ALASKA RETIREMENT MANAGEMENT BOARD

BOARD OF TRUSTEES
AGENDA

February 6-7, 2014

Meeting in the
Egan Room
Centennial Hall
101 Egan Drive
Juneau, Alaska

Thursday, February 6, 2014

I. 9:00 am Call to Order

II. Roll Call

III. Public Meeting Notice

IV. Approval of Agenda

V. Communications, Public/Member Participation, and Appearances (Three Minute Limit)

VI. Approval of Minutes: December 5-6, 2013

VII. 9:10 Reports

1. Chair Report

2. Committee Reports
   - A. Audit Committee, *Martin Pihl, Chair*
   - B. Legislative Committee, *Gail Schubert, Chair*

3. Division of Retirement & Benefits Report
   - A. Membership Statistics/Buck Invoices/HRA Rates
   - B. Legislative Update

   Jim Puckett, Director, DRB

4. Treasury Division Report:
   Constitutional Budget Reserve Accounts
   Angela Rodell, Commissioner

5. Chief Investment Officer Report, *Gary Bader*

10:00-10:15 6. Fund Financial Report
Scott Jones, State Comptroller, DOR
Kevin Worley, Chief Financial Officer, DRB

10:15 – Break
15 Minutes

10:30-12:00 7. Capital Markets Assumptions
Michael O'Leary, Callan Associates Inc.

Lunch – 12:00 – 1:30 pm

1:30-1:40	8.	Introduction to Low Volatility Investing
1:45-2:30		Low Volatility Investing *Kevin Clark and George Matthews,* *Analytic Investors LLC*
2:30-3:00	9.	Brandes Investment Partners *Glenn Carlson and Juan Benito*

3:00 Break
10 Minutes

3:10-3:40	10.	McKinley Capital Management *Rob Gillam and Alex Slivka*
3:45-4:15	11.	Capital Guardian *Michael Bowman and Chris Ryder*
4:20-4:40	12.	Investment Actions/Procurement A. CIO Discretionary Authority B. Frontier Market Mandate C. RFP General Consultant D. RFS IAC Position *Gary Bader, Chief Investment Officer*

End of Day

Friday February 7, 2014

9:00-	13.	Actuarial Analysis Buck Consultants

VIII. Unfinished Business

1. Disclosure Reports
2. Meeting Schedule
3. Legal Report

IX. New Business

X. Other Matters to Properly Come Before the Board

XI. Public/Member Comments

XII. Investment Advisory Council Comments

XIII. Trustee Comments

XIV. Future Agenda Items

XV. Adjournment

(Times are approximate. Every attempt will be made to stay on schedule; however, adjustments may be made.)

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
MEETING

Location:
Anchorage Marriott Hotel
820 West Seventh Avenue
Anchorage, Alaska

MINUTES OF
December 5-6, 2013

Thursday, December 5, 2013

CALL TO ORDER

VICE-CHAIR SAM TRIVETTE called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:01 a.m.

ROLL CALL

Eight ARMB trustees were present at roll call to form a quorum. CHAIR SCHUBERT arrived after roll call was taken.

Board Members Present
Gail Schubert, *Chair*
Sam Trivette, *Vice Chair*
Gayle Harbo, *Secretary*
Kristin Erchinger
Commissioner Angela Rodell
Commissioner Becky Hultberg
Tom Brice
Sandi Ryan
Martin Pihl

Investment Advisory Council Members Present
Dr. William Jennings
Dr. Jerrold Mitchell

Department of Revenue Staff Present
Gary M. Bader, Chief Investment Officer
Steve Sikes, State Investment Officer
Pamela Leary, State Comptroller
Judy Hall, Board Liaison

Department of Administration Staff Present

Jim Puckett, Director, Division of Retirement & Benefits
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits
Mike Barnhill, Deputy Commissioner
Karen Rehfeld, Director, Office of Management and Budget

Consultants, Invited Participants, and Others Present
Robert Johnson, ARMB Legal Counsel
Michael O'Leary, Callan Associates, Inc.
Paul Erlendson, Callan Associates, Inc.
Gary Robertson, Callan Associates, Inc.
Michael Hayhurst, KPMG
Melissa Beedle, KPMG
Tony Dote, Lazard Asset Management
Matt Landy, Lazard Asset Management
Richard Torykian, Brookfield Investment Management, Inc.
Sam Arnold, Brookfield Investment Management, Inc.
Mark Brown, Goldman Sachs Asset Management
Matt Hoehn, Goldman Sachs Asset Management
Charles Shriver, T. Rowe Price
Rob Larkins, T. Rowe Price
Chris Dyer, T. Rowe Price
Bob Birch, T. Rowe Price
Shane Carson
Zach Hanna
Scott Jones
Bob Mitchell

PUBLIC MEETING NOTICE

JUDY HALL confirmed that public meeting notice requirements had been met.

APPROVAL OF AGENDA

COMMISSIONER HULTBERG moved to approve the agenda. The motion was seconded.

Chief Investment Officer GARY BADER requested Item 12. Liquidity and Item 15. Investment Actions be moved to 4:25 p.m. on December 5. Mr. Bader requested Item 14. Private Equity Evaluation be moved to 10:05 a.m. on December 6. With those amendments, the agenda was approved.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

There were no public comments.

APPROVAL OF MINUTES

DR. MITCHELL requested a correction be made to the last sentence of page 37 to read, "We can't expect returns like this to go on forever."

MS. HARBO moved to approve the minutes of the September 19-20, 2013 meeting as amended. MR. PIHL seconded the motion.

The minutes were approved as amended.

ELECTION OF OFFICERS

MR. PIHL moved for the unanimous vote to reelect CHAIR SCHUBERT, VICE-CHAIR TRIVETTE, and SECRETARY HARBO.

The motion carried unanimously.

REPORTS

1. CHAIR REPORT

CHAIR SCHUBERT had nothing to report.

2. COMMITTEE REPORTS

A. Audit Committee

MR. PIHL reported the Audit Committee met on December 4th and welcomed back MR. KEVIN WORLEY at the Department of Administration. The chief subject was the report from KPMG on the audits this year. MR. HAYHURST of KPMG will present the report at this Board meeting. MR. PIHL noted the Revenue and Administration audits have gone smoothly. The Audit Committee continued discussion of GASB 67 and 68. The Board members have the drafts MR. BARNHILL has provided.

B. Legislative Committee

CHAIR SCHUBERT reported the Legislative Committee met on December 4th. There was a long discussion regarding MS. ERCHINGER'S excellent presentation to Senate Finance. CHAIR SCHUBERT expressed her appreciation to MS. ERCHINGER for her willingness and thoughtfulness in preparation, as well as her effective answers to questions she was asked. CHAIR SCHUBERT noted the charter of the Committee was reviewed and no changes were made.

VICE-CHAIR TRIVETTE noted staff will be working with the Committee to develop a bullet memo, which will be shared with members of the Legislature discussing the unfunded status of the plan and thoughts on how to proceed forward. VICE-CHAIR TRIVETTE stated he was impressed with MS. ERCHINGER'S written presentation and has heard very positive comments.

3. RETIREMENT & BENEFITS DIVISION REPORT

A. Membership Statistics (informational)

MR. PUCKETT noted the number of retirements in the first quarter of FY14 for PERS was 494 and TRS was 374. He believes these numbers are significant and indicate the demographic of Baby Boomers are retiring. MR. PUCKETT advised the Division is experiencing an increase in workload and processed a record number of 2,242 retirements in FY13.

MR. PUCKETT reported the number of disbursements in the PERS Tier IV was a higher percentage than normal. He has queried his staff and no conclusions have been presented.

VICE-CHAIR TRIVETTE asked for an explanation of the word "beneficiaries" used for these statistics. MR. PUCKETT advised the definitions are on the back of the report and retirees and beneficiaries are considered as a whole. He noted a dependant would only be a beneficiary if the dependant was designated as the survivor.

B. Buck consulting Invoices (informational)

MR. PUCKETT stated there was nothing unusual to report on the invoices from Buck Consultants. The amount charged on evaluations is a little higher than normal because the bill came through during the first quarter and is reflected on this report.

4. TREASURY DIVISION REPORT

CHAIR SCHUBERT congratulated COMMISSIONER RODELL for being named Commissioner of the Department of Revenue. COMMISSIONER RODELL advised the revenue forecast was released on December 4. COMMISSIONER RODELL congratulated the staff on a very good year for the Treasury Division. She stated the Treasury Division is managing over $50 billion and a large portion of that is PERS and TRS trust funds.

CHAIR SCHUBERT shared her congratulations and believes the Treasury Division has a preeminent investment staff.

5. CHIEF INVESTMENT OFFICER REPORT

MR. BADER reviewed the rebalance results spreadsheet under the CIO Report tab. He noted the granular specifics of the rebalancing are available to any trustee upon request, but they are saving paper by only providing the rebalance results. There were no issues or anomalies with the rebalancing.

MR. BRICE noted the print is too small and suggested to make the rebalance results spreadsheet legible. MR. BADER stated the spreadsheet will be two pages, instead of one page. MR. BRICE reported the next item was a transfer of $135,000 which was left in a transition account. This went to QMA to be actively managed.

MR. BRICE explained the next item in the packet is a correspondence to MATTHEW FONDER asking the Board to divest Corrections Corporation of America. MR. BADER stated he would inform and share the letter with the Board. MR. BADER noted staff is not recommending any action regarding this request.

VICE-CHAIR TRIVETTE asked how much money the Board has invested in this corporation. MR. BADER does not know the exact amount. He stated it is not a large amount. The company may show up in index funds and by active managers. VICE-CHAIR TRIVETTE asked if it would be appropriate to say the investments are miniscule. MR. BADER agreed with that characterization. VICE-CHAIR TRIVETTE stated he dislikes the company's way of doing business and does not want to mess up the Board by getting involved in that. He noted he is happy with the current status.

MR. BADER noted the fairly routine activity of transferring $6 million from SSGA Index Fund to Analytic Investors. Item number six is a follow-up to the August 8th work session and hopes the OMB will respond to these open items during their presentation to the Board.

MR. BADER listed other financial transactions, including a $3.5 million transfer from fixed income to Crestline Investors, an absolute return manager. Guggenheim was funded another $10 million. Western Asset was funded $100 million. Included in the packet is correspondence from Pathway Capital Management relating to potential litigation between Pathway and their former employee.

MR. BADER advised the Board of the intent to invest $75 million with KKR, a well-known private equity firm who is expanding into real estate. The fund will have an eight-year life with a net target return of 11% to 15%. The real estate consultant Townsend has reviewed the fund and recommended investment. MR. BADER believes this will be a good holding to compliment the values already in the fund.

VICE-CHAIR TRIVETTE asked if the $75 million investment with KKR is in private equity. MR. BADER explained the investment is in real estate, real assets.

6. FUND FINANCIAL PRESENTATION and Cash Flow Update

MS. LEARY reviewed the fund financial report for the four months ending October 31, 2013. The total of all funds was $24.285 billion, which was an increase over the four months of about 9.5%. Investment income comprised approximately 8% of that increase. Defined benefit plans totaled $19.9 billion and participant-directed plans totaled $4.4 billion. PERS totaled $14.3 billion. TRS totaled $5.977 billion. JRS totaled $155 million. National Guard Navy Militia totaled $36.6 million. SBS totaled $3.1 billion. Deferred Compensation totaled $731 million.

MS. LEARY noted the asset classes are all within their targets, with domestic equity being slightly ahead of the target, but well within the allocation. This is true for the graphs for both the retirement plans and the healthcare plans.

MR. WORLEY expressed his appreciation for the warm welcome he received yesterday and today. He thanked DIRECTOR PUCKETT and DEPUTY COMMISSIONER BARNHILL for making great progress at the Division in the four years he has been away. The report provided by Division of Retirement and Benefits is a supplement to the report presented by MS. LEARY. MR. WORLEY noted this report is in response to the request by MR. PIHL to provide a breakdown of the net contributions or withdrawals.

MR. WORLEY noted the state of Alaska contribution has already been posted and is typically received in the first month of the fiscal year. The remainder of the report shows the benefits and refunds paid through each of the systems. MR. WORLEY stated he will talk with Great West to see if he can provide more information to the Board regarding the refunds.

MR. WORLEY advised he has been reviewing processes, finishing financial statements, working on CAFRs for both PERS and TRS, looking at the administrative structure and how costs are allocated to each of the funds, and reviewing investment expenses. MR. WORLEY believes at the next meeting he will be able to provide a summary report on what is reviewed on a daily basis.

MR. WORLEY stated the one-month report for October has similar information to the four-month report, broken down in the one-month category. He advised the Division is currently going through a third-party administrator change which starts on January 1st. MR. WORLEY invited Trustees to call, email or come talk to him with any questions.

MS. HARBO inquired if the amount under Other for the DB plan and TRS is the retirement drug subsidy. MR. WORLEY stated he does not know, but will double check with staff and give her the answer this afternoon.

CHAIR SCHUBERT recessed the meeting from 9:43 a.m. to 9:55 a.m.

12. LIQUIDITY

CHAIR SCHUBERT noted Item 12 Liquidity and Item 15 Investment Actions will be presented now because the meeting is ahead of schedule.

MR. BADER gave his presentation entitled "Planning for Increasing Benefits." He noted the benefit payouts from PERS and TRS will grow over the next nine years from approximately $1.9 billion to $2.9 billion. MR. BADER explained that while total contributions under the current PERS and TRS plans will be high for the next five years or so, they have essentially peaked out. Increasing benefit payments have overtaken the amount of contributions that come into the system. Lastly, even though fully funded, in the out years after 2030, assets will have peaked and it will become increasingly necessary to sell assets to pay benefits.

MR. BADER explained a slide showing Callan's capital market assumptions and directed the Board's attention to the 10-year geometric return. The Board has an 8% earnings assumption and the only asset class to have a projected return of 8% or more is private equity. MR. BADER noted private equity also has the highest projected risk, standard deviation.

MR. BADER showed a slide comparing the ARMB target asset allocation to the median public fund. ARMB holds more global equity ex U.S. and alternatives, including real assets, absolute return, and private equity, than the median public fund. ARMB holds less domestic equity, fixed income, and cash than the median public fund.

MR. BADER explained endowments and foundations generally have a set amount of money they have to pay out each year as part of their tax status. He suggested the ARMB think of itself like an endowment down the road because there will not be as many contributions coming in and the earnings will have to pay the benefits. MR. BADER showed the chart comparing the current ARMB to the median endowments and noted the similarities. The large endowments with more than a billion dollars have a considerable amount of holdings in alternatives, up to 85% in equity, private equity and illiquid assets.

MR. BADER presumed no answers would be made this morning and he is not suggesting an answer, but noted it is instructive to ask the question of whether the ARMB is prepared to go to 58% real assets hedge funds and private equity, because that is the direction that may ultimately have to be taken if the capital market assumptions do not change over the next few years.

MR. BADER showed the 10-year returns for PERS by asset class and noted private equity had the greatest return and absolute return or hedge funds was the most disappointing. He stated real assets have done pretty well, not so much because of real estate, but largely because of farm land and energy have been great performers. He believes adding funds like KKR will continue to help the real estate component. Fixed income has not done well over the past 10 years and many experts do not think it will do well over the next 10 years.

MR. BADER discussed the ARMB target return and risk chart, noting it takes about 30 basis points of a return to cover expenses. He showed how the target return for the last four years has been dropping all the way down to 7.16% in FY14, while the risk column has increased due to the changing investment environment. He stated that we have to ask the question; do we really think we are going to get 8% after fees if we continue on the course we are on?

The next slide focused on Callan's assumptions on having a totally liquid fund, meaning public equities and stocks held which could be liquidated within 90 days without dramatically impacting market value. The projected 10-year return is 7.5% and the risk number is 17.3%. This is a lot riskier than the current asset allocation and provides less return. JP Morgan's total liquidity portfolio assumptions used the same risk number as Callan, but their projected 10-year returns were less across the board.

MR. BADER stated the question to be asked is; what are we going to do over the next few years? MR. BADER said staff has a few ideas in mind and will use forums like today and the

February meeting to form additional thoughts. One of the ideas to address the cash flow needs is to investigate total return swaps. He briefly described total return swaps as putting up cash and trading the return on cash for the return on the desired return of an asset class. Another suggestion is to establish an internally managed liquidity account, rather than selling an index fund or requesting a manager to sell stocks.

MR. BADER stated another idea is to seek out real asset and private equity investments that feature a high yield component, much like the KKR product. MR. BADER suggested increasing the allocation to high return asset classes and determining if there is a willingness to increase the holding amount of private equity.

MR. BADER reported he intends to have Analytic Investors present their findings at the February meeting regarding low volatility public equities and their return per unit of risk. Low volatility stocks may be one way to maintain high equity investments without increasing the risk profile.

Also in February, MR. BADER noted staff will be asking the Board to grant the CIO more discretion to act in between Board meetings. MR. BADER noted there is not a recommended strategy today and this should be well though out. In February or April, staff will be recommending a future asset allocation to meet these challenges.

MS. ERCHINGER thanked MR. BADER for his report and acknowledged this information represents an important foundational shift in perspective for the Board. MS. ERCHINGER commented she is having a challenging time looking at expected nominal return targets because of the inflation component of the real returns. She believes ARMB is reaching the real return targets over long-term periods, even if they do not appear to be reaching the nominal return targets. MS. ERCHINGER believes the focus should be on real returns and requested MR. BADER'S opinion on real returns, nominal returns and inflation assumptions.

MR. BADER explained the Board makes a calculation of what the inflation assumption should be over the next 30 years, which is over 3%. Callan and JP Morgan's inflation assumptions are less than that. MR. BADER noted the illustration shows that using either real rate of return or nominal rate of return, both returns have fallen behind. MR. BADER stated in his next report, he will compare ARMB portfolio to the average large public fund like Washington or Oregon.

MR. PIHL noted medical cost inflation is another factor to be considered, which is a lot higher than 3%.

15. INVESTMENT ACTION

MR. BADER stated this investment action requests Callan to perform a due diligence review of Everest Capital Management for potential inclusion as one of the ARMB's equity managers.

VICE-CHAIR TRIVETTE moved to authorize Callan to conduct due diligence on Everest Capital Management; the motion was seconded by MS. HARBO.

The motion carried unanimously.

7. KPMG - Audit Report

MR. MICHAEL HAYHURST, Engagement Audit Partner and Anchorage Managing Partner of KPMG, gave the audit results of June 30, 2013. MR. HAYHURST noted he met separately with the Audit Committee three times as the audit work was completed to provide a detailed discussion and answer questions. The presentation today is a high level synopsis that encapsulates those three meetings and the required communications.

KPMG issued unmodified opinions that the financial statements are materially correct in accordance with generally accepted accounting principles for the invested assets of the retirement systems, the Treasury Division's invested assets under the investment authority of the Commissioner of Revenue, the retirement system side for the PERS, TRS, JRS, NGNMRS, SBS, and DC plan. No unexpected issues arose as part of the audit to cause any significant change to the audit plan. No misstatements were identified as a result of the audits that required correction to the financial statements.

The only uncorrected items that were identified were not identified as a result of the audit. These are known items, which have been discussed year over year, and relate to the valuation information lag in the alternative investment pool. A detailed analysis is completed to determine the impact on the financial statements. Historically, there has never been a material impact. MR. HAYHURST noted ARMB has very good controls in place to ensure information is not materially misstated by the time the financial statements are issued.

Management provided full cooperation throughout the audit. There was full access to the books and records and a very quick turnaround on questions being answered. MR. HAYHURST noted they are required under professional standards to review other information included within the audited material to ensure it is not materially inconsistent with the audited information. He noted a draft of the CAFR will be received and reviewed before they are issued.

MR. HAYHURST explained KPMG involves a number of specialists listed in the audit team on Slide Six. The audited areas of interest and summary of risks include the accuracy of contributions, the valuation of alternative investments, and the valuation of benefit plan obligations which includes the incurred, but not reported amount.

KPMG has been working with the state over the last year is the implementation of GASB 67 and GASB 68. These have significant impacts on the employer financial statements and are a work in progress. The GASB has issued interpretive guidance for GASB 67 and is working on the interpretive guidance for GASB 68. KPMG's GASB specialists and the state's actuary specialist are consulting with GASB on these standards and implementation information.

The appendix portion of the presentation discusses the responsibilities and delineation of those responsibilities. The highlight is management is responsible for the financial statements and implementing internal controls to be able to record those financial statements materially correct in accordance with generally accepted accounting principles. This is done under the direction and oversight of the Audit Committee and the ARM Board.

KPMG is responsible for planning and performing the audit to provide reasonable assurance that material misstatement is not present within the financial statements and they are recorded materially correct in accordance with generally accepted accounting principles. KPMG is responsible to issue opinions at the end of the audit and report back to the Audit Committee and ARM Board, which is being done as part of this meeting today.

MS. ERCHINGER commented during the Audit Committee yesterday, it was noted the issuance of the implementation guide on GASB 68 will potentially have an impact on the way the state handles the allocation of GASB 68. She hopes the state will soon provide its intent with regard to those unfunded liability allocations.

MR. PIHL stated he was really impressed with MR. HAYHURST'S role as a partner on the audits.

9. INFRASTRUCTURE MANAGER SEARCH

MR. BADER invited MR. SIKES to share some of the elements of the policy that is before the Board for approval. MR. SIKES advised the action memo has two components. One is to approve the benchmarks for the infrastructure component, which is the real assets asset class, and the second part is approving the guidelines.

MR. SIKES stated the Board approved two private open-end infrastructure funds in September. Later in the meeting, the Board will consider two public infrastructure managers. Together, those four managers will form the infrastructure portfolio and will conform to the policies and the benchmarks being proposed in this action.

MR. SIKES explained benchmarks in the infrastructure asset class have not evolved to the point of other more mature asset classes. The table at the bottom of the action memo lists the various proposed benchmarks the Board is requested to adopt to evaluate the infrastructure program. The S&P Global Infrastructure Index is the proposed benchmark for the combination of the public and private portfolios. The rationale is it is the most diversified and evenly split among the benchmarks.

At the investment manager level, it is proposed to use the manager preferred benchmark. Each manager who will present later in the meeting has their own preferred benchmark and the primary rationale is not disrupting the style the manager is trying to implement by imposing a different benchmark.

VICE-CHAIR TRIVETTE asked if staff supports the managers' preferred benchmarks and believes they are appropriate. MR. SIKES agreed.

MR. SIKES advised on the private investment side, which are the two open-end funds the Board approved in September, there would not be a formal benchmark and evaluation would be based on the target returns the managers have advertised, both the target income return and the target total return. He noted this is the way many of the fund level performances are valuated currently in private equity and in other real asset funds.

The other component of the benchmark assessment for infrastructure is the real assets target return composition. The real assets asset class needs to have a benchmark in order for Callan to calculate a return attribution analysis, which breaks down the return into manager selection and allocation. Page two of the action item shows the proposal to modify the real assets benchmark to accommodate the S&P Global Infrastructure at the portfolio level. This would move 5% from NCREIF and 5% from TIPS to equal the 10% S&P Global Infrastructure. The other components remain unchanged.

MR. SIKES discussed the salient components of the guidelines. He noted the basis for these guidelines was the existing ARMB timberland guidelines and much of this information already exists in other guidelines. The return objective is a 5% net real and is consistent with other components. The ARMB infrastructure advisor selection establishes a minimum of two private and two public managers. The allocation section establishes the Board determines the allocation, but it carries forward the current CIO discretion and limits that exist for real estate funds. The performance benchmark is what was explained earlier. The investment constraints are fairly broad. No more than 10% shall be in emerging markets, which is not a targeted area of the program, but allows for flexibility.

VICE-CHAIR TRIVETTE asked if the term "managers" should be consistently used instead of "infrastructure advisors." MR. SIKES stated the intent is "advisors" means the same thing as "investment managers."

VICE-CHAIR TRIVETTE asked if MR. JOHNSON has reviewed these guidelines and is comfortable with the confidentiality section. MR. JOHNSON noted the confidentiality provision is workable. MR. JOHNSON requested clarification regarding the CIO's discretion to commit to investments of up to $100 million with existing managers. He asked if that is $100 million dollars for each manager or the aggregate of $100 million. MR. BADER noted it is $100 million dollars per manager.

<u>MS. HARBO moved to adopt Resolution 2013-18; the motion was seconded by MS. RYAN.</u>

MR. PIHL asked for clarification regarding Section 5E. Leverage, noting public infrastructure investment managers shall not use leverage. MR. SIKES commented the intent of that provision is to indicate the stock managers cannot borrow and then go invest in stocks. It is at the portfolio level and not at the asset level. There will be debt on the balance sheets of the companies, but the investment manager will not be able to margin the portfolio to buy stocks and will not be allowed to have a leveraged stock position.

A roll call vote was taken and <u>the motion carried unanimously.</u>

MR. O'LEARY provided an overview of the infrastructure project search. He believes it is advantageous to have both private and public infrastructure. It is important for private infrastructure managers to have diversified portfolios, which can be obtained through the listed infrastructure market. MR. O'LEARY noted for public infrastructure, it is important to have broad diversification with significant experience working in the public infrastructure world. The list of candidates has been narrowed down to two managers.

MR. BADER added the Board selected two private infrastructure managers or open-end fund managers at the September meeting. The managers presenting today are publically traded infrastructure managers. The list of candidates provided by Callan was reviewed by MR. BADER, MR. SIKES and MR. HACKENMUELLER. MR. BADER believes both Lazard and Brookfield are quality firms that complement one another and would be good additions to the portfolio. Lazard and Brookfield will present later in the meeting.

UNFINISHED BUSINESS

MR. BADER requested proceeding to Unfinished Business on the agenda.

1. Calendar

MS. HALL stated the Board will be finished with the 2013 calendar at the end of tomorrow's meeting. The 2014 calendar is included in the packet. There are no additions.

2. Disclosure Report

MS. HALL advised the disclosure report is included in the packet. There was nothing unusual. MS. HALL requested all travel documents, receipts and information be provided to her by the end of the meeting because she has to turn those in to the fiscal office by December 12th to process the 1099's.

3. Legal Report

MR. JOHNSON stated he does not have a specific legal report, but reported to the Board he has been working with MR. SIKES on negotiating various matters, including the private infrastructure negotiations. MR. JOHNSON noted the negotiations have been rigorous and complemented MR. SIKES on his excellent negotiations.

CHAIR SCHUBERT recessed the meeting from 10:54 a.m. to 11:04 p.m.

8. FY 2015 BUDGET

CHAIR SCHUBERT introduced DIRECTOR KAREN REHFELD, Office of Management and Budget, to present the Governor's Fiscal Year 2015 Budget. CHAIR SCHUBERT advised no questions will be allowed on this presentation.

MS. REHFELD advised the Governor's budget will be released December 12th. She stated her comments today will be in the context of the whole state spending plan. MS. REHFELD advised the Governor has taken the retirement system unfunded liability issue very seriously. It is the single largest driver of the operating budget costs. It poses the greatest risk to the AAA bond rating. MS. REHFELD noted if it is not addressed, it will negatively affect future Alaskans.

MS. REHFELD reported over the past seven years, with the help of the Legislature, almost $3.3 billion in assistance payments have been funded to municipalities and school districts, providing considerable relief to their budgets over that period of time. MS. REHFELD noted the Governor visited with the ARM Board in September of 2011 to talk about his goals and possible solutions. MS. REHFELD and MS. BOUCHER came to an ARMB work session in August and discussed the context of the unfunded liability, the direct assistance payments, and the state's fiscal plan. MS. REHFELD commented she knows the ARMB has been working diligently on looking at different scenarios.

MS. REHFELD stated the Governor's direction has been very clear. The annual cost on behalf of the state, local governments and school districts has to be managed. Obligations to retirees must be met. The health of the funds must be preserved. The problem needs to be tackled now, rather than push it off to the future. MS. REHFELD advised this approach balances the obligations to provide essential services, while also meeting this significant obligation.

MS. REHFELD advised the state of Alaska is on a very strong financial footing, as evidenced by the AAA bond rating and significant reserves. However, the unfunded liability and the actuarial projection of those state assistance payments raises concerns and poses a significant risk to that bond rating.

MS. REHFELD stated the Governor understands the benefit of a predictable, sustainable payment when it comes to paying off an obligation or a debt. MS. REHFELD noted the Governor is concerned about the increasing cost of a level dollar payment eating into the state's recurring revenue stream and driving up the operating budget costs. The revenue forecasts show lower oil prices and production. The operating budget must be reduced.

MS. REHFELD advised the Governor's fiscal year 2015 budget will propose a plan to put Alaska's retirement system on a solid footing, while also putting the state's operating budget on a more sustainable path. The budget will recommend transferring $3 billion from the state's savings account, the constitutional budget reserve, to the state's retirement trust funds. With legislative approval of this one-time $3 billion appropriation from the constitutional budget reserve into the trust funds, the annual state pension contribution will drop to $500 million a year.

MS. REHFELD reported this proposal will increase the funded status of the PERS and TRS systems by 10% almost immediately to 73% and 63% respectively, which is close to the funded status back in 2003. Under this proposal, the annual payment will be capped at $500 million and would extend three years beyond the current percent of pay amortization schedule. MS. REHFELD stated because of the significant and escalating resources required to pay down the unfunded pension liability, it is in Alaska's interest to dedicate some of the budget reserves now to pay down the obligation and move the state's annual payment to a lower, more sustainable and predictable level.

MS. REHFELD hopes the ARMB will favorably consider and support the Governor's approach. She understands there will be other approaches to consider through the public process. MS. REHFELD stated it is important for the public and the ARM Board to carefully consider all the points of view and constructively participate in the process. She will leave copies of a summary of her talking points today with the Board. MS. REHFELD expressed her appreciation to the Board for having her speak today and stated she looks forward to talking to the Board more about this proposal.

CHAIR SCHUBERT thanked MS. REHFELD for her informative presentation. CHAIR SCHUBERT stated on behalf of the Board, they are really pleased the Governor has taken notice of this critical issue and is willing to provide this one-time payment. CHAIR SCHUBERT believes the Board will do whatever it can to support the Governor as this proposal moves forward.

CHAIR SCHUBERT recessed the meeting from 11:18 a.m. to 1:10 p.m.

9. INFRASTRUCTURE MANAGER SEARCH CONTINUED

LAZARD ASSET MANAGEMENT

MR. TONY DOTE, Managing Director, and MR. MATT LANDY, Senior Vice President and Portfolio Manager/Analyst, of Lazard Asset Management gave a detailed presentation on their publically traded infrastructure strategy entitled Lazard Global Listed Infrastructure. MR. DOTE explained the global infrastructure strategy has been around for about eight years. There is $4 billion under management. There are six members of the infrastructure team, three of which are in Australia, two in New York, and one in Europe.

MR. DOTE explained this is a value strategy and is benchmark agnostic. He noted that by design, the portfolio looks different than the benchmark used. The portfolio is geared to produce a return of 5% over inflation and to outperform its benchmark.

MR. LANDY described the members of the Global Listed Infrastructure Team in detail and commented on the stability of the team and its importance to the consistency in decision making. He believes the experience of the team is important to their investment process. MR. LANDY advised the team has access to all the resources of Lazard.

MR. LANDY explained Lazard's approach to this asset class is called "Preferred Infrastructure," because not all infrastructure is created equal. He noted the strategy typically invests in regulated monopolies with massive capital barriers to entry. The risk of losing money is relatively low, as long as the team does not overpay for the asset. One of the most interesting things about infrastructure is the strength of inflation protection. All of the portfolio's companies have explicit or implicit inflation pass-through in their revenue streams. Infrastructure assets tend to have relatively low correlations to other asset classes. This portfolio has demonstrated a beta of about .6 to global equities over the past eight years and standard deviation of returns that are much lower than global equities.

