTION RATES



Teachers' Retirement System Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) In Average Earnings	Number of Participating Employers
June 30, 2009	8,226	$557,026	$67,715	5.2%	58
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	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

Teachers' Retirement System Schedule of Pension Benefit Recipients Added to and Removed From Rolls								
	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefits
Year Ended	No.*	Annual Pension Benefits*	No.*	Annual Pension Benefits*	No.	Annual Pension Benefits		
June 30, 2009	368	$9,788,639	139	$(2,857,118)	10,255	$331,135,590	3.97%	$32,290
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

* Numbers are estimated, and include other internal transfers.

Teachers' Retirement System Solvency Test							
	Aggregate Accrued Liability For:				Portion of Accrued Liabilities Covered by Assets		
Valuation Date	(1) Active Member Contributions (In thousands)	(2) Inactive Members (In thousands)	(3) Active Members (Employer-Financed Portion) (In thousands)	Valuation Assets (In thousands)	(1)	(2)	(3)
June 30, 2009	$692,105	$5,292,808	$1,862,601	$4,472,958	100%	71.4%	0.0%
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	100.0	73.0
June 30, 2000[(1)(2)(3)]	490,176	2,872,250	836,442	4,184,015	100	100.0	98.2

[(1)] Change in Asset Valuation Method.[(2)] Change of Assumptions[(3)] Change in Methods.

Teachers' Retirement System Analysis of Financial Experience					
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					
Type of (Gain) or Loss	**Change in Employer/State Contribution Rate During Fiscal Year**				
	2009	**2008**	**2007**	**2006**	**2005**
Health Experience	(2.67)%	(1.22)%	(3.90)%	(2.52)%	1.47%
Salary Experience	.29	0.43	(0.27)	0.79	(0.26)
Investment Experience	7.23	(0.85)	(1.37)	(0.36)	(0.02)
Demographic Experience	(0.54)	(0.33)	1.63	(0.27)	(2.10)
Contribution Shortfall	(0.26)	(0.98)	1.31	1.21	1.42
(Gain) or Loss During Year From Experience	4.05	(2.95)	(2.60)	(1.15)	0.51
Non-recurring changes					
Asset Valuation Method	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-
Assumption and Method Changes	-	1.98	(2.04)*	3.06	-
System Benefit Changes	-	-	-	-	-
Change Due to Revaluation of Plan Liability as of June 30, 2004	-	-	-	-	(0.03)
Composite (Gain) Loss During Year	4.05	(0.97)	(4.64)	1.91	0.48
Beginning Total Employer/State Contribution Rate	38.56	39.53	44.17	42.26	41.78
Ending Total Employer/State Contribution Rate	42.61%	38.56%	39.53%	44.17%	42.26%
Board Adopted Contribution Rate	42.61%	38.56%	39.53%	44.17%	54.03%
Fiscal Year Above Rate is Applied	FY12	FY11	FY10	FY09	FY08

* Includes change in rate by using total payroll.

Teachers' Retirement System
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

Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year					
	Pension			Healthcare		
	2009	2008	2007	2009	2008	2007
Health Experience	-%	-%	-%	(2.67)%	(1.22)%	(3.90)%
Salary Experience	0.29	0.43	(0.27)	-	-	-
Investment Experience	6.53	(0.62)	(0.32)	0.7	(0.23)	(1.05)
Demographic Experience	(0.54)	(0.33)	1.63	-	-	-
Contribution Shortfall	0.01	(0.11)	0.42	(0.27)	(0.87)	0.89
(Gain) or Loss During Year From Experience	6.29	(0.63)	1.46	(2.24)	(2.32)	(4.06)
Non-recurring changes						
Asset Valuation Method	-	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-	-
Assumption and Method Changes	-	-	(1.08)*	-	1.98	(0.96)*
System Benefit Changes	-	-	-	-	-	-
Composite (Gain) Loss During Year	6.29	(0.63)	0.38	(2.24)	(0.34)	(5.02)
Beginning Total Employer/State Contribution Rate	20.32	20.95	20.57	18.24	18.58	23.60
Ending Total Employer/State Contribution Rate	26.61%	20.32%	20.95%	16.00%	18.24%	18.58%
Fiscal Year Above Rate is Applied	FY12	FY11	FY10	FY12	FY11	FY10

* Includes change in rate by using total payroll.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through June 30, 2009. 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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

- a teacher who has filed for workers' compensation benefits due to an on-the-job assault and who, as a result of the physical injury, is placed on leave without pay.

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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(6) Employer Contributions

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

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 (12.56%) 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 (13) below). Supplemental contributions are only refundable upon death (see (13) 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(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.

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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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).

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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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.

<u>Occupational Death</u>: 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.

<u>Nonoccupational Death</u>: 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.

<u>Lump Sum Benefit</u>: 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.

<u>Supplemental Contributions Provision</u>: 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(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.

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) Post Retirement Pension Adjustments

Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical workers for Anchorage 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 I) 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Changes in Benefit Provisions Since the Prior Valuation

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

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July 12, 2010

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 Defined Contribution Retirement (DCR) Plan has been prepared as of June 30, 2009 by Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the Plan as of June 30, 2009;
(2) a review of experience under the Plan for the year ended June 30, 2009;
(3) a determination of the appropriate contribution rate which will be applied for the fiscal year ending June 30, 2012; 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(b))
(3) Solvency test (Section 3.2)
(4) Summary of GASB No. 25 and 43 disclosure information (Section 3.1)

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 Plan 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.

