



ALASKA RETIREMENT MANAGEMENT BOARD

Teachers' Retirement System

Invested Assets

June 30, 2008

(With Independent Auditors' Report Thereon)

ALASKA RETIREMENT MANAGEMENT BOARD

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Invested Assets

June 30, 2008

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KPMG LLP
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Anchorage, AK 99501

Independent Auditors' Report

Alaska Retirement Management Board and
State of Alaska, Department of Revenue
Division of Treasury:

We have audited the accompanying schedules of invested assets of the Teachers' Retirement System as of June 30, 2008 and of investment income and changes in invested assets of the Teachers' Retirement System for the year then ended (Schedules). These Schedules are the responsibility of the Division of Treasury's management. Our responsibility is to express an opinion on these Schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules were prepared to present the invested assets of the Teachers' Retirement System, which is established under the State of Alaska Teachers Retirement System (TRS). The Schedules are not intended to present the financial status of TRS.

In our opinion, the Schedules referred to above present fairly, in all material respects, the invested assets of the Teachers' Retirement System as of June 30, 2008, and the investment income and changes in invested assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 23, 2008

TEACHERS' RETIREMENT TRUST FUND
SCHEDULE OF INVESTED ASSETS
June 30, 2008

	Defined Benefit		Defined Contribution				Total Plan Assets
	Pension	Health	Participant Directed	Occupational Death and Disability	Retiree Medical Plan	Health Reimbursement Arrangement	
Investments (at Fair Value)							
Cash and Cash Equivalents							
Short-term Fixed Income Pool	\$ 6,450,647	\$ 7,838,400	\$ 158,645	\$ 35,310	\$ 107,619	\$ 303,820	\$ 14,894,441
Total Cash and Cash Equivalents	6,450,647	7,838,400	158,645	35,310	107,619	303,820	14,894,441
Marketable Debt Securities							
Retirement Fixed Income Pool	697,775,748	-	-	-	-	-	697,775,748
International Fixed Income Pool	98,131,347	-	-	-	-	-	98,131,347
High Yield Pool	116,335,302	-	-	-	-	-	116,335,302
Treasury Inflation Protection Pool	25,643,816	-	-	33,049	110,473	275,759	26,063,097
Total Marketable Debt Securities	937,886,213	-	-	33,049	110,473	275,759	938,305,494
Equity Securities							
Domestic Equity Pool	1,526,887,093	-	-	-	-	-	1,526,887,093
International Equity Pool	690,435,078	-	-	-	-	-	690,435,078
Emerging Markets Equity Pool	131,104,707	-	-	-	-	-	131,104,707
Private Equity Pool	397,246,772	-	-	-	-	-	397,246,772
Absolute Return Pool	194,481,024	-	-	-	-	-	194,481,024
Total Equity Securities	2,940,154,674	-	-	-	-	-	2,940,154,674
Other Investments Pool							
	158,336,456	-	-	-	-	-	158,336,456
Real Estate Investments							
Real Estate Pool	581,334,207	-	-	-	-	-	581,334,207
Mortgages	17,235	-	-	-	-	-	17,235
Total Real Estate Investments	581,351,442	-	-	-	-	-	581,351,442
Common Trust Funds							
SSgA Domestic Equities	-	40,020,825	-	-	-	-	40,020,825
SSgA International Equities	-	16,391,086	-	-	-	-	16,391,086
SSgA Emerging Markets	-	3,206,945	-	-	-	-	3,206,945
SSgA Domestic Fixed Income	-	13,374,723	-	-	-	-	13,374,723
SSgA International Fixed Income	-	1,784,707	-	-	-	-	1,784,707
SSgA High Yield Bond Index	-	2,593,632	-	-	-	-	2,593,632
SSgA TIPS Index	-	9,051,939	-	-	-	-	9,051,939
Total Common Trust Funds	-	86,423,857	-	-	-	-	86,423,857
Participant Directed							
Pooled Investment Funds							
T. Rowe Price							
Target 2025 Fund	-	-	3,963	-	-	-	3,963
Alaska Balanced Fund	-	-	116,893	-	-	-	116,893
Long-Term Balanced Fund	-	-	336,449	-	-	-	336,449
Alaska Money Market	-	-	37,236	-	-	-	37,236
Collective Investment Funds							
State Street Global Advisors							
Daily Government/Corporate Bond Fund	-	-	-	-	-	-	-
S&P Stock Index Fund	-	-	2,470,899	-	-	-	2,470,899
Barclays							
Daily Government/Corporate Bond Fund	-	-	12,585	-	-	-	12,585
Brades Institutional							
International Equity Fund	-	-	3,666,413	-	-	-	3,666,413
Capital Guardian							
Global Balanced Fund	-	-	1,246,408	-	-	-	1,246,408
Citizens Advisors							
Citizens Core Growth Fund	-	-	-	-	-	-	-
Sentinel							
Sustainable Opportunities Fund	-	-	3,037,281	-	-	-	3,037,281
T. Rowe Price							
Small-Cap Fund	-	-	1,906,039	-	-	-	1,906,039
Total Participant Directed	-	-	12,834,166	-	-	-	12,834,166
ERISA Commingled and Mutual Funds							
SSgA Domestic Equities	-	-	-	140,047	480,162	1,204,338	1,824,547
SSgA International Equities	-	-	-	58,931	182,136	455,028	696,095
SSgA Domestic Fixed Income	-	-	-	42,692	140,938	351,822	535,452
SSgA International Fixed Income	-	-	-	6,648	21,820	54,605	83,073
SSgA Real Estate	-	-	-	28,957	94,440	235,953	359,350
Lazard Emerging Markets	-	-	-	13,013	42,871	118,069	173,953
Total Occupational Death and Disability	-	-	-	290,288	962,367	2,419,815	3,672,470
Total Invested Assets	\$ 4,624,179,432	\$ 94,262,257	\$ 12,992,811	\$ 358,647	\$ 1,180,459	\$ 2,999,394	\$ 4,735,973,000