MR. LANDY noted the portfolio managers are very selective in their definition of preferred infrastructure. Only 100 companies of the roughly 400 listed securities around the world are in their preferred infrastructure universe. The focus of these companies includes revenue certainty, profitability, and longevity. MR. LANDY explained the biggest risk in infrastructure is political and regulatory risk. He commented they focus of developed economies and want to be in places where the right to increase tariffs and get a fair rate of return on the capital can be protected. For that reason, investments do not typically occur in the emerging markets.

MR. LANDY described the four-stage investment process, consisting of initial filtering, qualitative risk ranking, fundamental analysis and value ranking, and portfolio construction. He noted the essence of the process is very simple and is all about valuation. He commented that in simple terms they are trying to develop intrinsic values for the 100 companies in the preferred infrastructure universe, construct a portfolio of the cheapest 25 to 50 of those stocks trading at discounts to intrinsic value, and then diversify based on stock, country and sector.

MR. LANDY showed graphs illustrating the value ranking for each stock in the preferred infrastructure universe. He noted the actual expected return is the difference between the current market price of the stock and the intrinsic value in three years' time, along with the dividend stream. There is a minimum of one percent in any one stock and up to a maximum of 8%. A graph was shown illustrating the value rank by region. MR. LANDY believes the pipeline companies in Canada are very, very expensive today. He believes the regulated utilities in the U.S. are overvalued, largely as a function of quantitative easing in North America and the very low interest rate environment. MR. LANDY thinks there are some very interesting opportunities in Italy, particularly in the toll road sector, which have been performing extremely well through the Italian recession over the past few years and are trading at huge discounts to intrinsic value.

MR. LANDY gave a description of the risk controls and how they diversify the portfolio. There is a minimum of 25 and a maximum of 50 stocks in the portfolio at any given time. Currently, the portfolio is comprised of 29 companies, across nine different infrastructure sectors and they own 240 different assets. This provides underlying diversification in the portfolio because most of the companies own multiple utilities, pipelines, and toll roads. There is no minimum weighting for a particular sector or country. The maximum weighting is 30% to 50% for sectors and 15% to 50% for countries. MR. LANDY showed graphs illustrating the current portfolio allocation by sector and by country.

MR. LANDY advised the eight-year track record and pattern of performance has been consistent with what is expected from infrastructure. He reported the absolute returns per annum over the past five years have been about 11.5%. MR. LANDY believes listed infrastructure is an interesting place to be in what remains a relatively uncertain macroeconomic time, because infrastructure has very predictable and stable cash flows in either a boom or a bust economy.

MR. O'LEARY asked what the annual turnover rate is. MR. LANDY stated it has been around 50%. MR. O'LEARY asked what is driving the turnover rate. MR. LANDY explained it is almost entirely driven by changes in the share prices. The intrinsic values of the companies do not tend to change very much because they are stable by nature. He noted in the past five to seven years there has been quite a lot of share market volatility, which has created opportunities to sell companies and also buy companies when they get cheap.

MR. O'LEARY requested explanation of why they manage on a hedged basis. MR. LANDY noted they eliminate the currency volatility when they hedge. MR. O'LEARY asked for more information regarding regulatory exposure, using coal transportation in the U.S. as an example. MR. LANDY stated he believes MR. O'LEARY is alluding to the potential regulation on coal, coal fired power plants, carbon emissions and so on. He noted they are not bullish on the outlook for coal production in the U.S. as a result of that potential regulation. MR. LANDY stated the railroads in the portfolio do not just transport coal, but also transport many other things, like chemicals, agriculture, and cars. He noted they have a zero volume growth assumed in the valuations for the rail stocks across the next five years and believe they will get margin expansion through pricing power and productivity improvements.

MR. ERLENDSON asked how achieving a 5% real return versus U.S. inflation plays into the composition of a global portfolio. MR. LANDY commented another reason for hedging is the nature of forward currency contracts and getting the interest rate differential between the currency that you are hedging against and your own currency. Protection is received in the home currency because the concern is only with the home country inflation and not with inflation in other countries.

MR. ERLENDSON inquired if there are any risks the Board should know about relative to increasing interest rates in terms of achieving the 5% real rate of return. MR. LANDY believes there is a material risk to returns in North America because of the very low interest rate environment because these low interest rate assumptions are embedded in the valuations for many of the stocks. If and when interest rates rise, these stocks could be vulnerable.

DR. MITCHELL asked if the companies in this portfolio are widely held in other Lazard international and global portfolios, given the attractiveness of the companies and the strength of the analytic team. MR. LANDY stated they are to some extent. He noted a couple of the utilities are owned. Red Electric, which controls the Spanish transmission grid, is owned by some of the international portfolios. Some of the toll road businesses in Italy, as well as some of the Australian infrastructure stocks are owned. MR. LANDY proudly stated Lazard employees own significant amounts of their fund as an option of compensation.

MR. PIHL asked for the P/E ratio on the overall portfolio. MR. LANDY noted page 36 shows an earnings yield, which is the inverse of a price to earnings ratio. The earnings yield is 8.6% and the P/E ratio is 12.

BROOKFIELD INVESTMENT MANAGEMENT, INC.

MR. SAM ARNOLD, Portfolio Manager, and MR. RICH TORYKIAN, Client Services Representative, of Brookfield Investment Management gave a detailed presentation entitled Brookfield Global Infrastructure Securities (Ex-MLPs) Strategy. MR. ARNOLD and MR. TORYKIAN provided their descriptive personal backgrounds and those of the investment team. The team is comprised of nine dedicated investment professionals and two traders, all in Chicago, except for one trader in London.

MR. ARNOLD explained Brookfield's investment strategy is focused on investing like an owner/operator. He believes the owner mentality coupled with Brookfield's broad spectrum of investments throughout the globe is a powerful combination. MR. TORYKIAN stated when Brookfield buys an asset, they do not just buy it for investment purposes, they actually operate it. MR. TORYKIAN calls this their "internal consulting force," because they can talk to the operators and employees directly about insights to the company, as well as to the industry.

MR. TORYKIAN discussed what makes Brookfield unique and differentiates them in the marketplace. He noted they specialize in real assets and run capacity constrained strategies in the different sectors of the real asset space. MR. TORYKIAN stated Brookfield is a true asset manager, who builds bottom-up, fundamental, high conviction portfolios with 30 to 50 stocks, of which the top 10 companies are 50% to 60% of the portfolio. MR. TORYKIAN noted the portfolio is measured to a benchmark, but does not start with the benchmark as the building blocks of their process.

MR. TORYKIAN explained they use a pure play infrastructure philosophy, meaning 70% of the operating cash flows have to come off the owning and operating of a true infrastructure asset that has revenue visibility, long-life cash flow, and perhaps an inflation link. MR. TORYKIAN noted they have top quartile performance in alpha and information ratios and up-market capture. They are in the bottom quartile for lower standard deviation, down market captures and tracking errors.

MR. ARNOLD believes they have been pretty good at generating excess returns over the last few years and believes they can continue to do that with their bottom-up fundamental process and the help of the Brookfield platform. MR. ARNOLD stated the process begins with understanding the assets. There is a difference between how a company makes money and how a company reports that they make money. He believes understanding how a company makes money helps to identify changes in cash flow, dividend growth, earnings growth or anything that would have a material impact on the stock price. MR. ARNOLD noted it is very important to be able to squeeze operational efficiencies out of assets that would be deemed to have very little opportunities to do so.

MR. ARNOLD commented it is important the portfolio generate positive returns, part of that is finding companies that are going to outperform and part of that is avoiding companies that will blow up and lose money. The portfolio follows a four-step process, quantitative screening, fundamental analysis, investment themes, and portfolio construction. The screening universe is made up of about 250 companies. MR. ARNOLD explained the companies are ranked based on the company level factors they cannot control being public investors. Valuation is viewed from real cash flow metrics and how the company has traded in the past relative to itself and to its peer group.

MR. ARNOLD believes Brookfield has a competitive edge on their fundamental analysis by understanding how companies make their money, which hopefully would lead to better predictions on earnings. This key differentiator is accomplished by the depth of the managers' experience in the industries and being able to speak with people who are running the companies within the broader Brookfield platform. MR. ARNOLD gave examples of the extensive on-site due diligence performed.

MR. ARNOLD discussed the current portfolio weightings shown on the graph on Slide 11, with a fairly large weighting in pipelines/midstream/LGD's. He noted U.S. allocation is about equal to the benchmark. MR. ARNOLD stated the Canada allocation is a little bit above the benchmark, but they have been underweight bond proxies because they want to avoid those in a rising interest rate environment.

VICE-CHAIR TRIVETTE asked how long Brookfield has been in this sector of the market. MR. TORYKIAN stated there are a couple of answers to that question. In infrastructure generally, it goes back decades. In private markets, in owning and operating assets, on the listed infrastructure security side, these strategies go back to April of 2008. That is when the performance track record started.

MR. O'LEARY asked for a couple of their public sector client names. MR. TORYKIAN stated the State of Virginia Retirement System is a client. He noted they are in the process with a handful of others, but cannot remember any others specifically off the top of his head. He can provide a list by email to staff and consultants. MR. TORYKIAN commented U.S. institutional investors are really starting to just now ramp the full breadth of their real assets allocations and believes Alaska is ahead of the curve relative to other public funds in looking at the listed infrastructure markets. MR. ARNOLD advised they manage $4.5 billion in this strategy with a diverse set of global clients, including pension funds, endowments, and sovereign wealth funds.

MR. BADER asked for a discussion regarding the returns. MR. ARNOLD noted the graph on Slide 14 illustrates their returns. Over the five years since inception, the fund has been able to beat its benchmark, the Dow Jones Brookfield Global Listed Infrastructure Index. This benchmark is similar to the S&P, but lacks a lot of the utilities.

MR. ERLENDSON asked what is the return objective and whether it is a real return target or if it is relative to the index. MR. ARNOLD stated the return target is to beat the index. He believes the companies within the index have been able to grow their cash flows about 6% a year and grow their dividends at about 6% per year. MR. ARNOLD believes they should be able to beat inflation over time by the cash flow growth of about 6%.

MR. BADER stated Callan has reviewed these managers and MR. SIKES and MR. BADER have visited them onsite. It is recommended by staff the Board hire Lazard and Brookfield to manage public sector infrastructure in the amount of $75 million each, subject to successful contract negotiations.

MR. BRICE moved the ARM Board direct staff to hire Lazard Asset Management and Brookfield Investment Mangers to manage up to $75 million each in infrastructure investments, subject to successful contract and fee negotiations; the motion was seconded by MR. PIHL.

A roll call vote was taken and the motion carried unanimously.

10. ADDITION TO DC INVESTMENT OPTION

MR. BADER stated the next two presenters deal with the defined contribution plans and staff is recommending hiring both managers for the products they will discuss. MR. BADER noted both of these managers have presented these products to the Defined Contribution Committee and it is with a lot of thought that he is introducing them here today.

T. Rowe Price is an existing manager. Staff has asked them to advance their Building Block funds and has worked with them for quite some time in doing this. The Building Block funds will expand to include being benchmarked more to an ACWI structure, as opposed to an EAFE structure. They will have more opportunity to invest opportunistically in fixed income. MR. BADER believes what they will present will be an enhancement to the current Building Block funds. This will be added with a less than one basis point increase in fees.

MR. BADER reminded the Board about previous discussions regarding adding some options to the defined contribution plan that may be perceived as more risky than some want to add to the plan. MR. BADER stated he approached the question differently and Goldman Sachs, who is the next presenter, has come up with a product they call Portfolio Completion. MR. BADER believes it gives the defined contribution participants access to some of the investment strategies that are being used in the defined benefit plan. MR. BADER stated these ideas have been shared with COMMISSIONER HULTBERG and were presented to the Board at the education conference two conferences ago.

A. Retirement Portfolio Completion Fund

MR. MARK BROWN, Asset Management Division, and MR. MATT HOEHN, Portfolio Manager, with Goldman Sachs Asset Management, gave a detailed presentation entitled Goldman Sachs Collective Trust Retirement Portfolio Completion Fund. MR. BROWN believes there are best practices that can be learned from comparing defined benefit plans to defined contribution plans. He showed a survey by Callan which suggested DB plans typically outperformed DC plans by nearly 2% per year and typically does so with less volatility. One of the reasons for that is DB plans usually can get a better price because they can aggregate assets. Another reason is DB plans have a more sophisticated investment committee and make better asset allocation decisions.

MR. BROWN noted DC plans typically have more exposure to domestic equity, while DB plans typically invest in alternatives and nontraditional investment options unavailable within the DC plans. MR. BROWN believes it is important for participants to have thoughtful exposure and access to these types of asset classes in a DC friendly way. He noted Goldman Sachs worked long and hard to develop this single strategy called a Retirement Portfolio Completion strategy, RPC, to provide this access.

The main objective of RPC is to provide broad diversification away from domestic equity and domestic fixed income. The second objective is inflation protection. The third objective is new sources of growth by having access to things like emerging markets equity. The RPC structure is developed as a single portfolio. MR. BROWN stated some of these asset classes can be volatile, but he believes the way the asset classes work together and how the fund is managed offers a relatively low volatile way.

MR. BROWN commented the RPC structure has a passive management style, keeping costs down and giving a broad strategic exposure. The RPC is compatible in a DC marketplace with daily liquidity, daily pricing and the look and feel of other offered investment options.

MR. HOEHN explained the illustration on Slide 6 showing the underlying asset classes and their representative indices. Included in real return are Treasury Inflation Protected Securities (TIPS), global REITS and commodities. These all provide returns in an inflationary environment. The non-traditional growth and income asset classes already exist to some degree within DC plans. MR. HOEHN stated RPC will access these in a nuanced way adding quite a bit of value. The asset classes include emerging markets equity, emerging markets sovereign credit, and North American high yield corporate credit.

Included in the absolute return category is the hedge fund index replication asset class, which basically aims to capture the premium from hedge funds. MR. HOEHN reported the long-term risk-adjusted return of any of the hedge fund indices are extremely strong and better than equities, credit, commodities, REITS, and any of the standard asset classes. The product used is called the Absolute Return Tracker Fund or ART Fund and it is able to generate a return close to the overall hedge fund index in a daily liquid format. The ART Fund does not invest in any hedge funds. It is a replication strategy.

MR. O'LEARY asked if the context that hedge funds have done better than equity oriented balance funds is based on a return per unit of volatility. MR. HOEHN agreed and stated he believes hedge funds will ultimately deliver very strong risk-adjusted returns and will be a nice benefit to RPC.

MR. ERLENDSON asked why a passive approach is being used in some areas where one might normally make the case for active management. MR. HOEHN commented the number one factor to complementing a portfolio is adding asset classes, rather than specific managers. MR. BROWN added it is important to understand and consider the scrutiny in terms of fees in which the DC plans operate.

MR. HOEHN explained the risk-managed approached used for allocation of the seven asset classes into RPC. The asset classes that are higher volatility or higher risk get low allocations and the asset classes with lower risk get higher allocations. From an overall standpoint, RPC has an expected volatility of around 6%, which is close to what has been realized in the 13 to 14 months the product has been managed live. The allocation method is very stable and the fund is rebalanced twice a year, minimizing transaction costs. MR. HOEHN stated having these asset classes bundled together in a risk-managed way allows them to be put in portfolios in a low risk fashion.

MR. BROWN stated the feedback he has received from plan sponsors is this product can be kind of the third least volatile product within their menu.

MR. HOEHN noted the RPC has generated a steady modest positive return over the last 13 months and he believes it will continue to perform as such over time and help add value to DC participants.

MR. BROWN showed a visual to illustrate how incremental improvement can lead to meaningful results over time. He believes these types of asset classes can plan an important role in helping participants meet their retirement goals.

MR. BADER requested an explanation of the fee structure. MR. BROWN stated this product was launched as an I share mutual fund at 58 basis points. It is also available as a collective trust vehicle with a fee structure of 38 basis points. The fee structure for the DC plan is 38 basis points.

MR. O'LEARY stated the ARM Board has been examining this for some time. He asked if they believed the RPC's performance pattern since the actual inception of the fund is what would have been simulated had the fund not existed. MR. BROWN agreed and stated the results have been how they felt the product would have performed since inception.

VICE-CHAIR TRIVETTE asked how many people are actually working the product. MR. HOEHN advised his team manages the entire portfolio. There are 15 people dedicated to research and portfolio management. There is a team of about 30 technologists. There are 10 strategists and a dedicated execution trading desk.

VICE-CHAIR TRIVETTE commented he is amazed this has come along so fast and is glad they are able to bring so many different aspects into the product. He is looking forward to seeing where the fund will be in two or three years. VICE-CHAIR TRIVETTE stated he feels very hopeful and expressed his appreciation to the team for all the work they have done to get this far. He believes the ARMB is one of the first groups to move in this direction, which puts the ARMB at the forefront and will potentially have a large impact on the DC participants to get a modernized portfolio.

VICE-CHAIR TRIVETTE recessed the meeting from 2:47 p.m. to 3:00 p.m.

B. Building Block/Benchmark/Contract Changes

MR. BADER noted the relationship with T. Rowe Price extends back 22 years. T. Rowe Price runs a substantial amount of assets for the Board in the defined contribution area, including the Alaska Balance Fund, which is the largest single investment of the DC participants. They also manage the target date funds with a series of building block funds. T. Rowe Price is here to discuss enhancements to the building block funds.

MR. BOB BIRCH, Director: U. S. Institutional Client Services, introduced MR. CHARLES SHRIVER, Lead Portfolio Manager for the Alaska Balanced and Target Retirement Date portfolios, MR. ROB LARKINS, Portfolio Manager of the fixed income portion of the two balanced funds and the Target Retirement Date portfolios, and MR. CHRIS DYER, Vice President - Institutional Sales Executive for T. Rowe Price. MR. BIRCH noted MR. DYER was instrumental in developing the relationship with the state of Alaska 22 years ago and he is very mindful that relationships of that tenue are exceedingly unusual in this business. MR. BIRCH expressed his appreciation to the Board for their continued confidence through the years. He noted this relationship is important and has the constant engagement, involvement and attention of the senior management team.

MR. DYER explained the investment portfolios managed by T. Rowe Price for the state of Alaska are customized portfolios which have evolved over time. They include two balanced funds and a series of retirement date funds in five-year increments. The retirement date funds possess very broad diversification in core equity, core fixed income, small cap and international. They are managed in a very tight risk controlled way and in a very cost effective manner.

MR. DYER stated about 12 months ago, T. Rowe Price and MR. BADER and staff engaged in conversation on what might be an appropriate way to continue to evolve the underlying vehicles. The three objectives were to first reduce the sensitivity of the trusts to rising interest rates. The second was to increase the inflation sensitivity of the trusts. The third was to more fully benefit from global investment opportunities.

MR. SHRIVER stated in developing the proposal on how to better position portfolios over the next 10 years, the recommendation has been guided by the same key attributes that have contributed to success over the last 20 years. These include the best thinking of T. Rowe Price's asset allocation group, working closely with Alaska to create custom solutions with an emphasis on risk awareness and risk control. MR. SHRIVER advised over the last several months, they have worked closely with MR. BADER and his team to evaluate key risks, as well as opportunities that investors face over the next decade in an effort to improve the risk and return profile of the portfolios, taking into account potential changes in the investment environment over that time horizon.

MR. SHRIVER advised within the bond portfolio, they propose to lessen the interest sensitivities by transitioning the core investment grade component to an intermediate maturity aggregate profile. Also proposed is the introduction of investment grade floating rate notes and short-term TIPS into the portfolio to further lessen the interest rate sensitivity and increase the inflation sensitivity of the portfolios. This is a custom investment profile, which would be reflected across the balanced, long-term balanced and the suite of target date offerings.

MR. SHRIVER advised within equities, they propose to more fully represent the international equity opportunity set. This would be done by increasing the representation from 20% of equities to 30% of equities. The scope of the investment mandate would broaden to include emerging markets. These changes would be consistent with the investment profile of the international equities within the T. Rowe Price Retirement Date funds.

MR. SHRIVER explained from a participant standpoint, there would be no change to the number of offerings. It would be the same Balanced Trust, Long-Term Balanced Trust and the suite of Retirement Date Trusts. These would invest in the same four building blocks, but there would be changes to the investment objectives of the two building block trusts. Fixed income would se the lessened interest rate sensitivity and heightened inflation sensitivity in the bond trust and the international trust would be see the greater representation within equities to include emerging market stocks.

VICE-CHAIR TRIVETTE asked for an explanation of the difference between the aggregate bond and the intermediate aggregate bond and asked if it was primarily the length of duration. MR. SHRIVER agreed the primary difference is the length of duration. MR. LARKINS showed the proposed enhancement to the bond trust of Slide 17. He explained the Intermediate Aggregate Index is a subset of the Aggregate Index having maturities less than 10 years. The duration is shorter. MR. LARKINS stated duration is a measure of a bond's or a portfolio of bonds' sensitivity to moves in interest rates. As interest rates go up, prices go down. The longer or higher the duration, the m ore the price will adjust down as interest rates move up. The move to the intermediate aggregate is to shorten duration.

MR. LARKINS showed a graph on Slide 20 representing the current structure of interest rates and the projected normalized curve. MR. O'LEARY asked what day this is going to happen. MR. LARKINS stated it is a good point they do not know when or how fast it is going to happen, but they are pretty sure this is how it is going to happen. As the rates normalize, the term structure has to return to normal and that is going to be a bear-flattening. The answers to how long it takes to occur or how fast it will occur will be seen as they evolve, but the rising interest rate environment is what is being protected against.

MR. ERLENDSON asked for an explanation of Slide 36 and why the shorter dated funds seem to make the portfolio outcomes less efficient. MR. SHRIVER explained the near-dated portfolios have a higher fixed income allocation. The model performance is based on the environment in the last 10 years, which saw interest rates falling fairly dramatically. On a going-forward basis, in an expected environment of rising interest rates, the profile that has the shorter duration would do better than the current aggregate duration. MR. SHRIVER stated the proposed portfolio would do better than the current profile.

DR. MITCHELL asked if they would advocate going back to the Barclays Aggregate after the bond market normalizes in the future. MR. DYER noted they will be in continuing dialog with the state of Alaska regarding the profile. After the market settles in at a more normal environment, it would then be appropriate to reconsider an aggregate profile.

MR. LARKINS expressed his appreciation to the Board for a fantastic 22-year relationship and hopes they illustrated today they are continually evolving the plan to meet the needs of the participants in this challenging environment. He believes the proposed portfolio is designed for the next five to 10 years.

C. Board Action

MR. BADER requested the Board authorize staff to contract with Goldman Sachs to manage a portfolio completion strategy for the state of Alaska's participant directed plans, subject to successful contract and fee negotiation.

<u>MS. RYAN moved to authorize staff to contract with Goldman Sachs to manage a portfolio completion strategy for the state of Alaska's participant directed plans, subject to successful contract and fee negotiation; the motion was seconded by MS. HARBO.</u>

MS. ERCHINGER requested MR. BADER summarize some of the benefits from the presentations today versus other options presented to the DC Committee. MR. BADER noted there have been discussions in the past at the DC Committee regarding emerging markets, gold funds, and other risky investments with high volatility. He does not believe the DC Committee had an appetite to adopt any singular investment option for the fund participants. MR. BADER believes the presentations today will provide plan participants a significant opportunity to diversify their portfolio and address participant requests to add more volatile options.

DR. JENNINGS commented these options provide a way to offer complexity and diversification into the menu without overwhelming folks with choices. He noted these options bring the best practices from the asset allocation discussions for the defined benefit plan to the DC plan.

VICE-CHAIR TRIVETTE stated these options are trying to allow DC participants to get into some of the areas that are very illiquid and are not accessible to them, like private equity. VICE-CHAIR TRIVETTE believes the biggest challenge will be the roll out of these options and how it is explained to the plan participants because it is complicated. He asked whether any other big plans are offering options like these. MR. BADER thinks the strategies offered in the illiquid area are different than these because they limit private real estate to a certain amount and then invest the remainder in REITS. MR. BADER does not like that approach and does not want to subject the participants to what can go wrong with that approach.

<u>The motion carried unanimously.</u>

<u>MS. HARBO moved to approve the enhancements to the building blocks as presented by T. Rowe Price; VICE-CHAIR TRIVETTE seconded the motion.</u>

MR. BADER stated there will be a very small increase to the fees charge by T. Rowe Price of less than one basis point. He believes it is well worth it for the categories of investment provided.

DR. JENNINGS characterized the overall relationship with T. Rowe Price as being fairly leading edge and these solutions are reasonable and appropriate at this time.

MS. RYAN requested a brief explanation of the inclusion of the floating rate notes. MR. BADER advised floating rate debt tends to lower the duration of a fixed income portfolio during the period of rising interest rates.

The motion carried unanimously.

CHAIR SCHUBERT reported she met briefly with the Governor and thanked him for his leadership on coming forward with a solution to the unfunded pension liability issue. CHAIR SCHUBERT assured the Governor the Board would work with him to support his efforts. The Governor asked CHAIR SCHUBERT whether the Board had passed a resolution stating their support. CHAIR SCHUBERT noted there will be a resolution to that effect presented to the Board tomorrow morning for adoption.

RECESS FOR THE DAY

CHAIR SCHUBERT recessed the meeting at 3:48 p.m.

Friday, December 6, 2013

CALL BACK TO ORDER

VICE-CHAIR TRIVETTE reconvened the meeting at 9:00 a.m. Trustees Harbo, Erchinger, Hultberg, Brice, Ryan, Pihl, and Rodell were present. CHAIR SCHUBERT arrived after the beginning of the meeting.

11. PERFORMANCE MEASUREMENT - 3rd QUARTER

VICE-CHAIR TRIVETTE invited MR. O'LEARY and MR. ERLENDSON to give their presentation. MR. O'LEARY noted the graph on Slide Three of their presentation is from the JP Morgan Guide to Markets showing the quarterly growth rates for GDP. The estimate for the third quarter GDP was announced this morning and raised significantly to 3.6% and accompanied by the announcement of 203,000 new jobs with a reduction in the unemployment to 7%.

MR. O'LEARY stated the news based on the statistics is that the recovery continues and there has been some slight acceleration with no sign of an impending recession. The long-term Fed projection for the Fed Funds Rate is close to 4%, which is a significant change from the current rate. There are no apparent signs of an acceleration in inflation shown by the graphs from Babson Capital. The 10-year treasury is about 2.86 and has been moving in the range of 2.6 to 2.9.

MR. O'LEARY explained in the May/June period there was fear that taper was going to go away and rates spiked significantly. He noted most people believe March is the next logical time for the Fed tapering to begin to change and this is being explicitly factored into the view of both the fixed income and equity markets.

MR. O'LEARY discussed the chart on Slide 10 of his presentation noting capitalization is very important to performance. He stated small cap has performed really well returning 30.06% for the year. Large cap stocks returned 20.91% for the year. This has been a great time for active managers in domestic equities, with the exception of mid-cap equities. MR. O'LEARY presented the same information for global and international equity index returns and noted the EAFE Small Cap Index returned 29% for the year. Emerging markets returned only 1.33% and frontier markets returned 21.75% for the year. MR. O'LEARY explained what can be confusing and can lead to misinterpretation on performance is many developed market managers, who perceive their benchmark is the EAFE Index, use emerging market securities out of the performance benchmark. This helps them when emerging markets have outperformed, but it has hurt them when emerging markets have underperformed.

MR. O'LEARY advised currency is an important indicator and showed a graph illustrating the decline in value of the yen relative to the dollar. This has been a conscious policy decision on the part of the Japanese government. MR. O'LEARY stated the Hedge Fund-of-Funds Database has finally returned more than the CPI plus five for the last year showing better returns than bonds.

MR. O'LEARY described a unique periodic table for real estate indices shown on Slide 14. He believes this table helps to explain the portfolio's performance pattern during the 2008 meltdown and in 2009. The NCREIF Property Index is a quarterly index with no associated fee and it is based on appraisals. In 2012, the NCREIF Property Index returned 10.54%. Back in 2008, it returned a minus 6.46%. MR. O'LEARY does not believe this reflects what happened to property values by the end of 2009. In 2009, the NCREIF Property Index returned a minus 16.86%. MR. O'LEARY noted the portfolio had a fair size exposure to what he calls beyond poor real estate and one frame of reference is the ODCE Index Equal Weighted which was down 31% in 2009. MR. O'LEARY consistently has said the biggest explanatory factor for the portfolio's performance in 2009 was the lag valuation differences being recognized in 2009. He noted the same sort of thing happened to a lesser extent with regard to private equity valuations in the same period.

MR. O'LEARY explained the portfolio's actual asset allocation for PERS is very close to targets showing a slight over-allocation to domestic equity and a minor under-allocation to global ex-U.S. As compared to other public funds, the portfolio has a large alternative allocation, a large international allocation, a very small fixed income allocation and a meaningful real assets exposure.

The performance was good for the quarter, returning 5.35%, slightly below the target index, but better for the year, returning 14.31%, comfortably above the target index. Both asset allocation and manager effects were positive. MR. O'LEARY noted the computer blamed the manager effect in private equity because the short-term measure of private equity uses a public market index and private equity is not public market.

MR. O'LEARY reported the three-year portfolio returns are 10.22%, which is over the target of 10.04%. He noted Other equity was included in domestic equity until the September quarter when it became a standalone asset class renamed from a Board member's suggestion to Alternative Equity Strategies. MR. O'LEARY reported the 10-year returns are very close to the target index. The seven and five-year numbers are really affected by the performance of 2009, including the real estate performance timing issue and the private equity valuation lag period.

MR. O'LEARY explained the exposure to fixed income in the trailing 12 months has performed better than the benchmark at negative 77 basis points, primarily because a significant portion of the bond portfolio is invested in an intermediate treasury benchmarked portfolio managed internally. Part of the overall fixed income portfolio includes non-U.S. fixed income. Mondrian has done an excellent job over the long-term, but this was a very difficult year for them being down over 7%. Their benchmark was down about 5%, but over the longer periods of five, six, and 10-years, Mondrian comfortably outperformed their benchmark. MR. O'LEARY stated the MacKay Shields conservative high yield portfolio did well in the past year and has had index-like returns over longer periods. They manage the higher quality end of the below investment grade arena of bonds.

MR. O'LEARY advised this is the first quarter the domestic equity total number is altered because of the movements of the analytics of the world. The historic numbers will not be re-engineered. The Other category is now included in the Alternative Equity category. The domestic equity returns for the year were very good, partly due to the influence of the tilt to small caps. The chart on Slide 27 illustrates the returns. Large cap managers had a 21.42% one-year return. Much of the large cap pool is passively managed and will have index-like returns. The large cap passive had a 20.54% one-year return. The small cap active returned 34.75% for the year. Over five years, the small cap active has outpaced the Russell 2000 Index. MR. O'LEARY noted he has seen other periods where the small cap active has lagged the Russell 2000 Index and acknowledges this is not something that is going to happy each and every year.

MR. O'LEARY stated the portfolio's total international equity was up 18.88% for the year compared to the MSCI All Country World Index ex-U.S., which was up 16.98%. The emerging markets return has been essentially at the index for the year and a tad below the index for three years and five years. Lazard is the sole global manager and continues to outperform the All Country World Index. The real assets real estate return numbers are taken from Townsend, the portfolio's real estate consultant. The real estate target number is 10.55% and the real estate pool had a return of about 8.81%. Farmland had a good year with a target of 17.8% and a return of 16.55%. Total timber returned better than their index for the year.

MR. O'LEARY showed the chart on Slide 40, noting the TIPS portfolio last year had a negative 6.09% return, which was right at the TIPS Index of negative 6.10%. He noted TIPS have an incredibly low yield and long duration and as a result, was very sensitive to the increase in rates during the May/June period. The absolute return composite was just below the Hedge Fund Research Fund-of-Funds Composite Index and above the T-bill plus five type of target. MR. O'LEARY stated the hedge fund situation has not gone unnoticed and the Board has approved changes in mandates, which have yet to flow through to the performance numbers.