Tabor Center, 1200 17th Street, Suite 1200 • Denver, CO 80202
720.359.7700 • 720.359.7701 (fax)

The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration
July 12, 2010
Page 2

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY10 and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The amortization period is set by the Alaska Retirement Management Board (Board). Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities increased from 215.73% to 234.52% during the year. This report provides an analysis of the factors that led to the increase.

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 Plan.

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.

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 theGovernment Accounting Standards Board (GASB) Statement Nos. 25 and 43.

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The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration
July 12, 2010
Page 3

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
Michelle M. DeLange

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

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. Bissett

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

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STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2009 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 for the DB Plan 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 percentage of expected payroll. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years.

Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for death and disability benefits (constant dollar amount for retiree medical benefits), from the assumed entry age to the last age with a future benefit 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 DCR Plan 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 beneficiaries and disabled members currently receiving benefits (if any) 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

B. Valuation of Assets

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Market Value of Assets were $0 as of June 30, 2006. 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 Retiree Medical Benefits

The methodology used for the valuation of the retiree medical benefits is described in Section 2.3(c) of the State of Alaska Teachers' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2009.

Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2009 for TRS with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, FY09 claims costs were reduced 5.9% for medical and 0.7% for prescription drugs. Retiree out-of-pocket amounts were indexed 4.8% each year to reflect the effect of the deductible leveraging on trend, putting the annual projected trend closer to the ultimate trend rate.

No implicit subsidies are assumed. Employees projected to retire with 30 years of service prior to Medicare are valued with commencement deferred to Medicare eligibility, as such participants will be required to pay the full plan premium. Explicit subsidies for disabled and normal retirements are determined using the plan-defined percentages of total projected plan costs, again with no implicit subsidy assumed.

Changes in Methods From the Prior Valuation

There were no changes in methods from the prior valuation.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

D. Actuarial Assumptions

1. Investment Return/ Discount Rate	8.25% per year, compounded annually, net of expenses.
2. Salary Scale	Inflation - 3.5% per year Merit - 2.0% per year for the first 5 years of employment grading down to 0% after 15 years. Productivity - 0.5% per year
3. Payroll Growth	4.0% per year
4. 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.
5. Mortality (Preretirement)	Based upon the 2001-2005 actual experience of the TRS DB Plan. (See Table 1). 60% of the1994 Group Annuity Table 1994 Base Year without margin for females and 55% for males. 15% of deaths are assumed to result from occupational causes.
6. Mortality (Postretirement)	Based upon the 2001-2005 actual experience of the TRS DB Plan. (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.
7. Turnover	Select rates were estimated and ultimate rates were set to the TRS DB Plan rate loaded by 10%. (See Table 3).
8. Disability	Incidence rates based upon the 2001-2005 actual experience of the TRS DB Plan, 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. 15% of disabilities are assumed to result from occupational causes.
9. Retirement	Retirement rates were estimated in accordance with Table 5.
10. Marriage and Age	Wives are assumed to be three years younger than husbands. 85% of male Difference members and 75% of female members are assumed to be married.
11. Expenses	All expenses are net of the investment return assumption.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

12. Per Capita Claims Cost

Sample claims cost rates for FY10 medical benefits are shown below:

	Medical	Prescription Drugs
Pre-Medicare	$7,503	$2,419
Medicare Parts A & B	$1,336	$2,419
Medicare Part B Only	$4,754	$2,419
Medicare Part D	N/A	$ 477

13. Third Party Administrator Fees

$153.33 per person per year; assumed trend rate of 5% per year.

14. Base Claims Cost Adjustments

Due to higher initial copays, deductibles, out-of-pocket limits and member cost sharing compared to the DB medical plan, the following adjustments were made:
- 0.941 for the medical plan.
- 0.993 for the prescription drug plan.
- 0.952 for the annual indexing for member cost sharing.

15. 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, 7.5% is applied to the FY10 rate claims costs to get the FY11 claims costs.

	Medical	Prescription Drugs
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%
FY16	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 and later, the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. 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.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

16. Aging Factors

Age	Medical	Prescription Drugs
0-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-74	4.0%	1.5%
75-84	1.5%	0.5%
85-94	0.5%	0.0%
95+	0.0%	0.0%

17. Retiree Medical Participation — 100% of members and their spouses are assumed to elect retiree medical benefits as soon as they are eligible.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

Table 1
Alaska TRS DCR Plan
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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

Table 2
Alaska TRS DCR Plan
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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

Table 3
Alaska TRS DCR Plan
Turnover Assumptions
Select Rates of Turnover During the First 5 Years of Employment

