STATE OF ALASKA RETIREE HEALTH FUND

(A Pension Trust Fund of the State of Alaska)

Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

STATE OF ALASKA RETIREE HEALTH FUND
(A Pension Trust Fund of the State of Alaska)
June 30, 2009 and 2008

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KPMG
KPMG LLP
Suite 600
701 West Eighth Avenue
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Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Retiree Health Fund:

We have audited the accompanying statements of fiduciary net assets of the State of Alaska Retiree Health Fund (Plan), a Pension Trust Fund of the State of Alaska, as of June 30, 2009 and 2008, and the related statements of changes in fiduciary 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 fiduciary net assets of the State of Alaska Retiree Health Fund as of June 30, 2009 and 2008, and the changes in fiduciary 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 is not a required part of the financial statements, but is 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 26-27 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

December 2, 2009

STATE OF ALASKA
RETIREE HEALTH FUND
(A Pension Trust Fund of the State of Alaska)

Management's Discussion and Analysis

June 30, 2009 and 2008

This section presents management's discussion and analysis (MD&A) of the Retiree Health Fund'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 the financial statements 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 total net assets held in trust for postemployment healthcare benefits as of June 30, 2009 and 2008 are $165,572,103 and $177,625,297, respectively.

The Plan's total net assets held in trust for postemployment healthcare benefits as of June 30, 2009 and 2008 decreased by ($12,503,194) or -6.8% and decreased by ($155,174,104) or -46.6% over the closing balances of those assets in fiscal years 2008 and 2007.

Total health premiums totaled $47,108,376 and $43,891,815 during fiscal years 2009 and 2008, an increase of $3,216,561 or 7.3% and a decrease of ($320,215,198) or -87.9% from fiscal years 2008 and 2007.

Net investment losses decreased from ($6,960,689) to ($23,283,038) during fiscal year 2009 and decreased from $36,364,601 to ($6,960,689) during fiscal year 2008; reflecting an increase of 234.5% and a decrease of -119.1% from fiscal years 2008 and 2007.

Benefit expenses totaled $38,473,565 and $194,610,984 during fiscal years 2009 and 2008, a decrease of ($156,137,419) or -80.2% and a decrease of ($106,675,015) or -35.4% from fiscal years 2008 and 2007.

Overview of the Financial Statements

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

Statement of Fiduciary Net Assets – This statement presents information regarding the Plan's assets, liabilities, and resulting net assets held in trust for 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 Fiduciary Net Assets – This statement presents how the Plan's net assets held in trust for postemployment healthcare benefits changed during the fiscal years ended June 30, 2009 and 2008. This statement presents health premiums earned and net investment income (loss) during the period. Deductions for postemployment healthcare benefits and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of the fiscal year–end and the sources and uses of those funds during the fiscal year.

Notes to Financial Statements – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules to better understand the Plan's financial statements.

Supplemental Schedules – Supplemental schedules include Plan statements of fiduciary net assets and changes in fiduciary net assets by each plan and fund

Condensed Financial Information

Fiduciary Net Assets

Description		2009	2008	Increase/(decrease) Amount	Increase/(decrease) Percentage	2007
Assets:						
Cash and receivables	$	37,957,666	28,438,971	9,518,695	33.5%	122,003,590
Securities lending collateral		—	—	—	n/a	14,346,159
Due from other funds		—	5,493,278	(5,493,278)	(100.0)	—
Investments, at fair value		154,418,451	162,890,166	(8,471,715)	(5.2)	270,081,512
Other		351,455	—	351,455	100.0	—
Total assets		192,727,572	196,822,415	(4,094,843)	(2.1)	406,431,261
Liabilities:						
Claims payable		19,700,286	15,568,302	4,131,984	26.5	54,983,905
Accrued expenses		141,883	2,577,741	(2,435,858)	(94.5)	2,803,877
Securities lending collateral payable		—	—	—	n/a	14,346,159
Due to other funds		7,313,300	1,051,075	6,262,225	595.8	1,497,919
Total liabilities		27,155,469	19,197,118	7,958,351	41.5	73,631,860
Total net assets	$	165,572,103	177,625,297	(12,053,194)	(6.8)%	332,799,401

STATE OF ALASKA
RETIREE HEALTH FUND
(A Pension Trust Fund of the State of Alaska)

Management's Discussion and Analysis

June 30, 2009 and 2008

Changes in Fiduciary Net Assets

Description	2009	2008	Increase/(decrease) Amount	Percentage	2007
Net assets, beginning of year	$ 177,625,297	332,799,401	(155,174,104)	(46.6)%	238,849,491
Additions:					
Healthcare premiums	47,108,376	43,891,815	3,216,561	7.3	364,107,013
Other	4,320,170	16,853,167	(12,532,997)	(74.4)	7,725,107
Net investment income (loss)	(23,283,038)	(6,960,689)	(16,322,349)	234.5	36,364,601
Total additions	28,145,508	53,784,293	(25,638,785)	(47.7)	408,196,721
Deductions:					
Benefits	38,473,565	194,610,984	(156,137,419)	(80.2)	301,285,999
Administrative	1,725,137	14,347,413	(12,622,276)	(88.0)	12,960,812
Total deductions	40,198,702	208,958,397	(168,759,695)	(80.8)	314,246,811
Increase (decrease) in net assets	(12,053,194)	(155,174,104)	143,120,910	(92.2)	93,949,910
Net assets, end of year	$ 165,572,103	177,625,297	(12,053,194)	(6.8)%	332,799,401

Financial Analysis of the Plan

The Statements of Fiduciary Net Assets as of June 30, 2009 and 2008 showed net assets held in trust for postemployment healthcare benefits of $165,572,103 and $177,625,297, respectively. The entire amount is available to cover the Plan's obligations to pay postemployment healthcare benefits for its members and their beneficiaries.