MR. ERLENDSON commented on a topic from the last meeting regarding the SEC promoting revisions to the rules that apply to money market funds. He noted this has been an interesting environment. There has been a huge amount of push-back by individual fund sponsors, by the DC industry, by the record keeping industry, and even by the auditing and accounting industry. Essentially, the SEC wants to impose two changes to the way that money market funds work. Historically, there has been a one-dollar net asset value and the number of units change, but the value of the units themselves does not change. The SEC wants to go to a floating net asset value, so it would perform like any bond fund or any stock fund.

The industry has pushed back because there will be tax basis issue that come into play for taxable investors. From a record keeping perspective, this would create a whole new infrastructure that would have to be developed. Fund sponsors have been afraid it would encourage people to leave money market funds in terms of market crisis. There has been an inordinate amount of over 1,500 comments submitted to the SEC for these proposed rules. The expectation today is there will not be any news coming out of the SEC until midyear next year. MR. ERLENDSON will keep the Board apprised because money market funds are an element to many of the target date funds and there may be implications to the portfolio.

MR. ERLENDSON commented the use of target date funds have increased and expects by early next year, across the industry, target date funds will become the biggest single category of investments in terms of assets in DC plans. In the current plan, target date funds constitute about 16% of fund assets. About 40% of the contributions to DC plan in the third quarter went into target date funds. MR. ERLENDSON believes the ARMB's adoption of the RPC strategy yesterday is leading edge and with the fears of inflation, that is the kind of investment designed to protect investors in the future if the environment turns bad. He believes it will prove to be a long-term benefit for the participants.

MR. ERLENDSON stated one of the key areas that has been developing in the DC environment is litigation focused on fees in terms of disclosure of fees or structure of fees. He noted it is to the Board's credit they have adopted the Goldman strategy for 38 basis points, where comparable vehicles are typically in the 80 to 110 basis-point range. MR. ERLENDSON said the rest of the portfolio's fund offering fees are also very low on a comparative basis. MR. ERLENDSON believes the ARMB is doing the right thing in terms of its structure and cost.

VICE-CHAIR TRIVETTE thanked MR. ERLENDSON for his overview and believes it is critical the ARMB has an overview understanding to stay on top and remain forward-looking.

MR. ERLENDSON directed the Board's attention to the individual account option performance on Slide 43. He noted the Alaska Balanced Fund is the single biggest investment in the plan, having about a third of the overall DC assets. The Alaska Balanced Fund has 60% of its assets in fixed income because the objective of this fund is to have a low to moderate risk profile and it has dampened volatility. The risk levels of this fund are very, very low in the 99th percentile. It has achieved its major objective by being at targeted weight in fixed income, which in this recovery environment has been a lower returning asset.

The Long Term Balanced Fund has about 36% targeted for fixed income and have produced at or above median returns. MR. ERLENDSON explained the Target 2035 Trust is showing it has underperformed its target, but it is less than a few basis points and there are no concerns in the long-term record for these funds. The Brandes International Fund had a recovery and has been well ahead of the benchmark the last two quarters. It has underperformed during the remaining eight of the last 10 quarters, which is why the three-year ranking is below its index. The risk level for this strategy is relatively high compared to the other offerings in the fund. Anybody who invests in Brandes had better be prepared for volatility because it is the nature of the strategy.

MR. ERLENDSON explained the RCM Social Responsible investment is a relatively small fund of $34 million. There will be a benchmark change effective October 1, fourth quarter report, because the KLD Index data sets have been acquired by MSCI. The construction methodology is essentially the same. The Stable Value Fund and Interest Income Fund are meeting their objectives of providing a stable net asset value with a degree of income, but their absolute rates of return are awfully low. MR. ERLENDSON advised all the passive options have been meeting their objectives. The TIPS has underperformed its benchmark within 15 to 20 basis points partly because it holds 4% to 5% in cash and cash is returning zero. There needs to be cash to provide liquidity in that fund. MR. ERLENDSON stated in general, there is a great lineup of funds who are meeting their objectives. He believes the ARMB is staying ahead of the game by offering strategies that will benefit members going forward at low and reasonable costs.

CHAIR SCHUBERT recessed the meeting from 9:51 a.m. to 9:59 a.m.

14. PRIVATE EQUITY EVALUATION

MR. GARY ROBERTSON, Senior Vice President, of Callan gave a presentation entitled ARMB Private Equity Portfolio Review and Performance Analysis. He noted the presentation will follow the same format as in past years, discussing background, timeline of development, funded level, recent market conditions, diversification, total portfolio review and individual manager review.

The portfolio is 15 years old, starting with a 3% allocation. Abbott was the first manager hired going into the tech bubble with high prices and then it go hit by a recession. This has had a long-term effect on their numbers, although their numbers are still very good. Pathway was hired about three years after Abbott, which doubled the allocation. That had very good timing right at the bottom of the recession and had a nice run of a bull market after they started investing. At this point, there is a 33% overlap in holdings between the two managers, which fits into the general range from 25% to 40% overlap. This is due to the market being very narrow recently. Blum was added to the portfolio in 2005 when prices were high. This was not a private equity investment. It was in the public portfolio and transferred in. Blum has not performed well and is affecting total performance.

MR. ROBERTSON stated there have been a couple of small increases in allocation in recent years. In 2006, it was increased to 7%. In 2007, right before the recession kicked in, an in-house portfolio was started in a high price environment. It then went through a slow environment, which affects its history. There was another small tick-up in 2011. For this fiscal year, the target has been increased to 9%.

MR. ROBERTSON reported the fund level had a fantastic year, with total assets increasing \$1.8 billion, which is about 11% for the fiscal year. The NAV went up about \$7 million. He noted the S&P 500 number of 4.3% at 15 years on Slide 7 should be 6.8%. Private equity is essentially at the target right now returning 8.9%, right under the current target of 9%. Abbot and Pathway have close to equal weighting of 45% and 47% of the portfolio. The in-house portfolio is 8% and Blum is de minimis at about .6% of the portfolio.

The uncalled commitments are about half of the NAV and about a third of the combined total of NAV and economic exposure. MR. ROBERTSON explained commitments to funds or how much money was raised in private equity each year follows the economic cycle very closely. When economic times are good, plans get a lot of money back and plan sponsors commit more to private equity, but unfortunately at higher prices. In recessions, it is hard to put money out and general partners are not raising capital.

MR. ROBERTSON noted fiscal year 2013 has been phenomenal with four up quarters. The commitment rate has been relatively moderate. The investment into companies has been slower than normal and distributions have been higher because there has been a backlog of investments that should have been exited in the recession and the general partners need to get off their books. Now is a good time to sell and general partners have been doing that, which is reflected in the numbers.

MR. ROBERTSON reported private equity fund raising is starting to heat up and will cross the $200 billion mark, which back in 2005 indicated there was too much money going into the marketplace at that time. The investment pace into companies has not picked up and liquidity still feels pretty good. MR. ROBERTSON noted Carlyle posted a $13-billion fund in the last few year and momentum and prices have stayed relatively high through this recession era.

MR. ROBERTSON explained the financing market is relatively easy and credit is plentiful. Prices are attractive for sellers and it is surprising that not too many deals are occurring. He believes general partners are focused on exits and being cautious after they got stuck with high-priced companies in the past. MR. ROBERTSON expects exits and distributions will continue to be strong, as they have been during this fiscal year.

MR. ROBERTSON stated private equity returns have not kept up with the public market returns since the recession mainly because of appraisal valuations. The Abbott portfolio has an 8.9% IRR at the 15-year mark. This is competitive to the database and better than public stocks. Pathway is 11 years into their program. Their 12.7% IRR compared with the 10-year 9.7% of public stocks.

MR. ROBERTSON reported the portfolio is 80% paid-in and because more capital was paid-in than committed, the uncalled capital decreased by about 3%. The portfolio is exhibiting characteristics of a very mature portfolio, with a good investment pace. Distributions this year were phenomenal. Since distributions are off of the starting NAV of $1.6 billion back in 2012, and $473 million has come out, that is a 36% cash flow or a third of the NAV back. If the returns net in the distribution, the cash flow back this year was $207 million. MR. ROBERTSON stated the portfolio appreciation this year was very good at 13%.

MR. ROBERTSON directed the Board's attention to the distributed to paid-in, DPI, which for every dollar put into this portfolio, it has received 83 cents back at this point in 2013. The residual value, RVPI, is the NAV divided by the paid-in. For every dollar paid into the portfolio, there is 57 cents left in the portfolio. The total value, TVPI, is those two combined and every dollar paid into the portfolio has created essentially a 40% profit at this point. The total value multiple is very close to the upper quartile.

MR. ROBERTSON explained the largest portfolio industry is technology and software. International is 27%, which is coming down because managers are not committing as much in that area. The Rest-of-World, that is not Bhutan, is usually Canada and Bermuda. MR.

ROBERTSON noted this portfolio is about 14% of Abbott's total assets, a significant part of their business. They are a smaller boutique with 48 total employees. Abbott has strengths in venture capital and is a mix of about 40% venture and 60% corporate finance investments, buyouts and special situations. They do not do distressed, but will do mezzanine debt in special situations.

MR. ROBERTSON stated Pathway is complementary to Abbott in that they do just the opposite. They will do distressed, but not mezzanine. This gives the pie chart more diversification. Pathway is much more buyout oriented, which explains some of the performance differential between them right now. Pathway has about twice as many employees than Abbott. This portfolio is about 4.4% of Pathway's total capital.

MR. PIHL asked for clarification regarding Slide 17 and the meaning of "cumulative IRR." MR. ROBERTSON stated cumulative means from inception, so the IRR from inception of 2001. MR. PIHL asked if the 2.5% return for the manager for 2012 is a cumulative IRR. MR. ROBERTSON stated that is a brand new IRR and they have probably drawn maybe 15% or 20% of the fund at this point. MR. O'LEARY asked if the fee is charged on more. MR. ROBERTSON stated they charge the fee on all of it and there will be a J-curve effect. MR. PIHL commented if the chart stated vintage year return rather than cumulative, it would make more sense to him. MR. O'LEARY believes it would be helpful to note 2012 reflects vintage year funds.

MR. ROBERTSON described the in-house portfolio as fairly concentrated comprised of six investments with five general partners and one reinvestment with Warburg Pincus. A new commitment was made in July. The portfolio provides a good representation of strategies, with the exception of venture. Some venture exposure will be provided by Warburg Pincus. This is a young and dynamic portfolio, with only 72% paid-in. This is also a small portfolio, which means cash flows will be affected more as commitments are added. There was a lot of investment activity and paid-in went up 35%. Commitments went up 17%. Distributions were $35 million, which is a cash flow yield of 33%. If the returns net the contributions back in, this portfolio was funded $3 million, so there was not a positive yield. The NAV went up 17% and it is still too early to benchmark it. This portfolio has been through a challenging and volatile period and the IRR is second quartile at 8.8%.

MR. ROBERTSON advised Blum is almost liquidated and there is only $10 million left. There are five public companies and one private company. There is a loss of about $7 million on this portfolio and about $15 million in the other Blum partnership.

MR. ROBERTSON described the total private equity portfolio as mature, well diversified, with good performance. The portfolio is expected to be fully mature in three or four years, if good distributions continue. Fully mature means all the money paid in has been given back and everything is profit from there. MR. ROBERTSON believes the managers are complementary and the liquidity has been really good this year. He likes the portfolio.

VICE-CHAIR TRIVETTE asked what the change would be on the returns on private equity if Blum was left out of the equation. MR. ROBERTSON stated Blum is booking about a $23 million loss against the large total portfolio. It would be about 1%, which is not that big of an impact, but it does not help. VICE-CHAIR TRIVETTE stated he gets the impression MR. ROBERTSON is comfortable with the managers and asked if there are any major changes he would recommend at this point in time. MR. ROBERTSON had no recommended changes and believes both managers continue to be very solid traditional managers. The in-house portfolio is good and has overlap with Abbott and Pathway. There is a fair amount of secondaries, about a third now, which is complementary because Abbot and Pathway do not participate in a lot of secondaries.

15. IAC PRESENTATION

DR. JENNINGS commented his presentation today is not a federal presentation and is in part a response to a reflection on what the academic member of the IAC ought to particularly bring to the table. DR. JENNINGS believes he has done a better job at bringing academic research tot he DC Committee than to the full Board and there is academic literature which is germane to pension and portfolio management. There is research out of the Netherlands and some places where pensions are a very large academic interest. He noted this year a gift came along with the Nobel Prizes.

The Nobel Prize was established by will in 1895. The Economic Sciences category was a recent addition in 1968. It is always announced and awarded last. This year's 2013 prize went to two finance folks and an econometrician. Eugene Fama's area of expertise is efficient markets. Robert Shiller's area of expertise is inefficient markets. Lars Hansen's area of expertise is GMM econometrics. DR. JENNINGS provided a detailed background on Eugene Fama. He highlighted the Fama French three factor lens, which is being used more and more to study investments and provides a way of evaluating whether an investment is really additive to a portfolio. One of the standard factors academics believe influence returns overall is market beta, which is the overall exposure to the U.S. equity market. Another factor academics use is momentum. DR. JENNINGS noted Callan put out a research piece outlining the idea of factor investing, with an extra weight on the Fama French factors.

DR. JENNINGS shared with the Board his thoughts on infrastructure. He noted infrastructure might equal utilities, which seems like a value investment. The question becomes, is the portfolio receiving anything from infrastructure above and beyond an overweight to value investing. He showed an abstract of researchers who found that infrastructure indeed adds an extra factor above and beyond the core Fama French factors, which is another factor of low volatility investing.

DR. JENNINGS gave a background of Robert Shiller and noted he is the person who gave a presentation to Alan Greenspan and the Fed and used the phrase "irrational exuberance." This took place in 1995. Mr. Shiller saw more volatility in prices than the underlying economics suggested for some companies. DR. JENNINGS stated he read Mr. Shiller's book "Irrational Exuberance" and stated Mr. Shiller thought irrational exuberance was happening in the stock market and in the housing market. Mr. Shiller worked on the Case-Shiller Index to help calibrate whether the housing market was getting too hot in 2005, 2006 and 2007. DR. JENNINGS noted the Case-Shiller Index makes monthly economic announcements and he has a reminder on his calendar to look for this. He believes it is useful and relevant perhaps to the private equity valuation and real estate valuation because a lot of appraisal-based indices get a bit misleading. The Case-Shiller Index is a repeat sale index.

DR. JENNINGS noted Mr. Shiller is also getting press about his remarks regarding the valuation metric CAPE, cyclically-adjusted price earnings ratio, is getting a bit high. Mr. Shiller said conflicting statements within the same interview regarding the CAPE; "I am not yet sounding the alarm," and then one paragraph later, "I am most worried about the U.S. stock market." DR. JENNINGS believes statistically it is not an extreme danger zone. There are a few caveats, including the CAPE indicator was a bit early on the internet bubble. Some impressive financial economists would argue there are accounting distortions in CAPE, and that CAPE may be higher than it was historically because of changes in accounting rules. Another issue is looking at CAPE versus interest rates and making adjustments for the interest rate environment.

DR. JENNINGS suggested there are a few lessons to be learned from the Nobel Foundation. The first is that the will stipulated investments needed to be safe, which was interpreted at the time as government bonds. That did not work out so well. There is also the relationship between short-term safe and long-term investing. This is consistent with the liquidity presentation yesterday. There are some investments utilized in a long-term perspective that might look risky if used in a one or three-year time horizon.

The other lesson to be learned is the operating and investment expenses were both incredibly high in the early years at the Foundation and there is usefulness in paying attention to these expenses. DR. JENNINGS noted his last obscure point is the opportunity for what he characterizes as systems thinking or thinking larger than the portfolio. One of the ironies of the Nobel Foundation is most of the recipients are American. The Swedish foundation invests a lot in the U.S., but because they are going to give the award in kronor, they hedge back into Swedish currency. DR. JENNINGS predicts at least two out of the three American laureates that just won hedged their prize back into dollars and so there is kind of an inefficiency from that point of view of not thinking about the whole system.

DR. JENNINGS commented the closest analogy he could come up with for Alaska, and believes caution has been taken, is thinking about energy investing. DR. JENNINGS stated he gets excited about energy investing, but the fact that the state has economic sensitivities to energy and the sources of funding for the pension are linked to energy. DR. JENNINGS advised the ARMB to be more cautious and not get over-enthused about energy investing. DR. JENNINGS believes the MLP investment made sense and the ongoing investment with ESG makes sense.

VICE-CHAIR TRIVETTE expressed his appreciation to DR. JENNINGS for his presentation. He is aware of the Case-Shiller and was happy to hear his comments. He has never been exposed to the CAPE and appreciated the introduction. He stated he will do some reading on the subject.

CHAIR SCHUBERT recessed the meeting from 10:54 a.m. to 10:56 a.m.

ACTION ITEMS - NEW BUSINESS

MR. BRICE moved to adopt Resolution 2013-19, Addressing Support for Proposal from Governor Parnell; the motion was seconded by MS. HARBO.

MS. ERCHINGER moved to amend Resolution 2013-19 striking the fourth whereas and replacing it to read, "Whereas the ARM Board has on numerous occasions supported lump sum contributions into the retirement trust funds;" the motion to amend was seconded by VICE-CHAIR TRIVETTE.

COMMISSIONER RODELL noted the most recent resolution gained a lot of attention and believes this amendment will not raise more questions than the Board can answer.

MR. PIHL supports MS. ERCHINGER'S amendment and he feels if this resolution is put against the Governor's proposal, there is going to be a debate about which one to go with.

CHAIR SCHUBERT agreed and requested a read-back of MS. ERCHINGER'S amendment.

After lengthy discussion and consideration of additional language to the amendment, MR. BRICE expressed his concern to be explicit and in no uncertain terms in the Board's unreserved support of the Governor's proposal. There have been a number of proposals asking for more modest efforts that do not provide nearly as much as what the Governor is proposing.

VICE-CHAIR TRIVETTE believes MS. ERCHINGER'S amendment addresses MR. BRICE'S concerns.

MS. ERCHINGER requested going back to her original amendment language, which would eliminate the current whereas number four and replace it with the new language.

TRUSTEE PIHL agreed with the use of the words "retirement trust funds."

CHAIR SCHUBERT requested an opinion from the attorney regarding language superseding previous resolutions. MR. JOHNSON believes this resolution, as well as prior resolutions, were recommendations and not action resolutions. He stated the language proposed by MS. ERCHINGER would be fine.

The motion to amend carried unanimously.

A roll call vote was taken on the adoption of Resolution 2013-19 and the motion carried unanimously.

MR. O'LEARY informed the Board of the upcoming Callan Investments Institute in January. He believes it will be a good program and encourages the Board to attend. CHAIR SCHUBERT requested the date. MR. ERLENDSON stated it begins the last Monday in

January, and concludes about 2:00 the following Wednesday. MR. BADER reported RCM Capital Management typically has a dinner on the Sunday preceding the Callan conference with investment speakers. The invitation has been extended to the Board again this year.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD

None

PUBLIC/MEMBER COMMENTS

None

INVESTMENT ADVISORY COUNCIL COMMENTS

None

TRUSTEE COMMENTS

COMMISSIONER RODELL expressed her appreciation to COMMISSIONER HULTBERG, noting it is her last meeting and she will be missed.

COMMISSIONER HULTBERG stated she cannot leave without giving at least five minutes of final parting thoughts to the Board and appreciates the indulgence. She expressed her gratitude to the Board for the education they have given her. There is a lot of continuity on the Board and the Commissioners typically turn over more frequently than the Board members do. There is a process of educating the new Commissioner and she appreciates the patience and forbearance in that process. She knows the Board will offer the same kind welcome to the new Commissioner.

COMMISSIONER HULTBERG encourages the Board, in addition to the incredible responsibility of maintaining the asset side of the equation, to consider the liability side of this equation, specifically healthcare. The Department has been quietly talking about some potential changes to the retiree health plan that she believes would put it on a better path toward sustainability and would be modest in nature. They would also add some enhancements into the plan that retirees have been asking for. COMMISSIONER HULTBERG recommended the Board look into those potential changes and perhaps even weigh in on those changes, in terms of feedback.

COMMISSIONER HULTBERG noted the Board has been working for a long time for the support received from the Governor this week. She believes there is a real sense of optimism here in the room that the Board has been listened to and the work has been noted. There is a positive and significant action is going to take place. COMMISSIONER HULTBERG cautioned the Board that going forward this is the first step of a long process and it is a process that may not see its culmination until the last week or two in the legislative session. What happens in the first week of session is not necessarily what is going to happen in the last week of session.

COMMISSIONER HULTBERG advised the Board as they engage with the Legislature there are going to be different opinions, some of which the Board does not agree with. Nevertheless, they need to be listened to, understood and respected. Opinions can change. Dynamics can change and it is really important to maintain those positive relationships all the way through until a final decision is made.

COMMISSIONER HULTBERG encouraged the Board to engage and to keep a long-term view in mind, recognizing this is probably going to be a long process with a lot of public involvement. COMMISSIONER HULTBERG commented it has been an honor serving on the Board and will be watching from afar.

MR. BRICE stated he echoes COMMISSIONER HULTBERG'S remarks regarding engagement. He believes the Board needs to keep and maintain a real presence in the legislative halls until mid-April or possibly even May. This is a high stakes proposal the Governor has offered and is going to require the efforts of the entire Board and many, many more individuals to get passed. It is quite possibly one of the top five most substantive policy calls the Legislature will decide and it is up to the Board to ensure they have appropriate information delivered in an appropriate manner and the true message of what this means is communicated. The Governor has taken a very bold step and it is up to the Board to encourage and support that effort.

VICE-CHAIR TRIVETTE stated he echoes MR. BRICE'S remarks and believes the Board has a lot of work head. He thinks it was worth its weight in gold to have all the stakeholders involved at the meeting held in August. This is just the beginning and there is more education to provide. He noted the comments in the press in the last 24 hours have been positive, but things can change in a second and the Board cannot just sit back and celebrate until the money is in the trust funds and MR. BADER can start investing. VICE-CHAIR TRIVETTE expressed his appreciation to the Governor and his staff.

VICE-CHAIR TRIVETTE noted he tends to be somewhat long-winded at times and if someone else wants to be the Vice-Chair, please let him know, because he would rather be sitting down next to MR. JOHNSON.

MS. ERCHINGER thanked the Governor and his staff for all of their hard work on this proposal, which opens the door for the Board to continue their efforts and support the Governor in this recommendation. She expressed her gratitude to COMMISSIONER HULTBERG for her work on behalf of the state and on the Board.

MS. ERCHINGER commented she has served on the Board a fairly short time, but used to attend meetings as an observer. She feels a real team effort and positively engaged with the Department of Administration and Department of Revenue to tackle some of these monumental challenges for the state.

MS. HARBO thanked MS. ERCHINGER and staff for all of the hard work and time preparing the presentation before the Senate Finance. She believes that was the start, including the work session, to get people engaged in this process. MS. HARBO expressed her appreciation to the Governor for what she would call a fair and reasonable solution to a problem we have worked on for several years. MS. HARBO stated she will miss COMMISSIONER HULTBERG and has really enjoyed working with her. She is grateful for her work on the Board and wishes the best.

CHAIR SCHUBERT expressed her appreciation to MR. PIHL for bringing the underfunded status liability, his reference of a snowball effect, to the Board many, many, many times for many, many, many years. She believes the Governor's proposal recognizes the Board focused on the issue and took it seriously, came up with recommendations and under his leadership, the Governor took a very bold step. CHAIR SCHUBERT applauds the Governor for that.

CHAIR SCHUBERT stated when she spoke with the Governor yesterday, she committed the Board to doing everything we can to support his action, including Trustees at different times and in different configurations going down to Juneau to either testify or talk to legislators. CHAIR SCHUBERT thanked MS. ERCHINGER for her hard work and believes her message was heard. CHAIR SCHUBERT commented MS. ERCHINGER did an excellent job of presenting succinctly and clearly.

CHAIR SCHUBERT wishes the best for COMMISSIONER HULTBERG in her future venture and hopes she stops by the meetings just to say hello. CHAIR SCHUBERT echoes MS. HARBO'S comments regarding the excellent working relationship the Board has with both Departments. It has been supportive and has helped the Board in its deliberative process. CHAIR SCHUBERT expressed her gratitude to both Departments.

FUTURE AGENDA ITEMS

None

ADJOURNMENT

There being no objection and no further business to come before the Board, the meeting was adjourned at 11:28 a.m. on December 6, 2013, on a motion made by MS. HARBO and seconded by MR. BRICE.

____
Chair of the Board of Trustees

ATTEST:

____
Corporate Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Retirement System Membership Activity as of December 31, 2013

ACTION: ______

DATE: February 6, 2014

INFORMATION: X

BACKGROUND:

Information related to PERS, TRS, JRS, NGNMRS, SBS and DCP membership activity as requested by the Board.

STATUS:

Membership information as of December 31, 2013.

MEMBERSHIP STATISTICS AS OF SEPTEMBER 30, 2013

	PERS					TRS				JRS	NG	SBS	DCP
	DB			DC		DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	3,121	5,721	12,071	15,060	35,973	1,064	5,496	3,941	10,501	73	n/a	28,262	7,661
Terminated Members	2,353	5,201	11,336	6,945	25,835	474	2,576	1,476	4,526	4	n/a	13,696	2,602
Retirees & Beneficiaries	23,033	5,258	1,678	4	29,973	10,453	1,272	-	11,725	108	639	n/a	n/a
Managed Accounts	n/a	n/a	n/a	6,638	6,638	n/a	n/a	1,763	1,763	n/a	n/a	927	883
Retirements - 1st QTR FY14	237	164	93	n/a	494	194	176	n/a	370	-	50	n/a	n/a
Full Disbursements - 1st QTR FY14	20	71	139	429	659	17	39	108	164	-	n/a	630	143
Partial Disbursements - 1st QTR FY14	n/a	n/a	n/a	23	23	n/a	n/a	13	13	n/a	n/a	437	447

MEMBERSHIP STATISTICS AS OF DECEMBER 31, 2013

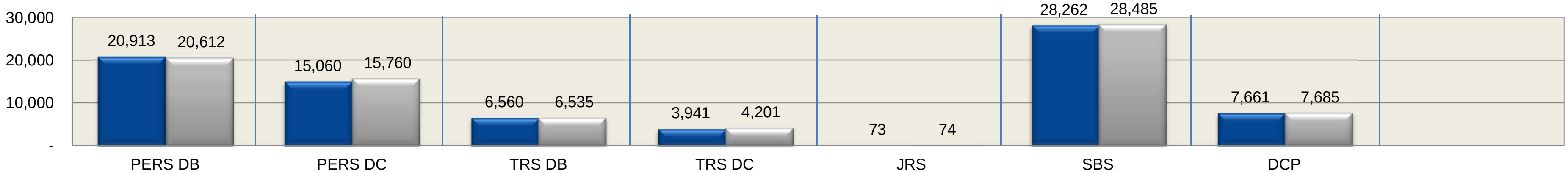
	PERS					TRS				JRS	NG	SBS	DCP
	DB			DC		DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	3,020	5,645	11,947	15,760	36,372	1,067	5,468	4,201	10,736	74	n/a	28,485	7,685
Terminated Members	2,296	5,139	11,285	7,114	25,834	457	2,570	1,407	4,434	4	n/a	13,881	2,653
Retirees & Beneficiaries	23,094	5,377	1,756	4	30,231	10,442	1,299	-	11,741	108	642	n/a	n/a
Managed Accounts	n/a	n/a	n/a	6,549	6,549	n/a	n/a	1,746	1,746	n/a	n/a	953	918
Retirements - 2nd QTR FY14	133	110	80	n/a	323	17	21	n/a	38	-	25	n/a	n/a
Full Disbursements - 2nd QTR FY14	23	26	133	379	561	12	27	50	89	-	n/a	544	124
Partial Disbursements - 2nd QTR FY14	n/a	n/a	n/a	32	32	n/a	n/a	10	10	n/a	n/a	485	460

Alaska Division of Retirement and Benefits

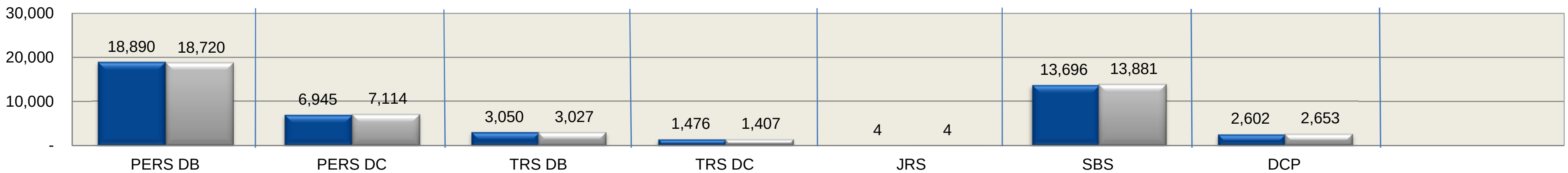
FY 2014 QUARTERLY REPORT OF MEMBERSHIP STATISTICS

as of December 31, 2013

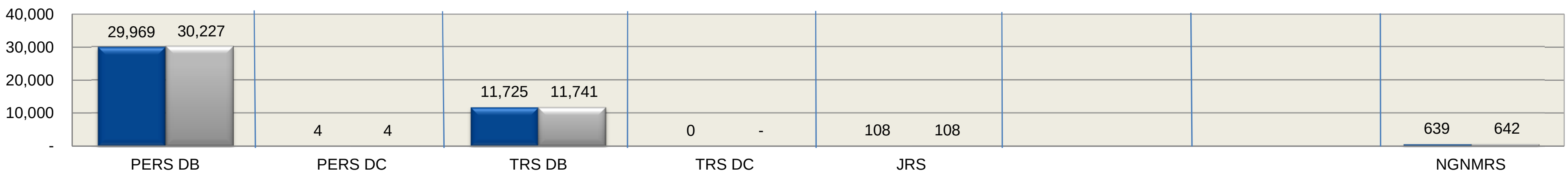
Active Members



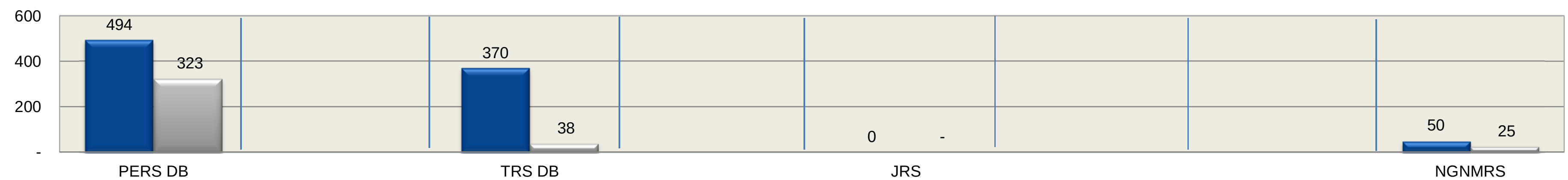
Terminated Members



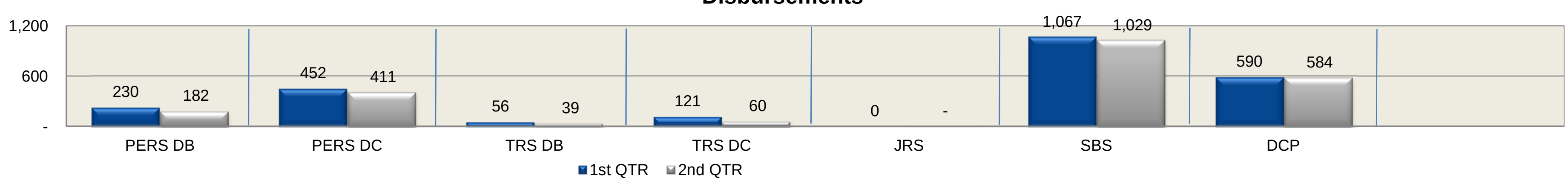
Retirees & Beneficiaries



Retirements



Disbursements



LEGEND

Active Members - All active members at the time of the data pull.
Terminated Members - All members who have terminated without refunding their account.
Retirees & Beneficiaries - All members who have retired from the plans, including beneficiaries eligible for benefits.
Managed Accounts - Individuals who have elected to participate in the managed accounts option with Great West.
Retirements - The number of retirement applications processed.
Full Disbursements - All types of disbursements that leave the member balance at zero.
Partial Disbursements - All types of disbursements that leave the member balance above zero. If more than one partial disbursement is completed during the quarter for a member, they are counted only once for statistical purposes.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Invoices & Summary of Billings - Buck Consultants, a Xerox Company	ACTION:	
DATE:	February 6, 2014	INFORMATION:	X

BACKGROUND:

AS 37.10.220(a)(8) prescribes that the Alaska Retirement Management Board (Board) "coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system".