Year of Employment	Rate
1	18%
2	15%
3	12%
4	10%
5	8%

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female	Age	Male	Female
15	5.4492%	4.8122%	40	5.2787%	4.6924%
16	5.4423	4.8085	41	5.2635	4.6815
17	5.4368	4.8061	42	5.2443	4.6706
18	5.4313	4.8049	43	5.2264	4.6609
19	5.4285	4.8037	44	5.2030	4.6488
20	5.3859	4.7686	45	5.1769	4.6343
21	5.3832	4.7686	46	5.1494	4.6210
22	5.3777	4.7674	47	5.1150	4.6028
23	5.3735	4.7674	48	5.0752	4.5823
24	5.3667	4.7662	49	5.0339	4.5617
25	5.3612	4.7662	50	4.9872	4.5375
26	5.3557	4.7650	51	4.9322	4.5097
27	5.3502	4.7638	52	4.8675	4.4770
28	5.3447	4.7601	53	4.7960	4.4383
29	5.3392	4.7565	54	4.7163	4.3971
30	5.3350	4.7529	55	4.6255	4.3475
31	5.3323	4.7505	56	4.5155	4.2834
32	5.3282	4.7456	57	4.3808	4.2011
33	5.3254	4.7420	58	4.2337	4.1080
34	5.3240	4.7372	59	4.0563	3.9894
35	5.3213	4.7323	60	3.8569	3.8551
36	5.3172	4.7251	61	3.6355	3.7050
37	5.3117	4.7190	62	3.3784	3.5344
38	5.3020	4.7105	63	3.0855	3.3396
39	5.2910	4.7021	64	2.7679	3.1279
			65+	5.5000	4.8400

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Actuarial Assumptions, Methods and Procedures

Table 4
Alaska TRS DCR Plan
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

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits

Summary of Actuarial Assumptions, Methods and Procedures

Table 5
Alaska TRS DCR Plan
Retirement Table

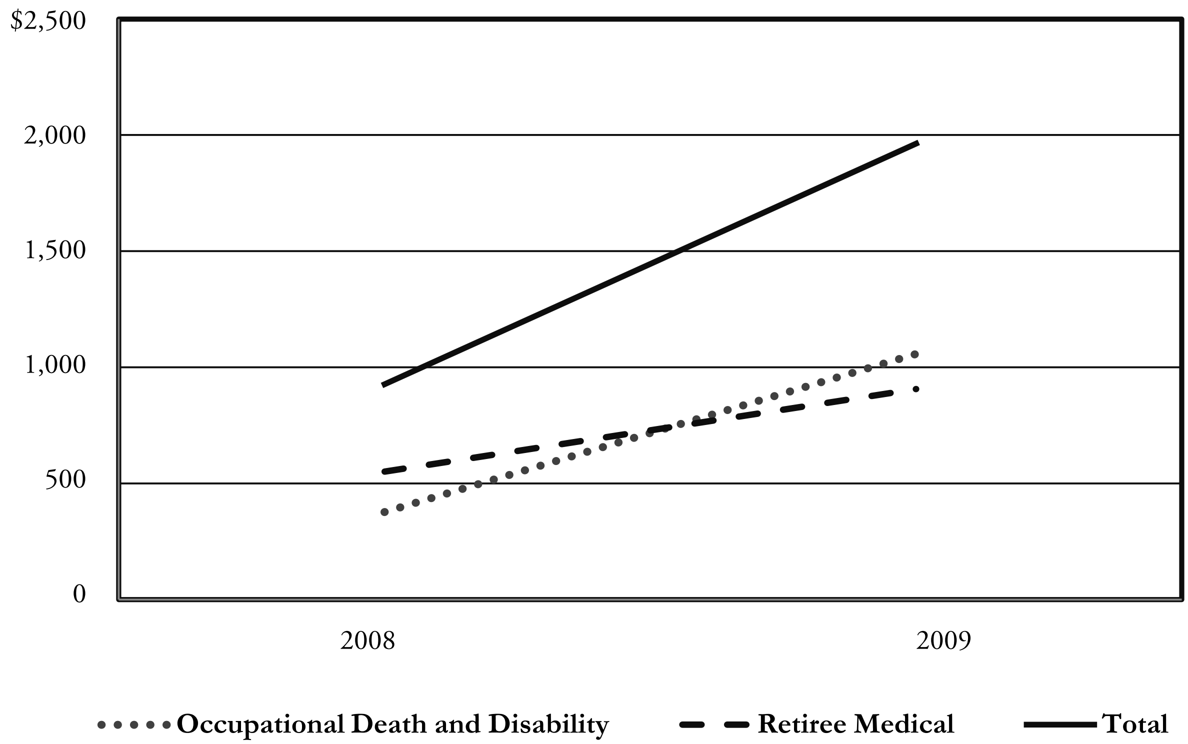
Age	Rate
<55	2%
55-59	3%
60	5%
61	5%
62	10%
63	5%
64	5%
65	25%
66	25%
67	25%
68	20%
69	20%
70	100%

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2008	June 30, 2009
Occupational Factor	100% for all deaths and disabilities	15% for all deaths and disabilities

Teachers' Retirement System Defined Contribution Retirement Plan for Occupational Death and Disability And Retiree Medical Benefits Funding Excess/(Unfunded Liability) (In Thousands)				
Actuarial Valuation Year Ended June 30	**Occupational Death and Disability**	**Retiree Medical**	**Total Funding Excess/ (Unfunded Liability)**	**Funded Ratio**
2008	$ 376	$ 551	$ 927	215.73%
2009	1,057	907	1,964	234.5

2-YEAR TREND OF UNFUNDED LIABILITY
(in thousands)



Teachers' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability And Retiree Medical Benefits Employer Contribution Rates					
Fiscal Year	Actuarial Valuation Year Ended June 30	Occupational Death and Disability	Retiree Medical	Total Annual Required	Adopted
2007	N/A	N/A	1.75 %	1.75 %	1.75 %
2008	N/A	0.56	0.99	1.55	1.55
2009	N/A	0.62	0.99	1.61	1.61
2010	2007	0.32	1.03	1.35	1.35
2011	2008	0.28	0.68	0.96	0.96
2012	2009	0.00	0.58	0.58	0.58

Valuations are used to set contribution rates in future years.

