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

Financial Statements and Supplemental Schedules

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

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

June 30, 2009 and 2008

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KPMG LLP
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Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Judicial Retirement System:

We have audited the accompanying statements of plan net assets of the State of Alaska Judicial Retirement System (Plan), a Component Unit of the State of Alaska, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Judicial Retirement System as of June 30, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules presented on pages 46 - 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules are the responsibility of the management of the Plan. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in a material respects when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

November 13, 2009

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

Financial Highlights

The Plan's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 are $105,178,077 and $133,811,720.

The Plan's net assets held in trust for pension and postemployment healthcare benefits as of June 30, 2009 and 2008 decreased by ($28,622,643) or -21.4% and increased by $42,892,080 or 47.2% from fiscal years 2008 and 2007.

Plan members and employer contributions totaled $6,958,477 and $6,383,723 during fiscal years 2009 and 2008, an increase of $574,754 and $2,250,765 or 9.0% and 54.5% from fiscal years 2008 and 2007.

State of Alaska appropriations totaled $49,000,000 during fiscal year 2008. There were no State of Alaska appropriations to the Plan during fiscal year 2009.

Net investment loss increased from ($5,479,509) in fiscal year 2008 to ($27,352,403) in fiscal year 2009 reflecting an increase of 399.2%. Net investment income decreased from $14,214,167 in fiscal year 2007 to ($5,479,509) in fiscal year 2008 reflecting a decrease of -138.5%.

Pension and postemployment healthcare benefit expenditures totaled $8,137,653 and $6,930,458 during fiscal years 2009 and 2008; reflecting an increase of $1,207,195 or 17.4% and a decrease of $131,252 or 1.9% from fiscal years 2008 and 2007, respectively.

Overview of the Financial Statements

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

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

Statement of *Changes in Plan Net Assets* – This statement presents how the Plan's net assets held in trust for pension and postemployment healthcare benefits changed during the fiscal years ended June 30, 2009 and 2008. This statement presents contributions, State of Alaska appropriations, and investment income (loss) during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2009 and 2008, and the sources and uses of those funds during fiscal years 2009 and 2008.

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

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

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

Condensed Financial Information

Plan Net Assets

Description	2009	2008	Increase/(decrease) Amount	Increase/(decrease) Percentage	2007
Assets:					
Cash and cash equivalents	$ 952,190	988,487	(36,297)	(3.7)%	194,177
Due from State of Alaska General Fund	—	416,686	(416,686)	(100.0)	—
Due from Retiree Health Fund	12,609	—	12,609	100.0	—
Contributions receivable	286,793	257,552	29,241	11.4	175,201
Other receivables	6,547	1,267	5,280	416.7	—
Due from postemployment healthcare	—	4,002,818	(4,002,818)	(100.0)	—
Securities lending collateral	—	—	—	n/a	10,728,980
Investments, at fair value	104,035,387	132,198,934	(28,163,547)	(21.3)	90,598,268
Other assets	8,499	—	8,499	100.0	—
Total assets	105,302,025	137,865,744	(32,563,719)	(23.6)	101,696,626
Liabilities:					
Accrued expenses	44,915	42,634	2,281	5.4	43,821
Due to Retiree Health Fund	—	8,572	(8,572)	(100.0)	—
Due to Alaska Retiree Health Care Fund	—	4,002,818	(4,002,818)	(100.0)	—
Due to State of Alaska General Fund	68,033	—	68,033	100.0	4,185
Securities lending collateral payable	—	—	—	n/a	10,728,980
Total liabilities	112,948	4,054,024	(3,941,076)	(97.2)	10,776,986
Net assets	$ 105,189,077	133,811,720	(28,622,643)	(21.4)%	90,919,640

Changes in Plan Net Assets

Description	2009	2008	Increase/(decrease) Amount	Increase/(decrease) Percentage	2007
Net assets, beginning of year	$ 133,811,720	90,919,640	42,892,080	47.2%	79,710,103
Additions (reductions):					
Contributions	6,958,477	6,383,723	574,754	9.0	4,132,958
Appropriation - State of Alaska	—	49,000,000	(49,000,000)	(100.0)	—
Net investment (loss) income	(27,352,403)	(5,479,509)	(21,872,894)	399.2	14,214,167
Transfers	—	4,002,818	(4,002,818)	(100.0)	—
Other	28,166	—	28,166	100.0	—
Total (reductions) additions	(20,365,760)	53,907,032	(74,272,792)	(137.8)	18,347,125
Deductions:					
Pension and postemployment healthcare benefits	8,137,653	6,930,458	1,207,195	17.4	7,061,710
Refund of Contributions	—	17,834	(17,834)	(100.0)	—
Administrative	119,230	63,842	55,388	86.8	75,878
Transfers	—	4,002,818	(4,002,818)	(100.0)	—
Total deductions	8,256,883	11,014,952	(2,758,069)	(25.0)	7,137,588
(Decrease) increase in net assets	(28,622,643)	42,892,080	(71,514,723)	(166.7)	11,209,537
Net assets, end of year	$ 105,189,077	133,811,720	(28,622,643)	(21.4)%	90,919,640

Financial Analysis of the Plan

The Statements of Plan Net Assets as of June 30, 2009 and 2008 showed net assets held in trust for pension and postemployment healthcare benefits of $105,189,077 and $133,811,720, respectively. The entire balance is available to cover the Plan's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries. These amounts also represent a decrease of ($28,622,643) or -21.4% and an increase of $42,892,080 or 47.2% from fiscal years 2008 and 2007. Over the long term, plan members and employer contributions, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the Plan.

The investment of pension funds is a long–term undertaking. On an annual basis, the Alaska Retirement Management Board (Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk / return level given the Plan's constraints and objectives. During fiscal year 2009 and 2008, the Board adopted the following asset allocations:

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

	2008	
	Allocation	**Range**
Domestic large capitalization	32%	± 3%
Domestic small capitalization	10	± 3
International equity	18	± 3
Emerging markets equity	2	± 2
Domestic fixed income	15	± 3
International fixed income	2	± 3
High Yield	3	± 2
TIPS	4	± 3
Absolute return	4	± 3
Real estate	10	± 3
Cash	—	± 3
Total	100%	
Expected five-year median return	7.99%	
Standard deviation	12.13%	

For fiscal years 2009 and 2008, the Plan's investments generated a -20.45% and a -4.62% rate of return, respectively. The Plan's annualized rate of return was -3.51% over the last three years and +1.65% over the last five years.