These amounts also represent a decrease in total net assets held in trust for postemployment healthcare benefits of (12,053,194) or -6.8% and a decrease of ($155,174,104) or -46.6% over fiscal years 2008 and 2007, respectively. Beginning on July 1, 2007, the Alaska Retiree Healthcare Trust (ARHCT) replaced the major medical fund of the Plan for retired members and beneficiaries covered under Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and Judicial Retirement System (JRS). Previously, these Systems had paid a monthly health insurance premium to the Plan. With the creation of the ARHCT, participating PERS, TRS, and JRS employer contributions were deposited directly to the ARHCT replacing the monthly health insurance premiums. Healthcare coverage is still accounted for some retired members, dependents, and beneficiaries in the major medical fund via monthly health insurance premiums. Over the long term, healthcare premiums collected for the Dental, Visual and Audio (DVA) and Long-Term Care (LTC) funds are expected to cover all claims costs. With continued increases in healthcare costs, the Plan must continue to accumulate assets to meet current and future claims costs.

The investment of Plan assets is a long–term undertaking. On an annual basis, the Commissioner of Revenue reviews the asset allocation policies related to Plan assets 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. In fiscal year 2009 and 2008, the Department of Revenue allocated invested assets in the following manner:

	Major Medical	Dental, Visual and Audio	Long-term Care
GeFONSI	—%	100%	—%
Short-term fixed income pool	100	—	1
Broad domestic equity	—	—	28
International equity	—	—	21
Domestic equity	—	—	50
Total	100%	100%	100%

Premium Calculations

The overall objective of the Plan is to have sufficient funds to meet claim costs. The premiums are recommended each year by the Division of Retirement and Benefits' (Division) benefit consultant with the governing body's concurrence and the Administrator's approval. Premiums are based on a calendar year. The benefit consultant reviews the historical claims experience and administrative costs and uses that data to estimate trends to develop recommended premiums for the next calendar year.

Healthcare Premiums and Investment Income

The additions required to fund postemployment healthcare benefits are accumulated through a combination of health premiums, prescription drug rebates, and net investment income.

	Additions				
			Increase/(decrease)		
	2009	2008	Amount	Percentage	2007
Employer health premiums	$ 1,287,169	1,245,672	41,497	3.3%	322,313,472
Member health premiums	45,821,207	42,646,143	3,175,064	7.4	41,793,541
Other	4,320,170	16,853,167	(12,532,997)	(74.4)	7,725,107
Net investment income (loss)	(23,283,038)	(6,960,689)	(16,322,349)	234.5	36,364,601
Total	$ 28,145,508	53,784,293	(25,638,785)	(47.7)%	408,196,721

Premiums are $937 per month per person for calendar year 2009 and were $876 per month per person for calendar year 2007 and 2008. The Division's consultant recommended a 7% premium increase and the Division remains vigilant of rising healthcare costs related to covered benefits.

Other income is primarily composed of reimbursements for retiree prescription medication. The Plan was approved for participation in the Medicare Part D retiree drug subsidy (RDS) program starting in calendar year 2006. One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive a payment, the retiree drug subsidy (RDS) 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.

Net investment loss increased by ($16,322,349) or -234.5% from amounts recorded in fiscal year 2008. Net investment income decreased by ($43,325,290) or -119.1% from amounts recorded in fiscal year 2007.

For Fiscal Year 2009 and 2008, the Retiree Health Fund Medical Plan investments generated 1.19% and 2.71% rate of return. The Retiree Health Fund Medical Plan annualized rate of return was 4.19% over the last three years and 3.73% over the last five years. For Fiscal Year 2009 and 2008, the Retiree Health Fund LTC Plan investments generated -14.84% and -5.83% rate of return. The Retiree Health Fund LTC Plan annualized rate of return was -2.47% over the last three years and 1.82% over the last five years. The Retiree Health Fund DVA Plan is invested in the General Fund and Other Non-segregated Investments (GeFONSI). The GeFONSI is an investment pool managed by the State of Alaska Treasury Division in the Department of Revenue. For Fiscal Year 2009 and 2008, the GeFONSI investments generated 4.24% and 5.85% rate of return. The GeFONSI annualized rate or return was 5.23% over the last three years and 4.29% over the last five years.

Benefits and Deductions

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

	Deductions				
			Increase/(decrease)		
	2009	2008	Amount	Percentage	2007
Healthcare benefits	$ 38,473,565	194,610,984	(156,137,419)	(80.2)%	301,285,999
Administrative	1,725,137	14,347,413	(12,622,276)	(88.0)	12,960,812
Total	$ 40,198,702	208,958,397	(168,759,695)	(80.8)%	314,246,811

Benefit expenses decreased ($156,137,419) and ($106,675,015) or -80.2% and -35.4% from fiscal years 2008 and 2007. Beginning on March 1, 2008, healthcare claims related to eligible members and dependents of the PERS, TRS, and JRS plans are paid from the respective ARHCT. Those retirees eligible for healthcare coverage but not eligible under PERS, TRS, or JRS health benefits are accounted for separately within the Plan. The Plan's benefit consultants identify and develop premiums necessary to cover the increased claims costs.