Teachers' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability And Retiree Medical Benefits Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings[1] (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) In Average Earnings	Number of Participating Employers
June 30, 2009	1,792	$89,708	$50,061	6.4%	58
June 30, 2008	1,198	56,369	47,053	6.2	58
June 30, 2007	641	28,410	44,322	—	58
June 30, 2006	—	—	—	—	58

[1]Annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

Teachers' Retirement System
Defined Contribution Retirement Plan
For Occupational Death and Disability
And Retiree Medical Benefits
Solvency Test

Valuation Date	Aggregate Accrued Liability For: (1) Active Member Contributions (In thousands)	(2) Inactive Members (In thousands)	(3) Active Members (Employer-Financed Portion) (In thousands)	Valuation Assets (In thousands)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
June 30, 2009[1]	$ —	$ —	$1,460	$3,424	100%	100%	100%
June 30, 2008[1]	—	—	801	1,728	100	100	100
June 30, 2007	—	—	374	597	100	100	100
June 30, 2006	—	—	—	—	100	100	100

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

[1] Change in Assumptions.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits

Summary of Plan Provisions

(1) Effective Date

July 1, 2006, with amendments through June 30, 2009.

(2) Administration of Plan

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

The Alaska Retirement Management Board prescribes policies, adopts regulations, invests the funds, and performs other activities necessary to carry out the provisions of the Plan.

(3) Employers Included

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

(4) Membership

An employee of a participating employer who first enters service on or after July 1, 2006, or a member of the defined benefit plan who works for an employer who began participation on or after July 1, 2006, and meets the following criteria is a participant in the Plan:

- Permanent full-time or part-time elementary or secondary teachers, school nurses, or a person in a position requiring a teaching certificate as a condition of hire in a public school of the State of Alaska, the Department of Education and Early Development or in the Department of Labor and Workforce Development.
- Full-time or part-time teachers at the University of Alaska or persons occupying full-time administrative positions requiring academic standing who are not in the University's Optional Retirement Plan.

Members can convert to the DCR Plan if they are an eligible nonvested member of the TRS defined benefit plan whose employer consents to transfers to the defined contribution plan and they elect to transfer his or her account balance to the TRS DCR Plan.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Plan Provisions

(5) Member Contributions

There are no member contributions for the occupational death & disability and retiree medical benefits.

(6) Retiree Medical

- Member must retire directly from the plan to be eligible for retiree medical coverage. Normal retirement eligibility is the earlier of a) 30 years of service or b) Medicare eligible and 10 years of service.
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible.
- Coverage cannot be denied except for failure to pay premium.
- Members who are receiving disability benefits or survivors who are receiving monthly survivor benefits are not eligible until the member meets, or would have met if he/she had lived, the normal retirement eligibility requirements.
- The plan's coverage is supplemental to Medicare.
- The Medicare-eligible premium will be based on the member's years of service. The percentage of premium paid by the member is as follows:

Years of Service	Percent of Premium Paid by Member
Less than 15 years	30%
15 – 19	25%
20 – 24	20%
25 – 29	15%
30 years or more	10%

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Summary of Plan Provisions

(7) Occupational Disability Benefits

- Benefit is 40% of salary at date of disability.

- There is no increase in the benefit after commencement.

- Member earns service while on occupational disability.

- Benefits cease when the member becomes eligible for normal retirement at Medicare-eligible age and 10 years of service, or at any age with 30 years of service.

- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

(8) Occupational Death Benefits

- Benefit is 40% of salary.

- There is no increase in the benefit after commencement.

- Benefits cease when the member would have become eligible for normal retirement.

- The period during which the survivor is receiving benefits is counted as service credit toward retiree medical benefits.

- No retiree medical benefits are provided until the member would have been eligible for normal retirement. The surviving spouse's premium is 100% until the member would have been Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