TEACHERS' RETIREMENT TRUST FUND
SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS

June 30, 2008

	Defined Benefit		Defined Contribution				Total Investment Income and Changes in Invested Assets
	Pension	Health	Participant Directed	Occupational Death and Disability	Retiree Medical Plan	Health Reimbursement Arrangement	
Investment Income (Loss)							
Cash and Cash Equivalents							
Short-term Fixed Income Pool	\$ 291,884	\$ 1,289,094	\$ 4,778	\$ 1,039	\$ 1,099	\$ 2,682	\$ 1,590,576
Securities Lending (net of \$15,979,018 expense for the year ended June 30, 2008)	1,934,104	-	-	-	-	-	1,934,104
Marketable Debt Securities							
Retirement Fixed Income Pool	56,258,333	-	-	-	-	-	56,258,333
International Fixed Income Pool	17,589,128	-	-	-	-	-	17,589,128
High Yield Pool	(314,843)	-	-	-	-	-	(314,843)
Treasury Inflation Protection Pool	2,076,618	-	-	416	8,390	16,747	2,102,171
Equity Securities							
Domestic Equity Pool	(242,239,395)	-	-	-	-	-	(242,239,395)
International Equity Pool	(73,779,210)	-	-	-	-	-	(73,779,210)
Emerging Markets Equity Pool	5,420,818	-	-	-	-	-	5,420,818
Private Equity Pool	43,086,018	-	-	-	-	-	43,086,018
Absolute Return Pool	2,945,839	-	-	-	-	-	2,945,839
Other Investments Pool	11,704,109	-	-	-	-	-	11,704,109
Real Estate Investments							
Real Estate Pool	46,272,323	-	-	-	-	-	46,272,323
Mortgages	15,253	-	-	-	-	-	15,253
Common Trust Funds							
SSgA Domestic Equities	-	(5,113,933)	-	-	-	-	(5,113,933)
SSgA International Equities	-	(2,078,789)	-	-	-	-	(2,078,789)
SSgA Emerging Markets	-	(519,998)	-	-	-	-	(519,998)
SSgA Domestic Fixed Income	-	403,202	-	-	-	-	403,202
SSgA International Fixed Income	-	164,431	-	-	-	-	164,431
SSgA High Yield Bond Index	-	(160,145)	-	-	-	-	(160,145)
SSgA TIPS Index	-	697,839	-	-	-	-	697,839
Participant Directed							
Pooled Investment Funds							
T. Rowe Price							
Target 2025 Fund	-	-	(253)	-	-	-	(253)
Alaska Balanced Fund	-	-	(185)	-	-	-	(185)
Long-Term Balanced Fund	-	-	(23,506)	-	-	-	(23,506)
Alaska Money Market	-	-	1,889	-	-	-	1,889
Collective Investment Funds							
State Street Global Advisors							
Daily Government/Corporate Bond Fund	-	-	(412)	-	-	-	(412)
S&P Stock Index Fund	-	-	(279,905)	-	-	-	(279,905)
Barclays							
Daily Government/Corporate Bond Fund	-	-	325	-	-	-	325
Brandes Institutional							
International Equity Fund	-	-	(402,617)	-	-	-	(402,617)
Capital Guardian							
Global Balanced Fund	-	-	(70,486)	-	-	-	(70,486)
Citizens Advisors							
Citizens Core Growth Fund	-	-	(65,626)	-	-	-	(65,626)
Sentinel							
Sustainable Opportunities Fund	-	-	(146,807)	-	-	-	(146,807)
T. Rowe Price							
Small-Cap Fund	-	-	(260,403)	-	-	-	(260,403)
ERISA Commingled and Mutual Funds							
SSgA Domestic Equities	-	-	-	(5,885)	(47,218)	(105,589)	(158,692)
SSgA International Equities	-	-	-	(1,484)	(14,315)	(34,149)	(49,948)
SSgA Domestic Fixed Income	-	-	-	(160)	5,460	10,139	15,439
SSgA International Fixed Income	-	-	-	19	2,044	3,865	5,928
SSgA Real Estate	-	-	-	(1,244)	(10,048)	(22,957)	(34,249)
Lazard Emerging Markets	-	-	-	(323)	343	10,291	10,311
Total Investment Income (loss)	<u>(128,739,021)</u>	<u>(5,318,299)</u>	<u>(1,243,208)</u>	<u>(7,622)</u>	<u>(54,245)</u>	<u>(118,971)</u>	<u>(135,481,366)</u>
Total Invested Assets, Beginning of Year	4,882,572,215	-	5,047,153	-	477,532	832,000	4,888,928,900
Net Contributions (Withdrawals)	(129,653,762)	99,580,556	9,188,866	366,269	757,172	2,286,365	(17,474,534)
Total Invested Assets, End of Year	<u>\$ 4,624,179,432</u>	<u>\$ 94,262,257</u>	<u>\$ 12,992,811</u>	<u>\$ 358,647</u>	<u>\$ 1,180,459</u>	<u>\$ 2,999,394</u>	<u>\$ 4,735,973,000</u>