As part of the oversight process, the Board has requested that the Division of Retirement & Benefits (Division) provide monthly invoices to review billings and services provided.

STATUS:

Attached are monthly invoices to the Division for Fiscal Year 2013 for the months of October, November and December 2013.

Attached are the summary totals for the six months ended December 31, 2013.

Buck Consultants
Billing Summary
Through the Three Months Ended September 30, 2013

	PERS	TRS	JRS	NGNMRS	EPORS	AHF	RHF	SBS	DCP	TOTAL
Actuarial Valuations	$ 38,878	27,907	2,948	1,962	1,238	-	3,001	-	-	$ 75,934
Audit Request	3,579	2,985	-	-	-	-	-	-	-	6,564
Allocation of ER contributions between Pension & Healthcare to include salaries by ER	1,106	432	10	-	-	-	-	-	-	1,548
Actuarial cost calculation of the healthcare benefit for member	883	-	-	-	-	-	-	-	-	883
Research & discussions regarding projects results for PERS & TRS	629	629	-	-	-	-	-	-	-	1,258
Research & discussions re: membership statistics as of June 30, 2013 for ARMB meeting	317	124	3	12	-	-	-	143	34	632
Research & review of info re: amortztn method used in actuarial val confirming rolling amortztn is not used	1,085	424	-	-	-	-	-	-	-	1,509
Misc emails and phone calls	3,589	1,383	-	-	-	-	-	-	-	4,972
TOTAL	$ 50,064	33,884	2,961	1,974	1,238	-	3,001	143	34	$ 93,300

Buck Consultants
Billing Summary
Through the Three Months Ended December 31, 2013

	PERS	TRS	JRS	NGNMRS	EPORS	AHF	RHF	SBS	DCP	TOTAL
Actuarial Valuations	$104,481	62,739	-	-	-	-	4,940	-	-	$172,160
Audit Request	2,448	1,503	1,186	-	874	-	-	-	-	6,011
Allocation of ER contributions between Pension & Healthcare to include salaries by ER	2,620	2,143	190	-	-	-	-	-	-	4,953
COLA eligibility study for PERS and TRS	810	795	-	-	-	-	-	-	-	1,605
Consulting, research & analysis for the implementation of the new GASB accounting	8,116	5,588	-	-	-	-	-	-	-	13,704
Consulting, research & correspondence re: how death benefits during active military service required under the HEART Act are valued in the actuarial valuations	675	248	5	-	-	20	1	201	48	1,197
Work in process on DCR healthcare study ruing DCR eligibility and DB tier medical plan	742	264	-	-	-	-	-	-	-	1,006
Misc emails and phone calls	4,013	1,547		-	-	-	-	-	-	5,560
TOTAL	$123,905	74,827	1,381	-	874	20	4,941	201	48	$206,196

Buck Consultants
Billing Summary
Through the Six Months Ended December 31, 2013

	PERS	TRS	JRS	NGNMRS	EPORS	AHF	RHF	SBS	DCP	TOTAL
Actuarial Valuations	$143,359	90,646	2,948	1,962	1,238	-	7,941	-	-	$248,094
Audit Request	6,027	4,488	1,186	-	874	-	-	-	-	12,575
Allocation of ER contributions between Pension & Healthcare to include salaries by ER	3,726	2,575	200	-	-	-	-	-	-	6,501
Actuarial cost calculation of the healthcare benefit for member	883	-	-	-	-	-	-	-	-	883
Research & discussions regarding projects results for PERS & TRS	629	629	-	-	-	-	-	-	-	1,258
Research & discussions re: membership statistics as of June 30, 2013 for ARMB meeting	317	124	3	12	-	-	-	143	34	632
Research & review of info re: amortztn method used in actuarial val confirming rolling amortztn is not used	1,085	424	-	-	-	-	-	-	-	1,509
COLA eligibility study for PERS and TRS	810	795	-	-	-	-	-	-	-	1,605
Consulting, research & analysis for the implementation of the new GASB accounting	8,116	5,588	-	-	-	-	-	-	-	13,704
Consulting, research & correspondence re: how death benefits during active military service required under the HEART Act are valued in the actuarial valuations	675	248	5	-	-	20	1	201	48	1,197
Work in process on DCR healthcare study ruing DCR eligibility and DB tier medical plan	742	264	-	-	-	-	-	-	-	1,006
Misc emails and phone calls	7,601	2,931	-	-	-	-	-	-	-	10,532
TOTAL	$173,969	108,712	4,342	1,974	2,112	20	7,942	343	82	$299,496

Alaska Retirement Management Board

RESERVE ACCOUNTS MANAGED BY
THE DEPARTMENT OF REVENUE

Angela Rodell, Commissioner

February 6, 2014

Constitutional Budget Reserve Fund

CBR – Main Account

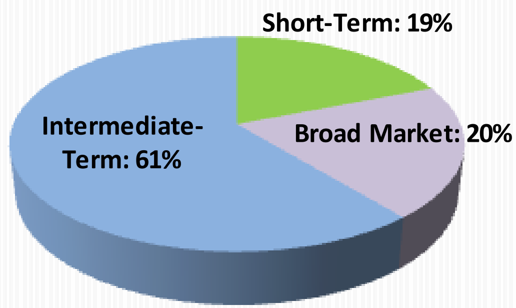
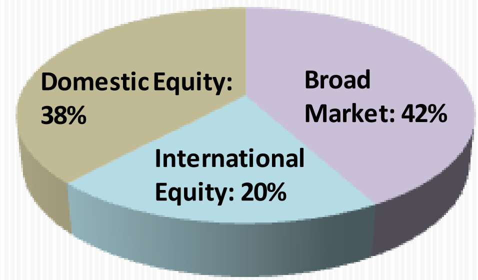
- Established November 6, 1990 when voters approved adding Section 17 to Article IX of the Constitution of the State.
- All money received by the State after July 1, 1990, through resolution of disputes about the amount of certain mineral-related income, must be deposited in the CBRF.
- The Legislature may, under certain conditions, appropriate funds from the CBRF to fund the operations of state government upon an affirmative vote of three-fourths of the members of each house of the legislature.

CBR – Subaccount

- Established July 1, 2000 by the Twenty-First Legislature. The subaccount is currently comprised of legislative appropriations.
- The subaccount is managed in accordance with AS 37.10.430(c), invested to yield higher returns than might be feasible to obtain with other money in the budget reserve fund. In establishing or modifying investment policy, the commissioner shall assume the funds will not be needed for at least five years.
- Investment earnings are retained in the subaccount.

Constitutional Budget Reserve Fund (main & sub)

Fiduciary oversight: Commissioner of Revenue

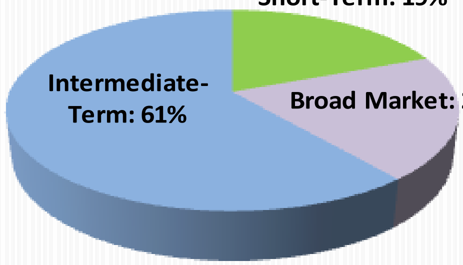
		Constitutional Budget Reserve (main fund)		**Constitutional Budget Reserve** (sub fund)	
Investment Objective		Moderate Risk, Intermediate investment horizon		High Risk, Moderately Long investment horizon	
Target Asset Allocation					
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	$5,290,600	-	$4,955,400	-
	12/31/2012	$5,770,800	-	$5,511,200	-
	12/31/2013	$5,839,000	-	$6,385,100	-
Returns (6/30/13)	FY13	0.18%	0.19%	11.75%	11.37%
Returns (12/31/13)	YTD	-0.25%	-0.16%	15.85%	15.53%
	FYTD	0.35%	0.31%	10.08%	10.05%
	3 Year Actuals	1.79%	1.63%	9.01%	8.67%
	5 Year Actuals	2.75%	2.09%	12.20%	11.50%

*Short-term: 3-month U.S. Treasury Bill; Intermediate-term: Barclays 1-3 Year Govt. Bond Index; Broad Market: Barclays U.S. Aggregate; Domestic Equity: Russell 3000 Stock Index; International Equity: MSCI EAFE

Statutory Budget Reserve Fund

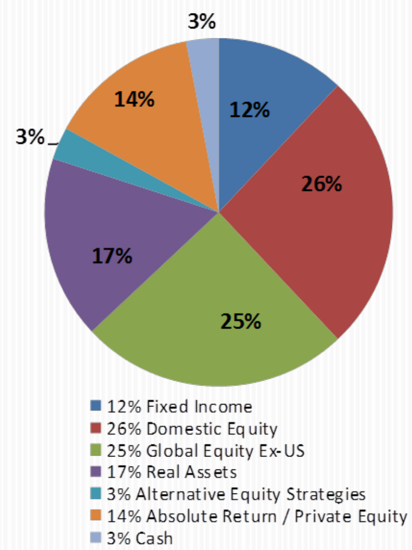
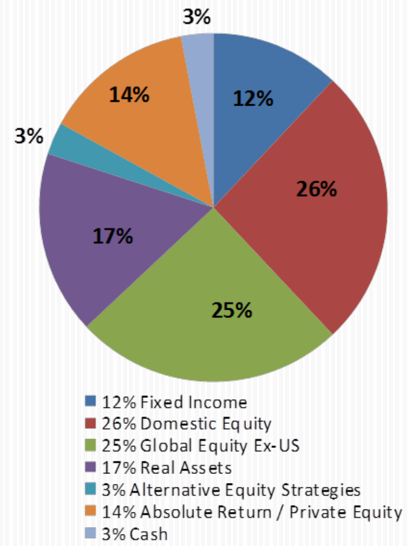
- The Statutory Budget Reserve (SBR) Fund, codified under AS 37.05.540, is a savings fund that is managed in a separate account as of July 1, 2013.

- SBR consists of appropriations to the fund of excess money received by the State.

		Statutory Budget Reserve Fund	
Investment Objective		Moderate Risk, Intermediate investment horizon	
Target Asset Allocation* *As of January 1, 2014*			
		Actuals	
Market Value (in 000s)	12/31/2011	$2,682,600	Balance in General Fund
	12/31/2012	$5,487,700	Balance in General Fund
	12/31/2013	$4,773,600	Separate asset allocation
		Actuals	Benchmark**
Returns (6/30/13)	FY13	0.31%	0.29%
Returns (12/31/13)	YTD	1.08%	1.17%
	FYTD	1.15%	1.14%
	3 Year Actuals	1.34%	1.11%
	5 Year Actuals	1.89%	1.19%

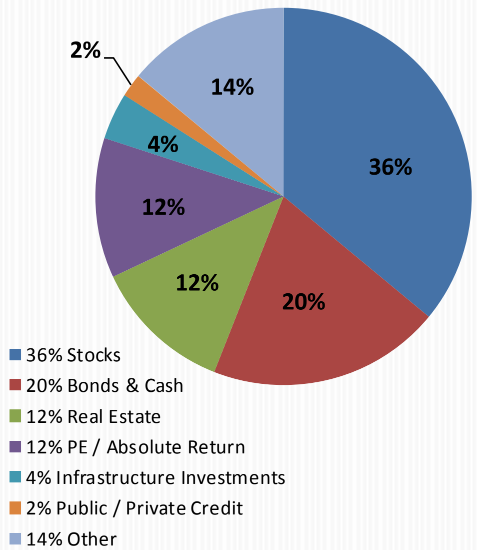
* Target asset allocation from July 1, 2013 - December 31, 2013 consisted of 10% Domestic Equity; 5% International Equity; 68% Intermediate-term FI; 4% Broad Market FI; and 13% Short-term FI

**Short-term: 3-month U.S. Treasury Bill; Intermediate-term: Barclays 1-3 Year Gov't. Bond Index; Broad Market: Barclays U.S. Aggregate

		PERS Retirement Defined Benefit Pension / Health		TRS Retirement Defined Benefit Pension / Health	
Investment Objective		Moderate Risk, Long Term investment horizon		Moderate Risk, Long Term investment horizon	
Target Asset Allocation					
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	$10,873,100	-	$4,545,200	-
	12/31/2012	$12,016,500	-	$5,018,600	-
	12/31/2013	$14,031,700	-	$5,850,600	-
Returns (6/30/13)	FY13	12.51%	12.27%	12.59%	12.27%
Returns (12/31/13)	YTD	18.57%	16.74%	18.62%	16.74%
	FYTD	11.32%	10.96%	11.32%	10.96%
	3 Year Actuals	10.14%	9.75%	10.22%	9.75%
	5 Year Actuals	10.79%	11.90%	10.83%	11.90%

*3% 3-month Treasury Bill; 0.6% Bank of America Yield Alternatives index; 0.9% CBOE Buy Write Index; 1.5% S&P 500 Index; 0.4% JP Morgan Global Bond Index - EM Global Diversified: 0.8% Citigroup World Gov. Bond Ex-US; 1.2% Merrill Lynch High Yield II Constrained; 9.6% BC Intermediate Treasury;5.0% 3-month Treasury Bill+5%; 0.85% FTSE NAREIT Equity Index; 1.7% NCREIF Farmland Index; 1.7% NCREIF Timberland Index; 3.4% BC US TIPS Index; 9.35% NCREIF Property Index; 3% Russell 2000 Index; 3% S&P 500 Index; 3% MSCI EAFE Index; 25% MSCI ACWI ex-US Gross; 26% Russell 3000

Alaska Permanent Fund Corporation

Investment Objective		Long Term Investment Goal is to achieve a real rate of return of 5% per year	
Target Asset Allocation			
		Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	$38,646,700	-
	12/31/2012	$43,654,800	-
	12/31/2013	$49,241,900	-
Returns (6/30/13)	FY13	10.93%	11.27%
Returns (12/31/13)	YTD	12.27%	12.43%
	FYTD	8.86%	8.68%
	3 Year Actuals	8.25%	8.03%
	5 Year Actuals	11.09%	11.20%

*The APFC Benchmark is a diversified weighted composite comprised of 20% Barclays Global Corp. Index + 80% MSCI All Country Index for Company Exposure; 75% NCREIF + 25% Barclays US TIPS Index for Real Assets; Barclays Global Treasury Index (Hedged) for Fixed Income; and 3 Month T-Bill for Cash.

CHIEF INVESTMENT OFFICER REPORT

- Multiple Asset Allocation Adjustments.
- Robert Chambers retirement from Barrow Hanley.
- Transfer $1,298,585 from Cash account to Crestline Investors, Inc.
- Lazard Infrastructure investments to be unhedged.
- ____________
- ___________

11/21/2013

Rebalancing Trades (Final)	PERS AY21	TRS AY22	JRS AY23	Mil AY24	PERS AYW2	TRS AYW3	JRS AYW4	PERS AYX2	TRS AYX3	PERS AYY2	TRS AYY3	PERS AY6G	TRS AY6H	P&F AY6I
Broad Domestic Equity														
Large Cap Pool (AYQK)	1,269,514	472,758	27,412	(120,965)	(1,297,442)	(749,756)	(4,951)	32,035	14,812	238,312	97,558	11,810	(132)	9,035
Small Cap Pool (AYQC)	345,112	128,516	7,451	(32,883)	(352,704)	(203,818)	(1,346)	8,708	4,027	64,784	26,521	3,211	(36)	2,457
Alternative Equity Strategies														
Advent Capital Convertible Bond (A	35,824	13,176	778	-	(39,087)	(22,302)	(149)	932	432	6,947	2,846	343	(4)	264
Alternative Equity Strategies Pool (A	152,693	56,161	3,317	-	(166,600)	(95,057)	(636)	3,975	1,839	29,609	12,130	1,465	(19)	1,123
Global Equity Ex-US														
International Equity Pool (AYRC)	1,041,279	383,922	22,594	(19,630)	(1,121,887)	(641,650)	(4,279)	26,943	12,462	200,643	82,187	9,931	(124)	7,609
International Equity - Small Cap Pool	79,487	29,307	1,725	(1,499)	(85,641)	(48,981)	(327)	2,057	951	15,317	6,274	758	(9)	581
Emerging Markets Pool (AYSC)	153,807	56,710	3,337	(2,899)	(165,714)	(94,779)	(632)	3,980	1,840	29,637	12,140	1,467	(18)	1,124
Private Equity														
Private Equity Pool (AYSK)	429,074	157,809	9,321	-	(468,154)	(267,113)	(1,786)	11,170	5,167	83,204	34,087	4,117	(52)	3,156
Real Assets														
Real Estate Pool (AYVK)	1,056,886	491,217	20,001	-	(1,175,665)	(484,307)	(4,450)	6,845	3,311	57,022	24,814	2,471	(382)	2,237
JP Morgan Real Estate (AY7A)	7,957	(8,465)	508											
REIT Holdings (AY9H)	83,320	30,644	1,816	-	(90,912)	(51,872)	(346)	2,169	1,004	16,158	6,619	799	(11)	612
Farmland Pool (AYTK)	192,603	70,836	4,190	-	(210,150)	(119,905)	(801)	5,014	2,320	37,349	15,302	1,849	(23)	1,416
Farmland Water Pool (AYUC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Timber Pool (AYUK)	71,856	26,427	1,566	-	(78,405)	(44,735)	(299)	1,871	865	13,935	5,709	689	(8)	529
Energy Pool (AYVC)	26,970	9,920	585	-	(29,427)	(16,790)	(112)	702	325	5,230	2,143	259	(4)	199
TIPS Internally Managed (AY6N)	8,929	3,286	194	-	(9,743)	(5,559)	(37)	232	107	1,731	710	85	(1)	66
MLP Pool (AYWK)	98,512	36,232	2,140	-	(107,485)	(61,327)	(410)	2,565	1,186	19,103	7,826	945	(12)	725
Absolute Return														
Absolute Return Pool (AYTC)	192,497	70,800	4,182	-	(210,030)	(119,836)	(802)	5,011	2,318	37,328	15,292	1,847	(23)	1,416
Fixed Income														
Taxable Municipal Bond Pool (AYZC)	36,302	13,391	787	(821)	(39,013)	(22,324)	(149)	938	434	6,987	2,861	346	(4)	265
US Treasury Fixed Income Pool (AY1	298,963	105,672	6,619	88,711	(390,510)	(215,860)	(1,488)	8,527	3,950	63,741	26,167	3,141	(53)	2,420
Mondrian Inv. Partners Inc (AY63)	93,510	33,997	2,043	8,144	(107,931)	(60,944)	(411)	2,503	1,159	18,662	7,651	922	(13)	708
High Yield Pool (AYPK)	138,730	50,635	3,025	7,996	(157,161)	(89,045)	(599)	3,679	1,702	27,421	11,238	1,356	(18)	1,041
Lazard Emerging Income (AY5M)	41,436	15,282	899	(937)	(44,529)	(25,481)	(169)	1,071	496	7,974	3,266	395	(5)	302
Short-term Fixed Income														
State of AK Short Term Pool (AY70)	(5,855,261)	(2,248,233)	(124,490)	74,783	6,348,190	3,441,441	24,179	(130,927)	(60,707)	(981,094)	(403,341)	(48,206)	951	(37,285)

12/18/2013

Rebalancing Trades (Final)

	AY21	AY22	AY23	AY24	AYW2	AYW3	AYW4	AYX2	AYX3	AYY2	AYY3	AY6G	AY6H	AY6I
Broad Domestic Equity														
Large Cap Pool (AYQK)	36,433	480,036	(3,507)	(26,503)	(565,742)	(8,225)	(2,193)	2,968	7,893	23,691	53,482	1,130	(68)	605
Small Cap Pool (AYQC)	10,061	132,569	(968)	(7,320)	(156,238)	(2,271)	(605)	820	2,180	6,542	14,770	312	(19)	167
Alternative Equity Strategies														
Advent Capital Convertible Bond (AY52)	780	13,875	(107)	-	(16,772)	(322)	(65)	86	230	687	1,560	33	(3)	18
Alternative Equity Strategies Pool (AYYK)	3,251	57,889	(449)	-	(69,967)	(1,345)	(271)	357	960	2,865	6,509	136	(9)	74
Global Equity Ex-US														
International Equity Pool (AYRC)	24,232	393,158	(2,998)	(6,021)	(471,903)	(8,470)	(1,829)	2,429	6,504	19,444	44,093	924	(59)	496
International Equity - Small Cap Pool (AYRK)	1,882	30,536	(233)	(468)	(36,652)	(658)	(142)	189	505	1,510	3,425	72	(4)	38
Emerging Markets Pool (AYSC)	3,582	58,127	(443)	(890)	(69,765)	(1,253)	(270)	359	961	2,874	6,518	136	(9)	73
Private Equity														
Private Equity Pool (AYSK)	9,463	168,487	(1,305)	-	(203,642)	(3,915)	(789)	1,041	2,794	8,339	18,944	396	(26)	213
Real Assets														
Real Estate Pool (AYVK)	31,484	117,687	(354)	-	(171,563)	(3,298)	(664)	877	2,354	7,026	15,960	334	(22)	179
JP Morgan Real Estate (AY7A)	(23,513)	24,259	(746)											
REIT Holdings (AY9H)	1,781	31,710	(246)	-	(38,326)	(737)	(148)	196	526	1,570	3,565	74	(5)	40
Farmland Pool (AYTK)	4,240	75,468	(584)	-	(91,214)	(1,754)	(353)	466	1,251	3,735	8,485	177	(12)	95
Farmland Water Pool (AYUC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Timber Pool (AYUK)	1,556	27,708	(215)	-	(33,491)	(643)	(130)	172	459	1,372	3,116	65	(4)	35
Energy Pool (AYVC)	591	10,550	(82)	-	(12,751)	(245)	(49)	65	175	522	1,186	25	(1)	14
TIPS Internally Managed (AY6N)	193	3,438	(27)	-	(4,157)	(80)	(16)	22	57	171	387	8	(1)	5
MLP Pool (AYWK)	2,110	37,576	(292)	-	(45,414)	(873)	(176)	232	623	1,860	4,224	88	(5)	47
Absolute Return														
Absolute Return Pool (AYTC)	4,350	77,459	(600)	-	(93,620)	(1,800)	(363)	479	1,284	3,833	8,710	182	(12)	98
Fixed Income														
Taxable Municipal Bond Pool (AYZC)	922	15,532	(119)	(139)	(18,696)	(346)	(73)	96	257	769	1,744	37	(3)	19
US Treasury Fixed Income Pool (AY1A)	658	123,131	(1,094)	17,507	(158,368)	(4,797)	(613)	759	2,086	6,139	14,169	289	(21)	155
Mondrian Inv. Partners Inc (AY63)	2,019	37,037	(288)	172	(44,860)	(880)	(174)	229	615	1,833	4,168	87	(5)	47
High Yield Pool (AYPK)	1,996	54,434	(445)	2,969	(67,411)	(1,593)	(261)	336	910	2,702	6,175	127	(8)	69
Lazard Emerging Income (AY5M)	943	15,882	(122)	(142)	(19,117)	(354)	(74)	98	263	786	1,783	37	(3)	20
Short-term Fixed Income														
State of AK Short Term Pool (AY70)	(119,014)	(1,986,548)	15,224	20,835	2,389,669	43,859	9,258	(12,276)	(32,887)	(98,270)	(222,973)	(4,669)	299	(2,507)

12/19/2013

Rebalancing Trades (Final)	PERS AY21	TRS AY22	JRS AY23	Mil AY24	PERS AYW2	TRS AYW3	JRS AYW4	PERS AYX2	TRS AYX3	PERS AYY2	TRS AYY3	PERS AY6G	TRS AY6H	P&F AY6I
Broad Domestic Equity														
Large Cap Pool (AYQK)	39,848	(13,609)	8,721	(83,351)	20,884	(20,792)	(185)	4,833	1,180	36,138	4,809	1,170	336	18
Small Cap Pool (AYQC)	10,961	(3,743)	2,398	(22,926)	5,744	(5,719)	(51)	1,329	325	9,940	1,322	322	93	5
Alternative Equity Strategies														
Advent Capital Convertible Bond (AY52)	265	(832)	235	-	(177)	(856)	(8)	136	33	1,027	134	33	10	-
Alternative Equity Strategies Pool (AYYK)	1,116	(3,499)	992	-	(746)	(3,599)	(35)	574	138	4,320	563	137	39	-
Global Equity Ex-US														
International Equity Pool (AYRC)	15,735	(19,564)	6,841	(22,293)	2,195	(21,924)	(208)	3,904	944	29,311	3,847	938	270	4
International Equity - Small Cap Pool (AYRK)	1,219	(1,516)	530	(1,727)	170	(1,698)	(17)	302	73	2,271	298	73	21	1
Emerging Markets Pool (AYSC)	2,320	(2,889)	1,011	(3,295)	325	(3,240)	(31)	577	140	4,333	569	139	40	1
Private Equity														
Private Equity Pool (AYSK)	3,211	(10,070)	2,852	-	(2,146)	(10,351)	(100)	1,652	397	12,427	1,620	395	114	(1)
Real Assets														
Real Estate Pool (AYVK)	(379,787)	(196,106)	(5,088)	-	421,209	129,974	1,511	2,962	981	18,848	3,997	941	280	278
JP Morgan Real Estate (AY7A)	1,285	(1,924)	639											
REIT Holdings (AY9H)	609	(1,925)	548	-	(411)	(1,983)	(19)	316	76	2,381	310	76	22	-
Farmland Pool (AYTK)	1,438	(4,510)	1,276	-	(961)	(4,634)	(45)	739	178	5,565	726	177	51	-
Farmland Water Pool (AYUC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Timber Pool (AYUK)	524	(1,654)	472	-	(352)	(1,702)	(16)	271	65	2,043	266	65	18	-
Energy Pool (AYVC)	199	(629)	179	-	(134)	(648)	(6)	103	25	778	101	25	7	-
TIPS Internally Managed (AY6N)	65	(202)	58	-	(44)	(210)	(3)	33	8	252	32	8	3	-
MLP Pool (AYWK)	720	(2,260)	640	-	(481)	(2,321)	(22)	370	89	2,787	364	89	25	-
Absolute Return														
Absolute Return Pool (AYTC)	1,476	(4,629)	1,311	-	(986)	(4,756)	(46)	759	183	5,711	744	181	52	-
Fixed Income														
Taxable Municipal Bond Pool (AYZC)	467	(839)	265	(469)	(44)	(899)	(8)	152	37	1,142	149	36	11	-
US Treasury Fixed Income Pool (AY1A)	(27,360)	(22,349)	1,602	80,950	(27,857)	(16,356)	(174)	1,140	257	8,784	1,049	258	73	(17)
Mondrian Inv. Partners Inc (AY63)	(2,803)	(3,958)	564	9,543	(3,566)	(3,290)	(34)	352	82	2,671	336	83	23	(3)
High Yield Pool (AYPK)	(1,907)	(4,758)	878	8,036	(3,306)	(4,233)	(42)	530	126	4,004	513	126	35	(2)
Lazard Emerging Income (AY5M)	479	(859)	272	(482)	(46)	(922)	(9)	156	37	1,172	153	38	11	-
Short-term Fixed Income														
State of AK Short Term Pool (AY70)	329,920	302,324	(27,196)	36,014	(409,270)	(19,841)	(452)	(21,190)	(5,374)	(155,905)	(21,902)	(5,310)	(1,534)	(284)

12/20/2013														
Rebalancing Trades (Final)	PERS AY21	TRS AY22	JRS AY23	MI AY24	PERS AYW2	TRS AYW3	JRS AYW4	PERS AYX2	TRS AYX3	PERS AYY2	TRS AYY3	PERS AY6G	TRS AY6H	P&F AY6I
Broad Domestic Equity														
Large Cap Pool (AYQK)	(4,299,897)	(3,863,254)	(78,685)	(2,303)	6,049,993	1,944,547	22,001	24,832	9,446	138,004	38,731	9,607	2,676	4,302
Small Cap Pool (AYQC)	(1,176,708)	(1,057,217)	(21,532)	(630)	1,655,638	532,144	6,020	6,796	2,585	37,766	10,599	2,629	732	1,178
Alternative Equity Strategies														
Advent Capital Convertible Bond (AY52)	(124,177)	(111,557)	(2,272)	-	174,662	56,139	635	717	273	3,984	1,118	277	77	124
Alternative Equity Strategies Pool (AYYK)	(523,270)	(470,095)	(9,575)	-	736,010	236,563	2,677	3,022	1,149	16,789	4,712	1,169	326	523
Global Equity Ex-US														
International Equity Pool (AYRC)	(3,532,649)	(3,179,346)	(64,649)	(38,715)	5,001,454	1,607,608	18,189	20,524	7,808	114,052	32,017	7,939	2,211	3,557
International Equity - Small Cap Pool (AYRK)	(273,592)	(246,231)	(5,007)	(2,998)	387,346	124,504	1,409	1,590	605	8,833	2,480	615	171	275
Emerging Markets Pool (AYSC)	(516,053)	(464,452)	(9,444)	(5,656)	730,626	234,844	2,657	2,998	1,140	16,661	4,677	1,160	323	519
Private Equity														
Private Equity Pool (AYSK)	(1,501,945)	(1,349,309)	(27,484)	-	2,112,573	679,007	7,682	8,671	3,299	48,190	13,524	3,355	934	1,503
Real Assets														
Real Estate Pool (AYVK)	(1,141,070)	(941,212)	(20,807)	-	1,543,850	494,743	5,583	6,423	2,417	35,874	9,920	2,485	684	1,110
JP Morgan Real Estate (AY7A)	87,628	(89,085)	1,457											
REIT Holdings (AY9H)	(284,092)	(255,232)	(5,199)	-	399,600	128,437	1,453	1,641	624	9,115	2,559	634	176	284
Farmland Pool (AYTK)	(678,316)	(609,390)	(12,410)	-	954,096	306,658	3,469	3,917	1,490	21,763	6,108	1,515	422	678
Farmland Water Pool (AYUC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Timber Pool (AYUK)	(247,106)	(221,996)	(4,525)	-	347,573	111,714	1,264	1,427	543	7,928	2,225	552	154	247
Energy Pool (AYVC)	(94,086)	(84,519)	(1,724)	-	132,336	42,534	481	544	206	3,019	847	210	58	94
TIPS Internally Managed (AY6N)	(30,420)	(27,331)	(556)	-	42,789	13,752	156	176	67	976	274	68	19	30
MLP Pool (AYWK)	(339,048)	(304,593)	(6,204)	-	476,891	153,278	1,734	1,958	745	10,879	3,053	757	211	339
Absolute Return														
Absolute Return Pool (AYTC)	(690,781)	(620,579)	(12,641)	-	971,624	312,291	3,533	3,988	1,517	22,164	6,220	1,543	430	691
Fixed Income														
Taxable Municipal Bond Pool (AYZC)	(138,079)	(123,994)	(2,527)	349	193,922	62,328	705	796	302	4,424	1,242	308	86	138
US Treasury Fixed Income Pool (AY1A)	(1,119,791)	(1,007,539)	(20,492)	(10,500)	1,583,886	509,102	5,760	6,500	2,473	36,121	10,139	2,514	701	1,126
Mondrian Inv. Partners Inc (AY63)	(330,903)	(296,147)	(6,054)	7,645	459,000	147,513	1,669	1,885	717	10,477	2,939	729	203	327
High Yield Pool (AYPK)	(488,877)	(439,895)	(8,947)	(4,766)	691,643	222,313	2,515	2,838	1,080	15,773	4,427	1,098	306	492
Lazard Emerging Income (AY5M)	(141,528)	(127,092)	(2,590)	358	198,766	63,885	723	816	311	4,534	1,273	315	88	141
Short-term Fixed Income														
State of AK Short Term Pool (AY70)	17,584,760	15,890,065	321,867	57,216	(24,844,278)	(7,983,904)	(90,315)	(102,059)	(38,797)	(567,326)	(159,084)	(39,479)	(10,988)	(17,678)