Changes Since the Prior Valuation

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

STATISTICAL SECTION

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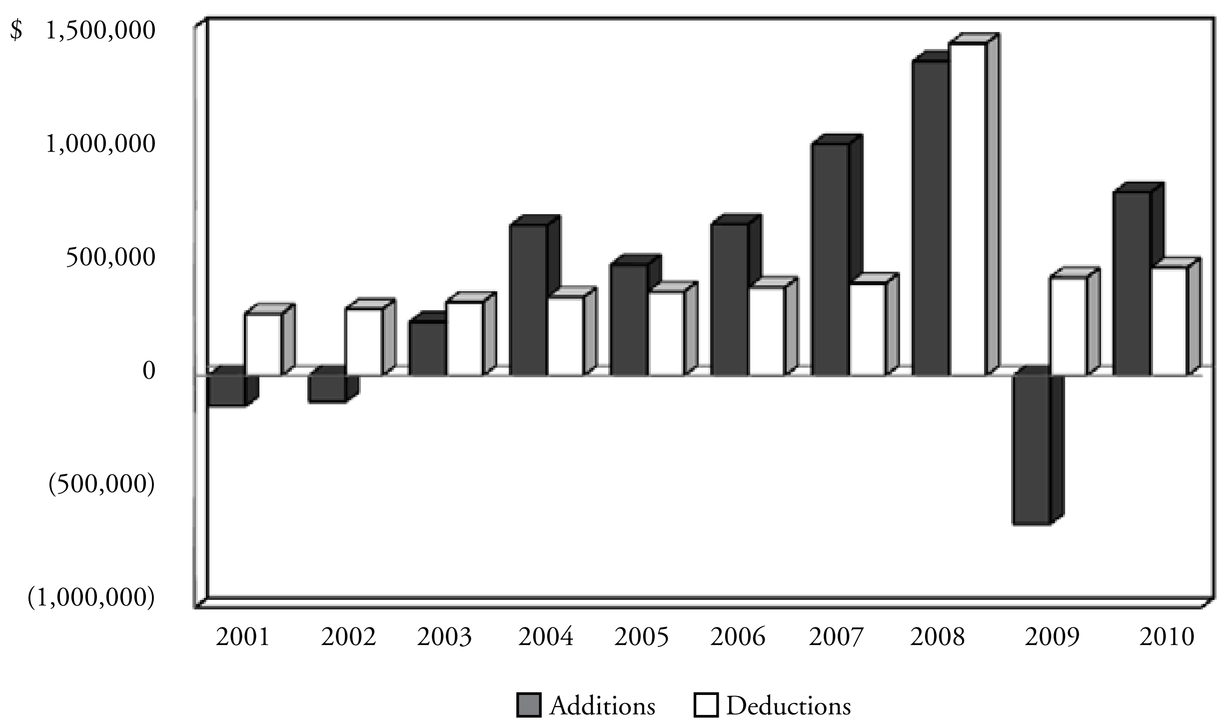
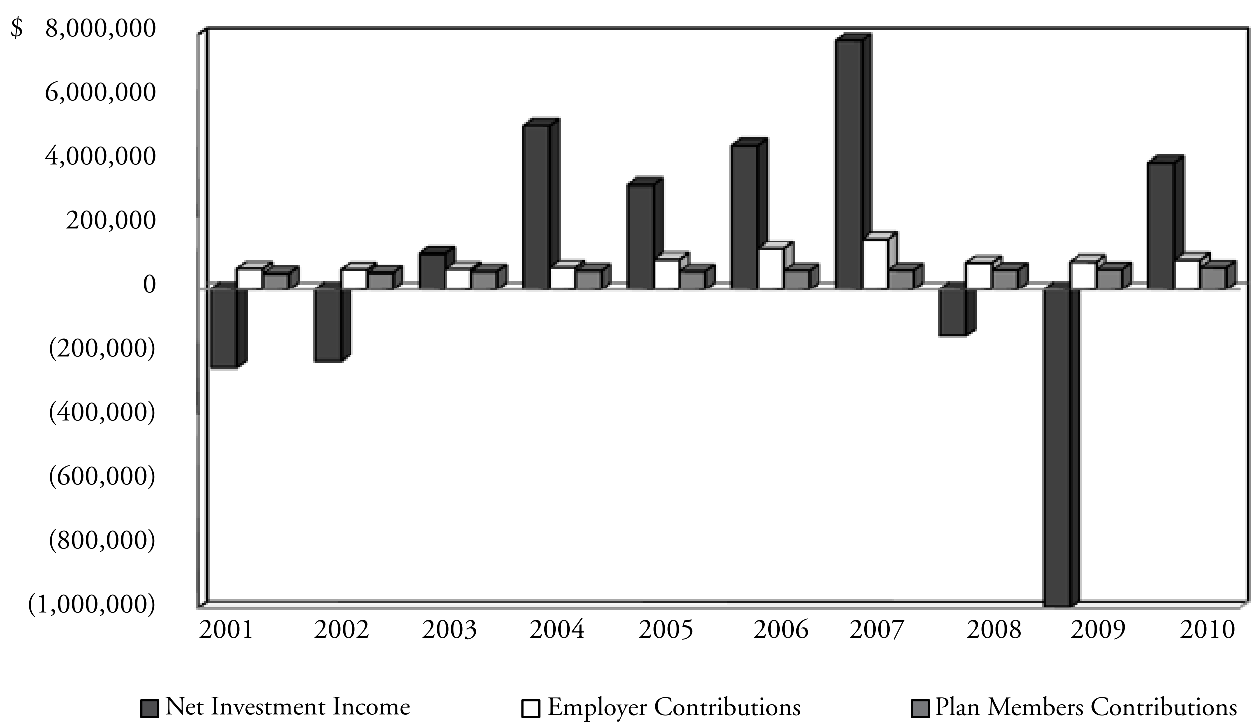
Teachers' Retirement System Changes in Net Assets (In thousands)					
Year Ended June 30	**Net Assets, Beginning of Year**	**Additions**	**Deductions**	**Increase / (Decrease) in Net Assets**	**Net Assets, End of Year**
2001	4,484,902	(132,501)	265,553	(398,054)	4,086,848
2002	4,086,848	(112,754)	285,058	(397,812)	3,689,036
2003	3,689,036	230,234	316,651	(86,417)	3,602,619
2004	3,602,619	646,298	337,402	308,896	3,911,515
2005	3,911,515	476,969	361,489	115,480	4,026,995
2006	4,026,995	652,648	379,672	272,976	4,299,971
2007	4,299,971	996,947	396,733	600,214	4,900,185
2008	4,900,185	1,353,371	1,430,309	(76,938)	4,823,247
2009	4,823,247	(639,113)	421,188	(1,060,301)	3,762,946
2010	3,762,946	789,004	464,046	324,958	4,087,904