The change in payment of healthcare benefits for retired PERS, TRS, and JRS plan members and/or beneficiaries resulted in fewer participants in the Plan, which resulted in a decrease in administrative fees paid to the Plan's third party administrator.

Funding

Postemployment healthcare benefits are funded by premiums received from the remaining participating retirement systems and plan members as well as from income earned on Plan investments. Healthcare premiums are recommended each year by the Division's consultant with the governing body's concurrence and the Administrator's approval.

Economic Conditions, Market Environment, and Results

There are three plans offered through the Retiree Health Fund: major medical (mostly paid by the remaining participating retirement funds), DVA and LTC plans (both paid by retirees). The overall objective of the Plan is to have sufficient funds to meet current and future claim costs. The premiums for the major medical and DVA plans are calculated each year based on the anticipated claims and administrative costs for the following year. The benefit consultant reviews the historical claims experience and administrative costs and uses that data to estimate trends to develop premiums. The amount of reserves is considered when setting the premiums. The premiums for the LTC plan have been developed to provide future benefits for the retirees, much like an annuity. The LTC plan will accumulate large reserves to pay future benefits.

Requests for Information

This financial report is designed to provide a general overview of the Plan's financial condition for all 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 Retiree Health Fund
Division of Retirement and Benefits, Accounting Section
P.O. Box 110203
Juneau, Alaska 99811–0203

STATE OF ALASKA RETIREE HEALTH FUND
(A Pension Trust Fund of the State of Alaska)

Statements of Fiduciary Net Assets

June 30, 2009 and 2008

	2009	2008
Assets:		
Cash and cash equivalents (notes 3, 4, and 5):		
Investment in State of Alaska General Fund and other nonsegregated investments pool	$ 16,603,395	17,158,150
Short-term fixed income pool	21,216,761	11,208,980
Total cash and cash equivalents	37,820,156	28,367,130
Investments (notes 3, 4, and 5):		
Broad market fixed income pool	—	54,839,403
Conservative broad market fixed income pool	41,681,080	—
Domestic equity account	78,278,089	76,675,799
International equity pool	34,459,282	31,374,964
Total investments	154,418,451	162,890,166
Other:		
Premiums receivable	51,244	44,428
Interest and dividends receivable	75,467	27,413
Due from PERS Alaska Retiree Health Care Trust	—	5,484,706
Due from JRS Alaska Retiree Health Care Trust	—	8,572
Other receivables	10,799	—
Other assets (note 9)	351,455	—
Total other	488,965	5,565,119
Total assets	192,727,572	196,822,415
Liabilities:		
Claims payable (note 6):		
Medical, dental, visual and audio	4,667,575	3,374,302
Long-term Care	15,032,711	12,194,000
Total claims payable	19,700,286	15,568,302
Accrued expenses	141,883	2,577,741
Due to State of Alaska General Fund (note 6)	2,810,257	296,775
Due to PERS Alaska Retiree Health Care Trust	1,051,018	—
Due to TRS Alaska Retiree Health Care Trust	3,439,416	754,300
Due to JRS Alaska Retiree Health Care Trust	12,609	—
Total liabilities	27,155,469	19,197,118
Held in trust for postemployment healthcare benefits:		
Major medical	13,252,615	10,601,385
Dental, visual and audio	11,812,913	13,909,381
Long-term care	140,506,575	153,114,531
Total net assets held in trust for postemployment healthcare benefits	$ 165,572,103	177,625,297

See accompanying notes to financial statements.

STATE OF ALASKA RETIREE HEALTH FUND
(A Pension Trust Fund of the State of Alaska)

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2009 and 2008

		2009	**2008**
Additions:			
Contributions:			
Employer health insurance premiums	$	1,287,169	1,245,672
Member health insurance premiums		45,821,207	42,646,143
Total contributions		47,108,376	43,891,815
Other (note 8)		4,320,170	16,853,167
Investment income (loss):			
Net appreciation (depreciation) in fair value (note 3)		(27,435,994)	(16,363,846)
Interest		1,383,501	6,819,639
Dividends		2,848,627	2,732,569
Total investment income (loss)		(23,203,866)	(6,811,638)
Less investment expense		79,172	181,068
Net investment income (loss) before securities lending activities		(23,283,038)	(6,992,706)
Securities lending income (note 5)		—	279,242
Less securities lending expense (note 5)		—	247,225
Net income from securities lending activities		—	32,017
Net investment income (loss)		(23,283,038)	(6,960,689)
Total additions		28,145,508	53,784,293
Deductions:			
Benefits (note 6)		38,473,565	194,610,984
Administrative		1,725,137	14,347,413
Total deductions		40,198,702	208,958,397
Net change in fiduciary net assets		(12,053,194)	(155,174,104)
Net assets, beginning of year		177,625,297	332,799,401
Net assets, end of year	$	165,572,103	177,625,297

See accompanying notes to financial statements.

(1) Description

The following brief description of the State of Alaska Retiree Health Fund (Plan), a pension trust fund of the State of Alaska (State), is provided for general information purposes only. Participants should refer to the Retiree Group Insurance Information Booklet for more complete information.