1/7/2014

Rebalancing Trades (Final)	PERS AY21	TRS AY22	JRS AY23	MI AY24	PERS AYW2	TRS AYW3	JRS AYW4	PERS AYX2	TRS AYX3	PERS AYY2	TRS AYY3	PERS AY6G	TRS AY6H	P&F AY6I
Broad Domestic Equity														
Large Cap Pool (AYQK)	2,245,551	160,474	39,249	(69,251)	(1,760,248)	(1,011,141)	(3,619)	36,195	8,650	271,055	57,867	12,248	(192)	13,162
Small Cap Pool (AYQC)	617,180	44,106	10,787	(19,033)	(483,797)	(277,908)	(994)	9,948	2,377	74,499	15,905	3,366	(53)	3,617
Alternative Equity Strategies														
Advent Capital Convertible Bond (AYS2)	63,904	4,256	1,117	-	(51,316)	(29,317)	(106)	1,040	248	7,789	1,662	351	(6)	378
Alternative Equity Strategies Pool (AYYK)	272,631	18,158	4,764	-	(218,924)	(125,074)	(455)	4,434	1,058	33,230	7,089	1,500	(25)	1,614
Global Equity Ex-US														
International Equity Pool (AYRC)	1,856,152	131,561	32,441	(50,365)	(1,459,270)	(837,691)	(3,003)	29,951	7,157	224,315	47,884	10,135	(159)	10,892
International Equity - Small Cap Pool (AYRK)	145,477	10,312	2,543	(3,948)	(114,372)	(65,655)	(235)	2,347	561	17,581	3,753	794	(12)	854
Emerging Markets Pool (AYSC)	263,441	18,673	4,604	(7,148)	(207,112)	(118,893)	(426)	4,251	1,016	31,836	6,796	1,438	(22)	1,546
Private Equity														
Private Equity Pool (AYSK)	761,597	50,723	13,307	-	(611,566)	(349,395)	(1,270)	12,387	2,955	92,828	19,803	4,190	(69)	4,510
Real Assets														
Real Estate Pool (AYVK)	(478,708)	(435,287)	(8,811)	-	670,075	97,021	3,377	14,575	4,229	99,827	23,621	5,141	457	4,483
JP Morgan Real Estate (AY7A)	47,332	(48,101)	769											
REIT Holdings (AY9H)	147,423	9,824	2,575	-	(118,384)	(67,635)	(246)	2,398	572	17,969	3,833	811	(13)	873
Farmland Pool (AYTK)	344,854	22,970	6,028	-	(276,923)	(158,210)	(575)	5,609	1,338	42,034	8,966	1,898	(31)	2,042
Farmland Water Pool (AYUC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Timber Pool (AYUK)	125,866	8,383	2,201	-	(101,074)	(57,744)	(210)	2,047	489	15,342	3,273	693	(11)	745
Energy Pool (AYVC)	48,837	3,252	853	-	(39,216)	(22,404)	(81)	794	190	5,952	1,270	268	(4)	289
TIPS Internally Managed (AY6N)	15,590	1,039	272	-	(12,520)	(7,152)	(26)	253	60	1,901	406	86	(2)	93
MLP Pool (AYWK)	179,615	11,963	3,138	-	(144,232)	(82,401)	(300)	2,921	697	21,892	4,670	989	(16)	1,064
Absolute Return														
Absolute Return Pool (AYTC)	389,100	25,915	6,799	-	(312,450)	(178,505)	(649)	6,328	1,510	47,426	10,117	2,141	(36)	2,304
Fixed Income														
Taxable Municipal Bond Pool (AYZC)	70,986	4,949	1,241	(1,414)	(56,125)	(32,177)	(116)	1,148	274	8,598	1,835	389	(6)	418
US Treasury Fixed Income Pool (AY1A)	508,200	22,212	8,867	73,817	(453,862)	(253,442)	(984)	8,616	2,040	64,762	13,768	2,911	(59)	3,154
Mondrian Inv. Partners Inc (AY63)	159,107	7,531	2,777	19,460	(139,831)	(78,344)	(301)	2,680	635	20,136	4,283	905	(18)	980
High Yield Pool (AYPK)	251,564	16,777	4,396	(136)	(201,923)	(115,372)	(419)	4,091	976	30,656	6,540	1,384	(23)	1,489
Lazard Emerging Income (AY5M)	72,573	5,061	1,268	(1,446)	(57,380)	(32,896)	(118)	1,173	280	8,791	1,876	397	(6)	427
Short-term Fixed Income														
State of AK Short Term Pool (AY70)	(8,108,272)	(94,751)	(141,185)	59,464	6,150,450	3,804,335	10,756	(153,186)	(37,312)	########	(245,217)	(52,035)	306	(54,934)

BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC
2200 ROSS AVENUE, 31ST FLOOR • DALLAS, TEXAS 75201-2761 • 214-665-1900

January 3, 2014

Mr. Gary Bader
CIO, Department of Revenue
Alaska Retirement Management Board
PO Box 110405
Juneau, AK 99811-0405

Dear Gary:

We are writing to let you know that Robert Chambers, CFA, one of our six U.S. Large Cap Value managers, retired at the end of 2013. Bob joined Barrow Hanley in 1994 and we will all certainly miss working with him, and wish him all the best in his retirement.

As you know, our large cap value process is part of a strong firm culture that centers on a team-oriented approach. With the research capabilities at BHMS stronger than ever, and a proven plan of succession in place, the transition of Bob's accounts to another of our large cap value portfolio managers, Lewis Ropp, has been seamless. You can be assured that the management of your account will continue in the same value-oriented style that you expect from Barrow Hanley.

Please feel free to give me a call if you have any questions about this matter, and accept our thanks for your continued support of our firm.

Kind regards,

Cory Martin
Managing Director

THE STATE of ALASKA

GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11th Floor
PO Box 110405
Juneau, Alaska 99811-0405
Main: 907.465.3749
Fax: 907.465.2389

November 25, 2013

READER'S FILE o/c

Mary Ellen MacDonald
Client Service Officer
Lafayette Corporate Center
2 Avenue de Lafayette
Boston, MA 02111

Dear Mary Ellen:

RE: Capital Contribution Blue Glacier Fund, L.P.

This letter is your authorization to transfer **$1,298,585.00** on **December 2, 2013** from account AY70 to account AY9F using the currently applicable absolute return ratios and then wire transfer the full amount as soon as possible using the following instructions:

Bank Name: The Bank of New York Mellon
ABA Number: 021-000-018
Account Name: Blue Glacier Fund, L.P. (Class B)
Account Number: 890-1180-254
Reference: Investor – Capital Contribution – December 2, 2013
Reference Details: Alaska Retirement Management Board on behalf of the State of Alaska Retirement and Benefits Plans Trust

This transfer is a new capital contribution under the subscription agreement dated October 22, 2004. Please provide the Fed Confirmation number for this transaction to Scott Markowitz of Bank of New York Mellon via e-mail at Scott.Markowitz@bnymellon.com.

Sincerely,

FOR Gary M. Bader
Chief Investment Officer

GMB/scv

cc: Pam Leary, Comptroller
Bob Mitchell, Investment Officer
Zachary Hanna, Investment Officer
Scott Markowitz, Bank of New York Mellon
Travis Keith, Crestline Investors, Inc.

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT

As of December 31, 2013

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Six Months Ending December 31, 2013

	Beginning Invested Assets	Investment Income (1)	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (2)
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 6,682,601,125	$ 762,457,892	$ (7,371,090)	$ 7,437,687,927	11.30%	11.42%
Retirement Health Care Trust	5,869,023,791	667,266,127	57,714,652	6,594,004,570	12.35%	11.31%
Total Defined Benefit Plans	12,551,624,916	1,429,724,019	50,343,562	14,031,692,497	11.79%	11.37%
Defined Contribution Plans:						
Participant Directed Retirement	344,683,147	49,447,556	33,506,622	427,637,325	24.07%	13.68%
Health Reimbursement Arrangement	107,570,946	12,698,600	11,998,750	132,268,296	22.96%	11.18%
Retiree Medical Plan	20,530,927	2,402,769	1,770,205	24,703,901	20.33%	11.22%
Defined Benefit Occupational Death and Disability:						
Public Employees	8,033,120	932,292	573,800	9,539,212	18.75%	11.21%
Police and Firefighters	3,497,071	416,863	457,688	4,371,622	25.01%	11.19%
Total Defined Contribution Plans	484,315,211	65,898,080	48,307,065	598,520,356	23.58%	12.96%
Total PERS	**13,035,940,127**	**1,495,622,099**	**98,650,627**	**14,630,212,853**	12.23%	11.43%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	3,279,505,294	379,385,335	31,362,106	3,690,252,735	12.52%	11.51%
Retirement Health Care Trust	1,883,677,379	217,955,751	58,683,699	2,160,316,829	14.69%	11.39%
Total Defined Benefit Plans	5,163,182,673	597,341,086	90,045,805	5,850,569,564	13.31%	11.47%
Defined Contribution Plans:						
Participant Directed Retirement	153,359,455	21,216,139	7,934,706	182,510,300	19.01%	13.49%
Health Reimbursement Arrangement	34,477,528	3,987,521	2,842,430	41,307,479	19.81%	11.11%
Retiree Medical Plan	8,710,401	995,158	420,679	10,126,238	16.25%	11.16%
Defined Benefit Occupational Death and Disability	2,595,310	291,883	9	2,887,202	11.25%	11.25%
Total Defined Contribution Plans	199,142,694	26,490,701	11,197,824	236,831,219	18.93%	12.94%
Total TRS	**5,362,325,367**	**623,831,787**	**101,243,629**	**6,087,400,783**	13.52%	11.52%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	118,593,014	13,618,816	1,418,432	133,630,262	12.68%	11.42%
Defined Benefit Retirement Health Care Trust	22,670,718	2,530,936	(325,614)	24,876,040	9.73%	11.24%
Total JRS	**141,263,732**	**16,149,752**	**1,092,818**	**158,506,302**	12.21%	11.39%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	34,141,087	3,045,793	(373,322)	36,813,558	7.83%	8.97%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,916,434,215	246,915,761	(4,483,817)	3,158,866,159	8.31%	8.47%
Deferred Compensation Plan	685,406,547	67,003,306	(2,367,927)	750,041,926	9.43%	9.79%
Total All Funds	**22,175,511,075**	**2,452,568,498**	**193,762,008**	**24,821,841,581**		
Total Non-Participant Directed	18,075,627,711	2,067,985,736	159,172,424	20,302,785,871	12.32%	11.39%
Total Participant Directed	4,099,883,364	384,582,762	34,589,584	4,519,055,710	10.22%	9.34%
Total All Funds	**$ 22,175,511,075**	**$ 2,452,568,498**	**$ 193,762,008**	**$ 24,821,841,581**	**11.93%**	**11.01%**

Notes:

(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses

(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at: http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Month Ended December 31, 2013

	Beginning Invested Assets	Investment Income (1)	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (2)
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 7,357,604,455	$ 109,091,928	$ (29,008,456)	$ 7,437,687,927	1.09%	1.49%
Retirement Health Care Trust	6,507,591,407	96,943,784	(10,530,621)	6,594,004,570	1.33%	1.49%
Total Defined Benefit Plans	13,865,195,862	206,035,712	(39,539,077)	14,031,692,497	1.20%	1.49%
Defined Contribution Plans:						
Participant Directed Retirement	414,298,878	6,605,946	6,732,501	427,637,325	3.22%	1.58%
Health Reimbursement Arrangement	127,893,635	1,960,603	2,414,058	132,268,296	3.42%	1.52%
Retiree Medical Plan	24,015,668	365,328	322,905	24,703,901	2.87%	1.51%
Defined Benefit Occupational Death and Disability:						
Public Employees	9,286,144	141,078	111,990	9,539,212	2.73%	1.51%
Police and Firefighters	4,224,857	64,542	82,223	4,371,622	3.47%	1.51%
Total Defined Contribution Plans	579,719,182	9,137,497	9,663,677	598,520,356	3.24%	1.56%
Total PERS	**14,444,915,044**	**215,173,209**	**(29,875,400)**	**14,630,212,853**	1.28%	1.49%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	3,664,119,005	54,044,039	(27,910,309)	3,690,252,735	0.71%	1.48%
Retirement Health Care Trust	2,136,007,201	31,734,109	(7,424,481)	2,160,316,829	1.14%	1.49%
Total Defined Benefit Plans	5,800,126,206	85,778,148	(35,334,790)	5,850,569,564	0.87%	1.48%
Defined Contribution Plans:						
Participant Directed Retirement	177,248,909	2,820,192	2,441,199	182,510,300	2.97%	1.58%
Health Reimbursement Arrangement	40,056,260	612,539	638,680	41,307,479	3.12%	1.52%
Retiree Medical Plan	9,878,971	149,685	97,582	10,126,238	2.50%	1.51%
Defined Benefit Occupational Death and Disability	2,844,749	42,453		2,887,202	1.49%	1.49%
Total Defined Contribution Plans	230,028,889	3,624,869	3,177,461	236,831,219	2.96%	1.57%
Total TRS	**6,030,155,095**	**89,403,017**	**(32,157,329)**	**6,087,400,783**	0.95%	1.49%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	131,936,735	1,958,582	(265,055)	133,630,262	1.28%	1.49%
Defined Benefit Retirement Health Care Trust	24,530,611	365,467	(20,038)	24,876,040	1.41%	1.49%
Total JRS	**156,467,346**	**2,324,049**	**(285,093)**	**158,506,302**	1.30%	1.49%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	36,759,149	265,302	(210,893)	36,813,558	0.15%	0.72%
Other Participant Directed Plans						
Supplemental Annuity Plan	3,130,577,238	30,534,662	(2,245,741)	3,158,866,159	0.90%	0.98%
Deferred Compensation Plan	739,423,475	8,838,440	1,780,011	750,041,926	1.44%	1.19%
Total All Funds	**24,538,297,347**	**346,538,679**	**(62,994,445)**	**24,821,841,581**		
Total Non-Participant Directed	20,076,748,847	297,739,439	(71,702,415)	20,302,785,871	1.13%	1.49%
Total Participant Directed	4,461,548,500	48,799,240	8,707,970	4,519,055,710	1.29%	1.09%
Total All Funds	**$ 24,538,297,347**	**$ 346,538,679**	**$ (62,994,445)**	**$ 24,821,841,581**	**1.16%**	**1.41%**

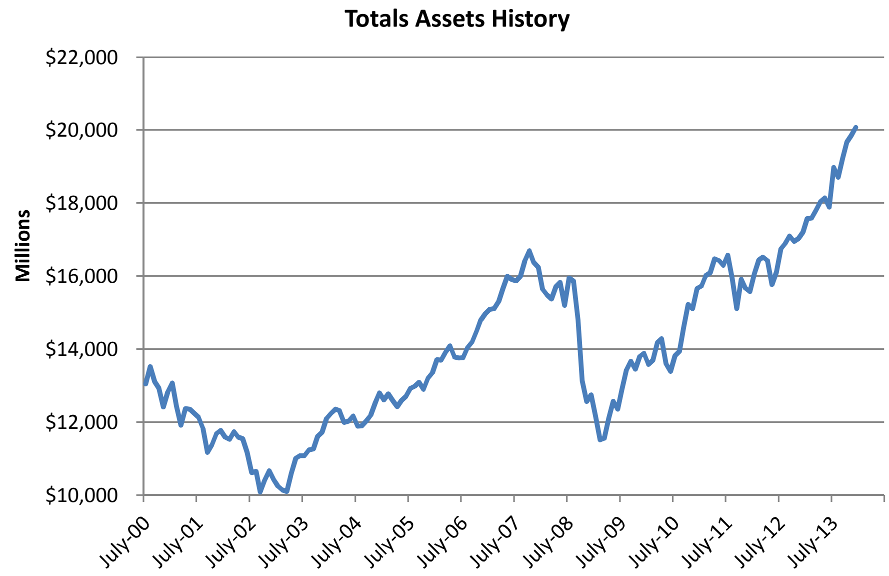
Notes:

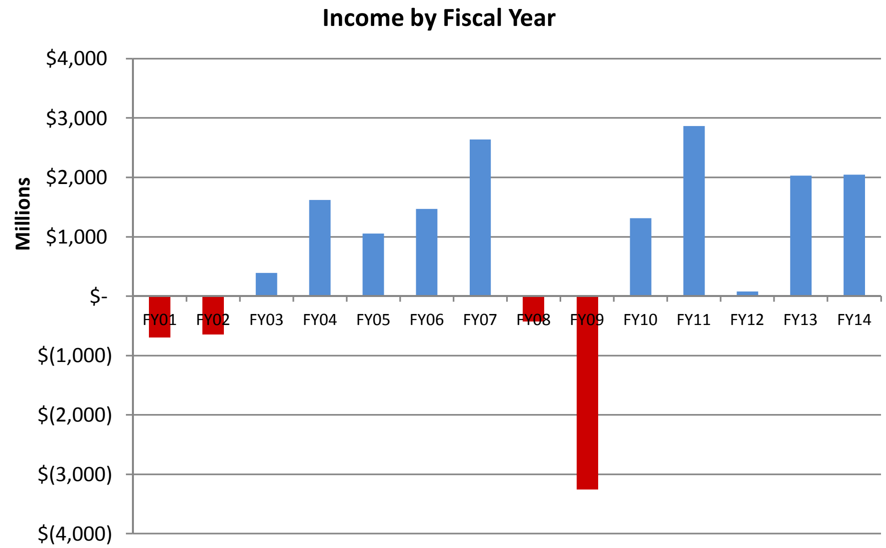
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses

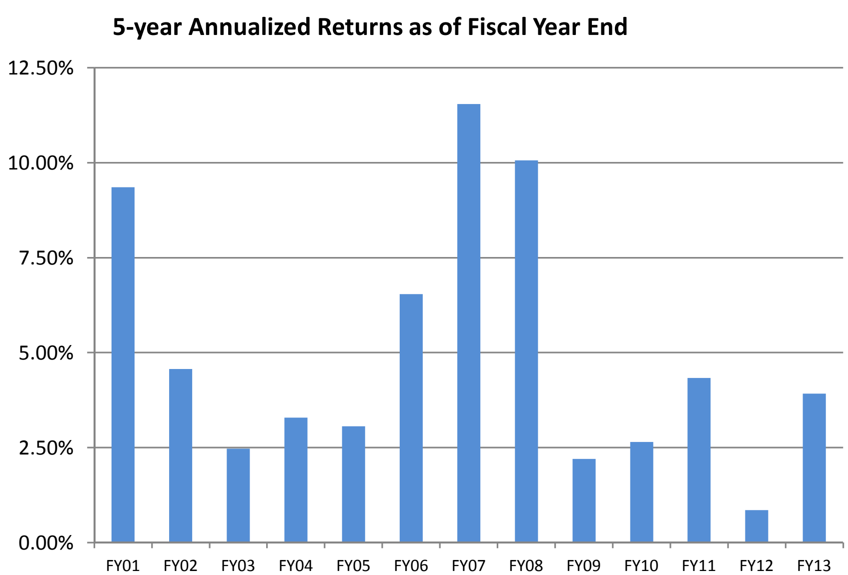
(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at: http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx

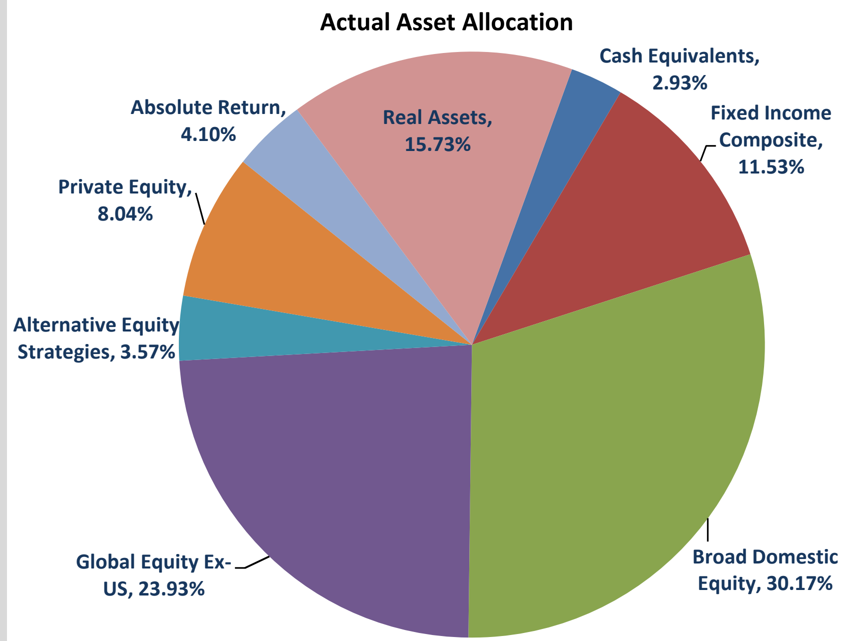
Total Defined Benefit Assets

For the Six Months Ending December 31, 2013



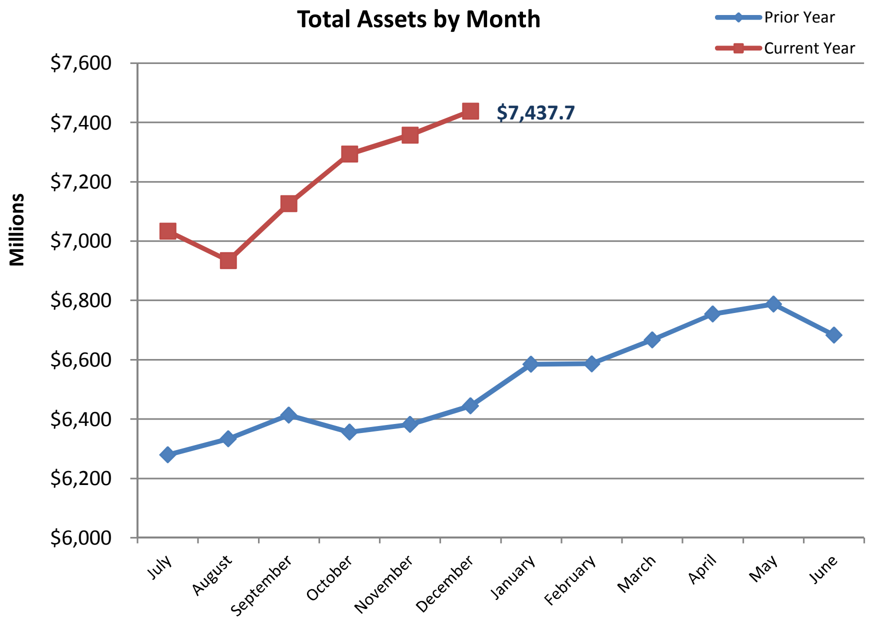


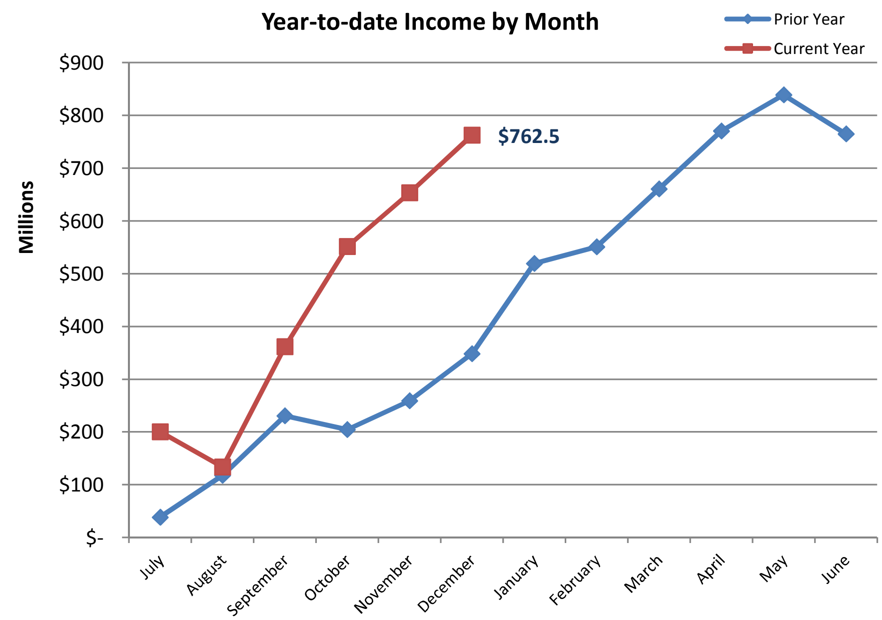


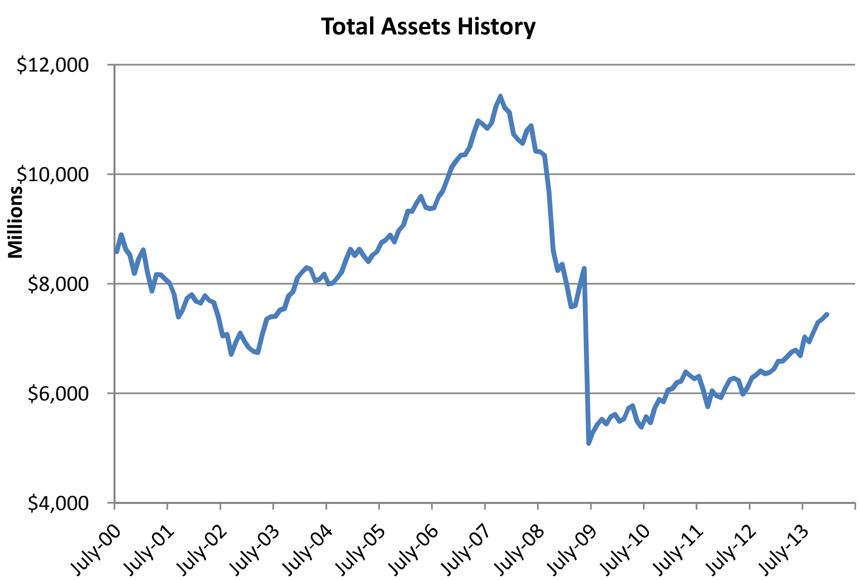


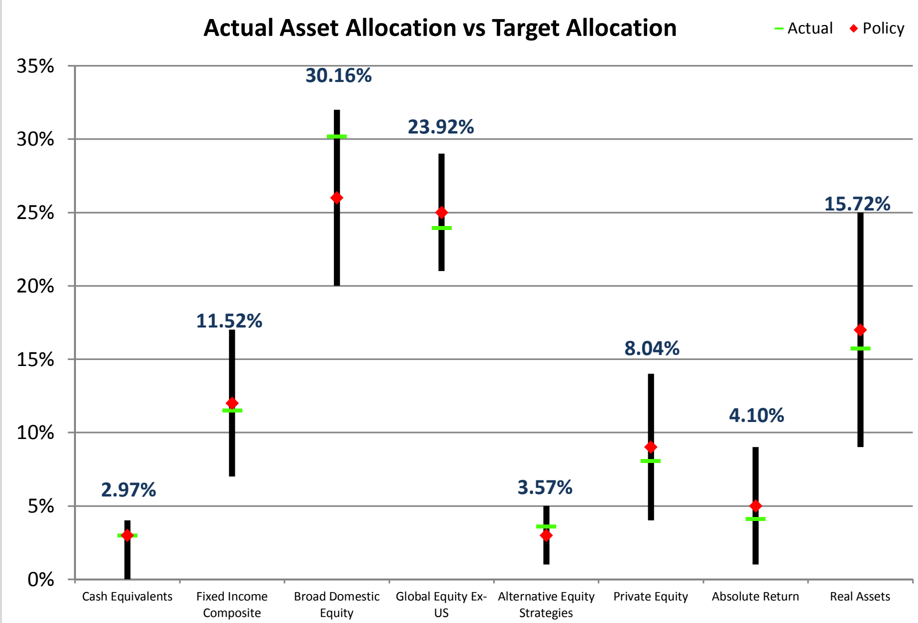
Public Employees' Retirement Pension Trust Fund