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(1) THE ACCOUNTING ENTITY

The Teachers' Retirement System Invested Assets (TRS Invested Assets) is the investment portfolio of the State of Alaska Teachers' Retirement System (TRS). TRS is a multiple employer, joint contributory, agent-defined benefit and defined contribution system established for the payment of retirement, health care, disability and death benefits to, or on behalf of, qualified employees of the State of Alaska (State) or a political subdivision within the State. These Schedules are those of TRS Invested Assets and not TRS taken as a whole. Fiduciary responsibility for TRS Invested Assets resides with the Alaska Retirement Management Board (Board), pursuant to Alaska Statutes 37.10.210-390.

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

The Department of Revenue, Treasury Division (Treasury) provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Defined Benefit Pension Plan the Board has fiduciary responsibility for. Additionally, Treasury manages a mix of Common Trust Funds, Pooled Investment Funds, Collective Investment Funds, ERISA Commingled Funds, and Mutual Funds for the Defined Benefit Health Care Plan, and the following Defined Contribution Retirement Plans: Participant Directed Pension Plan, Occupational Death and Disability Plan, Retiree Medical Plan, and Health Reimbursement Arrangement Plan.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the International Fixed Income Pool, High Yield Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Other Investments Pool, Real Estate Pool investments (with the exception of real estate investment trust holdings), Common Trust Funds, Pooled Investment Funds, Collective Investment Funds, ERISA Commingled Funds, and Mutual Funds are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, Enhanced Cash Pool, Treasury Inflation Protected Securities Pool, real estate investment trust holdings and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The Short-term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of TRS as well as other pension and state funds.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Valuation

Defined Benefit Pension 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.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Valuation (Cont.)

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

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

The energy related investments in the Other Investments Pool are valued quarterly by the general partners. The agricultural investments are valued quarterly by the investment managers based on market conditions. Agricultural holdings are appraised once every three years, in conjunction with the purchase anniversary date, by independent appraisers.

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

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 Health Care Investments

With the exception of the SSgA Emerging Markets strategy which is valued bi-monthly following the third Wednesday and last business day of each month, Common Trust Funds are valued daily. Equity investments for which market quotations are readily available are valued at the last reported sale price or close for certain markets on their principal exchange on the valuation date. If no sales are reported for that day, investments are 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.

Defined Contribution Pension Participant Directed Investments

Pooled Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Collective Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Occupational Death and Disability, Retiree Medical and Health Reimbursement Arrangement Investments

ERISA Commingled and Mutual Funds are valued daily. Equity investments for which market quotations are readily available are valued at the last reported sale price or official close for certain markets on their principal exchange on valuation date. If no sales are reported for that day, investments are 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 determined in good faith by the Trustee.

Income Allocation

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

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Income Allocation (Cont.)

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

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

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

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

(3) INVESTMENTS

Both Defined Benefit and Defined Contribution TRS Invested Assets participate in two internally managed fixed income pools.

Short-term Fixed Income Pool

TRS Invested Assets include participation in the State's internally managed Short-term Fixed Income Pool which was established March 15, 1993 with a startup 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, 2008 TRS Invested Assets included a 0.34% direct ownership in the Short-term Fixed Income Pool which included interest receivable of \$21,704. TRS Invested Assets included a 1.30% indirect ownership through ownership by other investment pools which invest in the Short-term Fixed Income Pool at June 30, 2008.

Treasury Inflation Protected Securities (TIPS) Pool

TRS Invested Assets include participation in the Board's internally managed TIPS pool which was established May 24, 2006 with a startup price of \$1,000. The share price at June 30, 2008 was \$1,177. 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, 2008 TRS Invested Assets included a 29.15% ownership in the TIPS Pool.

Defined Benefit Investments

Pension Plan Investments

Retirement Fixed Income Pool

TRS Invested Assets include participation in the Board's internally managed Retirement Fixed Income Pool which was established March 1, 1996, with a startup share price of \$1,000. The share price at June 30, 2008 was \$2,083. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(3) INVESTMENTS (Cont.)

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, 2008 TRS Invested Assets included a 29.37% ownership in the Retirement Fixed Income Pool.

Enhanced Cash Fixed Income Pool

TRS Invested Assets include participation in the Board's internally managed Enhanced Cash Fixed Income Pool which had only one investor, the Retirement Fixed Income Pool. The Enhanced Cash Fixed Income Pool was established on June 27, 2007 with a startup price of \$1,000. The share price at June 30, 2008 was \$1,009. 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, 2008 TRS Invested Assets included a 29.37% indirect ownership in the Enhanced Cash Fixed Income Pool.

International Fixed Income Pool

TRS Invested Assets include participation in the Board's externally managed International Fixed Income Pool which was established March 3, 1997, with a startup share price of \$1,000. The share price at June 30, 2008 was \$2,172. The 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, 2008 TRS Invested Assets included a 30.64% ownership in the International Fixed Income Pool.

High Yield Pool

TRS Invested Assets include participation in the Board's externally managed High Yield Pool which was established April 15, 2005, with a startup share price of \$1,000. The share price at June 30, 2008 was \$1,179. 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, 2008 TRS Invested Assets included a 30.58% ownership in the High Yield Pool.