(Continued)

Actuarial Valuations and Funding Progress

The overall objective of pension and postemployment healthcare funds is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing in the fiscal year following the valuation date and a 25–year fixed amortization of the unfunded accrued liability. The amortization period and employer contribution levels are typically recommended by the actuary and adopted by the administrator biannually. Barring legislative changes, the employer contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities increased from 62.4% to 95.0% during the two-year period ending June 30, 2008. The Alaska Legislature appropriated $49,000,000 in fiscal year 2008 in order to reduce the unfunded liability, increase the funding ratio, and decrease the employer contribution rate in fiscal year 2010. The impact of the losses incurred by the Plan in fiscal year 2009 will not be reflected until the June 30, 2010 actuarial valuation report.

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

	Valuation year	
	2008	**2006**
Valuation assets	$ 141,235,655	79,710,103
Accrued liabilities	148,737,880	127,725,758
Funding ratio	94.96%	62.41%

Contributions, Investment Income and Transfer

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

	Additions (Reductions)				
			Increase/(decrease)		
	2009	**2008**	**Amount**	**Percentage**	**2007**
Plan members contributions	$ 609,812	523,699	86,113	16.4%	477,215
Employer contributions	6,348,665	5,860,024	488,641	8.3	3,655,743
Net investment (loss) income	(27,352,403)	(5,479,509)	(21,872,894)	399.2	14,214,167
Appropriation - State of Alaska	—	49,000,000	(49,000,000)	(100.0)	—
Transfers	—	4,002,818	(4,002,818)	(100.0)	—
Other	28,166	—	28,166	100.0	—
Total	$ (20,365,760)	53,907,032	(74,272,792)	(137.8)%	18,347,125

Employer contributions increased from $5,860,024 during fiscal year 2008 to $6,348,665 during fiscal year 2009, an increase of $488,641 or 8.3%. Employer contributions increased from $3,655,743 during fiscal year 2007 to $5,860,024 during fiscal year 2008, an increase of $2,204,281 or 60.3%. The increase is primarily due to increased salaries to all judges as a result of prior legislation.

(Continued)

The employer contribution rate decreased from 57.70% to 36.20% in fiscal years 2008 and 2009, respectively, a reduction in the employer rate of 21.50% of eligible compensation, or a 37.3% decrease from the previous year. The decrease in the employer rate is largely due to the effects of Senate Bill 221, which allocated $49,000,000 to the JRS system.

In 2009, net investment loss increased by ($21,872,894) or 399.2% over amounts recorded in fiscal year 2008. Net investment income decreased by ($19,693,676) or -138.5% over amounts recorded in fiscal year 2007. Fiscal year 2009 continued to be a very challenging year in the investment environment due to a number of failures in the financial sector, increased volatility and risks in the stock market, and the impacts of the federal stimulus package. However, since March 2009, the stock market has rebounded significantly, but the impact for losses prior to that time still had a negative effect on investments.

Over the long term, investment income has been a major component of additions to plan assets. During fiscal year 2009, the Plan recorded its second loss in a row. The actuarial rate of return used in the actuarial valuation report to determine liabilities of the Plan is 8.25%. The fiscal year 2009 and 2008 losses represent a substantial reversal of investment income from 2007 and 2006.

During fiscal year 2008, the Plan transferred the fund balance as of June 30, 2007 of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust fund as a result of approval from the Internal Revenue Service for the Public Employees' and Teachers' Retirement Systems for similar pre-funding of postemployment healthcare costs. The actual transfer of funds occurred in fiscal year 2009. Also, Senate Bill 221, section 68(a) appropriated $49,000,000 to the Plan. This appropriation virtually eliminated the unfunded liability of the Plan by recording $36,178,570 to fund the pension plan and $12,821,430 to fund the healthcare trust.

Benefits and Other Deductions

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

	Deductions				
			Increase/(decrease)		
	2009	2008	Amount	Percentage	2007
Pension	$ 7,375,193	6,679,640	695,553	10.4%	6,232,138
Postemployment healthcare	762,460	250,818	511,642	204.0	829,572
Refund of contributions	—	17,834	(17,834)	(100.0)	—
Administrative	119,230	63,842	55,388	86.8	75,878
Total	$ 8,256,883	7,012,134	1,244,749	17.8%	7,137,588

The Plan's pension benefit in 2009 and 2008 increased $695,553 and $447,502 or 10.4% and 7.2% from fiscal years 2008 and 2007, respectively. Senate Bill 237 increased the salaries for sitting judges by fifty percent. Since pension benefits for retired members are based on the current authorized salary for the position from which the member retired, this law resulted in the reflected increase in pension benefits to retired members.

The Alaska Retiree Healthcare Trust (ARHCT) was established with Senate Bill 123 and became effective July 1, 2007. Prior to fiscal year 2008, the Plan was responsible for a health care premium paid to the Retiree

Health Fund (RHF) for each retired member / beneficiary participating in the Plan. Beginning July 1, 2007, the Plan began recording postemployment healthcare contributions to the ARHCT. The RHF continued to pay healthcare claims for the three participating systems (Public Employees', Teachers', and Judicial Retirement Systems) until March 1, 2008. From that date forward, the ARHCT is responsible for payment of healthcare claims. Healthcare costs continue to rise year over year and any increases are directly related to the increased costs as well as the number of new retirees in the Plan. The Plan's postemployment healthcare benefit in 2009 and 2008 increased $511,642 or 204.0% and decreased ($578,754) or -69.8% from fiscal years 2008 and 2007, respectively. The increase is due to recording a full year's healthcare expenditures to the Plan in fiscal year 2009. Only four months were charged to the Plan in fiscal year 2008 as noted previously. In fiscal year 2007, the Plan paid a health insurance premium to the RHF and reflects an entire fiscal year's worth of premiums paid.

The increase in administrative deductions is related to an increase in actuarial cost and an increase in the administrative expenses associated with the third party administrator of the healthcare plans.

Funding

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

- The actuarially determined contribution rate is calculated by the Plan's consulting actuary and approved by the administrator. Contributions are determined on a biennial basis.
- Plan member contributions are set by Alaska Statute 22.25.011.

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

Legislation

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

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

During the State of Alaska's 25th legislative session, the Alaska legislature appropriated in Senate Bill 221 $49,000,000 to the Plan to reduce the actuarial unfunded liability based on the June 30, 2007 actuarial valuation roll-forward report. This transfer occurred in June 2008.