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



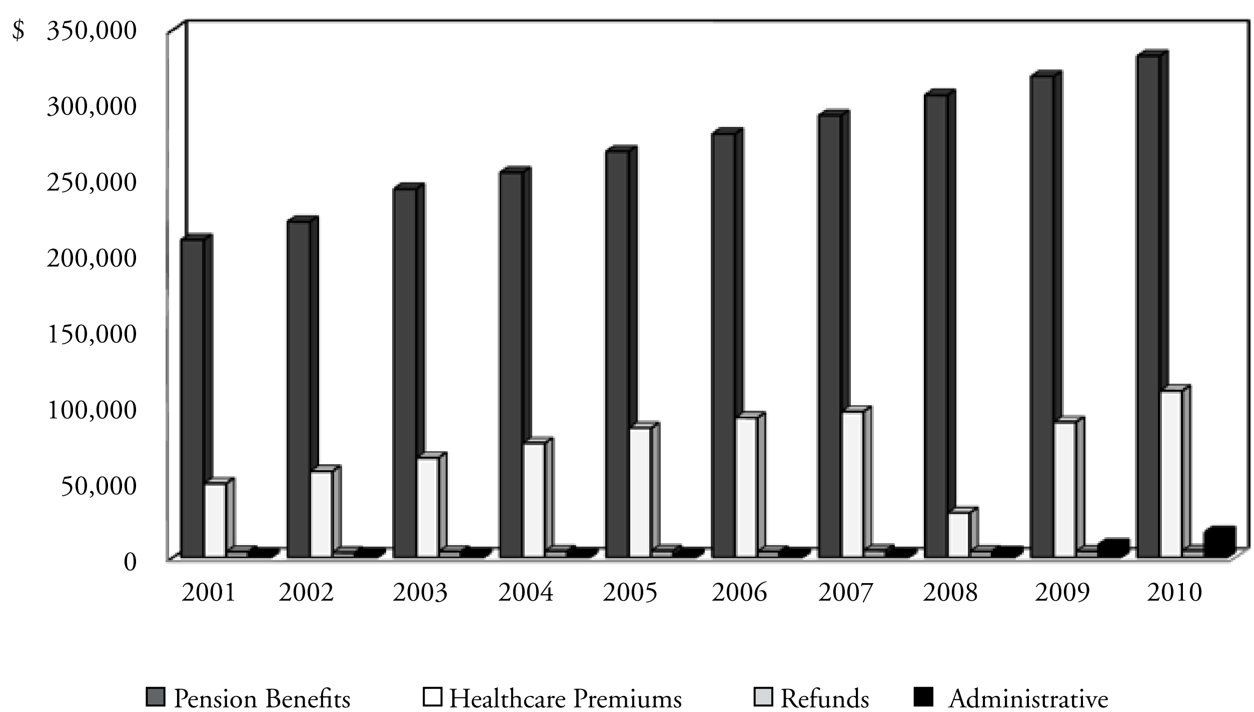
Teachers' Retirement System Additions by Source (In thousands)							
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Transfer	Other	Total
2001	48,725	64,141	-	(245,363)	-	(4)	(132,501)
2002	51,074	61,402	-	(225,234)	-	4	(112,754)
2003	55,789	62,856	-	111,575	-	14	230,234
2004	57,365	68,692	-	513,964	-	6,277	646,298
2005	55,993	93,540	-	327,425	-	10	476,968
2006	57,802	127,967	-	451,689	-	15,190	652,648
2007	58,516	157,605	-	780,805	-	21	966,947
2008	59,579	82,913	269,992	(145,767)	1,086,620	34	1,353,371
2009	61,736	86,128	206,300	(996,876)	-	3,598	(639,113)
2010	67,722	92,359	173,462	396,417	-	59,044	789,004