Domestic Equity Pool

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

Large Cap Domestic Equity Pool

TRS Invested Assets include participation in the Board's externally managed Large Cap Domestic Equity Pool which was established July 1, 2004, with a startup share price of \$1,000. The share price at June 30, 2008 was \$1,182. 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, 2008 TRS Invested Assets included a 30.52% ownership in the Large Cap Domestic Equity Pool.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(3) INVESTMENTS (Cont.)

Small Cap Domestic Equity Pool

TRS Invested Assets include participation in the Board's externally managed Small Cap Domestic Equity Pool which was established July 1, 2004, with a startup share price of \$1,000. The share price at June 30, 2008 was \$1,194. 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, 2008 TRS Invested Assets included a 30.46% ownership in the Small Cap Domestic Equity Pool.

International Equity Pool

TRS Invested Assets include participation in the Board's externally managed International Equity Pool which was established January 1, 1992, with a startup share price of \$1,000. The share price at June 30, 2008 was \$3,899. 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, 2008 TRS Invested Assets included a 30.43% ownership in the International Equity Pool.

Emerging Markets Equity Pool

TRS Invested Assets include participation in the Board's externally managed Emerging Markets Equity Pool which was established May 2, 1994, with a startup share price of \$1,000. The share price at June 30, 2008 was \$4,023. 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, 2008 TRS Invested Assets included a 30.70% ownership in the Emerging Markets Equity Pool.

Private Equity Pool

TRS Invested Assets include participation in the Board's externally managed Private Equity Pool which was established April 24, 1998, with a startup share price of \$1,000. The share price at June 30, 2008 was \$2,507. Underlying assets in the pool are comprised of venture capital, buyouts, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2008 TRS Invested Assets included a 30.89% ownership in the Private Equity Pool.

Absolute Return Pool

TRS Invested Assets include participation in the Board's externally managed Absolute Return Pool which was established October 31, 2004, with a startup share price of \$1,000. The share price at June 30, 2008 was \$1,267. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each fund administrator 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, 2008 TRS Invested Assets included a 30.64% ownership in the Absolute Return Pool.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(3) INVESTMENTS (Cont.)

Other Investments Pool

TRS Invested Assets include participation in the Board's externally managed Other Investments Pool which was established March 18, 2004, with a startup share price of \$1,000. The share price at June 30, 2008 was \$1,532. Underlying assets in the pool are comprised of limited partnership interests in an energy related venture capital operating company and 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, 2008 TRS Invested Assets included a 30.88% ownership in the Other Investments Pool.

Real Estate Pool

TRS Invested Assets include participation in the Board's Real Estate Pool which was established June 27, 1997, with a startup share price of \$1,000. The share price at June 30, 2008, was \$3,273. Underlying assets in the pool are comprised of separate accounts, commingled accounts, limited partnerships, and real estate investment trust holdings. With the exception of investments in real estate investment trusts, managers independently determine permissible investments. Treasury staff determines the permissible real estate investment trusts 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, 2008 TRS Invested Assets included a 30.62% ownership in the Real Estate Pool.

Health Care Trust Investments

The Board Contracts with an external manager who manages a mix of Common Trust Funds.

Domestic Equity

The Health Care Trust Investments in Domestic Equity are comprised of two externally managed Common Trust Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

SSgA International Equity

The purpose of this fund is to replicate the returns and characteristics of the MSCI EAFE Index through investing in 21 individual MSCI country funds which, in turn, own Index securities in market-weighted proportion.

SSgA Emerging Markets

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

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(3) INVESTMENTS (Cont.)

SSgA Domestic Fixed Income

The purpose of this fund is to create a well diversified portfolio that is representative of the domestic investment grade bond market. The strategy seeks 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 is to create a well diversified portfolio that is representative of the international government bond market. The strategy seeks 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 is to deliver a risk-controlled, higher quality, liquid exposure to the broad U.S. high yield market with low tracking error. The strategy uses 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 TIPS

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

Defined Contribution Participant Directed Investments

Pooled Investment Funds

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

T. Rowe Alaska Target 2025 Trust

On July 1, 2006 TRS began participation in the Target 2025 Trust. The purpose of this fund is to provide a diverse mix of stocks, bonds, and cash for long-term investors with a high tolerance for risk. Underlying investments are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, and money market instruments. At June 30, 2008 TRS Invested Assets included a 0.04% ownership in the Alaska Target 2025 Trust.

T. Rowe Alaska Balanced Trust

On July 1, 2006 TRS began participation in the Alaska Balanced Trust. The purpose of this fund is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for investors with a low to average risk tolerance. At June 30, 2008 TRS Invested Assets included a .01% ownership in the Alaska Balanced Trust.

T. Rowe Long-Term Balanced Trust

On July 1, 2006 TRS began participation in the Long-Term Balanced Trust. The purpose of this fund is to provide a balanced and diversified mix of stocks, bonds, federally guaranteed mortgages and money market instruments for investors with an average risk tolerance. At June 30, 2008 TRS Invested Assets included a .16% ownership in the Long-Term Balanced Trust.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(3) INVESTMENTS (Cont.)