For the Six Months Ending December 31, 2013



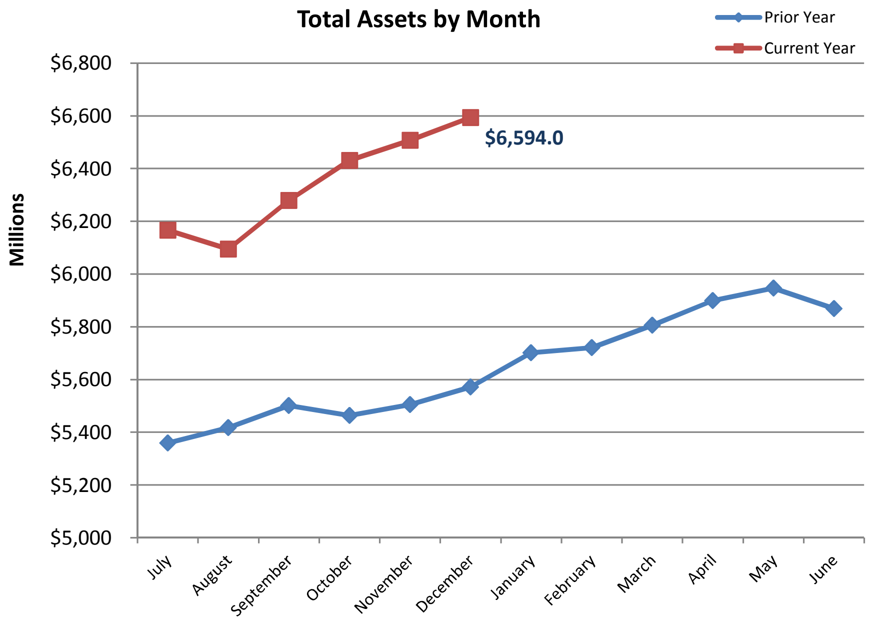


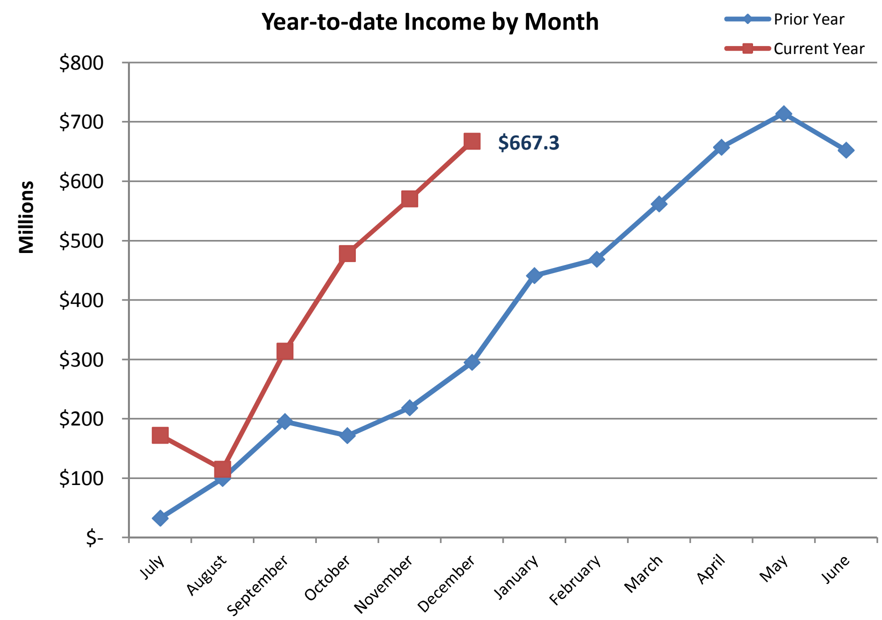


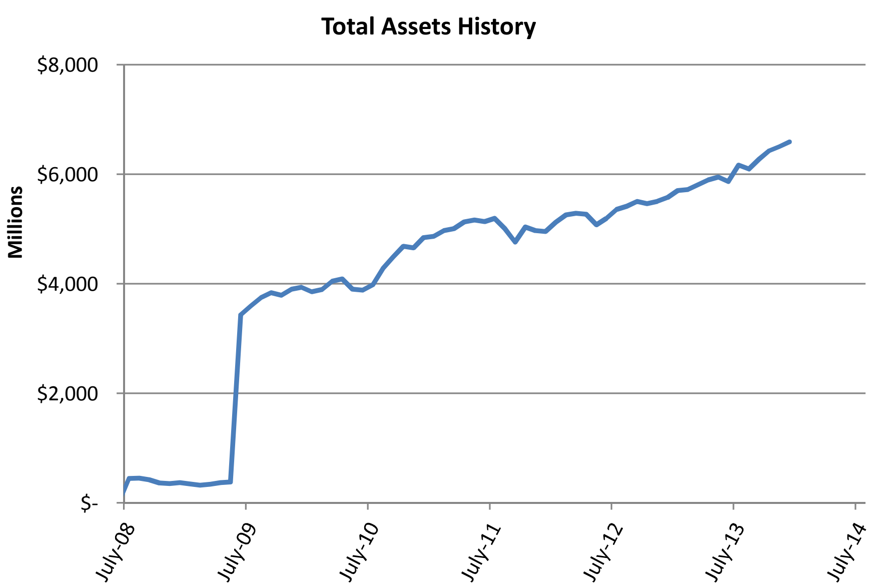


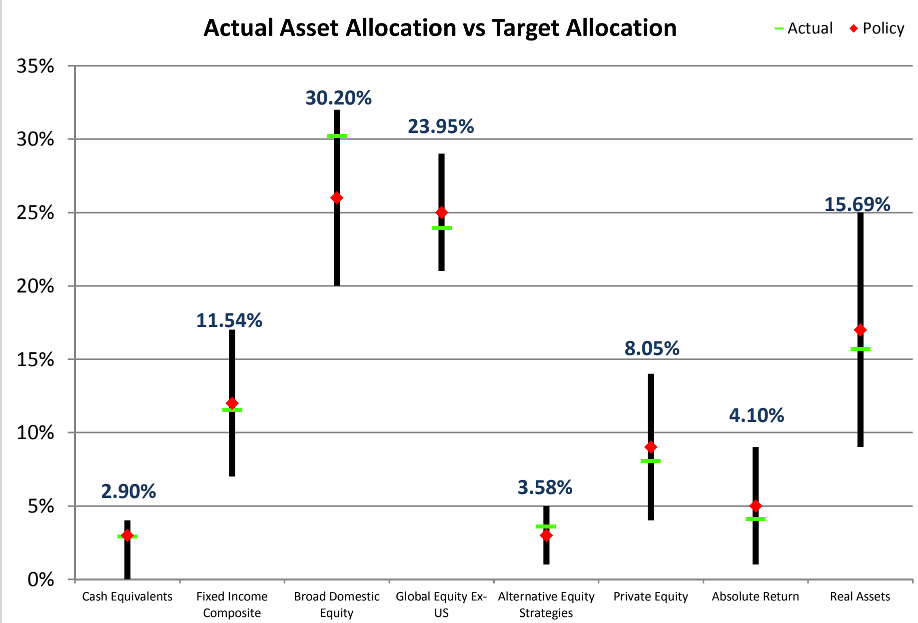
Public Employees' Retirement Health Care Trust Fund

For the Six Months Ending December 31, 2013



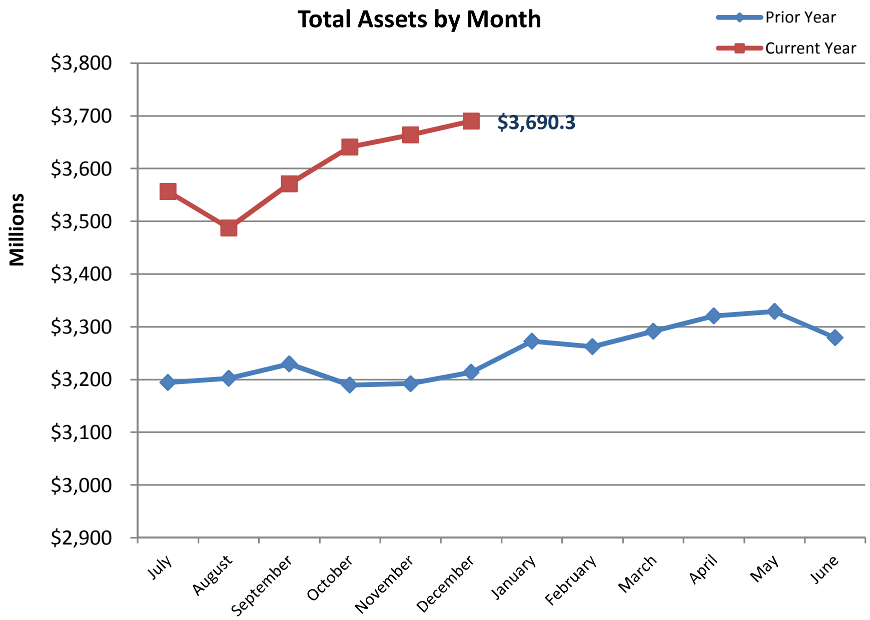


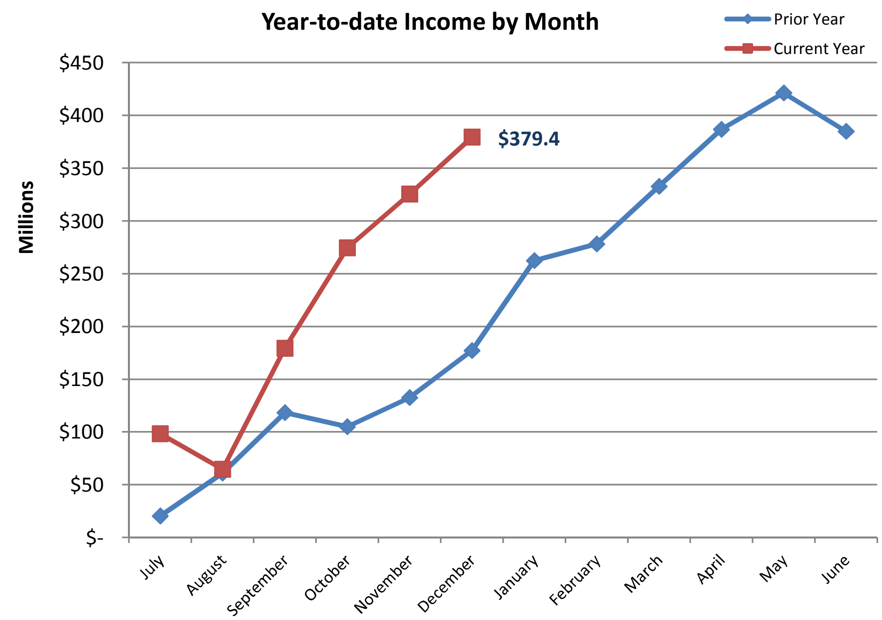


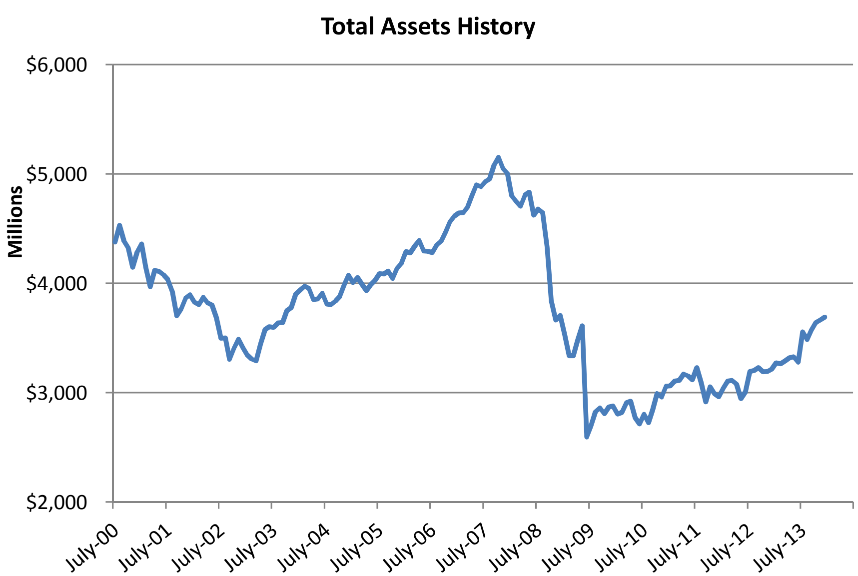


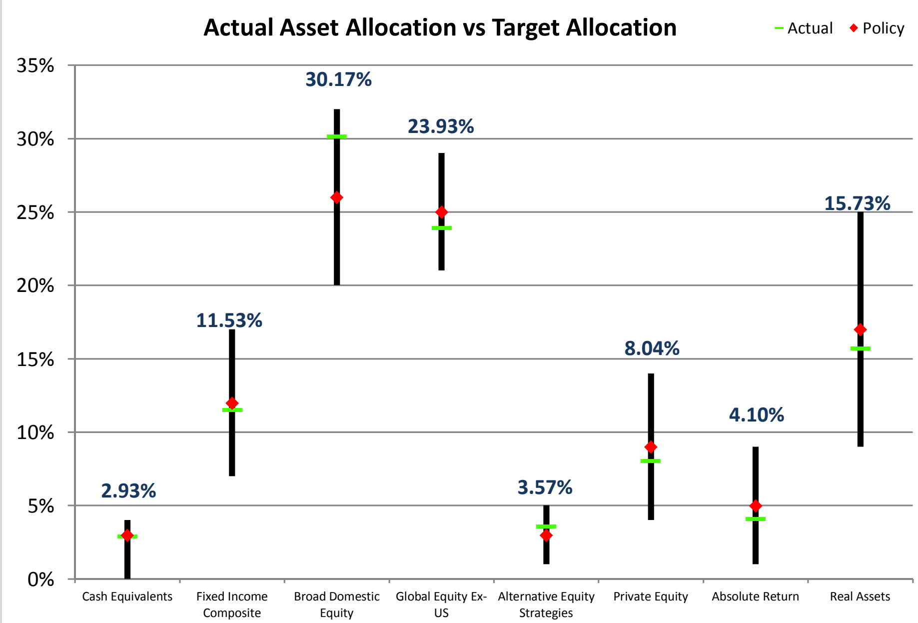
Teachers' Retirement Pension Trust Fund

For the Six Months Ending December 31, 2013



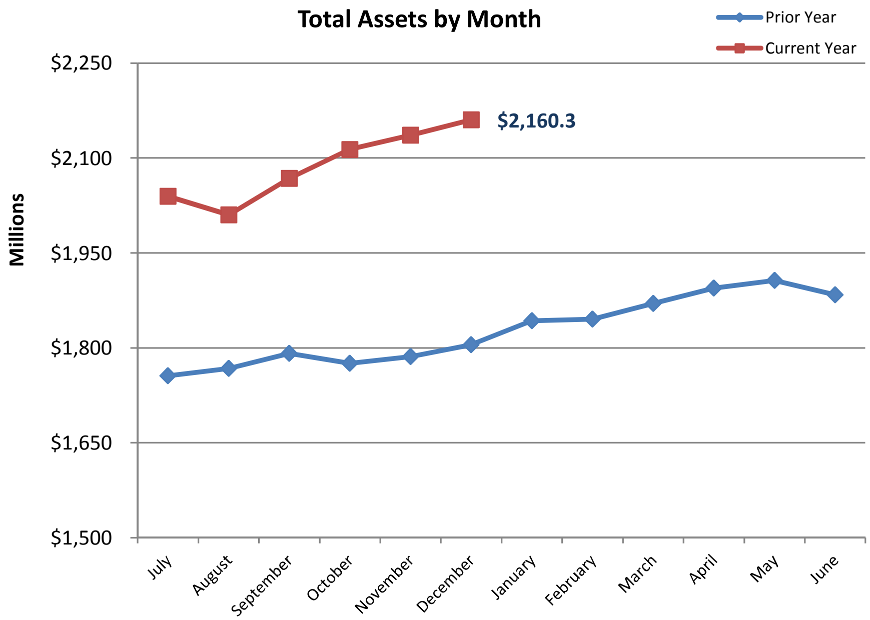


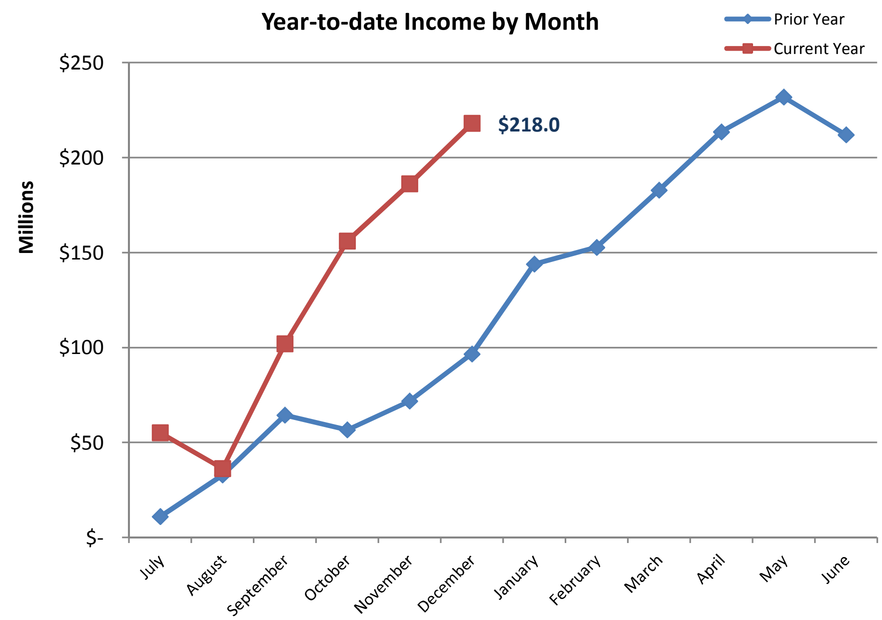


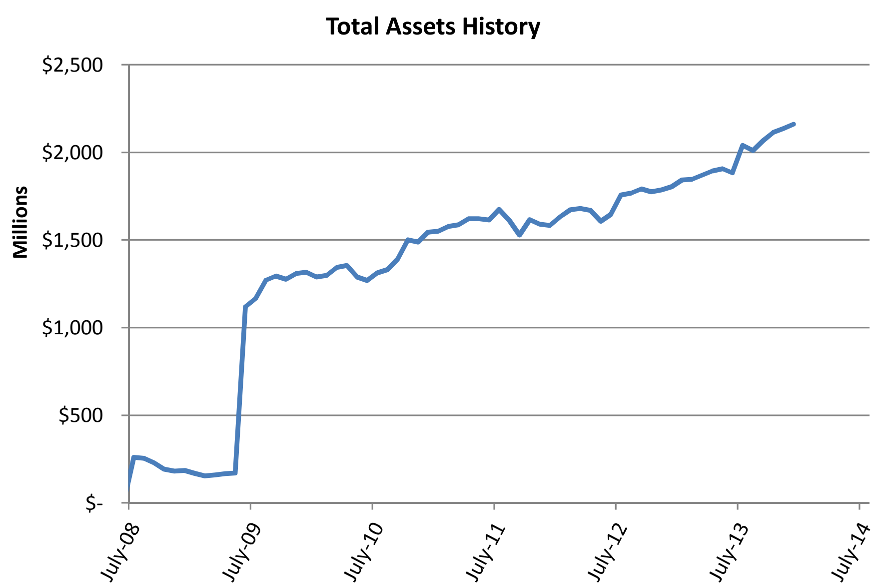


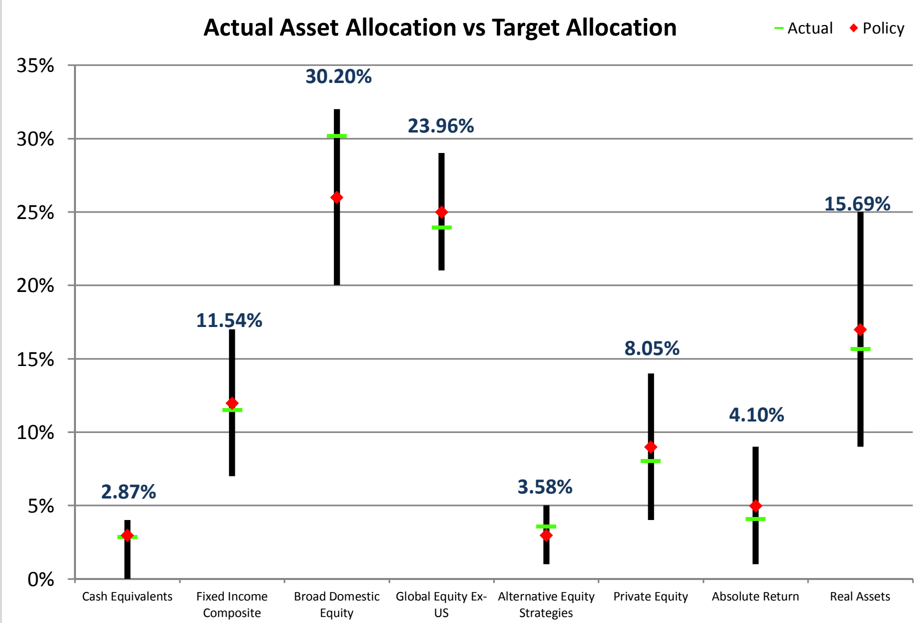
Teachers' Retirement Health Care Trust Fund

For the Six Months Ending December 31, 2013



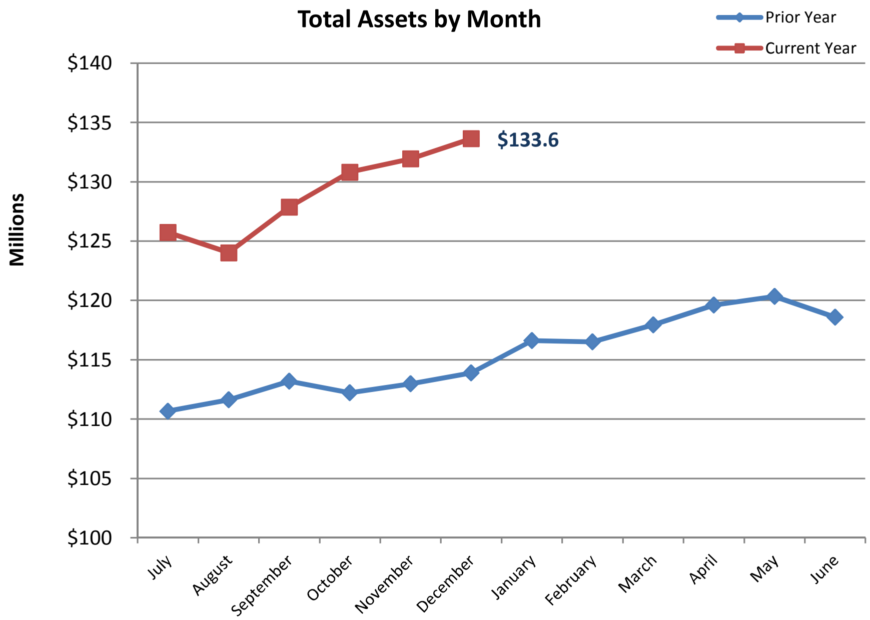


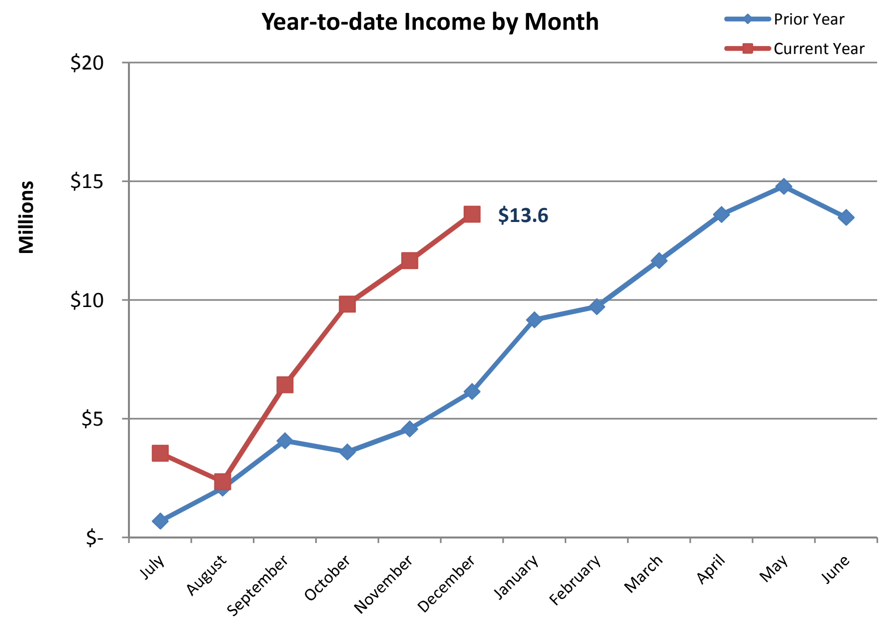


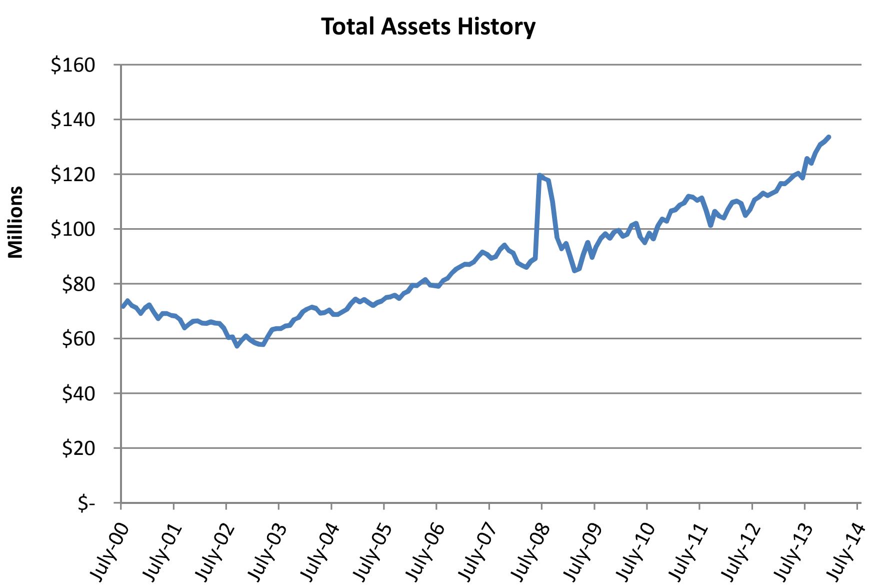


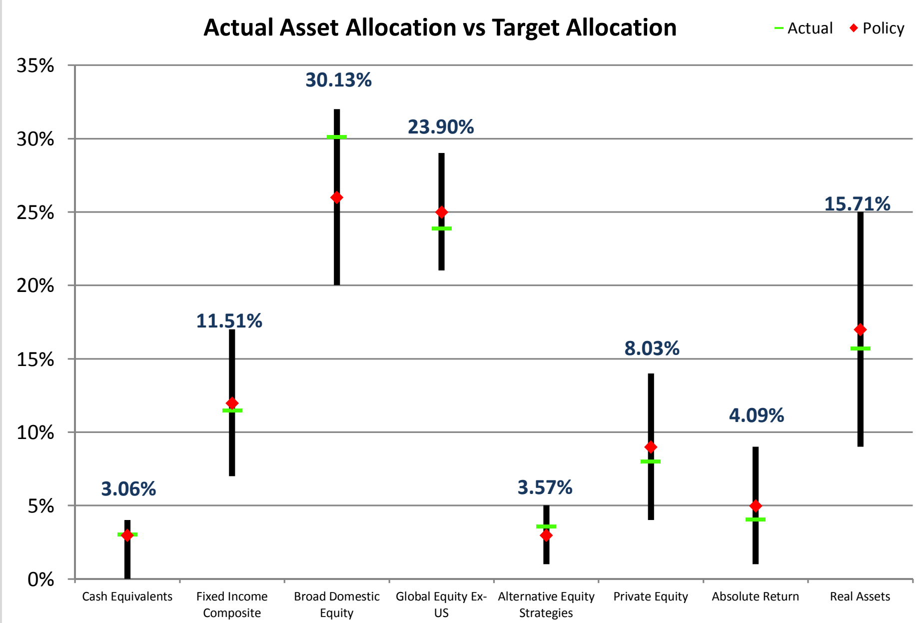
Judicial Retirement Pension Trust Fund

For the Six Months Ending December 31, 2013



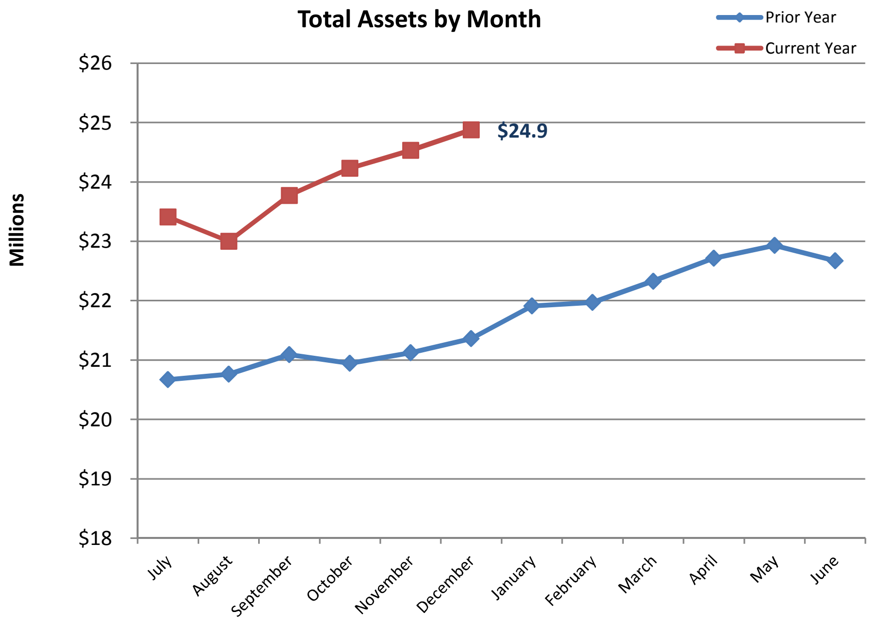


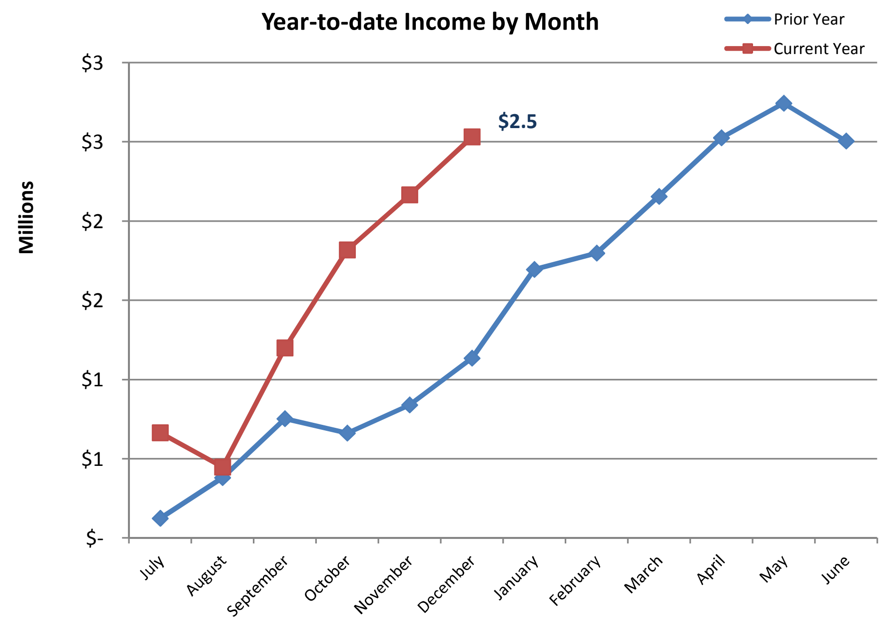


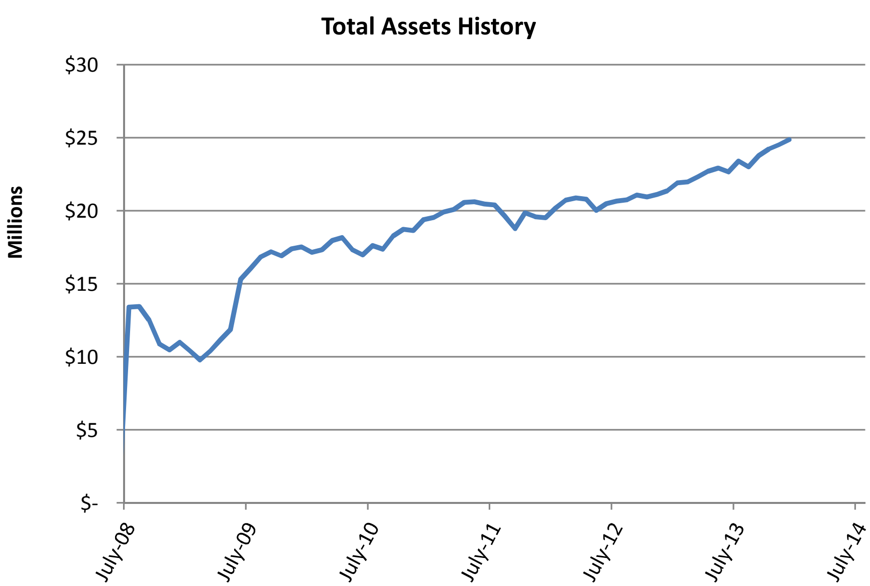


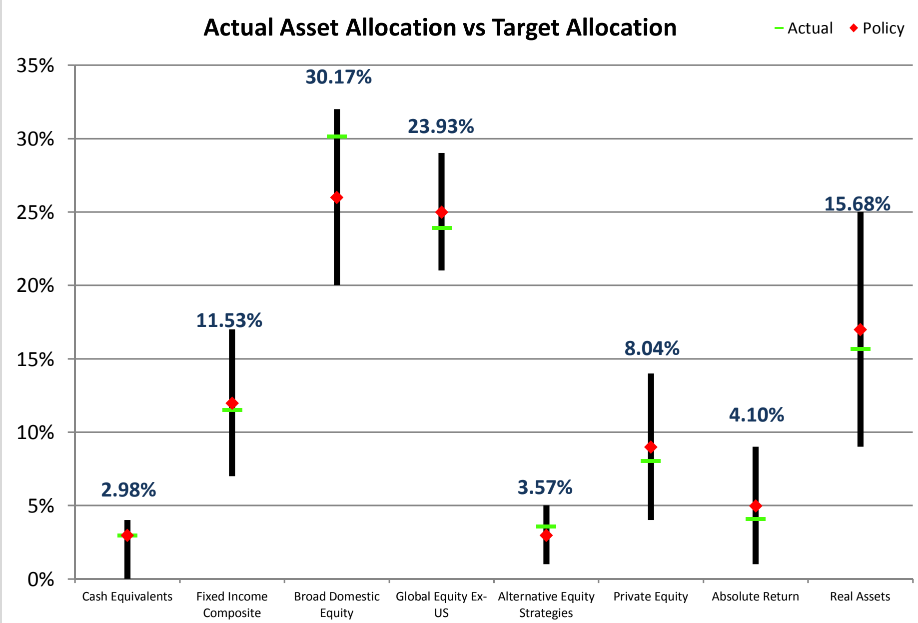
Judicial Retirement Health Care Trust Fund