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

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

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

The revaluation of the June 30, 2004, actuarial valuation discovered that the prior consulting actuary valued the health insurance premium as a family unit. The Plan’s current consulting actuary recommended valuing the healthcare liabilities using a health insurance premium per individual. The revaluation of the liabilities increased the Plan’s employer contribution rate by 13.45%. As the budget process for fiscal year 2007 was completed prior to the results of the replication, the fiscal year 2007 employer contribution rate remained at the rate developed with the original actuarial valuation (37.37%), which was an 11.45% increase over the fiscal year 2006 employer contribution rate of 33.53%. Contribution rates are typically set for a two-year period. However, the employer contribution rate for fiscal year 2008, set using the original June 30, 2004 valuation, was adjusted based on the results of the June 30, 2007, actuarial valuation.

Senate Bill 237 increased the salaries for sitting judges by fifty percent and increased the number of sitting judges by six. Because pension benefits for retired members are based on the current authorized salary for the position from which the member retired, this law resulted in a significant increase in benefits to the Plan’s retired members.

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

Requests for Information

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

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

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

Statements of Plan Net Assets

June 30, 2009 and 2008

	2009			2008			
	Pension	Alaska retiree healthcare trust	Total	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total
Assets:							
Cash and cash equivalents (notes 3, 4 and 6):							
Short-term fixed income pool	$ 558,447	393,743	952,190	49,037	6,975	932,475	988,487
Total cash and cash equivalents	558,447	393,743	952,190	49,037	6,975	932,475	988,487
Receivables:							
Contributions	228,441	58,352	286,793	204,932	—	52,620	257,552
Other receivables	—	6,547	6,547	—	—	1,267	1,267
Due from State of Alaska General Fund (note 2)	—	—	—	312,726	—	103,960	416,686
Due from postemployment healthcare fund (note 7)	—	—	—	—	—	4,002,818	4,002,818
Due from retiree health fund	—	12,609	12,609	—	—	—	—
Total receivable	228,441	77,508	305,949	517,658	—	4,160,665	4,678,323
Investments (notes 3, 4, 5 and 7) at fair value:							
Fixed income securities							
Retirement fixed income pool	11,609,383	2,459,423	14,068,806	17,791,473	614,550	—	18,406,023
High yield pool	2,030,825	388,415	2,419,240	3,558,817	122,928	—	3,681,745
International fixed income pool	1,391,941	271,947	1,663,888	2,423,645	83,717	—	2,507,362
Emerging debt pool	701,835	137,263	839,098	—	—	—	—
Total Fixed income securities	15,733,984	3,257,048	18,991,032	23,773,935	821,195	—	24,595,130
Broad domestic equity							
Broad domestic equity	28,479,813	5,139,627	33,619,440	47,649,142	1,645,888	—	49,295,030
Total Broad domestic equity	28,479,813	5,139,627	33,619,440	47,649,142	1,645,888	—	49,295,030
Global equity ex-US							
International equity pool	17,354,592	2,834,507	20,189,099	20,538,877	709,450	—	21,248,327
Emerging markets equity pool	2,889,737	606,575	3,496,312	2,277,973	78,685	—	2,356,658
Total Global equity ex-US	20,244,329	3,441,082	23,685,411	22,816,850	788,135	—	23,604,985
Private equity							
Private equity pool	6,113,583	575,716	6,689,299	—	—	—	—
Total Private equity	6,113,583	575,716	6,689,299	—	—	—	—
Absolute return							
Absolute return pool	3,857,812	986,634	4,844,446	4,855,259	167,709	—	5,022,968
Total Absolute return	3,857,812	986,634	4,844,446	4,855,259	167,709	—	5,022,968
Real assets							
Real estate pool	12,435,361	951,261	13,386,622	12,035,028	415,712	—	12,450,740
Real estate investment trust pool	320,368	22,791	343,159	—	—	—	—
Energy pool	—	30,964	30,964	—	—	—	—
Farmland pool	—	178,010	178,010	—	—	—	—
Timber pool	1,198,946	76,652	1,275,598	—	—	—	—
Treasury inflation protected securities pool	731,714	259,692	991,406	4,551,135	157,204	—	4,708,339
Total Real assets	14,686,389	1,519,370	16,205,759	16,586,163	572,916	—	17,159,079
Common trust funds							
SSgA Domestic equity	—	—	—	—	—	5,710,327	5,710,327
SSgA International equity	—	—	—	—	—	2,506,121	2,506,121
SSgA Emerging markets	—	—	—	—	—	501,448	501,448
SSgA Domestic fixed income	—	—	—	—	—	1,910,666	1,910,666
SSgA International fixed income	—	—	—	—	—	261,278	261,278
SSgA High yield bond index	—	—	—	—	—	354,782	354,782
SSgA TIPS index	—	—	—	—	—	1,277,120	1,277,120
Total Common trust funds	—	—	—	—	—	12,521,742	12,521,742
Total investments	89,115,910	14,919,477	104,035,387	115,681,349	3,995,843	12,521,742	132,198,934
Other assets	—	8,499	8,499	—	—	—	—
Total assets	89,902,798	15,399,227	105,302,025	116,248,044	4,002,818	17,614,882	137,865,744
Liabilities:							
Accrued expenses	34,202	10,713	44,915	38,422	—	4,212	42,634
Due to Retiree Health Fund	—	—	—	—	—	8,572	8,572
Due to Alaska Retiree Healthcare Trust (note 7)	—	—	—	—	4,002,818	—	4,002,818
Due to State of Alaska General Fund	19,930	48,103	68,033	—	—	—	—
Total liabilities	54,132	58,816	112,948	38,422	4,002,818	12,784	4,054,024
Commitments and contingencies (note 9)							
Net assets held in trust for pension and postemployment healthcare benefits (see Unaudited Schedule of Funding Progress)	$ 89,848,666	15,340,411	105,189,077	116,209,622	—	17,602,098	133,811,720