T. Rowe Alaska Money Market Trust

On July 1, 2006 TRS began participation in the Alaska Money Market Trust. Underlying assets are comprised of cash equivalent instruments with maturities of less than one year which include commercial paper, banker acceptances, certificates of deposit with ratings of A1/P1 or better as well as, obligations of the US Government and its agencies, and repurchase agreements collateralized by US Treasury Instruments. The goal is to maintain a \$1.00 unit price for investors of the trust with a low risk tolerance. At June 30, 2008 TRS Invested Assets included a 13.70% ownership in the Alaska Money Market Trust.

Collective Investment Funds

The Board Contracts with external managers who manage a mix of collective investment funds.

SSgA S&P 500

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

SSgA Gov/Corp Bond Fund

The purpose of this fund was to match or exceed the return of the Lehman Brothers Government/Credit Bond Index. This fund was liquidated in September 2007 and replaced by the Barclays Gov/Corp Bond Fund.

Barclays Gov/Corp Bond Fund

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

Capital Guardian Global Balanced Fund

The purpose of this fund is to invest in stocks and bonds of U.S. and international companies and government bonds issued by the U.S. and other governments.

Brandes Institutional International Equity Fund

The purpose of this fund is to provide long-term capital appreciation. This fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such stocks.

Citizens Core Growth Fund

The purpose of this fund is to invest primarily in U.S. large cap growth stocks, with an emphasis on those that are managed in a socially responsible manner. This fund was liquidated in April 2008 and replaced by the Sentinel Sustainable Opportunities Fund.

Sentinel Sustainable Opportunities Fund

The purpose of this fund is to invest primarily in U.S. large cap growth stocks, with an emphasis on those that are managed in a socially responsible manner.

T. Rowe Small Cap Stock Fund

The purpose of this fund is to provide long-term capital growth by investing primarily in stocks of small companies. This fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies.

Teachers' Retirement System

Invested Assets

Notes to Schedules
June 30, 2008

(3) INVESTMENTS (Cont.)

Defined Contribution Health and Occupational Death and Disability Investments

ERISA Commingled and Mutual Funds

The Board Contracts with external managers who manage a mix of ERISA and Mutual Funds.

Domestic Equity

The Health Care Trust Investments in Domestic Equity are comprised of two externally managed ERISA Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

SSgA International Equity

The purpose of this fund is to replicate the returns and characteristics of the MSCI EAFE Index through investing in 21 individual MSCI country funds which, in turn, own Index securities in market-weighted proportion.

SSgA Domestic Fixed Income

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

SSgA Real Estate

The purpose of this strategy is to replicate the returns and characteristics of the Dow Jones Wilshire REIT Index. To accomplish this, SSgA's strategy is to buy and hold securities, trading only when there is a change in the composition of the Index or when cash flow activity occurs in the Strategy.

Lazard Emerging Markets Mutual Fund

The purpose of this fund is to meet or exceed the MSCI Emerging Markets Index by 3% per annum over a rolling five-year period. Underlying investments are comprised of domestic and global equities as well as alternative assets.

Teachers' Retirement System Invested Assets

Notes to Schedules June 30, 2008

(4) DEPOSIT AND INVESTMENT RISK

At June 30, 2008, TRS Invested Assets included the following:

Fair Value (in thousands)													
Fixed Income Pools													
	Short-term		Retirement		Enhanced		TIPS		Pooled Investment Funds		Other		Total
			Cash	International	High Yield								
Deposits	\$ -	\$ -	\$ -	\$ 360	\$ -	\$ -	\$ -	\$ 1	\$ 2,289	\$ -	\$ -	\$ 2,650	
Overnight Sweep Account (Imcs)	-	-	-	-	4,577	-	-	-	-	-	-	4,577	
Short-term Investment Fund	-	-	-	615	-	-	-	10	13,380	-	-	14,005	
Commercial Paper	4,815	-	-	-	-	-	-	38	-	-	-	4,853	
Domestic Equity	-	-	-	-	24	-	-	230	-	-	-	254	
International Equity	-	-	-	-	-	-	-	14	-	-	-	14	
Bridge Loans	-	-	-	-	1,726	-	-	-	-	-	-	1,726	
U.S. Treasury Notes	-	69,045	-	-	-	-	-	18,926	-	-	-	87,971	
U.S. Treasury Bonds	-	27,901	-	-	-	-	-	6,882	17	-	-	34,800	
U.S. Treasury - TIPS	-	-	-	-	-	-	-	-	33	-	-	33	
U.S. Government Agency	31,160	12,505	-	-	-	-	-	29	-	-	-	43,694	
Municipal Bonds	-	255	-	-	-	-	-	4	-	-	-	259	
Foreign Government Bonds	-	-	-	54,504	-	-	-	-	-	-	-	54,504	
Mortgage-backed	2,504	370,048	4,358	-	-	-	-	58	-	-	-	376,968	
Other Asset-backed	14,516	37,246	5,379	-	224	-	-	-	-	-	-	57,365	
Corporate Bonds	13,738	138,979	2,162	41,634	70,945	-	-	51	-	-	-	267,509	
Convertible Bonds	-	-	-	-	292	-	-	1	-	-	-	293	
Yankees:													
Government	-	3,251	-	-	-	-	-	4	-	-	-	3,255	
Corporate	4,120	17,942	1,220	-	7,128	-	-	8	-	-	-	30,418	
Domestic Equity Pool:													
Limited Partnership	-	-	-	-	-	-	-	-	69,152	-	-	69,152	
Convertible Bonds	-	-	-	-	-	-	-	-	218	-	-	218	
Treasury Bills	-	-	-	-	-	-	-	-	507	-	-	507	
Equity	-	-	-	-	-	-	-	-	1,436,932	-	-	1,436,932	
International Equity Pool:													
Convertible Bonds	-	-	-	-	-	-	-	-	349	-	-	349	
Equity	-	-	-	-	-	-	-	-	671,208	-	-	671,208	
Emerging Markets Equity Pool	-	-	-	-	-	-	-	-	131,105	-	-	131,105	
Private Equity Pool:													
Limited Partnerships	-	-	-	-	-	-	-	-	397,247	-	-	397,247	
Absolute Return Pool:													
Limited Partnerships	-	-	-	-	-	-	-	-	194,481	-	-	194,481	
Other Investments Pool:													
Limited Partnerships	-	-	-	-	-	-	-	-	23,827	-	-	23,827	
Agricultural Holdings	-	-	-	-	-	-	-	-	134,509	-	-	134,509	
Real Estate Pool:													
Real Estate	-	-	-	-	-	-	-	-	282,232	-	-	282,232	
Commingled Funds	-	-	-	-	-	-	-	-	106,892	-	-	106,892	
Limited Partnerships	-	-	-	-	-	-	-	-	168,367	-	-	168,367	
Real Estate Investment Trusts	-	-	-	-	-	-	-	-	23,486	-	-	23,486	
Mortgages	-	-	-	-	-	-	-	-	17	-	-	17	
Mutual Funds	-	-	-	-	31,315	-	-	-	102,436	-	-	133,751	
Net Other Assets (Liabilities)	(17)	(21,734)	(1,093)	1,018	104	223	(3)	(1,953)	(23,455)	-	-	(23,455)	
Other Pool Ownership	(55,942)	42,338	(12,026)	-	-	32	-	25,598	-	-	-	-	
Total Invested Assets	\$ 14,894	\$ 697,776	\$ -	\$ 98,131	\$ 116,335	\$ 26,063	\$ 495	\$ 3,782,279	\$ 4,735,973				