General

The Plan was established to provide self–insured healthcare benefits to retirees of the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System and Elected Public Officers Retirement System (collectively referred to as the Retirement Systems) beginning July 1, 1997. The Plan is a pension trust fund of the State financial reporting entity and is included as such in the State's comprehensive annual financial report. As of June 30, 2009 and 2008, there were approximately 32,800 and 31,700 retirees, respectively, excluding dependents, covered by the Plan.

Prior to July 1, 1997, healthcare benefits for retirees were fully insured through the payment of premiums to an insurance company.

Benefits

The Plan offers major medical, voluntary dental–visual–audio (DVA) and voluntary long–term care (LTC) benefits to eligible benefit recipients of the Retirement Systems and their dependents.

Medical

The Plan provides medical benefits to qualified benefit recipients of the Retirement Systems. The Retirement Systems pay the medical premiums for the benefit recipients, except for the following who must elect coverage and pay a premium:

- Benefit recipients of the Public Employees' Retirement System (PERS) first hired under the PERS on or after July 1, 1986, who are under age 60, are not receiving a disability benefit, and had less than 25 years of peace officer/firefighter service or less than 30 years of other service.
- Benefit recipients of the Teachers' Retirement System (TRS) first hired under the TRS on or after July 1, 1990, who are under age 60, are not receiving a disability benefit, and had less than 25 years of service.
- Benefit recipients of the PERS first hired under the PERS on or after July 1, 1996, who are age 60 or older and do not have at least 10 years of credited service.
- Alternate payees under a Qualified Domestic Relations Order (QDRO).

The State also pays the medical premiums for benefit recipients of the Marine Engineers Beneficial Association who retired from the State after July 1, 1986 and for benefit recipients of the NorthWest Marine Trust who retired from the State before July 1, 1984.

(1) Description (cont.)

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 Plan.

Voluntary DVA and LTC

Individuals receiving benefits from one of the Retirement Systems, excluding alternate payees under a QDRO, may elect coverage for themselves and their eligible dependents. If coverage is elected, the premiums are paid by deductions from retirement checks.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the economic resource focus and the accrual basis of accounting. Premiums 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 U.S. 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.

Investments

Investments are recorded at fair value. Fair value is "the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale." Security transactions are accounted for on a trade date (ownership) basis at the current fair value. Dividend income on domestic and international equity securities is accrued on the ex–dividend date.

Fixed income and international equity securities are valued each business day using an independent pricing service. The securities underlying the domestic equity account are valued each business day by the Trustee Committee in good faith and pursuant to procedures established by the Trustee. The domestic equity account's net asset value per share is determined by dividing the fair value of its underlying assets by the number of units that represent total ownership. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Money markets are valued at amortized cost, which approximates fair value.

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

The cost of securities is determined on the average cost basis.

With the exception of General Fund and Other Non–segregated Investments (GeFONSI) and Short–term Fixed Income Pool investments, income from pooled securities was allocated daily to each pool participant on a pro rata basis. Income in the Short–term Fixed Income Pool was calculated daily and credited monthly to each participant on a pro rata basis. GeFONSI income was distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Domestic Equity Income was distributed quarterly.

Federal Income Tax Status

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

Administration

The Plan is administered by the State's Division of Retirement and Benefits (DRB). DRB utilizes the services of a claims administrator, Premera, to process all medical, dental, and prescription drug claims.

Funding

The Plan is self–insured for all benefits. The Plan's funding policy provides for the collection of premiums from the Retirement Systems and benefit recipients, as applicable. Premium amounts are actuarially determined on an annual basis and adjusted as necessary. The Retirement Systems retain the risk of loss of allowable claims.

Due to State of Alaska General Fund

Due to the State of Alaska General Fund represent reimbursements to be made by the Plan to other funds for net payments made by other funds on behalf of the Plan.

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2009 statements.

(3) Investments

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages investments. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Plan invests in the State's internally managed General Fund and Other Non-segregated Investments (GeFONSI), Short–term and Broad Marked Fixed Income Pools. GeFONSI consists of investments in the State's internally managed Short-term and Intermediate-term Fixed Income

(3) Investments (cont.)

Pools. A complete description of the investment policy for each pool is included in the *Department of Revenue, Treasury Division, Policies and Procedures Manual*.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term, Intermediate-term, and Broad Market Fixed Income Pools as well as the International Equity Pool is allocated to pool participants daily on a pro-rata basis. Domestic equity income is credited and allocated in accordance with the participants' pro-rata share of the fund when received.

General Fund and Other Non–Segregated Investment (GeFONSI) Pool

The Plan participates in the State's internally managed GeFONSI pool which consists of investments in the State's internally managed Short–term and Intermediate–term Fixed Income Pools. At June 30, 2009 and 2008, the Plan had a 0.24% and 0.23% direct ownership in the GeFONSI.

Short–Term Fixed Income Pool

The Plan participates in the State's internally managed Short–term Fixed Income Pool which was established 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. Participants include the Intermediate–term and Broad Market Fixed Income Pools and a number of other funds, some of which are not under the fiduciary responsibility of the Commissioner. At June 30, 2009 and 2008, the Plan had a 0.57% and 0.26% direct ownership in the Short–term Fixed Income Pool.