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Assets

Years ended June 30, 2009 and 2008

	2009			2008			
	Pension	Alaska retiree healthcare trust	Total	Pension	Postemployment healthcare	Alaska retiree healthcare trust	Total
Additions (Reductions):							
Contributions:							
Employer	$ 4,937,406	1,411,259	6,348,665	4,556,415	—	1,303,609	5,860,024
Plan members	594,674	15,138	609,812	509,539	—	14,160	523,699
State of Alaska appropriation	—	—	—	36,178,570	—	12,821,430	49,000,000
Total contributions	5,532,080	1,426,397	6,958,477	41,244,524	—	14,139,199	55,383,723
Other	—	28,166	28,166	—	—	—	—
Investment income (loss):							
Net (depreciation) in fair value (note 3)	(27,851,745)	(3,250,718)	(31,102,463)	(8,897,032)	—	(383,400)	(9,280,432)
Interest	1,152,631	148,345	1,300,976	1,410,115	—	70,166	1,480,281
Dividends	2,423,589	197,812	2,621,401	2,424,623	—	30,531	2,455,154
Total investment (loss) income	(24,275,525)	(2,904,561)	(27,180,086)	(5,062,294)	—	(282,703)	(5,344,997)
Less investment expense	172,261	56	172,317	182,135	—	—	182,135
Net investment (loss) income before securities lending activities	(24,447,786)	(2,904,617)	(27,352,403)	(5,244,429)	—	(282,703)	(5,527,132)
Securities lending income (note 6)	—	—	—	410,193	—	—	410,193
Less securities lending expenses (note 6)	—	—	—	362,570	—	—	362,570
Net income from securities lending activities	—	—	—	47,623	—	—	47,623
Net investment (loss) income	(24,447,786)	(2,904,617)	(27,352,403)	(5,196,806)	—	(282,703)	(5,479,509)
Transfer from postemployment healthcare fund (note 7)	—	—	—	—	—	4,002,818	4,002,818
Total additions (reductions)	(18,915,706)	(1,450,054)	(20,365,760)	36,047,718	—	17,859,314	53,907,032
Deductions:							
Pension and post employment healthcare benefits	7,375,193	762,460	8,137,653	6,679,640	—	250,818	6,930,458
Refund of contribution	—	—	—	17,834	—	—	17,834
Administrative	70,057	49,173	119,230	57,444	—	6,398	63,842
Total deductions	7,445,250	811,633	8,256,883	6,754,918	—	257,216	7,012,134
Transfer to Alaska retiree healthcare trust (note 7)	—	—	—	—	4,002,818	—	4,002,818
Net (decrease) increase	(26,360,956)	(2,261,687)	(28,622,643)	29,292,800	(4,002,818)	17,602,098	42,892,080
Net assets held in trust for pension and postemployment healthcare benefits:							
Balance, beginning of year	116,209,622	17,602,098	133,811,720	86,916,822	4,002,818	—	90,919,640
Balance, end of year	$ 89,848,666	15,340,411	105,189,077	116,209,622	—	17,602,098	133,811,720

See accompanying notes to financial statements.

(1) Description

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

General

The Plan is a defined benefit, single-employer retirement system established and administered by the State of Alaska (State) to provide pension and postemployment healthcare benefits for eligible State justices and judges. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Plan is considered a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a pension trust fund.

Inclusion in the Plan is a condition of employment for eligible State justices and judges. At June 30, plan membership consisted of:

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

Pension Benefits

Members with five or more paid-up years of credited service are entitled to annual pension benefits beginning at normal retirement age, sixty, or early retirement age, fifty-five. Members who are under age sixty and have twenty or more years of credited service may retire at any age and receive an actuarially reduced benefit.

The normal monthly pension benefit is based on the member's years of service and the current authorized salary for the position from which they retired. The pension benefit is equal to 5% for each year of service up to a maximum of 75% of the current salary for an active judge in the month the benefit is paid. In the event of salary increases for active judges, the monthly pension benefit for retired judges also increases.

Postemployment Healthcare Benefits

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

(1) Description (cont.)

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

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

Death Benefits

Upon the death of a member who has served for at least two years, the surviving spouse is entitled to receive monthly benefits equal to one-half of the monthly retirement pay the member would have been entitled to receive if retired at the time of death. If the member was not eligible to retire or would have been entitled to less than 60% of the monthly authorized salary, the spouse is entitled to monthly benefits equal to 30% of the authorized salary. The benefits continue until the surviving spouse dies.

If there is no eligible surviving spouse, the member's surviving dependent child(ren) are entitled to receive a benefit equal to 50% of the above survivor's benefit. Each child will receive an equal share of the benefit while they are dependent. If there is no surviving spouse or dependent child(ren), the member's beneficiary(ies) shall receive the difference between contributions made and interest accrued in the Plan less benefits paid by the Plan.

Disability Benefits

Members who are involuntarily retired for incapacity and have a minimum of two years of service at the time of retirement for incapacity are eligible for pension benefits.

Contributions

Plan Members Contributions

Plan members first appointed after June 30, 1978, contribute 7% of their compensation to the Plan. The Plan member contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years. Plan member contributions earn interest at the rate of 4.5% per annum, compounded semiannually. Contributions are collected by the employer and remitted to the Plan. Members appointed before July 1, 1978, are not required to make contributions.

(1) Description (cont.)

Employer Contributions

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The Plan amortizes the unfunded liability over a fixed 25-year period. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year.

Refunds

Plan member contributions may be voluntarily refunded to the justice or judge if office is vacated before the justice or judge is fully vested. Plan member contributions may be involuntarily refunded to a garnishing agency. Members whose contributions have been refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate voluntary refunded service by repaying the voluntary refunded balance and accrued interest, as long as they have returned to active service. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the involuntary refunded balance and accrued interest.

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

GASB Statements No. 25 and No. 43

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

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

The Plan's defined benefit postemployment healthcare plan also follows the provisions of GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 43). GASB 43 establishes uniform financial reporting standards for Other Post-employment Benefit Plans (OPEB) and supersedes the interim guidance included in GASB Statement No. 26, Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans. The approach followed by GASB 43 is generally consistent with the approach adopted in GASB 25, with modifications to reflect differences between pension and OPEB plans.

Investments

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

Valuation

Defined Benefit Pension, Postemployment Healthcare, and Healthcare Trust Investments

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

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

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

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

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

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

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

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

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

Defined Benefit Alaska Retiree Healthcare Trust Investments

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

Income Allocation

Income in the Fixed Income, Domestic Equity, and International Equity Pools was credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis.

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

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

Contributions Receivable

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

Administrative Costs

Administrative costs are paid from investment earnings.

Due from (to) State of Alaska General Fund

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

Federal Income Tax Status

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

(3) Investments

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

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages the investments the Board has fiduciary responsibility. 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.

Pension and Postemployment Healthcare Plan Investments

Short-term Fixed Income Pool

The Plan participates in the State's internally managed Short-term Fixed Income Pool which was established on March 15, 1993, with a start up and maintained share price of $1. Treasury staff determines the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At June 30, 2009 and 2008, the Plan had a 0.03% and 0.02% direct ownership in the Short-term Fixed Income Pool. The Plan had a 0.03% and 0.04% indirect ownership through ownership by other investment pools which invest in the Short-term Fixed Income Pool at June 30, 2009 and 2008.