10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



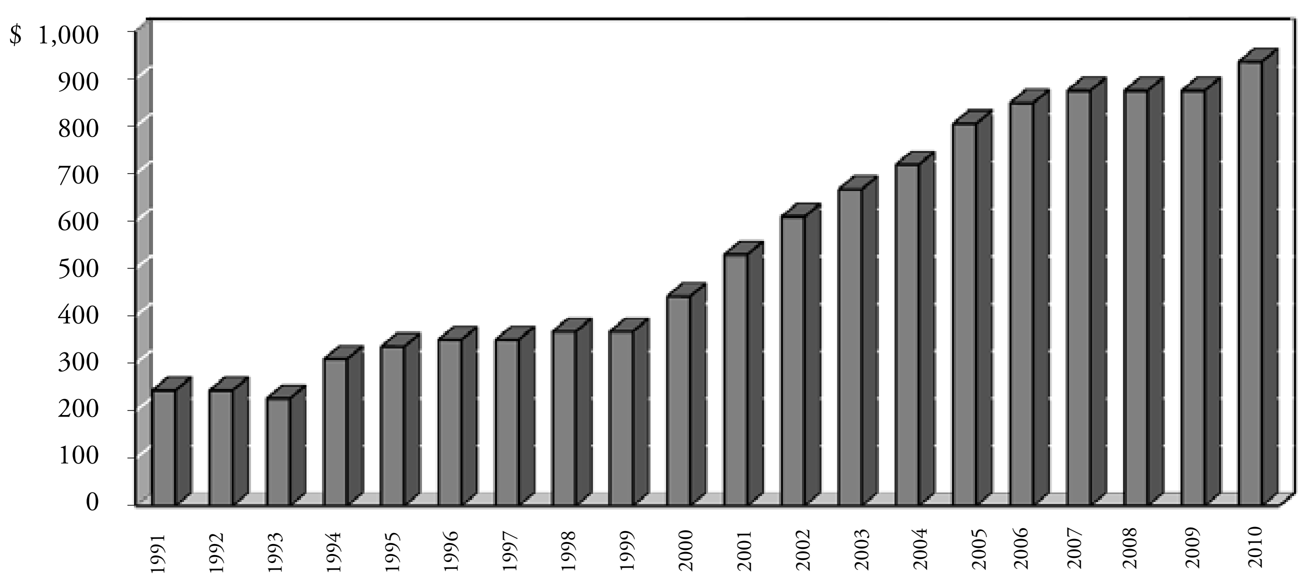
Teachers' Retirement System Deductions by Type (In thousands)							
Year Ended June 30	Pension Benefits	Healthcare	Refunds of Contributions	Administrative Deductions	Legal Fee Settlement	Transfer	Total
2001	210,945	48,928	3,742	1,938	-	-	265,553
2002	222,897	56,946	3,120	2,095	-	-	285,058
2003	244,518	65,898	3,840	2,395	-	-	316,651
2004	255,409	75,601	4,189	2,203	-	-	337,402
2005	269,414	85,670	4,376	2,029	-	-	361,489
2006	281,205	92,462	3,832	2,173	-	-	379,672
2007	293,224	96,544	4,555	2,410	-	-	396,733
2008	306,689	29,494	3,963	3,543	-	1,086,620	1,430,309
2009	319,148	89,571	4,067	8,402	-	-	421,188
2010	332,690	110,313	4,402	6,049	10,592	-	464,046

10-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



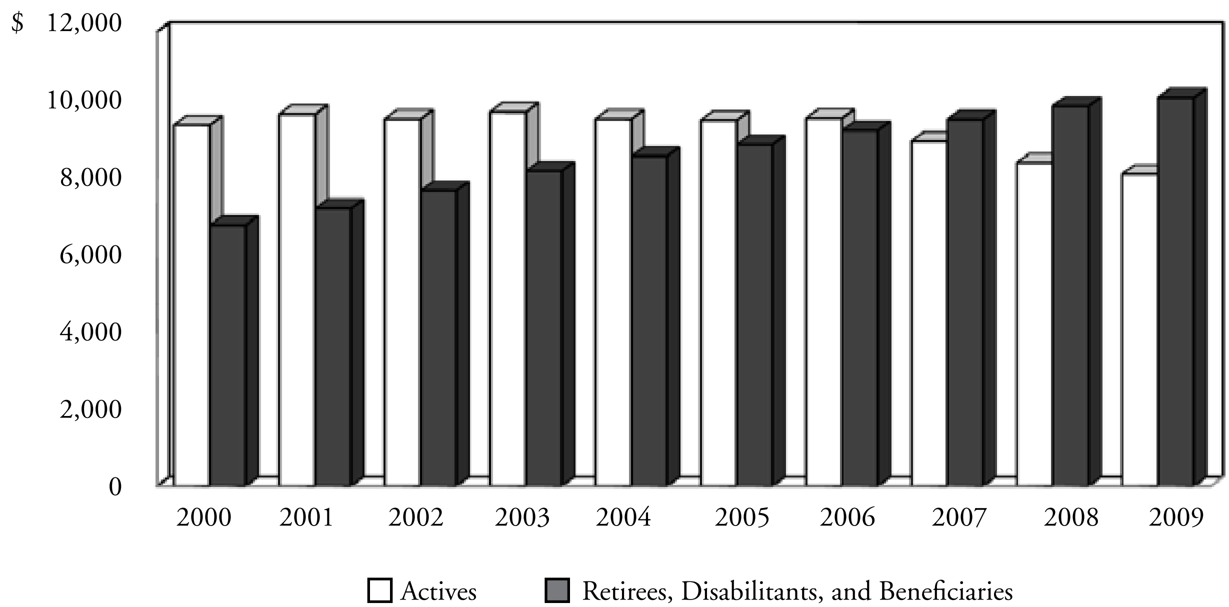
Teachers' Retirement System Schedule of Benefit Deductions by Type (In thousands)						
Year Ended June 30	Service	Disability	Survivor	Dependent	Healthcare	Total
2001	201,338	3,410	5,784	413	48,928	259,873
2002	213,106	2,979	6,320	492	56,946	279,843
2003	234,253	2,872	6,901	492	65,898	310,416
2004	245,122	2,483	7,345	459	75,601	331,010
2005	258,998	2,400	7,695	321	85,670	355,084
2006	270,504	2,342	8,353	6	92,462	373,667
2007	281,879	2,193	9,146	6	96,544	389,768
2008	294,807	1,889	9,974	18	99,583	406,271
2009	306,748	1,692	10,688	20	103,093	422,241
2010	319,109	1,757	11,787	37	117,556	450,246