Broad Market Fixed Income Pool

The Plan participated in the State's internally managed Broad Market Fixed Income Pool which was established July 1, 1994, with a start up share price of $1,000. The share price at June 30, 2009, was $2,529. Treasury staff determines the allocation between permissible securities. When compared to the Short or Intermediate–term Fixed Income Pools, this pool has a longer time horizon, a more limited need for liquidity, a moderate need for long–term inflation protection, and can be invested at a high risk level. The net asset value per share on any given valuation date 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. Ownership in the pool is based on the number of shares held by each participant. 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.

(3) Investments (cont.)

At June 30, 2009 and 2008, the Plan had a 0.00% and 2.31% direct ownership in the Broad Market Fixed Income Pool.

Conservative Broad Market Fixed Income Pool

The Plan participates in the State's internally managed Conservative Broad Market Fixed Income Pool which was established July 1, 2008, with a start up share price of $1,000. The share price at June 30, 2009, was $1,050. This pool is made up of shares of the U.S. Treasury and Broad Market Fixed Income Pools. The net asset value per share on any given valuation date 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. Ownership in the pool is based on the number of shares held by each participant. 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, all participants in the pool are funds under the fiduciary responsibility of the Commissioner of Revenue.

International Equity Pool

The Plan participates in the State's externally managed International Equity Pool, which was established in April 2000, with a start up share price of $1,000. The share price at June 30, 2009, was $1,005. The external manager independently determines the allocation between permissible securities. The pool has a time horizon that is longer than any of the fixed income investment pools limited liquidity, long term inflation protection and a high risk tolerance. The net asset value per share on any given valuation date 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. Ownership in the pool is based on the number of shares held by each participant. 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 12.95% and 13.07% direct ownership in the International Equity Pool.

Domestic and International Equity World Common Trust Funds

The Plan participates in the State's externally managed Domestic and International Equity accounts. The participants in these accounts hold shares in the State Street Global Advisors (SSgA) Russell 3000 and SSgA Morgan Stanley Capital International (Europe, Australasia and Far East) (MSCI EAFE), Common Trusts Funds (Trusts), which are passively managed, commingled index funds. The other, non-State institutional investors participate in the trusts. The investment objectives of the Trusts are to replicate, as closely as possible, the return of the Russell 3000 Stock Index and the MSCI EAFE Stock Index and thus are comprised of securities included in these indices. The net asset value per share on any given valuation date is determined by dividing the total fair value of the net assets of the common trust by the number of shares outstanding on the valuation date. Ownership in common trusts is based on the number of shares

(3) Investments (cont.)

held by each participant. Contributions to and withdrawals from a common trust 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 the following investments:

	Fair value						
	Fixed Income Pools						
Investment type	Short-term Fixed Income Pool	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool	U.S. Treasury Fixed Income	Conservative Broad Market Fixed Income Pool	Other	Total
Deposits	$ 92,277	—	—	—	—	(1)	92,276
Short-term investment fund	—	—	—	—	—	612,520	612,520
Commercial paper	1,850,471	—	—	—	—	—	1,850,471
U.S. Treasury notes	—	4,504,749	6,021,566	3,093,678	—	—	13,619,993
U.S. Treasury bills	10,440,296	—	—	—	—	—	10,440,296
U.S. Treasury bonds	—	—	688,894	495,512	—	—	1,184,406
U.S. Government agency	809,630	2,935,576	1,315,970	287,949	—	—	5,349,125
Mortgage-backed	1,164,598	930,528	18,370,251	—	—	—	20,465,377
Other asset-backed	3,686,926	61,186	459,251	—	—	—	4,207,363
Corporate bonds	9,967,224	1,083,787	7,346,991	339,046	—	—	18,737,048
Yankees:							
Government	—	77,376	102,891	—	—	—	180,267
Corporate	2,145,606	426,935	1,481,527	—	—	—	4,054,068
Domestic equity	—	—	—	—	—	78,278,089	78,278,089
International equity	—	—	—	—	—	33,717,481	33,717,481
Total invested assets	30,157,028	10,020,137	35,787,341	4,216,185	—	112,608,089	192,788,780
Pool related net assets (liabilities)	25,179	27,262	(676,465)	20,034	—	129,284	(474,706)
Other pool ownership	(2,333,985)	—	(35,110,876)	(4,236,219)	41,681,080	—	—
GeFONSI	—	—	—	—	—	—	—
Unallocated Cash	—	—	—	—	—	—	—
Net invested assets	$ 27,848,222	10,047,399	—	—	41,681,080	112,737,373	192,314,074

(3) Investments (cont.)