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Interest Rate Risk

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

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2008, the expected average life of fixed income securities ranged from eight days to less than three months.

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.

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 $\pm 20\%$ of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2008, was 4.68 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 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 International Fixed Income portfolio to $\pm 25\%$ of the Salomon Non-U.S. World Government Bond Index. The effective duration for the Salomon Non-U.S. World Government Bond Index at June 30, 2008, was 6.24 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 High Yield portfolio to $\pm 20\%$ of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2008, was 4.49 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 $\pm 20\%$ around the duration of the Lehman Brothers Global Inflation-Linked U.S. TIPS Index, or a reasonable proxy thereof. The duration of the proxy index at June 30, 2008 was 6.19.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Interest Rate Risk (Cont.)

At June 30, 2008, the effective duration of the Defined Benefit fixed income pools, by investment type, was as follows:

	Effective Duration (in years)				
	Retirement	Enhanced Cash	International	High Yield	TIPS
U.S. Treasury Notes	7.24	-	-	-	3.52
U.S. Treasury Bonds	13.48	-	-	-	12.66
U.S. Government Agency	4.85	-	-	-	-
Municipal Bonds	10.96	-	-	-	-
Mortgage-backed	4.37	0.73	-	-	-
Other Asset-backed	2.58	0.18	-	3.25	-
Corporate Bonds	4.91	(0.02)	-	4.46	-
Convertible Bonds	-	-	-	5.91	-
Yankees					
Government	11.93	-	6.65	-	-
Corporate	5.48	(0.76)	4.09	4.04	-
Portfolio Effective Duration	4.57	0.20	5.49	2.99	5.95

Defined Benefit Common Trust Funds

The Board does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the Common Trust investment funds that consists solely of debt securities, Domestic Fixed Income, High Yield, International Fixed Income, and TIPS were 4.69, 4.45, 6.31, and 7.83 years at June 30, 2008, respectively.

Defined Contribution Pooled Investment Funds

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

For government and corporate debt securities, duration is limited to ± 0.25 years of the Lehman Brothers Government/Credit Index. At June 30, 2008, the duration of the government and corporate debt securities was 5.32 years and the duration of the Lehman Brothers Government Credit Index was 5.30 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At June 30, 2008, the duration of the mortgage-backed securities was 4.14 years and the duration of the Lehman GNMA Index was 4.25 years.

The weighted average maturity of the money market portfolio was forty-five days at June 30, 2008.

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

Defined Contribution Collective Investment Funds

The Board does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the Collective investment fund that consisted solely of debt securities, the Government/Corporate Bond Fund, was 5.18 years at June 30, 2008.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Defined Contribution Occupational Death and Disability, Retiree Medical, and Health Reimbursement ERISA Commingled and Mutual Funds

The Board does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the ERISA Commingled investment funds that consists solely of debt securities, Domestic Fixed Income and International Fixed Income, were 4.69 and 6.31 years at June 30, 2008, respectively.

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 that are not rated by both Standard & Poor's and Moody's may be purchased if they have an AAA rating by two of the following: Standard & Poor's, Moody's or Fitch. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

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

Retirement Fixed Income:

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

Corporate debt securities must be investment grade.

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

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

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

Enhanced Cash Fixed Income:

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

The average portfolio credit quality shall be A3 or higher.

No more than 10% percent of the portfolio's assets may be invested in securities rated below investment grade as determined by the Lehman Brothers rating methodology.