20-YEAR COMPARISON OF RETIREE MONTHLY HEALTHCARE PREMIUMS
(In thousands)



Teachers' Retirement System System Membership by Status					
Year Ended June 30	Active	Retirees, Disabilitants & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
2000	9,529	6,887	610	2,353	19,379
2001	9,815	7,333	767	2,207	20,122
2002	9,690	7,804	783	2,447	20,724
2003	9,873	8,312	708	2,327	21,220
2004	9,688	8,707	724	2,746	21,865
2005	9,656	9,020	826	2,874	22,376
2006	9,710	9,386	795	3,085	22,976
2007	9,107	9,678	846	3,044	22,675
2008	8,531	10,026	873	2,971	22,401
2009	8,226	10,255	884	2,830	22,195

10-YEAR COMPARISON OF ACTIVE MEMBERS, RETIREES, DISABILITANTS AND BENEFICIARIES



Teachers' Retirement System Schedule of Benefit Recipients by Type Valuation as of June 30, 2009				
Amount of Monthly Benefit	Number of Recipients	Type of Benefit Service	Survivor/QDRO	Disability
$ 1 - 300	180	137	43	-
301 - 600	324	249	75	-
601 - 900	587	477	110	-
901 - 1,200	633	530	103	-
1,201 - 1,500	576	453	123	-
1,501 - 1,800	596	493	103	-
1,801 - 2,100	637	552	82	3
2,101 - 2,400	840	779	55	6
2,401 - 2,700	941	903	31	7
2,701 - 3,000	947	916	19	12
3,001 - 3,300	817	803	11	3
3,301 - 3,600	755	737	12	6
3,601 - 3,900	622	618	2	2
3,901 - 4,200	487	478	6	3
over 4,200	1,313	1,307	2	4
Totals	10,255	9,432	777	46

Schedule of Benefit Recipients by Option Selected Valuation as of June 30, 2009					
Amount of Monthly Benefit	Number of Recipients	Option Selected 1	2	3	4
$ 1 - 300	180	105	34	31	10
301 - 600	324	170	73	64	17
601 - 900	587	307	126	124	30
901 - 1,200	633	361	135	110	27
1,201 - 1,500	576	317	118	119	22
1,501 - 1,800	596	337	124	119	16
1,801 - 2,100	637	322	134	156	25
2,101 - 2,400	840	425	186	199	30
2,401 - 2,700	941	455	208	253	25
2,701 - 3,000	947	495	178	253	21
3,001 - 3,300	817	417	141	238	21
3,301 - 3,600	755	418	118	204	15
3,601 - 3,900	622	345	93	171	13
3,901 - 4,200	487	258	56	167	6
over 4,200	1,313	704	166	409	34
Totals	10,255	5,436	1,890	2,617	312

Options
1 - Whole Life Annuity
2 - 75% Joint and Survivor Annuity
3 - 50% Joint and Survivor Annuity
4 - 66-2/3% Joint and Survivor Annuity

Teachers' Retirement System
Schedule of Average Benefit Payments
New Benefit Recipients

	Years of Credited Service						
	0 - 4	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Period 7/1/02 - 6/30/03:							
Average Monthly Benefit	$ 236	$ 899	$1,153	$2,350	$2,835	$3,969	$5,133
Number of Recipients	16	40	69	91	264	87	32
Period 7/1/03 - 6/30/04:							
Average Monthly Benefit	$ 251	$ 896	$1,243	$2,044	$2,782	$3,640	$4,860
Number of Recipients	21	51	75	85	178	64	17
Period 7/1/04 - 6/30/05:							
Average Monthly 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 7/1/05 - 6/30/06:							
Average Monthly 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 7/1/06 - 6/30/07:							
Average Monthly Benefit	$ 214	$ 798	$1,249	$2,250	$2,909	$3,709	$5,109
Number of Recipients	9	41	54	69	102	68	28
Period 7/1/07 - 6/30/08:							
Average Monthly Benefit	$ 209	$ 945	$1,248	$2,226	$2,966	$3,832	$5,057
Number of Recipients	13	44	62	92	95	87	33
Period 7/1/08 - 6/30/09:							
Average Monthly Benefit	$ 230	$ 950	$1,168	$2,239	$2,957	$3,897	$4,860
Number of Recipients	13	35	64	52	67	54	18

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

Teachers' Retirement System Principal Participating Employers June 30, 2010			
Employer	**Non-retired Members**	**Rank**	**Percentage of Total Non-retired Members**
Anchorage School District	4,872	1	32.94%
Matanuska-Susitna Borough School District	1,418	2	9.59
Fairbanks North Star Borough School District	1,286	3	8.69
Total	**7,576**		**51.22%**