At June 30, 2008, the Plan had the following investments:

	Fair value				
	Fixed Income Pools				
Investment type	**Short-term Fixed Income Pool**	**Intermediate-term Fixed Income Pool**	**Broad Market Fixed Income Pool**	**Other**	**Total**
Overnight sweep account (LMCS)	$ 47,948	—	—	—	47,948
Commercial paper	1,534,204	—	—	—	1,534,204
U.S. Treasury bonds	—	—	1,680,885	—	1,680,885
U.S. Treasury notes	—	5,363,571	4,149,953	—	9,513,524
U.S. Government agency	10,239,768	1,297,310	866,494	—	12,403,572
Municiple Bonds	—	—	6,074	—	6,074
Mortgage-backed	822,689	1,336,302	30,941,421	—	33,100,412
Other asset-backed	4,770,095	353,107	2,818,268	—	7,941,470
Corporate bonds	4,515,088	795,046	11,742,891	—	17,053,025
Yankees:					
Government	—	96,123	130,264	—	226,387
Corporate	1,353,743	277,607	1,454,092	—	3,085,442
Domestic equity	—	—	—	76,675,799	76,675,799
International equity	—	—	—	30,967,490	30,967,490
Total invested assets	23,283,535	9,519,066	53,790,342	107,643,289	194,236,232
Pool related net assets (liabilities)	42,417	57,849	(3,486,676)	407,474	(2,978,936)
Other pool ownership	(4,535,737)	—	4,535,737	—	—
GeFONSI	(7,581,235)	(9,576,915)	—	17,158,150	—
Participant unallocated cash					—
Net invested assets	$ 11,208,980	—	54,839,403	125,208,913	191,257,296

(4) Deposit and Investment Risk

Interest Rate Risk

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

Duration is a measure of interest rate risk. It measures a security’s sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

(4) Deposit and Investment Risk (cont.)

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, call options, and other variable cash flows for purposes of the effective duration calculation.

Short–term Fixed Income Pool

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

Intermediate, Broad Market, and U.S. Treasury Fixed Income Pools

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its other fixed income pool portfolios to the following:

Intermediate–term Fixed Income Pool – ± 20% of the Merrill Lynch 1–5 year Government Bond Index. The effective duration for the Merrill Lynch 1–5 year Government Bond Index at June 30, 2009, was 2.54 years.

Broad Market Fixed Income Pool – ± 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.

U.S. Treasury Fixed Income Pool – ± 20% of the Barclays Capital U.S. Aggregate Treasury Index. The effective duration for the Barclays Capital U.S. Aggregate Treasury Index at June 30, 2009, was 5.13 years.

Treasury has no policy with regard to interest rate risk for the money market balance held in the International Equity Pool.

(4) Deposit and Investment Risk (cont.)

At June 30, 2009, the effective duration by investment type was as follows:

	Effective duration (in years)		
	Intermediate-term Fixed Income Pool	**Broad Market Fixed Income Pool**	**U.S. Treasury Fixed Income Pool**
Corporate bonds	2.10	—	2.57
Mortgage-backed	2.42	—	—
Other asset-backed	0.71	—	—
U.S. Treasury bonds	—	12.81	9.58
U.S. Treasury notes	3.07	6.01	4.70
U.S. Government and agency securities	2.02	6.92	8.95
Yankees:			
Corporate	2.81	4.80	—
Government	2.73	11.37	—
Portfolio effective duration	**2.52**	**4.19**	**5.12**

Credit Risk

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

There is limited credit risk associated with the lending transactions since the Commissioner of Revenue (Commissioner) is indemnified by State Street Corporation (Bank) against any loss resulting from counterparty failure or default on a loaned security or its related income distributions.

The Bank further indemnifies the Commissioner against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

The Plan is subject to limited credit risk associated with securities lending transaction since the Commissioner is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnifies the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

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 P-1 or equivalent. Asset–backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the

(4) Deposit and Investment Risk (cont.)

median rating of the following three rating agencies: Standard & Poor's, Moody's or Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Intermediate–term and Broad Market Fixed Income Pool investments are limited to securities with a long–term credit rating of at least Baa3 or equivalent and securities with a short–term credit rating of at least P-1 or equivalent. 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.

U.S. Treasury Fixed Income Pool commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's Corporation. In addition, 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 Corporation, Moody's and Fitch. In addition, 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.

The Conservative Broad Market Fixed Income Pool does not have its own investment policy because it invests only in existing pools, which do have established policies.

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

Investment type	Rating	Short-term Fixed Income Pool	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool	U.S. Treasury Pool
Commercial paper	A-1	1.10%	—%	—%	—%
Commercial paper	Not rated	5.05	—	—	—
U.S. Treasury Notes	AAA	—	44.00	16.18	69.34
U.S. Treasury bills	AAA	34.70	—	—	—
U.S. Treasury bonds	AAA	—	—	1.85	11.11
U.S. government agency	AAA	2.69	27.68	2.36	—
U.S. government agency	Not Rated	—	1.00	1.18	6.45
Mortgage-backed	AAA	3.46	7.42	45.46	—
Mortgage-backed	A	0.11	—	—	—
Mortgage-backed	BBB	0.18	—	—	—
Mortgage-backed	Not Rated	0.30	1.67	3.89	—
Other asset-backed	AAA	10.87	0.39	0.82	—
Other asset-backed	AA	0.85	0.06	0.09	—
Other asset-backed	A	0.35	0.15	0.26	—
Other asset-backed	BBB	—	—	0.06	—
Corporate bonds	AAA	19.33	4.49	1.85	7.60
Corporate bonds	AA	6.16	1.36	2.63	—
Corporate bonds	A	7.64	2.92	9.11	—
Corporate bonds	BBB	—	1.81	5.97	—
Corporate bonds	Not Rated	—	—	0.19	—
Yankees:					
Government	AA	—	0.76	—	—
Government	BBB	—	—	0.17	—
Government	Not Rated	—	—	0.10	—
Corporate	AAA	1.61	2.56	0.81	—
Corporate	AA	4.29	0.91	0.29	—
Corporate	A	1.24	0.48	1.94	—
Corporate	BBB	—	0.17	0.94	—
Corporate	Not Rated	—	0.05	—	—
No credit exposure		0.07	2.12	3.85	5.50
		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. Treasury's policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds does not establish policy with regard to custodial credit risk. At June 30, 2009, the Plan's deposits had the following uncollateralized and uninsured deposits:

		Amount
International Equity Pool	$	34,115

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for the Plan at the beginning of each fiscal year, some of which places policy limitations on the amount of international securities the Plan is allowed to hold. The following policy was in place during fiscal year 2009 and invested assets included the following holdings at June 30, 2009, for the Plan's investment in the International Equity Pool:

	Policy	Actual
Retiree Health Insurance Fund, Long-term Care	21%±4%	22.15%

(4) Deposit and Investment Risk (cont.)

At June 30, 2009, the Plan investment in the International Equity Pool had exposure to foreign currency risk as follows:

Currency		Fair Value Amount
Deposits:		
Euro currency	$	(104)
Japanese Yen		4,423
Pound Sterling		(4,320)
		(1)
Investments – international equity:		
Canadian Dollar		323,722
Danish Krone		241,350
Euro Currency		8,248,949
Hong Kong Dollar		197,490
Japanese Yen		4,210,037
Pound Sterling		5,488,173
Singapore Dollar		482,914
Swedish Krona		304,186
Swiss Franc		2,354,609
		21,851,430
Total	$	21,851,429

Concentration of Credit Risk

At June 30, 2009, the Plan had more than five percent of their investments in Federal Home Loan Corporation and Federal Home Loan Bank as follows:

		Fair Value	Percent of total plan investments
Federal Home Loan Mortgage Corporation	$	19,467,923	12.61%
Federal Home Loan Bank		7,505,552	4.86%

(4) Deposit and Investment Risk (cont.)

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than 5.0% of a pool's holdings in corporate bonds backed by any one company or affiliated group. However, such prohibition does not apply to securities backed by the full faith and credit of the U.S. Government.

(5) 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.

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.

(6) Claims Payable

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

Changes in the balances of claims liabilities follows:

		2009	2008
Beginning of year:			
Due to State of Alaska General Fund for outstanding warrants	$	296,775	1,497,919
Outstanding claims received but not paid		416,302	811,905
Incurred but not reported		15,152,000	54,172,000
Total, beginning of year		15,865,077	56,481,824
Benefit deductions		38,473,565	194,610,984
Benefits paid		(31,828,099)	(235,227,731)
Total, end of year	$	22,510,543	15,865,077
End of year:			
Due to State of Alaska General Fund for outstanding warrants	$	2,810,257	296,775
Outstanding claims received but not paid		532,286	416,302
Incurred but not reported		19,168,000	15,152,000
Total, end of year	$	22,510,543	15,865,077

(7) Transfers

The Department of Administration determined that statutory changes were needed to ensure that the Defined Benefit Retiree Health Program was funded in compliance with the Internal Revenue Code. Consequently, during the fiscal year 2007 legislative session, a law was enacted that created the Alaska Retiree Healthcare Trusts (ARHCT), two separate irrevocable trusts. Senate Bill 123 (SB 123), effective June 7, 2007, directs all separately calculated employer contributions for the retiree health benefits, and appropriations, earning and reserves for payment of retiree medical obligations, to be credited to each respective ARHCT. Pursuant to SB 123, Treasury and the Department of Administration established and

(7) Transfers (cont.)

implemented the ARHCT effective as of July 1, 2007. The ARHCT is funded through employer contributions, premiums paid by retirees, and investment income.

(8) 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.

(9) 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 Group Health and Life Fund, Public Employees', Teachers', and Judicial Alaska Retiree Healthcare Trusts, each transferred an amount as an initial deposit with Wells Fargo. The Plan's portion of the deposit was $351,455 and is classified as other assets on the statement of net assets.

Schedule 1

STATE OF ALASKA RETIREE HEALTH FUND

(A Pension Trust Fund of the State of Alaska)