Alaska Retirement Fixed Income Pool

The Plan participates in the Board's internally managed Alaska Retirement Fixed Income Pool which was established on March 1, 1996, with a start up share price of $1,000. The share price at June 30, 2009, was $2,163. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 0.97% and 0.77% ownership in the Alaska Retirement Fixed Income Pool.

High Yield Pool

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

(3) Investments (cont.)

net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 0.88% and 0.97% ownership in the High Yield Pool.

International Fixed Income Pool

The Plan participates in the Board’s externally managed International Fixed Income Pool which was established on March 3, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,333. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 0.88% and 0.78% ownership in the International Fixed Income Pool.

Emerging Markets Debt Pool

The Plan participates in the Board’s externally managed Emerging Markets Debt Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $936. The pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the Plan had a 0.88% ownership in the Emerging Markets Debt Pool.

Domestic Equity Pool

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

Large Cap Domestic Equity Pool

The Plan participates in the Board’s externally managed Large Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $870. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 0.84% and 0.93% ownership in the Large Cap Domestic Equity Pool.

(3) Investments (cont.)

Small Cap Domestic Equity Pool

The Plan participates in the Board's externally managed Small Cap Domestic Equity Pool which was established on July 1, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $844. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 0.71% and 1.24% ownership in the Small Cap Domestic Equity Pool.

International Equity Pool

The Plan participates in the Board's externally managed International Equity Pool which was established on January 1, 1992, with a start up share price of $1,000. The share price at June 30, 2009, was $2,703. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 1.06% and 0.94% ownership in the International Equity Pool.

Emerging Markets Equity Pool

The Plan participates in the Board's externally managed Emerging Markets Equity Pool which was established on May 2, 1994, with a start up share price of $1,000. The share price at June 30, 2009, was $2,822. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 0.67% and 0.55% ownership in the Emerging Markets Equity Pool.

Private Equity Pool

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

(3) Investments (cont.)

the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the Plan had a 0.63% ownership in the Private Equity Pool.

Absolute Return Pool

The Plan participates in the Board's externally managed Absolute Return Pool which was established on October 31, 2004, with a start up share price of $1,000. The share price at June 30, 2009, was $1,108. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 0.88% and 0.79% ownership in the Absolute Return Pool.

Real Estate Equities

Real estate equities are comprised of two pools, Pool A and Pool B.

Real Estate Pool A

The Plan participates in the Board's externally managed Real Estate Pool A which was established on June 27, 1997, with a start up share price of $1,000. The share price at June 30, 2009, was $2,286. Underlying assets in the pool are comprised of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had 1.02% and 0.66% ownership in Real Estate Pool A.

Real Estate Pool B

The Plan participates in the Board's externally managed Real Estate Pool B which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $937. Underlying assets in the pool are comprised of one commingled account. Each manager independently determines permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the Plan had 0.97% ownership in Real Estate Pool B.

(3) Investments (cont.)

Real Estate Investment Trust (REIT) Pool

The Plan participates in the Board's internally managed REIT Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $503. Underlying assets in the pool are comprised of REIT holdings. Treasury staff determines the permissible REITs to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the Plan had a 1.00% ownership in the REIT Pool.

Energy Pool

The Plan participates in the Board's externally managed Energy Pool which was established on July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $966. Underlying assets in the pool are comprised of a limited partnership with an energy related venture capital operating company. Treasury staff determines the permissible partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the Plan had a 0.04% ownership in the Energy Pool.

Farmland Pool

The Plan participates in the Board's externally managed Farmland Pool which was on established July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,082. Underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009, the Plan had a 0.04% ownership in the Farmland Pool.

Timber Pool

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

(3) Investments (cont.)

net asset value per share on the day of the transaction. At June 30, 2009, the Plan had a 0.82% ownership in the Timber Pool.

Treasury Inflation Protected Securities (TIPS) Pool

The Plan participates in the Board's internally managed Treasury Inflation Protected Securities (TIPS) Pool which was established on May 24, 2006, with a start up share price of $1,000. The share price at June 30, 2009 was $1,191. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 and 2008, the Plan had a 1.33% and 5.27% ownership in the Treasury Inflation Protected Securities Pool.

Alaska Retiree Healthcare Trust Investments

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

Domestic Equity

Domestic Equity was comprised of two externally managed Common Trust Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

SSgA International Equity

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

SSgA Emerging Markets

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

(3) Investments (cont.)

SSgA Domestic Fixed Income

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

SSgA International Fixed Income

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

SSgA High Yield Bond Index

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

SSgA Treasury Inflation Protected Securities (TIPS) Index

The purpose of the U.S. Treasury Inflation Protected Securities Index Strategy was to replicate the returns and characteristics of the Lehman Brothers Inflation Notes Index.

(3) Investments (cont.)