For the Six Months Ending December 31, 2013



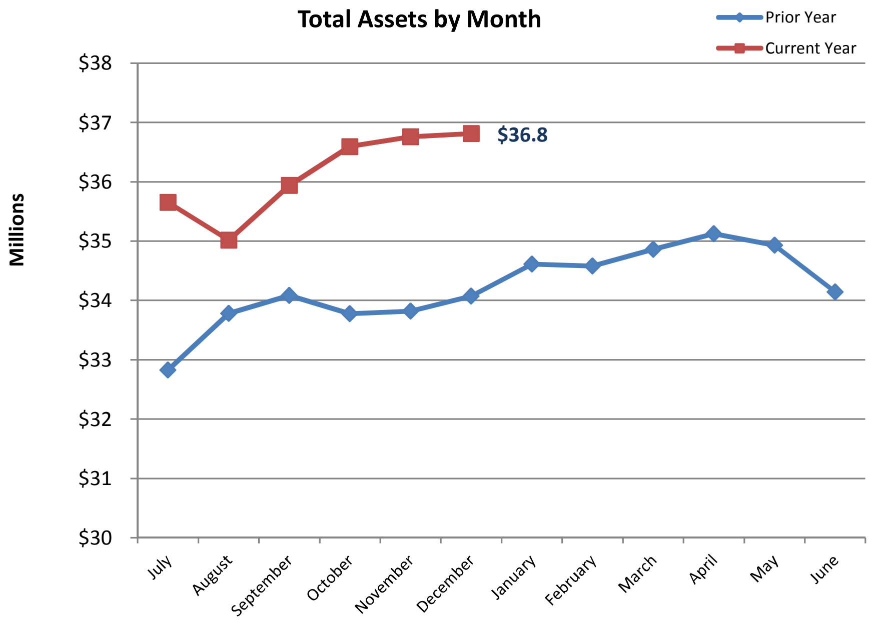


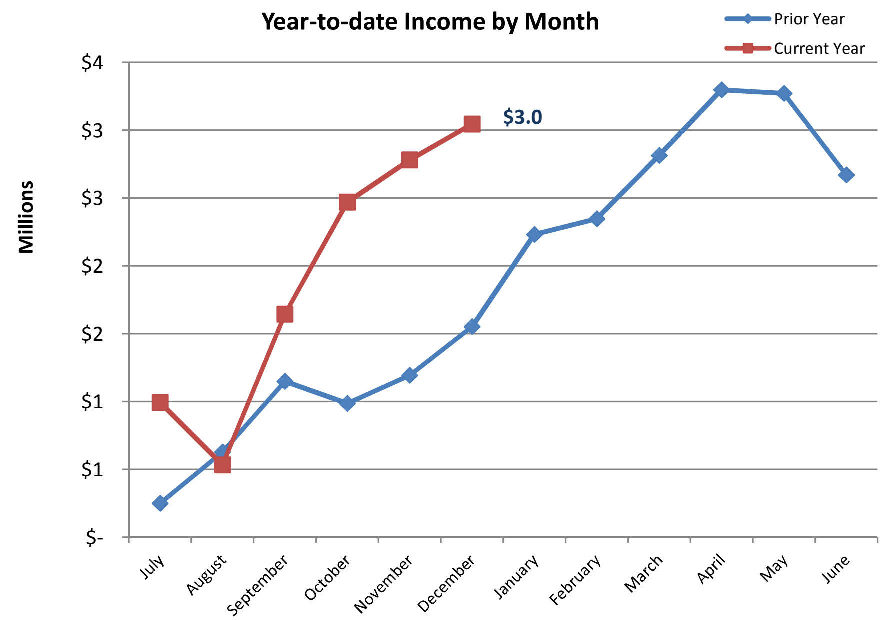


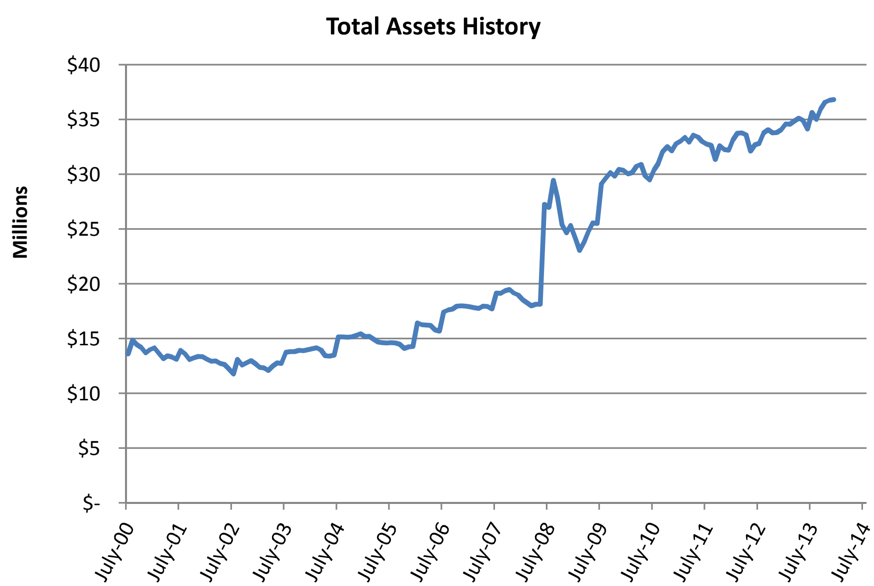


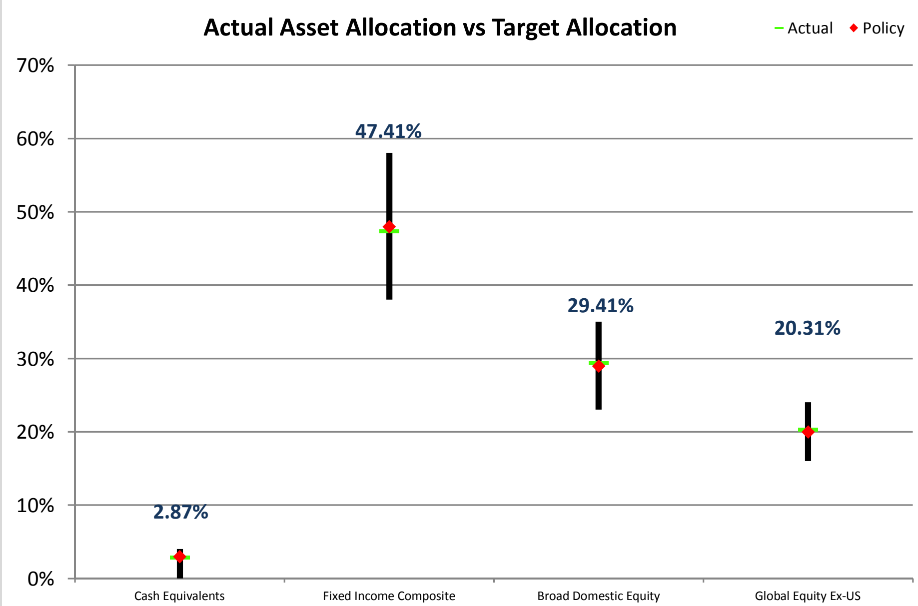
Military Retirement Trust Fund

For the Six Months Ending December 31, 2013









ALASKA RETIREMENT MANAGEMENT BOARD
Reporting of Funds by Manager

All Non-Participant Directed Plans

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For The Month Ended December 31, 2013

	Beginning Invested Assets	Investment Income	Net Contributions and (Withdrawals)	Ending Invested Assets	% increase (decrease)
Cash					
Short-Term Fixed Income Pool	578,103,697	122,517	17,065,511	595,291,725	2.97%
Total Cash	578,103,697	122,517	17,065,511	595,291,725	2.97%
Fixed Income					
US Treasury Fixed Income	1,258,295,808	(8,718,042)	(95,000,000)	1,154,577,766	-8.24%
Municipal Bond Pool					
Western Asset Management	100,366,317	(1,081,405)	-	99,284,912	-1.08%
Guggenheim Partners	35,386,433	(165,855)	15,000,000	50,220,578	41.92%
	135,752,750	(1,247,260)	15,000,000	149,505,490	10.13%
International Fixed Income Pool					
Mondrian Investment Partners	360,917,288	(2,156,638)	-	358,760,650	-0.60%
High Yield Pool					
MacKay Shields, LLC	534,546,642	2,854,648	-	537,401,290	0.53%
Emerging Debt Pool					
Lazard Emerging Income	154,368,724	(480,928)	-	153,887,796	-0.31%
Total Fixed Income	2,443,881,212	(9,748,220)	(80,000,000)	2,354,132,992	-3.67%
Domestic Equities					
Small Cap Pool					
Passively Managed					
SSgA Russell 2000 Growth	16,953,290	365,164	-	17,318,454	2.15%
SSgA Russell 2000 Value	61,088,668	1,128,383	-	62,217,051	1.85%
Total Passive	78,041,958	1,493,547	-	79,535,505	1.91%

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For The Month Ended December 31, 2013

Actively Managed					
Barrow, Haney, Mewhinney & Strauss	182,234,287	6,588,257	-	188,822,544	3.62%
DePrince, Race & Zollo Inc.- Micro Cap	100,661,555	1,546,993	-	102,208,548	1.54%
Frontier Capital Mgmt. Co.	176,161,430	2,945,646	-	179,107,076	1.67%
Jennison Associates, LLC	187,078,331	4,397,251	-	191,475,582	2.35%
Lord Abbet Small Cap Growth Fund	153,284,694	4,143,563	-	157,428,257	2.70%
Lord Abbett & Co.	(117,870)	117,870	-	-	-100.00%
Lord Abbett & Co.- Micro Cap	123,770,839	3,559,492	-	127,330,331	2.88%
Luther King Capital Management	181,693,151	2,526,253	-	184,219,404	1.39%
SSgA Futures Small Cap	10,658,704	229,037	-	10,887,741	2.15%
Transition Account	-	-	-	-	-
Victory Capital Management	101,757,412	2,849,344	-	104,606,756	2.80%
Total Active	1,217,182,533	28,903,706	-	1,246,086,239	2.37%
Total Small Cap	1,295,224,491	30,397,253	-	1,325,621,744	2.35%
Large Cap Pool					
Passively Managed					
SSgA Russell 1000 Growth	1,223,915,177	34,927,606	-	1,258,842,783	2.85%
SSgA Russell 1000 Value	1,237,710,589	31,381,238	-	1,269,091,827	2.54%
SSgA Russell 200	537,433,578	13,806,522	-	551,240,100	2.57%
Total Passive	2,999,059,344	80,115,366	-	3,079,174,710	2.67%
Actively Managed					
Allianz Global Investors	319,837,034	11,297,264	-	331,134,298	3.53%
Barrow, Haney, Mewhinney & Strauss	309,506,366	6,918,102	-	316,424,468	2.24%
Large Cap Transition Fund	-	-	-	-	-
Lazard Freres	414,596,742	13,783,406	-	428,380,148	3.32%
McKinley Capital Mgmt.	315,660,666	7,657,151	-	323,317,817	2.43%
Quantitative Management Assoc.	303,033,005	6,763,067	-	309,796,072	2.23%
SSgA Futures large cap	12,318,207	271,532	-	12,589,739	2.20%
Total Active	1,674,952,020	46,690,522	-	1,721,642,542	2.79%
Total Large Cap	4,674,011,364	126,805,888	-	4,800,817,252	2.71%
Total Domestic Equity	5,969,235,855	157,203,141	-	6,126,438,996	2.63%

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For The Month Ended December 31, 2013

Alternative Equity Strategies					
Alternative Equity Strategy Pool					
Relational Investors, LLC	229,518,433	10,606,268	8,000,000	248,124,701	8.11%
Analytic Buy Write Account	126,392,971	2,113,106	-	128,506,077	1.67%
Allianz Global Investors Buy-Write Account	84,513,358	845,029	-	85,358,387	1.00%
ARMB Equity Yield Strategy	123,262,205	2,177,534	-	125,439,739	1.77%
Total Alternative Equity Strategy Pool	563,686,967	15,741,937	8,000,000	587,428,904	4.21%
Convertible Bond Pool					
Advent Capital	134,462,912	2,212,088	-	136,675,000	1.65%
Total Alternative Equity Strategies	698,149,879	17,954,025	8,000,000	136,675,000	3.72%
Global Equities Ex US					
Small Cap Pool					
Mondrian Investment Partners	148,287,127	4,766,052	-	153,053,179	3.21%
Schroder Investment Management	151,423,118	4,315,297	-	155,738,415	2.85%
Total Small Cap	299,710,245	9,081,349	-	308,791,594	3.03%
Large Cap Pool					
Blackrock ACWI Ex-US IMI	630,275,179	6,436,480	-	636,711,659	1.02%
Brandes Investment Partners	1,029,547,446	3,450,485	-	1,032,997,931	0.34%
Cap Guardian Trust Co	792,271,537	12,549,771	-	804,821,308	1.58%
Lazard Freres	484,273,404	10,426,763	-	494,700,167	2.15%
McKinley Capital Management	362,007,488	9,633,778	-	371,641,266	2.66%
SSgA Futures International	-	-	-	-	-
State Street Global Advisors	629,519,082	6,555,888	-	636,074,970	1.04%
Total Large Cap	3,927,894,136	49,053,165	-	3,976,947,301	1.25%
Emerging Markets Equity Pool					
Lazard Asset Management	354,781,270	(2,282,831)	-	352,498,439	-0.64%
Eaton Vance	220,066,793	(17,383)	-	220,049,410	-0.01%
Total Emerging Markets Pool	574,848,063	(2,300,214)	-	572,547,849	-0.40%
Total Global Equities	4,802,452,444	55,834,300	-	4,858,286,744	1.16%

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For The Month Ended December 31, 2013

Private Equity Pool					
Abbott Capital	735,686,425	9,019,552	(24,117,432)	720,588,545	-2.05%
Angelo, Gordon & Co.	11,710,586	364,130	(247,360)	11,827,356	1.00%
Blum Capital Partners-Strategic	9,541,422	-	-	9,541,422	-
Lexington Partners	47,041,865	869,656	(2,090,470)	45,821,051	-2.60%
Merit Capital Partners	12,910,994	344,615	-	13,255,609	2.67%
NB SOF III	-	1	2,791,800	2,791,801	#DIV/0!
Onex Partnership III	21,218,137	8	(108,648)	21,109,497	-0.51%
Pathway Capital Management LLC	767,948,152	27,693,643	(24,523,417)	771,118,378	0.41%
Warburg Pincus Prvt Eqty XI	6,492,188	219,486	2,040,000	8,751,674	34.80%
Warburg Pincus X	25,727,315	3,776	-	25,731,091	0.01%
Total Private Equity	1,638,277,084	38,514,867	(46,255,527)	1,630,536,424	-0.47%
Absolute Return Pool					
Global Asset Management (USA) Inc.	260,392,355	5,377,027	40,000,000	305,769,382	17.43%
Prisma Capital Partners	270,051,709	3,817,076	40,000,000	313,868,785	16.23%
Mariner Investment Group, Inc.	387,794	(4,694)	-	383,100	-1.21%
Crestline Investors, Inc.	202,879,636	1,180,475	6,467,449	210,527,560	3.77%
Total Absolute Return Investments	733,711,494	10,369,884	86,467,449	830,548,827	13.20%
Real Assets					
Farmland Pool					
UBS Agrivest, LLC	464,857,283	(100)	3,265,207	468,122,390	0.70%
Hancock Agricultural Investment Group	267,991,299	-	-	267,991,299	-
Total Farmland Pool	732,848,582	(100)	3,265,207	736,113,689	0.45%
Timber Pool					
Timberland INVT Resource LLC	182,812,722	-	-	182,812,722	-
Hancock Natural Resource Group	86,259,739	5	(400,000)	85,859,744	-0.46%
Total Timber Pool	269,072,461	5	(400,000)	268,672,466	-0.15%
Energy Pool					
EIG Energy Fund XV	35,618,297	95,374	1,875,000	37,588,671	5.53%
EIG Energy Fund XD	7,696,772	(12,705)	-	7,684,067	-0.17%
EIG Energy Fund XIV-A	51,159,290	159,011	1,500,000	52,818,301	3.24%
EIG Energy Fund XVI	6,531,447	(378,342)	-	6,153,105	-5.79%
Total Energy Pool	101,005,806	(136,662)	3,375,000	104,244,144	3.21%
REIT Pool					
REIT Holdings	310,410,848	1,661,359	-	312,072,207	0.54%

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For The Month Ended December 31, 2013

Treasury Inflation Proof Securities					
TIPS Internally Managed Account	33,593,596	(497,723)	-	33,095,873	-1.48%
Master Limited Partnerships					
FAMCO	182,121,114	5,303,101	-	187,424,215	2.91%
Tortoise Capital Advisors	194,551,301	7,373,376	-	201,924,677	3.79%
Total Master Limited Partnerships	376,672,415	12,676,477	-	389,348,892	3.37%
Real Estate					
Core Commingled Accounts					
JP Morgan	198,092,614	1,984,489	-	200,077,103	1.00%
UBS Trumbull Property Fund	81,372,213	-	-	81,372,213	-
Total Core Commingled	279,464,827	1,984,489	-	281,449,316	0.71%
Core Separate Accounts					
Cornerstone Real Estate Advisers Inc.	144,400,605	5	(24,923,183)	119,477,427	-17.26%
LaSalle Investment Management	200,347,245	(15)	(20,767,354)	179,579,876	-10.37%
Sentinel Separate Account	148,875,562	4,542,703	(349,688)	153,068,577	2.82%
UBS Realty	283,061,361	32	(824,960)	282,236,433	-0.29%
Total Core Separate	776,684,773	4,542,725	(46,865,185)	734,362,313	-5.45%
Non-Core Commingled Accounts					
Almanac Realty Securities IV	15,712,773	-	-	15,712,773	-
Almanac Realty Securities V	30,681,666	5	(7,712,451)	22,969,220	-25.14%
BlackRock Diamond Property Fund	27,788,429	-	-	27,788,429	-
Colony Investors VIII, L.P.	20,172,366	3,867,974	-	24,040,340	19.17%
Cornerstone Apartment Venture III	21,533,687	(527,909)	(208,333)	20,797,445	-3.42%
Coventry	13,447,397	-	-	13,447,397	-
ING Clarion Development Ventures II	4,247,835	-	-	4,247,835	-
ING Clarion Development Ventures III	26,464,245	-	-	26,464,245	-
LaSalle Medical Office Fund II	6,521,968	3,596,800	-	10,118,768	55.15%
Lowe Hospitality Partners	2,751,177	(157,014)	(751,720)	1,842,443	-33.03%
Silverpeak Legacy Pension Partners II, L.P.	74,224,262	(12)	(7,682,367)	66,541,883	-10.35%
Silverpeak Legacy Pension Partners III, L.P.	8,814,991	-	-	8,814,991	-
Tishman Speyer Real Estate Venture VI	62,887,535	351,446	-	63,238,981	0.56%
Tishman Speyer Real Estate Venture VII	17,935,544	127,065	-	18,062,609	0.71%
Total Non-Core Commingled	333,183,875	7,258,355	(16,354,871)	324,087,359	-2.73%
Total Real Estate	1,389,333,475	13,785,569	(63,220,056)	1,339,898,988	-3.56%
Total Real Assets	3,212,937,183	27,488,925	(56,979,849)	3,183,446,259	-0.92%
Total Assets	20,076,748,848	297,739,439	(71,702,416)	20,302,785,871	1.13%

ALASKA RETIREMENT MANAGEMENT BOARD

Participant Directed Plans

Supplemental Annuity Plan
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 2013

Interim Transit Account	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers In (Out)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (3)
Treasury Division (1)							
Cash and Cash Equivalents	$ 5,856,843	$ 690	$ (960,710)	$ -	$ 4,896,823	-16.39%	0.01%
Participant Options							
T. Rowe Price							
Stable Value Fund	346,121,221	665,707	(1,605,875)	2,692,346	347,873,398	0.51%	0.19%
Small Cap Stock Fund	135,600,189	3,107,361	187,436	314,881	139,209,867	2.66%	2.29%
Alaska Balanced Trust	1,167,998,186	5,901,337	(2,779,907)	(1,873,066)	1,169,246,549	0.11%	0.51%
Long Term Balanced Fund	479,873,359	6,055,199	2,303,163	1,163,448	489,395,169	1.98%	1.26%
AK Target Date 2010 Trust	8,121,192	79,989	24,849	170,440	8,396,470	3.39%	0.97%
AK Target Date 2015 Trust	102,714,790	1,247,865	(523,578)	(453,362)	102,985,715	0.26%	1.22%
AK Target Date 2020 Trust	54,792,842	795,843	127,937	394,122	56,110,745	2.41%	1.45%
AK Target Date 2025 Trust	31,818,738	539,518	322,233	(185,319)	32,495,170	2.13%	1.69%
AK Target Date 2030 Trust	19,877,216	372,512	48,142	200,598	20,498,467	3.13%	1.86%
AK Target Date 2035 Trust	17,046,237	356,269	329,282	504,331	18,236,119	6.98%	2.04%
AK Target Date 2040 Trust	18,015,234	383,788	355,435	(104,738)	18,649,719	3.52%	2.12%
AK Target Date 2045 Trust	19,430,833	415,264	350,299	75,464	20,271,860	4.33%	2.11%
AK Target Date 2050 Trust	19,764,970	433,648	548,061	(19,094)	20,727,586	4.87%	2.17%
AK Target Date 2055 Trust	12,405,846	267,848	320,110	(286,897)	12,706,907	2.43%	2.16%
Total Investments with T. Rowe Price	2,433,580,851	20,622,149	7,588	2,593,154	2,456,803,741		
State Street Global Advisors							
State Street Treasury Money Market Fund - Inst.	37,800,992	51	(471,287)	(2,116,736)	35,213,020	-6.85%	0.00%
S&P 500 Stock Index Fund Series A	303,774,659	7,704,081	349,880	622,121	312,450,742	2.86%	2.53%
Russell 3000 Index	43,575,495	1,184,487	(147,177)	2,007,277	46,620,082	6.99%	2.66%
US Real Estate Investment Trust Index	22,693,905	117,655	(2,169)	(1,063,175)	21,746,216	-4.18%	0.53%
World Equity Ex-US Index	28,163,680	257,635	53,567	(305,497)	28,169,385	0.02%	0.92%
Long US Treasury Bond Index	7,099,911	(133,415)	3,057	(626,871)	6,342,681	-10.67%	-1.97%
US Treasury Inflation Protected Securities Index	16,691,290	(244,608)	17,011	(111,964)	16,351,729	-2.03%	-1.47%
World Government Bond Ex-US Index	8,433,004	(79,744)	(4,381)	40,501	8,389,380	-0.52%	-0.94%
Global Balanced Fund	54,721,543	438,308	(882,884)	(674,102)	53,602,865	-2.04%	0.81%
Total Investments with SSGA	522,954,479	9,244,450	(1,084,382)	(2,228,445)	528,886,102		
BlackRock							
Government/Credit Bond Fund	43,872,542	(274,816)	(181,041)	5,867	43,422,552	-1.03%	-0.63%
Intermediate Bond Fund	13,789,133	(106,237)	(52,615)	(231,144)	13,399,137	-2.83%	-0.78%
Total Investments with Barclays Global Investors	57,661,675	(381,053)	(233,656)	(225,277)	56,821,688		
Brandes Institutional							
International Equity Fund Fee	74,387,679	200,839	132,684	(251,198)	74,470,004	0.11%	0.27%
RCM							
Sustainable Core Opportunities Fund	36,135,711	847,588	(107,265)	111,766	36,987,800	2.36%	2.35%
Total All Funds	$ 3,130,577,238	$ 30,534,662	$ (2,245,741)	$ -	$ 3,158,866,159	0.90%	0.98%

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.
(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

Supplemental Annuity Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2013
$ (Thousands)

Invested Assets (at fair value)	**July**	**August**	**September**	**October**	**November**	**December**
Investments with Treasury Division						
Cash and cash equivalents	$ 6,963	$ 8,002	$ 7,774	$ 1,138	$ 5,857	$ 4,897
Investments with T. Rowe Price						
Stable Value Fund	342,163	341,965	353,860	349,102	346,121	347,873
Small Cap Stock Fund	119,871	119,590	123,647	131,079	135,600	139,210
Alaska Balanced Trust	1,145,537	1,125,332	1,142,412	1,164,797	1,167,998	1,169,247
Long Term Balanced Fund	447,174	442,185	458,146	472,790	479,873	489,395
AK Target Date 2010 Trust	7,235	7,455	7,114	8,433	8,121	8,396
AK Target Date 2015 Trust	97,964	96,565	97,851	101,398	102,715	102,986
AK Target Date 2020 Trust	48,561	47,667	50,537	53,429	54,793	56,111
AK Target Date 2025 Trust	30,232	29,289	29,866	30,873	31,819	32,495
AK Target Date 2030 Trust	14,847	15,993	17,135	19,222	19,877	20,498
AK Target Date 2035 Trust	14,419	14,608	15,286	16,472	17,046	18,236
AK Target Date 2040 Trust	15,673	15,644	16,623	17,236	18,015	18,650
AK Target Date 2045 Trust	16,055	16,241	17,314	18,718	19,431	20,272
AK Target Date 2050 Trust	16,248	16,509	17,654	19,436	19,765	20,728
AK Target Date 2055 Trust	9,471	9,697	10,310	11,080	12,406	12,707
State Street Global Advisors						
State Street Treasury Money Market Fund - Inst.	36,430	37,668	38,460	37,979	37,801	35,213
S&P 500 Stock Index Fund Series A	284,037	275,135	279,251	291,542	303,775	312,451
Russell 3000 Index	33,378	33,573	35,472	39,965	43,575	46,620
US Real Estate Investment Trust Index	34,248	29,016	27,300	27,111	22,694	21,746
World Equity Ex-US Index	23,860	23,712	25,952	27,497	28,164	28,169
Long US Treasury Bond Index	9,537	8,831	8,999	7,945	7,100	6,343
US Treasury Inflation Protected Securities Index	17,978	17,536	17,411	16,961	16,691	16,352
World Government Bond Ex-US Index	7,183	7,527	7,829	8,311	8,433	8,389
Global Balanced Fund	54,784	53,706	54,954	55,250	54,722	53,603
Investments with BlackRock						
Government/Credit Bond Fund	45,356	44,798	44,995	44,053	43,873	43,423
Intermediate Bond Fund	15,160	14,182	13,996	13,946	13,789	13,399
Investments with Brandes Institutional						
International Equity Fund Fee	64,109	64,506	70,086	74,779	74,388	74,470
Investments with RCM						
Sustainable Core Opportunities Fund	33,172	32,118	33,617	35,404	36,136	36,988
Total Invested Assets	**$ 2,991,647**	**$ 2,949,049**	**$ 3,023,850**	**$ 3,095,947**	**$ 3,130,577**	**$ 3,158,866**
Change in Invested Assets						
Beginning Assets	$ 2,916,434	$ 2,991,647	$ 2,949,049	$ 3,023,850	$ 3,095,947	$ 3,130,577
Investment Earnings	77,620	(44,221)	78,084	70,381	34,517	30,535
Net Contributions (Withdrawals)	(2,408)	1,623	(3,283)	1,716	113	(2,246)
Ending Invested Assets	**$ 2,991,647**	**$ 2,949,049**	**$ 3,023,850**	**$ 3,095,947**	**$ 3,130,577**	**$ 3,158,866**

Source data provided by the record keeper, Great West Life.

Deferred Compensation Plan
Schedule of Invested Assets and Changes in Invested Assets
for the Month Ended
December 31, 2013

Participant Options	**Beginning Invested Assets**	**Investment Income**	**Net Contributions (Withdrawals)**	**Transfers In (Out)**	**Ending Invested Assets**	**% Change in Invested Assets**	**% Change due to Investment Income (3)**
T. Rowe Price							
Interest Income Fund	$ 181,844,020	$ 390,144	$ (376,620)	$ 827,275	$ 182,684,819	0.46%	0.21%
Small Cap Stock Fund	96,700,945	2,161,710	247,301	(148,337)	98,961,619	2.34%	2.23%
Long Term Balanced Fund	46,428,232	579,934	271,208	(240,643)	47,038,731	1.31%	1.25%
Alaska Balanced Trust	12,538,847	64,575	104,745	(192,515)	12,515,652	-0.18%	0.52%
AK Target Date 2010 Trust	2,951,978	28,330	14,241	(9,664)	2,984,885	1.11%	0.96%
AK Target Date 2015 Trust	7,559,578	91,387	100,656	(17,924)	7,733,697	2.30%	1.20%
AK Target Date 2020 Trust	11,154,324	161,008	219,060	(313,251)	11,221,141	0.60%	1.45%
AK Target Date 2025 Trust	4,816,502	87,970	(39,173)	399,895	5,265,194	9.32%	1.76%
AK Target Date 2030 Trust	3,547,384	67,339	73,130	755	3,688,608	3.98%	1.88%
AK Target Date 2035 Trust	2,314,367	47,327	53,583	(13,253)	2,402,024	3.79%	2.03%
AK Target Date 2040 Trust	2,081,814	43,057	65,740	(67,650)	2,122,961	1.98%	2.07%
AK Target Date 2045 Trust	1,367,606	29,857	57,843	28,731	1,484,037	8.51%	2.12%
AK Target Date 2050 Trust	1,063,318	23,179	34,897	(1,743)	1,119,651	5.30%	2.15%
AK Target Date 2055 Trust	1,346,447	28,634	22,048	(4,211)	1,392,918	3.45%	2.11%
Total Investments with T. Rowe Price	375,715,362	3,804,451	848,659	247,465	380,615,937		
State Street Global Advisors							
State Street Treasury Money Market Fund - Inst.	12,039,243	16	9,310	(650,068)	11,398,501	-5.32%	0.00%
Russell 3000 Index	14,934,024	411,828	95,173	799,728	16,240,753	8.75%	2.68%
US Real Estate Investment Trust Index	8,192,711	42,760	58,249	(121,365)	8,172,355	-0.25%	0.52%
World Equity Ex-US Index	9,675,499	79,148	84,550	(326,824)	9,512,373	-1.69%	0.83%
Long US Treasury Bond Index	2,286,026	(44,537)	22,135	(42,736)	2,220,888	-2.85%	-1.96%
US Treasury Inflation Protected Securities Index	7,213,390	(105,584)	57,826	(80,694)	7,084,938	-1.78%	-1.47%
World Government Bond Ex-US Index	2,920,507	(27,557)	(44,595)	36,205	2,884,560	-1.23%	-0.94%
Global Balanced Fund	39,514,721	329,824	177,282	(63,947)	39,957,880	1.12%	0.83%
Total Investments with SSGA	96,776,121	685,898	459,930	(449,701)	97,472,248		
BlackRock							
S&P 500 Index Fund	163,113,505	4,137,029	110,176	44,286	167,404,996	2.63%	2.54%
Government/Credit Bond Fund	28,042,739	(175,808)	29,115	(196,868)	27,699,178	-1.23%	-0.63%
Intermediate Bond Fund	14,978,001	(115,122)	56,459	(333,727)	14,585,611	-2.62%	-0.78%
Total Investments with Barclays Global Investors	206,134,245	3,846,099	195,750	(486,309)	209,689,785		
Brandes Institutional							
International Equity Fund Fee	45,956,322	153,530	219,860	690,147	47,019,859	2.31%	0.33%
RCM							
Sustainable Core Opportunities Fund	14,841,425	348,462	55,812	(1,602)	15,244,097	2.71%	2.34%
Total All Funds	$ 739,423,475	$ 8,838,440	$ 1,780,011	$ -	$ 750,041,926	1.44%	1.19%

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.
(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

Deferred Compensation Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2013
$ (Thousands)

Invested Assets (at fair value)	July	August	September	October	November	December
Investments with T. Rowe Price						
Interest Income Fund						
Cash and cash equivalents	$ 11,345	$ 11,415	$ 12,731	$ 10,816	$ 10,657	$ 11,113
Synthetic Investment Contracts	169,734	170,359	170,840	171,241	171,188	171,572
Small Cap Stock Fund	89,670	88,064	91,093	95,155	96,701	98,962
Long Term Balanced Fund	43,536	42,879	44,302	45,598	46,428	47,039
Alaska Balanced Trust	11,946	11,996	12,405	12,970	12,539	12,516
AK Target Date 2010 Trust	2,227	2,246	2,235	2,791	2,952	2,985
AK Target Date 2015 Trust	6,914	6,888	7,233	7,372	7,560	7,734
AK Target Date 2020 Trust	9,552	9,463	10,105	10,681	11,154	11,221
AK Target Date 2025 Trust	4,235	4,116	4,409	4,694	4,817	5,265
AK Target Date 2030 Trust	2,861	2,787	3,228	3,330	3,547	3,689
AK Target Date 2035 Trust	1,917	1,909	2,026	2,296	2,314	2,402
AK Target Date 2040 Trust	1,847	1,848	2,015	2,003	2,082	2,123
AK Target Date 2045 Trust	1,167	1,168	1,234	1,321	1,368	1,484
AK Target Date 2050 Trust	696	693	806	1,060	1,063	1,120
AK Target Date 2055 Trust	957	1,004	1,301	1,233	1,346	1,393
State Street Global Advisors						
State Street Treasury Money Market Fund - Inst.	11,018	11,623	12,368	11,691	12,039	11,399
Russell 3000 Index	11,623	11,547	12,588	13,491	14,934	16,241
US Real Estate Investment Trust Index	11,916	9,673	9,445	9,396	8,193	8,172
World Equity Ex-US Index	7,974	8,051	8,810	9,316	9,675	9,512
Long US Treasury Bond Index	2,779	2,580	2,597	2,460	2,286	2,221
US Treasury Inflation Protected Securities Index	8,247	8,054	7,771	7,510	7,213	7,085
World Government Bond Ex-US Index	2,651	2,697	2,779	2,916	2,921	2,885
Global Balanced Fund	38,863	37,889	38,757	39,466	39,515	39,958
Investments with BlackRock						
S&P 500 Index Fund	153,030	148,443	151,690	158,955	163,114	167,405
Government/Credit Bond Fund	29,734	28,505	28,733	28,216	28,043	27,699
Intermediate Bond Fund	15,521	14,923	14,961	14,916	14,978	14,586
Investments with Brandes Institutional						
International Equity Fund Fee	40,205	40,140	43,336	45,514	45,956	47,020
Investments with RCM						
Sustainable Opportunities Fund	13,672	13,217	13,955	14,609	14,841	15,244
Total Invested Assets	**$ 705,837**	**$ 694,176**	**$ 713,752**	**$ 731,018**	**$ 739,423**	**$ 750,042**
Change in Invested Assets						
Beginning Assets	$ 685,407	$ 705,837	$ 694,176	$ 713,752	$ 731,018	$ 739,423
Investment Earnings	20,753	(10,607)	20,016	17,916	10,086	8,838
Net Contributions (Withdrawals)	(323)	(1,055)	(440)	(649)	(1,681)	1,780
Ending Invested Assets	**$ 705,837**	**$ 694,176**	**$ 713,752**	**$ 731,018**	**$ 739,423**	**$ 750,042**

Source data provided by the record keeper, Great West Life.