Statements of Fiduciary Net Assets

June 30, 2009 and 2008

	2009				2008			
	Major Medical	Dental, Visual and Audio	Long-term Care	Total	Major Medical	Dental, Visual and Audio	Long-term Care	Total
Assets:								
Cash and cash equivalents (notes 3, 4 and 5):								
Investment in State of Alaska General Fund and other nonsegregated investments pool	$ —	16,603,395	—	16,603,395	—	17,158,150	—	17,158,150
Short-term fixed income pool	20,061,579	—	1,155,182	21,216,761	8,446,700	—	2,762,280	11,208,980
Total cash and cash equivalents	20,061,579	16,603,395	1,155,182	37,820,156	8,446,700	17,158,150	2,762,280	28,367,130
Investments (notes 3, 4 and 5):								
Broad market fixed income pool	—	—	—	—	—	—	54,839,403	54,839,403
Conservative fixed income pool	—	—	41,681,080	41,681,080				
Domestic equity account	—	—	78,278,089	78,278,089	—	—	76,675,799	76,675,799
International equity pool	—	—	34,459,282	34,459,282	—	—	31,374,964	31,374,964
Total investments	—	—	154,418,451	154,418,451	—	—	162,890,166	162,890,166
Other:								
Premiums receivable	45,544	3,152	2,548	51,244	33,642	5,689	5,097	44,428
Interest and dividends receivable	67,660	—	7,807	75,467	19,935	—	7,478	27,413
Due from PERS Retiree Health Care Trust	—	—	—	—	5,484,706	—	—	5,484,706
Due from JRS Retiree Health Care Trust	—	—	—	—	8,572	—	—	8,572
Other receivables	10,799	—	—	10,799	—	—	—	—
Other assets (note 9)	32,346	281,717	37,392	351,455	—	—	—	—
Total other	156,349	284,869	47,747	488,965	5,546,855	5,689	12,575	5,565,119
Total assets	20,217,928	16,888,264	155,621,380	192,727,572	13,993,555	17,163,839	165,665,021	196,822,415
Liabilities:								
Claims payable (note 6):								
Medical, dental, visual and audio	179,948	4,487,627	—	4,667,575	142,000	2,926,858	—	3,068,858
Long-term Care	—	—	15,032,711	15,032,711	—	—	12,499,444	12,499,444
Total claims payable	179,948	4,487,627	15,032,711	19,700,286	142,000	2,926,858	12,499,444	15,568,302
Accrued expenses	17,130	95,208	29,545	141,883	2,469,837	86,532	21,372	2,577,741
Due to State of Alaska General Fund (note 6)	2,265,192	492,516	52,549	2,810,257	26,033	241,068	29,674	296,775
Due to PERS Alaska Retiree Health Care Trust	1,051,018	—	—	1,051,018	—	—	—	—
Due to TRS Alaska Retiree Health Care Trust	3,439,416	—	—	3,439,416	754,300	—	—	754,300
Due to JRS Alaska Retiree Health Care Trust	12,609	—	—	12,609	—	—	—	—
Total liabilities	6,965,313	5,075,351	15,114,805	27,155,469	3,392,170	3,254,458	12,550,490	19,197,118
Total net assets held in trust for postemployment healthcare benefits	$ 13,252,615	11,812,913	140,506,575	165,572,103	10,601,385	13,909,381	153,114,531	177,625,297

See accompanying notes to financial statements.

Schedule 2

STATE OF ALASKA RETIREE HEALTH FUND
(A Pension Trust Fund of the State of Alaska)

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2009 and 2008

	2009				2008			
	Major Medical	**Dental, Visual and Audio**	**Long-term Care**	**Total**	**Major Medical**	**Dental, Visual and Audio**	**Long-term Care**	**Total**
Additions:								
Contributions:								
Employer health insurance premiums	$ 1,287,169	—	—	1,287,169	1,245,672	—	—	1,245,672
Member health insurance premiums	1,129,968	26,356,023	18,335,216	45,821,207	1,086,332	24,478,458	17,081,353	42,646,143
Total contributions	2,417,137	26,356,023	18,335,216	47,108,376	2,332,004	24,478,458	17,081,353	43,891,815
Other (note 8)	4,319,050	—	1,120	4,320,170	16,839,884	—	13,283	16,853,167
Investment income (loss):								
Net appreciation (depreciation) in fair value (note 3)	—	—	(27,435,994)	(27,435,994)	(638,621)	—	(15,725,225)	(16,363,846)
Interest	275,734	674,645	433,122	1,383,501	3,022,361	948,715	2,848,563	6,819,639
Dividends	—	—	2,848,627	2,848,627	4,018	—	2,728,551	2,732,569
Total investment income (loss)	275,734	674,645	(24,154,245)	(23,203,866)	2,387,758	948,715	(10,148,111)	(6,811,638)
Less investment expense	—	—	79,172	79,172	101,748	—	79,320	181,068
Net investment income (loss) before securities lending activities	275,734	674,645	(24,233,417)	(23,283,038)	2,286,010	948,715	(10,227,431)	(6,992,706)
Securities lending income (note 5)	—	—	—	—	18,444	71,265	189,533	279,242
Less securities lending expense (note 5)	—	—	—	—	16,944	63,281	167,000	247,225
Net income from securities lending activities	—	—	—	—	1,500	7,984	22,533	32,017
Net investment income (loss)	275,734	674,645	(24,233,417)	(23,283,038)	2,287,510	956,699	(10,204,898)	(6,960,689)
Total additions	7,011,921	27,030,668	(5,897,081)	28,145,508	21,459,398	25,435,157	6,889,738	53,784,293
Deductions:								
Benefits (note 6)	4,118,341	27,839,254	6,515,970	38,473,565	165,497,169	22,078,746	7,035,069	194,610,984
Administrative	242,350	1,287,882	194,905	1,725,137	13,005,415	1,185,791	156,207	14,347,413
Total deductions	4,360,691	29,127,136	6,710,875	40,198,702	178,502,584	23,264,537	7,191,276	208,958,397
Net change in fiduciary net assets	2,651,230	(2,096,468)	(12,607,956)	(12,053,194)	(157,043,186)	2,170,620	(301,538)	(155,174,104)
Net assets held in trust for postemployment healthcare benefits								
Net assets, beginning of year	10,601,385	13,909,381	153,114,531	177,625,297	167,644,571	11,738,761	153,416,069	332,799,401
Net assets, end of year	$ 13,252,615	11,812,913	140,506,575	165,572,103	10,601,385	13,909,381	153,114,531	177,625,297

See accompanying notes to financial statements.