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

	Fair Value						
	Fixed Income Pools						
	Short-term	Retirement	High Yield	International	TIPS	Other	Total
Deposits	$ 6,193	$ (759)	$ -	$ 9,073	$ -	$ 104,464	$ 118,971
Short-term Investment Fund	-	-	138,968	8,535	-	265,239	412,742
Commercial Paper	124,187	-	-	-	-	-	124,187
Bridge Loans	-	-	66,281	-	-	-	66,281
U. S. Treasury Bills	700,660	-	-	-	-	-	700,660
U.S. Treasury Notes	-	2,366,947	-	-	681,235	-	3,048,182
U.S. Treasury Bonds	-	199,383	-	-	297,663	-	497,046
U.S. Government Agency	54,335	283,033	-	-	-	-	337,368
Foreign Government Bonds	-	-	-	1,024,919	-	-	1,024,919
Mortgage-backed	78,157	7,150,772	-	-	405	-	7,229,334
Other Asset-backed	247,434	100,637	16,813	-	-	-	364,884
Corporate Bonds	668,911	2,805,044	1,960,422	598,766	995	-	6,034,138
Convertible Bonds	-	-	9,886	-	-	-	9,886
Yankees:							
Government	-	163,580	-	-	-	-	163,580
Corporate	143,994	634,534	167,522	-	-	-	946,050
Fixed Income Pool:							
Equity	-	-	3,136	-	-	-	3,136
Emerging Markets Debt Pool	-	-	-	-	-	839,098	839,098
Domestic Equity Pool:							
Limited Partnership	-	-	-	-	-	1,793,757	1,793,757
Treasury Bills	-	-	-	-	-	27,768	27,768
Equity	-	-	-	-	-	31,392,046	31,392,046
International Equity Pool:							
Convertible Bonds	-	-	-	-	-	12,676	12,676
Equity	-	-	-	-	-	19,415,190	19,415,190
Emerging Markets Equity Pool	-	-	-	-	-	3,496,312	3,496,312
Private Equity Pool:							
Limited Partnerships	-	-	-	-	-	6,687,023	6,687,023
Absolute Return Pool:							
Limited Partnerships	-	-	-	-	-	4,844,446	4,844,446
Real Estate Pool:							
Real Estate	-	-	-	-	-	7,760,120	7,760,120
Commingled Funds	-	-	-	-	-	2,845,852	2,845,852
Limited Partnerships	-	-	-	-	-	2,780,651	2,780,651
Real Estate Investment Trust Pool:							
Equity	-	-	-	-	-	340,203	340,203
Energy Pool:							
Limited Partnerships	-	-	-	-	-	30,964	30,964
Farmland Pool:							
Agricultural Holdings	-	-	-	-	-	178,010	178,010
Timber Pool:							
Timber Holdings	-	-	-	-	-	1,275,598	1,275,598
Mutual Funds	-	-	-	-	-	337,625	337,625
Net Other Assets (Liabilities)	1,682	(306,608)	56,212	22,595	9,858	65,135	(151,126)
Other Pool Ownership	(1,073,363)	672,243	-	-	1,250	399,870	-
Total Invested Assets	$ 952,190	$ 14,068,806	$ 2,419,240	$ 1,663,888	$ 991,406	$ 84,892,047	$ 104,987,577

(3) Investments (cont.)

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

	Fair Value							
	Fixed Income Pools							
	Short-term	Enhanced cash	Retirement	High Yield	International	TIPS	Other	Total
Deposits	$ -	$ -	$ -	$ -	$ 9,199	$ -	$ 70,450	$ 79,649
Overnight sweep account (lmcs)	-	-	-	144,860	-	-	-	144,860
Short-term investment fund	-	-	-	-	15,723	-	411,772	427,495
Commercial paper	182,020	-	-	-	-	-	-	182,020
Domestic equity	-	-	-	748	-	-	-	748
Bridge loans	-	-	-	54,609	-	-	-	54,609
U.S. treasury notes	-	-	1,821,276	-	-	3,419,112	-	5,240,388
U.S. treasury bonds	-	-	735,977	-	-	1,243,274	-	1,979,251
U.S. government agency	1,178,041	-	329,852	-	-	-	-	1,507,893
Municipal bonds	-	-	6,716	-	-	-	-	6,716
Foreign government bonds	-	-	-	-	1,392,638	-	-	1,392,638
Mortgage-backed	94,647	114,951	9,761,169	-	-	-	-	9,970,767
Other asset-backed	548,779	141,881	982,481	7,103	-	-	-	1,680,244
Corporate bonds	519,441	57,018	3,666,021	2,245,253	1,063,803	-	-	7,551,536
Convertible bonds	-	-	-	9,250	-	-	-	9,250
Yankees:								
Government	-	-	85,743	-	-	-	-	85,743
Corporate	155,742	32,195	473,283	225,587	-	-	-	886,807
Domestic equity pool:								
Limited partnership	-	-	-	-	-	-	2,098,005	2,098,005
Convertible bonds	-	-	-	-	-	-	6,619	6,619
Treasury bills	-	-	-	-	-	-	17,902	17,902
Equity	-	-	-	-	-	-	46,447,769	46,447,769
International equity pool:								
Convertible bonds	-	-	-	-	-	-	10,755	10,755
Equity	-	-	-	-	-	-	20,656,621	20,656,621
Emerging markets equity pool	-	-	-	-	-	-	2,356,658	2,356,658
Absolute return pool:								
Limited partnerships	-	-	-	-	-	-	5,022,968	5,022,968
Real estate pool:								
Real estate	-	-	-	-	-	-	6,044,702	6,044,702
Commingled funds	-	-	-	-	-	-	2,289,362	2,289,362
Limited partnerships	-	-	-	-	-	-	3,606,013	3,606,013
Real estate investment trusts	-	-	-	-	-	-	503,021	503,021
Mutual funds	-	-	-	991,046	-	-	12,521,742	13,512,788
Net other assets (liabilities)	8,468	(28,824)	(573,301)	3,289	25,999	40,253	(62,260)	(586,376)
Other pool ownership	(1,698,651)	(317,221)	1,116,806	-	-	5,700	893,366	-
Total invested assets	$ 988,487	$ -	$ 18,406,023	$ 3,681,745	$ 2,507,362	$ 4,708,339	$ 102,895,465	$ 133,187,421

(4) Deposit and Investment Risk

Interest Rate Risk

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

(4) Deposit and Investment Risk (cont.)

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

Short-term Fixed Income Pool

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

Other Defined Benefit Fixed Income Pools

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

Before the fund was liquidated, through the Board's investment policy, Treasury managed the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Enhanced Cash Fixed Income portfolio to one year.

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 of the Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2009, was 4.24 years.

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

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to a band which may not exceed ± 20% of the average life of the Barclays Capital U.S. Treasury Inflation Protected Securities (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2009 was 5.19 years.

(4) Deposit and Investment Risk (cont.)

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

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

Common Trust Investment Funds

The Board did not have a policy to limit interest rate risk for Common Trust Funds.

Credit Risk

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

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

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

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

Retirement Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.
Corporate debt securities must be investment grade.
Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

(4) Deposit and Investment Risk (cont.)

No more than 40% of the portfolio’s assets may be invested in investment grade corporate debt.
No more than 15% of the portfolio’s assets may be invested in BBB+ to BBB- rated debt by Standard and Poor’s Corporation or the equivalent by Moody’s or Fitch.

High Yield:

No more than 10% percent of the portfolio’s assets may be invested in securities rated A3 or higher.
No more than 25% of the portfolio’s assets may be invested in securities rated below B3.
No more than 5% percent of the portfolio’s assets may be invested in unrated securities.
No more than 10% percent of the portfolio’s assets may be invested in countries not rated investment grade, including emerging markets.
The lower of any Standard & Poor’s, Moody’s, or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher.

International Fixed Income:

Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.
Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor’s or P-1 by Moody’s or the equivalent of a comparable rating agency.