No more than 2% percent of the portfolio's assets may be invested in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

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.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk (Cont.)

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.

Daily cash surpluses that arise in this pool are invested in the custodian's repurchase agreement sweep account. This account is secured by U.S. Government or Agency securities. As such, the Board does not consider this investment subject to the credit risk limitations above.

TIPS:

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

Corporate debt securities must be investment grade.

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

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

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

Domestic Equity, International Equity and Emerging Markets:

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

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

The Board does not have a policy to limit the concentration of credit risk for the Common Trust Funds, Defined Contribution Pooled Investment Funds, Collective Investment Funds, ERISA Commingled Funds or Mutual Funds.

Teachers' Retirement System

Invested Assets

Notes to Schedules

June 30, 2008

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk (Cont.)

At June 30, 2008, TRS Invested Assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

	Rating	Fixed Income Pools							Pooled Investment Funds
		Short-term	Retirement	Enhanced Cash	International	High Yield	TIPS		
Commercial Paper	Not Rated	6.80 %	- %	- %	- %	- %	- %	- %	3.86 %
Bridge Loans	Not Rated	-	-	-	-	1.48	-	-	-
Short Term Investment Fund	Not Rated	-	-	-	-	-	-	-	2.45
U. S. Treasury Notes	AAA	-	9.89	-	-	-	72.62	-	9.29
U. S. Treasury Bonds	AAA	-	4.00	-	-	-	26.41	-	4.74
U.S. Government Agency Discount Notes	AAA	-	-	-	-	-	-	-	0.04
U.S. Government Agency	AAA	44.00	1.34	-	-	-	-	-	7.19
U.S. Government Agency	Not Rated	-	0.46	-	-	-	-	-	-
Municipal Bonds	AA	-	0.04	-	-	-	-	-	-
Municipal Bonds	A	-	-	-	-	-	-	-	0.28
Municipal Bonds	Not Rated	-	-	-	-	-	-	-	0.14
Mortgage-backed	AAA	2.99	45.33	19.37	-	-	-	-	13.97
Mortgage-backed	AA	0.20	-	-	-	-	-	-	-
Mortgage-backed	A	0.12	-	-	-	-	-	-	-
Mortgage-backed	BBB	-	-	2.36	-	-	-	-	-
Mortgage-backed	Not Rated	0.24	7.68	7.70	-	-	-	-	1.43
Other Asset-backed	AAA	16.17	3.88	23.11	-	-	-	-	-
Other Asset-backed	AA	0.63	0.22	0.43	-	-	-	-	-
Other Asset-backed	A	2.53	0.24	0.13	-	-	-	-	-
Other Asset-backed	BBB	0.24	0.47	11.75	-	-	-	-	-
Other Asset-backed	BB	0.92	0.53	0.92	-	0.16	-	-	-
Other Asset-backed	Not Rated	-	-	-	-	0.03	-	-	-
Corporate Bonds	AAA	2.01	1.23	1.50	-	-	-	-	0.81
Corporate Bonds	AA	12.20	4.42	3.42	-	-	-	-	2.19
Corporate Bonds	A	4.10	9.07	6.41	-	-	-	-	6.67
Corporate Bonds	BBB	-	4.69	2.46	-	3.38	-	-	4.14
Corporate Bonds	BB	-	-	-	-	20.92	-	-	0.05
Corporate Bonds	B	-	-	-	-	29.01	-	-	-
Corporate Bonds	CCC	-	-	-	-	4.42	-	-	-
Corporate Bonds	D	-	-	-	-	0.07	-	-	-
Corporate Bonds	Not Rated	1.09	0.51	0.80	-	3.19	-	-	0.06
Convertible Bonds	AA	-	-	-	-	-	-	-	0.07
Convertible Bonds	BBB	-	-	-	-	0.10	-	-	-
Convertible Bonds	B	-	-	-	-	0.15	-	-	-
Yankees:									
Government	AAA	-	-	-	19.32	-	-	-	0.13
Government	AA	-	-	-	6.52	-	-	-	0.35
Government	A	-	-	-	21.96	-	-	-	0.37
Government	BBB	-	0.25	-	-	-	-	-	0.28
Government	Not Rated	-	0.22	-	7.74	-	-	-	-
Corporate	AAA	-	-	-	28.78	-	-	-	0.61
Corporate	AA	3.81	0.62	2.92	13.00	-	-	-	0.27
Corporate	A	1.26	1.16	0.92	-	-	-	-	0.57
Corporate	BBB	-	0.58	0.93	-	0.15	-	-	0.72
Corporate	BB	-	-	-	-	2.50	-	-	-
Corporate	B	-	-	-	-	2.50	-	-	-
Corporate	CCC	-	-	-	-	0.29	-	-	-
Corporate	D	-	-	-	-	0.12	-	-	-
Corporate	Not Rated	0.74	0.22	3.47	0.65	0.57	-	-	-
No Credit Exposure		(0.05)	2.95	11.40	2.03	30.96	0.97	-	39.32
		<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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(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, 2008, TRS Invested Assets had the following uncollateralized and uninsured deposits:

	<u>Amount</u>
International Fixed Income Pool	\$ 360,035
International Equity Pool	2,293,307
Pooled Investment Funds	73

Foreign Currency Risk

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

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

The Board's policy with regard to foreign currency risk in the International Equity Pool and the Emerging Markets Pool is to permit TRS to hold up to twenty-one percent of total investments in these two pools combined.

The Board's policy with regard to foreign currency risk in the Private Equity Pool is to permit TRS to hold up to twelve percent of total investments in private equity.

The Board has no policy regarding foreign currency risk in the Common Trust, Defined Contribution Pooled Investment Funds, Collective Investment Funds, ERISA Commingled and Mutual Funds.

At June 30, 2008 TRS had exposure to foreign currency risk with the following deposits:

<u>Currency</u>	<u>Amount</u>		
	<u>Fixed Income Pool</u>	<u>International Equity Pool</u>	<u>Pooled Investment Funds</u>
Australian Dollar	\$ 1	\$ (8,385)	\$ 2
Brazilian Real	-	10,174	-
Canadian Dollar	-	14,648	-
Danish Krone	-	156,853	-
Euro Currency	739	398,150	8
Hong Kong Dollar	-	147,927	2
Japanese Yen	190,954	1,381,716	14
Mexican Peso	168,341	-	1
New Zealand Dollar	-	18,548	-
New Tiawan Dollar	-	-	-
Norwegian Krone	-	72,304	-
Pound Sterling	-	57,854	-
Singapore Dollar	-	2	-
South Korean Won	-	21	-
Swedish Krona	-	35,110	46
Swiss Franc	-	(885)	-
	<u>\$ 360,035</u>	<u>\$ 2,284,037</u>	<u>\$ 73</u>

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(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk (Cont.)

At June 30, 2008, TRS had exposure to foreign currency risk with the following investments:

Currency	Amount				
	International Fixed Income Pool		International Equity Pool	Private Equity Pool	Pooled Investment Funds
	Foreign Government	Corporate	Equity	Limited Partnerships	Equity
Australian Dollar	\$ -	\$ -	\$ 15,221,166	\$ -	\$ 1,036
Brazilian Real	-	-	2,963,793	-	-
Canadian Dollar	-	-	20,088,221	-	-
Danish Krone	-	-	5,382,206	-	72
Euro Currency	34,487,633	1,515,137	198,834,484	67,658,891	5,333
Hong Kong Dollar	-	-	15,765,474	-	623
Indonesian Rupiah	-	-	1,955,987	-	-
Japanese Yen	9,278,067	40,119,213	146,294,185	-	2,736
Mexican Peso	10,738,361	-	289,645	-	100
New Tiawan Dollar	-	-	719,003	-	69
New Zeland Dollar	-	-	975,474	-	26
Norwegian Krone	-	-	5,128,815	-	514
Polish Zloty	-	-	113,321	-	-
Pound Sterling	-	-	126,098,639	4,377,160	1,825
Singapore Dollar	-	-	5,024,814	-	339
South African Rand	-	-	2,868,820	-	-
South Korean Won	-	-	4,193,650	-	103
Swedish Krona	-	-	9,254,287	-	480
Swiss Franc	-	-	55,628,478	-	832
	\$ <u>54,504,061</u>	\$ <u>41,634,350</u>	\$ <u>616,800,462</u>	\$ <u>72,036,051</u>	\$ <u>14,088</u>

At June 30, 2008, TRS 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.

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

At June 30, 2008, TRS Invested Assets did not have exposure to any one issuer greater than 5% of total Invested Assets.

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(5) FOREIGN EXCHANGE, FOREIGN EXCHANGE CONTRACTS AND OFF-BALANCE SHEET RISK

The International Fixed Income and International Equity Pool's investment income includes the following at June 30, 2008:

Net Realized Gain on Foreign currency	\$	44,005,931
Net Unrealized Gain on Foreign currency		13,552
Net Realized Gain on Foreign Exchange Contracts		(38,829)

The International Fixed Income and International Equity Pools include foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The maturity periods for these contracts range from two to one hundred and fifty-five days. TRS had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, 2008 as follows:

Contract Sales	\$	18,938,757
Less: Fair Value		<u>18,926,326</u>
Net Unrealized Gains on Contracts	\$	<u>12,431</u>

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

(6) COMMITMENTS AND CONTINGENCIES

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2008, TRS Invested Asset's share of the unfunded commitment totaled \$26,145,874. 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, 2008, TRS Invested Asset's share of these unfunded commitments totaled \$220,349,814. These commitments are estimated to be paid through 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 other investment portfolio. At June 30, 2008, TRS Invested Asset's share of this unfunded commitment totaled \$25,951,218 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, 2008, TRS Invested Asset's share of these unfunded commitments totaled \$89,382,437 to be paid through the year 2018.

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(7) SECURITIES LENDING

Alaska Statute 37.10.071 authorizes the Board to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. In February of 2008, the Board voted to suspend its securities lending agreement with State Street Corporation (the Bank) which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the Board'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.

While the securities lending agreement was active, there was no limit to the amount that could be loaned and the Board was able to sell securities on loan. International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent 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. Securities under loan, cash collateral and cash collateral payable were recorded on the financial schedules at fair value in prior years. The Bank and TRS received a fee from earnings on invested collateral. The Bank and TRS shared the fee paid by the borrower for loans not collateralized with cash.

There was limited credit risk associated with the lending transactions since the Board was 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 indemnified the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2008 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

(7) SUBSEQUENT EVENTS

Subsequent to year end, approximately \$65,000,000 representing amounts available to pay postemployment healthcare benefits was transferred to the Plan from the Public Employee Retirement System.