TIPS:

Commercial paper must be rated at least P-1 by Moody’s and A-1 by Standard & Poor’s.
Corporate debt securities must be investment grade.
No more than 5% percent of the portfolio’s assets may be invested in investment grade corporate debt.
No more than 5% percent of the portfolio’s assets may be invested in BBB+ to BBB- rated debt by Standard & Poor’s or the equivalents by Moody’s or Fitch.
Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor’s, Moody’s, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity, International Equity and Emerging Markets Separate Accounts:

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

The Board did not have a policy to limit the concentration of credit risk for the Common Trust Funds.

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

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

(4) Deposit and Investment Risk (cont.)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2009, the Plan had the following uncollateralized and uninsured deposits:

		Amount
International Fixed Income	$	9,073
International Equity Pool		84,148

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. In addition, the Board's asset allocation policy permits the Plan to hold up to twenty-one percent of total investments in international fixed income.

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

The Board had no policy regarding foreign currency risk in the Common Trust Funds.

(4) Deposit and Investment Risk (cont.)

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

		Amount	
Currency		**International Fixed Income Pool**	**International Equity Pool**
Australian Dollar	$	—	649
Canadian Dollar		—	389
Danish Krone		—	9,981
Euro Currency		2,650	42,881
Hong Kong Dollar		—	1,132
Japanese Yen		2,963	23,650
Mexican Peso		3,118	—
New Taiwan Dollar		—	447
New Zealand Dollar		—	244
Norwegian Krone		—	737
Pound Sterling		342	3,862
Singapore Dollar		—	6
Swedish Krona		—	118
Swiss Franc		—	5
Yuan Renminbi		—	47
	$	9,073	84,148

(4) Deposit and Investment Risk (cont.)

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

	Amount			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
Currency	**Foreign Government**	**Corporate**	**Equity**	**Limited Partnerships**
Australian Dollar	$ 130,542	—	308,883	—
Brazilian Real	—	—	123,424	—
Canadian Dollar	—	—	328,726	—
Danish Krone	—	—	145,078	—
Euro Currency	461,452	85,456	6,535,304	778,897
Hong Kong Dollar	—	—	699,595	—
Indonesian Rupiah	—	—	10,821	—
Japanese Yen	9,778	513,310	4,661,406	—
Mexican Peso	74,283	—	10,823	—
New Taiwan Dollar	—	—	115,522	—
New Zealand Dollar	—	—	22,693	—
Norwegian Krone	—	—	47,546	—
Polish Zloty	125,944	—	—	—
Pound Sterling	222,921	—	3,357,860	129,396
Singapore Dollar	—	—	140,151	—
South African Rand	—	—	40,538	—
South Korean Won	—	—	64,524	—
Swedish Krona	—	—	262,077	—
Swiss Franc	—	—	1,422,368	—
	$ 1,024,920	598,766	18,297,339	908,293

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

Concentration of Credit Risk

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

The Board’s policy with regard to concentration of credit risk for the Retirement Fixed Income, International Fixed Income, and High Yield Pools is to prohibit the purchase of more than five percent of

(4) Deposit and Investment Risk (cont.)

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 Pool.

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

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

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

		2009	2008
Net realized (loss) gain on foreign currency	$	(203,198)	933,459
Net unrealized gain on foreign currency		122	682
Net realized gain (loss) on foreign exchange contracts		54,996	(902)

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

		2009	2008
Contract purchase	$	102,684	438,704
Less fair value		101,894	437,817
Net unrealized (loss) on contract	$	(790)	(887)

The counterparties to the foreign currency forward contract consists 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.

(6) Securities Lending

Alaska Statute 37.10.071 authorized the Commissioner to lend assets, under an agreement and for a fee, against deposited collateral. In February 2008, the Commissioner suspended the securities lending agreement with the Bank which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the Commissioner's agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agreed to return the collateral for the same securities in the future. At June 30, 2009 and 2008, there were no outstanding securities on loan.

(6) Securities Lending (cont.)

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

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

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

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

(7) Transfers

During fiscal year 2009, the Plan transferred the $4,002,818 balance of the Postemployment Healthcare fund to the Alaska Retiree Healthcare Trust as a result of the creation of the Alaska Retiree Healthcare Trust fund, which began on July 1, 2007.

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

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

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

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Pension						
June 30, 2008	$ 122,882,726	130,596,048	7,713,322	94.09%	10,462,322	73.72%
Post employment healthcare						
June 30, 2008	18,352,929	19,941,128	1,588,199	92.04%	10,462,322	15.18%

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

The accompanying schedule of employer contributions (unaudited) presents trend information about the amounts contributed to the plan by employers in comparison to the actuarially required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB 43. The ARC represents a level of funding that, if paid on an 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.

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

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

Valuation date	June 30, 2008
Actuarial cost method	Entry age normal level percentage of pay for pension; level dollar for healthcare
Amortization method	- Level percentage of pay normal cost for pension - Level dollar normal cost for healthcare
Equivalent single amortization period	13 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases	4.0%
*Includes inflation at	3.5%
Cost-of-living adjustment	4.0%

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

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

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

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

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

Using the GASB 43 discount rate determined above and disregarding future Medicare part D payments, the fiscal year 2009 employer ARC for accounting purposes is 5.89% of pay for healthcare benefits and 37.63% of pay for healthcare and pension benefits combined.

(9) Commitments and Contingencies

Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2009, the Plan's share of the unfunded commitment totaled $394,555. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2009, the Plan's share of the unfunded commitments totaled $5,512,792 to be paid through the year 2019.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2009, the Plan's share of the unfunded commitment totaled $20,400 to be paid through the year 2018.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2009, the Plan's share of these unfunded commitments totaled $2,339,343 to be paid through the year 2018.

Contingencies

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

(10) Subsequent Event

During fiscal year 2009, the Plan issued a request for proposal for claims administration. The contract for the third party administrator for claims payments was awarded to Wells Fargo Insurance Services (Wells Fargo). Wells Fargo began claims administration on July 1, 2009. To initiate claims payment on July 1, 2009, the Plan, along with the Retiree Health Fund, Group Health and Life Fund, Public Employees' and Teachers' Alaska Retiree Health Care Trusts, each transferred an amount as an initial deposit with Wells Fargo. The Plan's portion of the deposit was $8,499 and is classified as other assets on the statement of net assets.

(11) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive a retiree drug subsidy (RDS) payment if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to twenty–eight percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The Plan was approved for participation in the Medicare Part D program beginning calendar year 2006. The RDS for the six month period ended June 30, 2009, cannot be reasonably estimated, and therefore is not recorded in the financial statements for the period ended June 30, 2009.

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Pension Benefits

June 30, 2009

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2004	$ 53,600,707	69,505,123	15,904,416	77.1 %	$ 6,529,608	243.6 %
2006	77,310,716	111,819,972	34,509,256	69.1	7,130,592	484.0
2008	122,882,726	130,596,048	7,713,322	94.1	10,462,322	73.7

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

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
Postemployment Healthcare Benefits

June 30, 2009

Actuarial valuation date as of June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2004	$ 16,854,927	21,856,126	5,001,199	77.1 %	$ 6,529,608	76.6 %
2006	2,399,387	17,794,213	15,394,826	13.5	7,130,592	215.9
2008	18,352,929	19,941,128	1,588,199	92.0	10,462,322	15.2

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

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

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions
Pension and Postemployment Healthcare Benefits

June 30, 2009

Year ended June 30	Actuarial valuation date as of June 30 (1)		Pension annual required contribution	Postemployment healthcare annual required contribution	Total annual required contribution	Pension percentage contributed	Postemployment healthcare percentage contributed	Total percentage contributed
2004	2000	$	1,675,077	111,758	1,786,835	100.0%	100.0%	100.0%
2005	2002		1,911,799	235,299	2,147,098	100.0	100.0	100.0
2006	2002		2,133,876	262,631	2,396,507	115.6	115.6	115.6
2007	2004		3,168,943	486,800	3,655,743	100.0	100.0	100.0
2008	2006		3,898,001	567,415	4,465,416	1,045.0	2,489.4	1,228.6
2009	2006		4,937,406	1,411,259	6,348,665	100.0	100.0	100.0

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

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

(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Assumptions and Methods

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

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

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

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

d. Accounting impact of Medicare Part D – the State's prescription drug program is actuarially equivalent to the federal Medicare Part D program and that the State qualifies for the Medicare Part D subsidy.

e. Investment return – 8.25% per year, compounded annually, net of expenses for all funding calculation and pension disclosure; 8.25% for healthcare liabilities under GASB 43.

f. Pre-retirement mortality – 55% of the male rates and 60% of the females rates in the 1994 Group Annuity Mortality Table without margin for males and females, 1994 Base Year.

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

(2) Actuarial Assumptions and Methods (cont.)

h. Salary scale – 4% per year, compounded annually.

i. Total payroll growth – 4% per year.

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

k. Per capita claims cost – sample claims cost rates for FY09 medical and prescription are shown below:

	Medical			Prescription drugs	
	Total	**Medicare Part A & B**	**Medicare Part B Only**	**Total**	**Medicare Part D Reimbursement**
Age 65	$ 7,670	1,296	3,384	2,379	509

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

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

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

(2) Actuarial Assumptions and Methods (cont.)

m. Aging factors:

Age	Medical	Prescription drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84+	0.5	—

n. Medical participation – because medical benefits are provided at no cost to the retiree, 100% participation in the medical plans is assumed.

o. Turnover and early retirement – annual turnover and early retirement at each age and service is the greatest of the following amounts:

1. 0%.
2. 3% if service is greater than 15 years.
3. 6% if vested and immediately eligible for full benefits based on retirement provision.
4. 10% if vested and age is greater than 64.

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

p. Disability – based upon actual historical occurrence rates of the Plan. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security.

q. Maximum retirement age – age 70.

r. Marital status – married members are assumed to choose the 50% Joint and Survivor benefit option. 90% of active and inactive members are assumed to be married. Husbands are assumed to be 4 years older than their wives.

s. Form of payment – modified cash refund annuity.

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

(2) Actuarial Assumptions and Methods (cont.)

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

a. Healthcare trend rates – For June 30, 2007, the trend table started at 8.5% for medical and 12% for prescription drugs and graded down to an ultimate rate of 5% by FY2015. For June 30, 2008, the trend table is based on the Society of Actuaries' Healthcare Cost Trend Model and starts at 8.0% for medical and 10.8% for prescription drugs. The table grades down to 5.1% over 100 years.

(3) Approved Future Contribution Rates

In order to reduce the Plan's unfunded liability as of June 30, 2007, the State of Alaska legislature appropriated $49 million during fiscal year 2008. The additional contribution was made in June 2008. This contribution effectively eliminated the unfunded liability. The June 30, 2008 actuarial valuation report for the Plan reflected a funding ratio of 94.96%. As a result, the fiscal year 2011 contribution rate will be 36.20%, or a 37.3% decrease from the fiscal year 2008 and 2009 contribution rate of 57.70%.

The fiscal year 2010 contribution rate is 58.70%. For fiscal year 2010, the legislature is requiring payment of the normal cost of 26.20% and is funding the past service cost via an appropriation, similar to that in fiscal year 2008. During fiscal year 2009, the State of Alaska legislature appropriated $1,550,000 in House Bill 81, Section 23(d) to be applied to the past service cost of the Plan during fiscal year 2010. This transfer occurred in July 2009.

Schedule 1

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

Schedule of Administrative and Investment Deductions

Year ended June 30, 2009
with summarized financial information for 2008

				Totals	
		Administrative	**Investment**	**2009**	**2008**
Personal services:					
Wages	$	9,324	1,085	10,409	17,776
Benefits		5,150	670	5,820	8,608
Total personal services		14,474	1,755	16,229	26,384
Travel:					
Transportation		26	313	339	—
Per diem		48	655	703	—
Total travel		74	968	1,042	—
Contractual services:					
Management and consulting		93,576	156,874	250,450	179,831
Accounting and auditing		6,779	6,252	13,031	17,969
Securities lending		—	—	—	362,570
Other services		3,247	5,770	9,017	15,170
Total contractual services		103,602	168,896	272,498	575,540
Other:					
Supplies		325	602	927	790
Equipment		755	96	851	5,833
Total other		1,080	698	1,778	6,623
Total administrative and investment deductions	$	119,230	172,317	291,547	608,547

See accompanying independent auditors’ report.

Schedule 2

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

Schedule of Payments to Consultants
Other than Investment Advisors

Years ended June 30, 2009 and 2008

Firm	Services	2009	2008
State Street Corporation	Custodian banking services	$ 6,235	7,732
Buck Consultants, an ACS Company	Actuarial services	45,575	21,424
KPMG LLP	Auditing services	6,779	10,226
State of Alaska, Department of Law	Legal services	3,033	2,487
Wostmann Group LLC	Data Processing Consultants	327	—
		$ 61,949	41,869

See accompanying independent auditors' report.