Defined Contribution Retirement - Participant Directed PERS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 2013

Interim Transit Account		Beginning Invested Assets		Investment Income		Net Contributions (Withdrawals)		Transfers In (Out)		Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (3)
Treasury Division [1]												
Cash and Cash Equivalents	$	6,199,930	$	1,291	$	(211,367)	$	-	$	5,989,855	-3.39%	0.02%
Participant Options												
T. Rowe Price												
Alaska Money Market		3,617,660		41		54,522		(69,266)		3,602,958	-0.41%	0.00%
Small Cap Stock Fund		45,095,270		1,015,852		362,865		(638,552)		45,835,434	1.64%	2.26%
Alaska Balanced Trust		1,392,701		7,479		10,148		120,310		1,530,638	9.90%	0.51%
Long Term Balanced Fund		13,065,969		186,708		76,185		1,695,919		15,024,781	14.99%	1.34%
AK Target Date 2010 Trust		1,347,838		13,282		38,331		8		1,399,458	3.83%	0.97%
AK Target Date 2015 Trust		5,256,909		66,114		102,875		33,580		5,459,478	3.85%	1.24%
AK Target Date 2020 Trust		10,637,603		160,134		327,065		(27,022)		11,097,780	4.33%	1.48%
AK Target Date 2025 Trust		15,148,003		260,940		464,423		(41,542)		15,831,824	4.51%	1.70%
AK Target Date 2030 Trust		15,298,372		292,569		435,593		(52,954)		15,973,580	4.41%	1.89%
AK Target Date 2035 Trust		17,159,384		357,860		580,220		(29,744)		18,067,720	5.29%	2.05%
AK Target Date 2040 Trust		22,444,160		488,714		620,203		49,643		23,602,720	5.16%	2.15%
AK Target Date 2045 Trust		26,970,100		585,614		735,360		(43,943)		28,247,131	4.73%	2.14%
AK Target Date 2050 Trust		30,443,031		665,856		1,032,570		(3,227)		32,138,230	5.57%	2.15%
AK Target Date 2055 Trust		13,690,687		302,618		585,549		0		14,578,854	6.49%	2.16%
Total Investments with T. Rowe Price		221,567,687		4,403,783		5,425,907		993,210		232,390,587		
State Street Global Advisors												
Money Market		1,346,492		2		21,505		5,791		1,373,790	2.03%	0.00%
S&P 500 Stock Index Fund Series A		45,976,472		1,136,295		419,286		(1,938,862)		45,593,191	-0.83%	2.51%
Russell 3000 Index		20,720,556		586,658		150,560		1,485,706		22,943,481	10.73%	2.72%
US Real Estate Investment Trust Index		5,820,398		31,900		39,738		148,700		6,040,736	3.79%	0.54%
World Equity Ex-US Index		37,832,454		353,502		303,686		(290,459)		38,199,183	0.97%	0.93%
Long US Treasury Bond Index		385,279		(7,545)		47		932		378,713	-1.70%	-1.96%
US Treasury Inflation Protected Securities Index		2,363,424		(34,991)		11,026		57,739		2,397,196	1.43%	-1.46%
World Government Bond Ex-US Index		4,461,201		(43,123)		25,292		138,827		4,582,198	2.71%	-0.95%
Global Balanced Fund		10,116,288		88,495		65,147		327,301		10,597,232	4.75%	0.86%
Total Investments with SSGA		129,022,564		2,111,194		1,036,287		(64,324)		132,105,720		
BlackRock												
Government/Credit Bond Fund		24,403,130		(154,761)		145,931		249,249		24,643,550	0.99%	-0.63%
Intermediate Bond Fund		335,915		(2,642)		7,941		948		342,162	1.86%	-0.78%
Total Investments with Barclays Global Investors		24,739,046		(157,403)		153,872		250,197		24,985,712		
Brandes Institutional												
International Equity Fund Fee		24,863,322		74,343		240,693		(366,252)		24,812,106	-0.21%	0.30%
RCM												
Sustainable Core Opportunities Fund		7,906,329		172,738		87,109		(812,831)		7,353,345	-6.99%	2.29%
Total All Funds	$	414,298,878	$	6,605,946	$	6,732,501	$	-	$	427,637,325	3.22%	1.58%

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.
(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

Defined Contribution Retirement - Participant Directed PERS
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2013
$ (Thousands)

Invested Assets (at fair value)	**July**	**August**	**September**	**October**	**November**	**December**
Investments with Treasury Division						
Cash and cash equivalents	$ 6,509	$ 8,935	$ 6,429	$ 6,247	$ 6,200	$ 5,990
Investments with T. Rowe Price						
Alaska Money Market	3,807	3,622	3,683	3,631	3,618	3,603
Small Cap Stock Fund	43,786	42,489	44,174	44,876	45,095	45,835
Alaska Balanced Trust	1,204	1,197	1,272	1,362	1,393	1,531
Long Term Balanced Fund	9,576	9,141	10,156	11,586	13,066	15,025
AK Target Date 2010 Trust	1,154	1,170	1,231	1,304	1,348	1,399
AK Target Date 2015 Trust	4,535	4,491	4,780	5,124	5,257	5,459
AK Target Date 2020 Trust	9,108	9,013	9,574	10,228	10,638	11,098
AK Target Date 2025 Trust	12,873	12,843	13,765	14,663	15,148	15,832
AK Target Date 2030 Trust	13,000	12,924	13,761	14,753	15,298	15,974
AK Target Date 2035 Trust	14,480	14,367	15,365	16,444	17,159	18,068
AK Target Date 2040 Trust	19,069	18,789	20,205	21,645	22,444	23,603
AK Target Date 2045 Trust	22,509	22,380	24,126	25,884	26,970	28,247
AK Target Date 2050 Trust	25,255	25,187	27,042	29,202	30,443	32,138
AK Target Date 2055 Trust	10,748	10,816	11,794	12,884	13,691	14,579
State Street Global Advisors						
Money Market	1,123	1,216	1,186	1,194	1,346	1,374
S&P 500 Stock Index Fund Series A	40,640	40,683	42,527	45,109	45,976	45,593
Russell 3000 Index	16,521	15,746	16,960	18,932	20,721	22,943
US Real Estate Investment Trust Index	5,659	5,440	5,718	6,132	5,820	6,041
World Equity Ex-US Index	30,062	30,157	33,352	36,287	37,832	38,199
Long US Treasury Bond Index	489	526	397	415	385	379
US Treasury Inflation Protected Securities Index	2,051	2,062	2,205	2,309	2,363	2,397
World Government Bond Ex-US Index	3,826	3,837	4,166	4,320	4,461	4,582
Global Balanced Fund	10,105	9,716	10,043	10,214	10,116	10,597
Investments with BlackRock						
Government/Credit Bond Fund	18,735	19,304	21,064	22,787	24,403	24,644
Intermediate Bond Fund	358	329	339	349	336	342
Investments with Brandes Institutional						
International Equity Fund Fee	31,724	30,379	30,057	27,982	24,863	24,812
Investments with RCM						
Sustainable Opportunities Fund	6,369	6,847	7,443	7,971	7,906	7,353
Total Invested Assets	**$ 365,275**	**$ 363,606**	**$ 382,815**	**$ 403,834**	**$ 414,299**	**$ 427,637**
Change in Invested Assets						
Beginning Assets	$ 344,683	$ 365,275	$ 363,606	$ 382,815	$ 403,834	$ 414,299
Investment Earnings	14,896	(7,398)	15,627	13,072	6,644	6,606
Net Contributions (Withdrawals)	5,696	5,728	3,581	7,947	3,822	6,733
Ending Invested Assets	**$ 365,275**	**$ 363,606**	**$ 382,815**	**$ 403,834**	**$ 414,299**	**$ 427,637**

Source data provided by the record keeper, Great West Life.

Defined Contribution Retirement - Participant Directed TRS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 2013

Interim Transit Account	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers In (Out)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (3)
Treasury Division [1]							
Cash and Cash Equivalents	$ 2,346,405	$ 473	$ (178,410)	$ -	$ 2,168,468	-7.58%	0.02%
Participant Options							
T. Rowe Price							
Alaska Money Market	1,541,949	18	22,830	14,846	1,579,642	2.44%	0.00%
Small Cap Stock Fund	17,447,114	390,518	87,964	(291,026)	17,634,570	1.07%	2.25%
Alaska Balanced Trust	214,416	1,132	5,219	-	220,767	2.96%	0.52%
Long Term Balanced Fund	7,233,228	100,068	18,585	756,732	8,108,613	12.10%	1.31%
AK Target Date 2010 Trust	364,742	3,517	4,692	(728)	372,223	2.05%	0.96%
AK Target Date 2015 Trust	1,628,341	20,647	53,845	-	1,702,833	4.57%	1.25%
AK Target Date 2020 Trust	3,622,111	54,446	108,504	(1,183)	3,783,878	4.47%	1.48%
AK Target Date 2025 Trust	4,708,978	80,357	155,904	(33,513)	4,911,726	4.31%	1.68%
AK Target Date 2030 Trust	5,073,543	97,984	175,885	178	5,347,591	5.40%	1.90%
AK Target Date 2035 Trust	8,018,269	166,368	235,494	(1,520)	8,418,611	4.99%	2.05%
AK Target Date 2040 Trust	8,549,715	185,258	240,445	(2,751)	8,972,667	4.95%	2.14%
AK Target Date 2045 Trust	15,543,574	334,116	361,478	2,180	16,241,349	4.49%	2.12%
AK Target Date 2050 Trust	20,415,130	440,796	534,991	-	21,390,916	4.78%	2.13%
AK Target Date 2055 Trust	3,019,618	68,625	216,594	-	3,304,837	9.45%	2.19%
Total Investments with T. Rowe Price	97,380,728	1,943,849	2,222,430	443,215	101,990,223		
State Street Global Advisors							
Money Market	139,062	0	558	(3,049)	136,571	-1.79%	0.00%
S&P 500 Stock Index Fund Series A	16,388,260	397,413	98,638	(953,674)	15,930,638	-2.79%	2.49%
Russell 3000 Index	11,020,351	312,829	52,210	890,629	12,276,018	11.39%	2.72%
US Real Estate Investment Trust Index	2,128,911	11,324	15,798	21,170	2,177,204	2.27%	0.53%
World Equity Ex-US Index	15,735,573	145,479	86,387	(101,794)	15,865,645	0.83%	0.92%
Long US Treasury Bond Index	75,197	(1,481)	730	304	74,750	-0.59%	-1.96%
US Treasury Inflation Protected Securities Index	975,566	(14,426)	4,013	15,082	980,235	0.48%	-1.46%
World Government Bond Ex-US Index	2,121,525	(20,290)	5,067	28,752	2,135,055	0.64%	-0.95%
Global Balanced Fund	6,853,321	55,013	28,574	(157,551)	6,779,357	-1.08%	0.81%
Total Investments with SSGA	55,437,765	885,861	291,976	(260,130)	56,355,472		
BlackRock							
Government/Credit Bond Fund	12,180,155	(76,763)	44,735	(55,618)	12,092,510	-0.72%	-0.63%
Intermediate Bond Fund	79,966	(623)	1,222	(718)	79,846	-0.15%	-0.78%
Total Investments with Barclays Global Investors	12,260,121	(77,387)	45,957	(56,336)	12,172,355		
Brandes Institutional							
International Equity Fund Fee	7,932,014	27,240	44,602	103,504	8,107,360	2.21%	0.34%
RCM							
Sustainable Core Opportunities Fund	1,891,877	40,155	14,643	(230,253)	1,716,421	-9.27%	2.25%
Total All Funds	$ 177,248,909	$ 2,820,192	$ 2,441,199	$ -	$ 182,510,300	2.97%	1.58%

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.
(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

Defined Contribution Retirement - Participant Directed TRS
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2013
$ (Thousands)

Invested Assets (at fair value)	**July**	**August**	**September**	**October**	**November**	**December**
Investments with Treasury Division						
Cash and cash equivalents	$ 2,282	$ 2,189	$ 2,194	$ 2,374	$ 2,346	$ 2,168
Investments with T. Rowe Price						
Alaska Money Market	1,707	1,500	1,471	1,521	1,542	1,580
Small Cap Stock Fund	17,849	17,254	17,499	17,475	17,447	17,635
Alaska Balanced Trust	206	197	203	207	214	221
Long Term Balanced Fund	5,396	5,033	5,661	6,482	7,233	8,109
AK Target Date 2010 Trust	5,396	337	336	356	365	372
AK Target Date 2015 Trust	1,492	1,471	1,541	1,566	1,628	1,703
AK Target Date 2020 Trust	3,088	3,091	3,246	3,459	3,622	3,784
AK Target Date 2025 Trust	4,133	3,975	4,195	4,497	4,709	4,912
AK Target Date 2030 Trust	4,416	4,308	4,523	4,821	5,074	5,348
AK Target Date 2035 Trust	7,017	6,854	7,111	7,654	8,018	8,419
AK Target Date 2040 Trust	7,583	7,367	7,730	8,244	8,550	8,973
AK Target Date 2045 Trust	13,699	13,325	14,006	14,911	15,544	16,241
AK Target Date 2050 Trust	18,269	17,567	18,272	19,491	20,415	21,391
AK Target Date 2055 Trust	2,383	2,321	2,480	2,783	3,020	3,305
State Street Global Advisors						
Money Market	107	107	106	109	139	137
S&P 500 Stock Index Fund Series A	15,919	15,668	15,800	16,288	16,388	15,931
Russell 3000 Index	7,067	7,115	8,134	9,598	11,020	12,276
US Real Estate Investment Trust Index	2,063	1,978	2,059	2,207	2,129	2,177
World Equity Ex-US Index	13,165	13,039	14,160	15,175	15,736	15,866
Long US Treasury Bond Index	93	89	90	93	75	75
US Treasury Inflation Protected Securities Index	868	887	940	961	976	980
World Government Bond Ex-US Index	1,902	1,903	2,017	2,084	2,122	2,135
Global Balanced Fund	6,849	6,621	6,787	6,901	6,853	6,779
Investments with BlackRock						
Government/Credit Bond Fund	9,117	9,415	10,309	11,311	12,180	12,093
Intermediate Bond Fund	105	99	98	101	80	80
Investments with Brandes Institutional						
International Equity Fund Fee	11,308	10,681	10,098	9,082	7,932	8,107
Investments with RCM						
Sustainable Opportunities Fund	2,034	2,069	2,064	2,024	1,892	1,716
Total Invested Assets	**$ 160,486**	**$ 156,462**	**$ 163,132**	**$ 171,771**	**$ 177,249**	**$ 182,510**

Change in Invested Assets						
Beginning Assets	$ 153,359	$ 160,486	$ 156,462	$ 163,132	$ 171,771	$ 177,249
Investment Earnings	6,614	(3,226)	6,654	5,517	2,836	2,820
Net Contributions (Withdrawals)	513	(799)	16	3,122	2,642	2,441
Ending Invested Assets	**$ 160,486**	**$ 156,462**	**$ 163,132**	**$ 171,771**	**$ 177,249**	**$ 182,510**

Source data provided by the record keeper, Great West Life.

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT
(Supplement to the Treasury Division Report)

As of December 31, 2013

Prepared by the Division of Retirement & Benefits

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF NON-INVESTMENT CHANGES BY FUND
(Supplement to the Treasury Division Report)
For the Six Months Ending December 31, 2013

		Contributions				Expenditures				Net
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	Contributions/ (Withdrawals)
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		$ 155,161,012	$ 176,793,907	$ 11,417	$ 331,966,336	$ (317,242,552)	$ (5,014,504)	$ (17,080,370)	$ (339,337,426)	$ (7,371,090)
Retirement Health Care Trust		101,353,831	135,679,045	971,002	238,003,878	(175,460,414)	-	$ (4,828,812)	(180,289,226)	57,714,652
Total Defined Benefit Plans		256,514,843	312,472,952	982,419	569,970,214	(492,702,966)	(5,014,504)	$ (21,909,182)	(519,626,652)	50,343,562
Defined Contribution Plans:										
Participant Directed Retirement		46,941,462	-	-	46,941,462	(1,595,752)	(11,304,701)	(534,387)	(13,434,840)	33,506,622
Health Reimbursement Arrangement	(a)	12,008,047	-	-	12,008,047	-	-	(9,297)	(9,297)	11,998,750
Retiree Medical Plan	(a)	1,779,502	-	-	1,779,502	-	-	(9,297)	(9,297)	1,770,205
Occupational Death and Disability:	(a)									
Public Employees		605,805	-	-	605,805	(32,005)	-	-	(32,005)	573,800
Police and Firefighters		481,371	-	-	481,371	(23,683)	-	-	(23,683)	457,688
Total Defined Contribution Plans		61,816,187	-	-	61,816,187	(1,651,440)	(11,304,701)	(552,981)	(13,509,122)	48,307,065
Total PERS		**318,331,030**	**312,472,952**	**982,419**	**631,786,401**	**(494,354,406)**	**(16,319,205)**	**(22,462,163)**	**(533,135,774)**	**98,650,627**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		26,916,490	208,890,798	29,151	235,836,439	(196,259,372)	(1,332,045)	(6,882,916)	(204,474,333)	31,362,106
Retirement Health Care Trust		10,914,103	107,956,493	378,132	119,248,728	(58,773,308)	-	(1,791,721)	(60,565,029)	58,683,699
Total Defined Benefit Plans		37,830,593	316,847,291	407,283	355,085,167	(255,032,680)	(1,332,045)	(8,674,637)	(265,039,362)	90,045,805
Defined Contribution Plans:										
Participant Directed Retirement		13,033,842	-	-	13,033,842	(636,296)	(4,377,774)	(85,066)	(5,099,136)	7,934,706
Health Reimbursement Arrangement	(a)	2,845,632	-	-	2,845,632	-	-	(3,202)	(3,202)	2,842,430
Retiree Medical Plan	(a)	423,881	-	-	423,881	-	-	(3,202)	(3,202)	420,679
Occupational Death and Disability:	(a)	9	-	-	9	-	-	-	-	9
Total Defined Contribution Plans		16,303,364	-	-	16,303,364	(636,296)	(4,377,774)	(91,470)	(5,105,540)	11,197,824
Total TRS		**54,133,957**	**316,847,291**	**407,283**	**371,388,531**	**(255,668,976)**	**(5,709,819)**	**(8,766,107)**	**(270,144,902)**	**101,243,629**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		2,629,169	4,282,876	-	6,912,045	(5,312,205)	-	(181,408)	(5,493,613)	1,418,432
Defined Benefit Retirement Health Care Trust		350,035	177,445	2,693	530,173	(840,151)	-	(15,636)	(855,787)	(325,614)
Total JRS		**2,979,204**	**4,460,321**	**2,693**	**7,442,218**	**(6,152,356)**	**-**	**(197,044)**	**(6,349,400)**	**1,092,818**
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	740,100	-	-	740,100	(977,207)	-	(136,215)	(1,113,422)	(373,322)
Other Participant Directed Plans										
Supplemental Annuity Plan		82,926,516	-	-	82,926,516	-	(84,803,600)	(2,606,733)	(87,410,333)	(4,483,817)
Deferred Compensation Plan		22,683,472	-	-	22,683,472	-	(24,455,415)	(595,984)	(25,051,399)	(2,367,927)
Total All Funds		**481,794,279**	**633,780,564**	**1,392,395**	**1,116,967,238**	**(757,152,945)**	**(131,288,039)**	**(34,764,246)**	**(923,205,230)**	**193,762,008**
Total Non-Participant Directed		316,208,987	633,780,564	1,392,395	951,381,946	(754,920,897)	(6,346,549)	(30,942,076)	(792,209,522)	159,172,424
Total Participant Directed		165,585,292	-	-	165,585,292	(2,232,048)	(124,941,490)	(3,822,170)	(130,995,708)	34,589,584
Total All Funds		**$ 481,794,279**	**$ 633,780,564**	**$ 1,392,395**	**$ 1,116,967,238**	**$ (757,152,945)**	**$ (131,288,039)**	**$ (34,764,246)**	**$ (923,205,230)**	**$ 193,762,008**

(a) Employer only contributions.

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF NON-INVESTMENT CHANGES BY FUND
(Supplement to the Treasury Division Report)
For the Month Ended December 31, 2013

		Contributions				Expenditures				Net
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin- istrative	Total Expenditures	Contributions/ (Withdrawals)
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		$ 27,304,247	$ -	$ 6,968	$ 27,311,215	$ (54,032,290)	$ (818,089)	$ (1,469,292)	$ (56,319,671)	$ (29,008,456)
Retirement Health Care Trust		17,835,033	-	193,936	18,028,969	(27,616,093)	-	(943,497)	(28,559,590)	(10,530,621)
Total Defined Benefit Plans		45,139,280	-	200,904	45,340,184	(81,648,383)	(818,089)	(2,412,789)	(84,879,261)	(39,539,077)
Defined Contribution Plans:										
Participant Directed Retirement		8,487,134	-	-	8,487,134	(1,595,752)	-	(158,881)	(1,754,633)	6,732,501
Health Reimbursement Arrangement	(a)	2,414,058	-	-	2,414,058	-	-	-	-	2,414,058
Retiree Medical Plan	(a)	322,905	-	-	322,905	-	-	-	-	322,905
Occupational Death and Disability:	(a)								-	
Public Employees		119,675	-	-	119,675	(7,685)	-	-	(7,685)	111,990
Police and Firefighters		86,172	-	-	86,172	(3,949)	-	-	(3,949)	82,223
Total Defined Contribution Plans		11,429,944	-	-	11,429,944	(1,607,386)	-	(158,881)	(1,766,267)	9,663,677
Total PERS		**56,569,224**	**-**	**200,904**	**56,770,128**	**(83,255,769)**	**(818,089)**	**(2,571,670)**	**(86,645,528)**	**(29,875,400)**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		6,918,083	-	10,673	6,928,756	(33,525,103)	(304,180)	(1,009,782)	(34,839,065)	(27,910,309)
Retirement Health Care Trust		2,522,426	-	75,498	2,597,924	(9,675,227)	-	(347,178)	(10,022,405)	(7,424,481)
Total Defined Benefit Plans		9,440,509	-	86,171	9,526,680	(43,200,330)	(304,180)	(1,356,960)	(44,861,470)	(35,334,790)
Defined Contribution Plans:										
Participant Directed Retirement		2,979,343	-	-	2,979,343	-	(511,805)	(26,339)	(538,144)	2,441,199
Health Reimbursement Arrangement	(a)	638,680	-	-	638,680	-	-	-	-	638,680
Retiree Medical Plan	(a)	97,582	-	-	97,582	-	-	-	-	97,582
Occupational Death and Disability:	(a)	-	-	-	-	-	-	-	-	-
Total Defined Contribution Plans		3,715,605	-	-	3,715,605	-	(511,805)	(26,339)	(538,144)	3,177,461
Total TRS		**13,156,114**	**-**	**86,171**	**13,242,285**	**(43,200,330)**	**(815,985)**	**(1,383,299)**	**(45,399,614)**	**(32,157,329)**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		662,055	-	-	662,055	(905,537)	-	(21,573)	(927,110)	(265,055)
Defined Benefit Retirement Health Care Trust		87,748	-	534	88,282	(105,195)	-	(3,125)	(108,320)	(20,038)
Total JRS		**749,803**	**-**	**534**	**750,337**	**(1,010,732)**	**-**	**(24,698)**	**(1,035,430)**	**(285,093)**
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	-	-	-	-	(179,342)	-	(31,551)	(210,893)	(210,893)
Other Participant Directed Plans										
Supplemental Annuity Plan		12,601,406	-	-	12,601,406	-	(14,209,983)	(637,164)	(14,847,147)	(2,245,741)
Deferred Compensation Plan		5,108,186	-	-	5,108,186	-	(3,197,438)	(130,737)	(3,328,175)	1,780,011
Total All Funds		**88,184,733**	**-**	**287,609**	**88,472,342**	**(127,646,173)**	**(19,041,495)**	**(4,779,119)**	**(151,466,787)**	**(62,994,445)**
Total Non-Participant Directed		59,008,664	-	287,609	59,296,273	(126,050,421)	(1,122,269)	(3,825,998)	(130,998,688)	(71,702,415)
Total Participant Directed		29,176,069	-	-	29,176,069	(1,595,752)	(17,919,226)	(953,121)	(20,468,099)	8,707,970
Total All Funds		**$ 88,184,733**	**$ -**	**$ 287,609**	**$ 88,472,342**	**$ (127,646,173)**	**$ (19,041,495)**	**$ (4,779,119)**	**$ (151,466,787)**	**$ (62,994,445)**

(a) Employer only contributions.

January 22, 2014

2014 Capital Market Projections

Preliminary Projections

ARMB February Meeting

Michael J. O'Leary, CFA
Executive Vice President

Paul Erlendson
Senior Vice President

Presentation Overview

- Callan's Capital Market Projection process
  - Preliminary Major Asset Category Projections
    - *Timing of finalized projections*
    - *ARMB process*
- Where are we?
  - U.S. economic back drop
  - Global debt market performance review
  - Key equity markets performance & valuations
- Important economic building block assumptions
  - Expected economic growth
    - *U.S.*
    - *Developed Europe & Japan*
    - *Emerging economies*
- Policy assumptions
  - Monetary
  - Fiscal
- Comparison of 2013 and 2014 Projections
  - Potential asset allocation implications

Why Make Capital Market Projections?

Guiding Objectives

- Cornerstones of strategic planning – expectations and time horizon.
- Projections represent our best thinking regarding the long-term (5- to 10-year) outlook, recognizing our median projections represent the midpoint of a range, rather than a specific number.
- Develop results that are readily defensible both for individual asset classes and for total portfolios.
- Be conscious of the level of change suggested in strategic allocations for long-term investors: DC participants, wealthy families, DB plan sponsors, foundations, endowments and trusts.
- Reflect common sense and recent market developments.
- Balance conflicting goals and conflicting opinions.

How are Capital Market Projections Constructed?

Annual Process to update 10 Year Projections

- Evaluate current environment and economic outlook
- Examine relationships between economy and historical asset class performance
- Create 10-year risk, return, & correlation projections
- Test projections for reasonable results

Cover Most Broad Asset Classes & Inflation

- Broad Domestic Equity
  - *Large Cap*
  - *Small Cap*
- International Equity
- Domestic Fixed Income
- International Fixed Income
- Real Estate
- Alternative Investments
- Cash
- Inflation

Incorporates both advanced quantitative modeling as well as qualitative feedback and expertise of Callan consulting professionals.

Timing & Process

- Capital Markets Research Group
  - Evaluates broad range of economic projections & issues (Q4 2013)
    - *Develops initial major asset category return and risk estimates*
    - *Broader group discussion & follow-up*
- Initial projections and implications thoroughly reviewed by Client Policy Review Committee (January 2014)
- Minor asset categories analyzed to ensure that new projections work in an optimization environment. (late January/early February)
  - Customized client specific asset categories (e.g. ARMB's Real Assets & Fixed Income categories)
- Discussion with ARMB staff & advisors (February)
  - Confirm alternative customized asset composition & resulting projections
- Specific alternative policy options discussed in depth with ARMB Investment Staff & IAC
  - Presentation to Board (target April Board meeting)
- Board adopts asset allocation policy for fiscal year 2015

Major Topics Evaluated

The themes explored in establishing 2014 capital market projections include:

– Performance of the U.S. economy has been stronger than expected and the outlook has improved. What does such a change imply for the capital markets?

– How does the improved outlook for the U.S. square with the recent strong performance of the U.S. equity market and does this performance weaken the future expectations for equities?

– Interest rates rose on taper talk in the second quarter and the bond market is bracing for further interest rate increases in the coming years. Do rising rates doom the return expectations for fixed income or is now an opportunity to reassess the role of bonds in a portfolio and confirm that conviction?

– Non-U.S. equity markets seriously lagged U.S. markets. Are they poised to rebound, or did they, in fact, re-price to reflect weaker expectations?

– Sharp contrast between a long-term, strategic vision for an investor (10+ years), the short term (1-3 years) reality and the path from current conditions to long-term expectations.

Where are we?

Fixed Income Index Periodic Table of Returns

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	YTD 12/13
Higher	High Yield 28.97	EM (Local Currency) 22.97	EM (Local Currency) 6.27	EM (Local Currency) 15.22	EM (Local Currency) 18.11	Treasury 13.74	High Yield 58.21	EM (Local Currency) 15.68	Municipal 10.70	EM (Local Currency) 16.76	High Yield 7.44
	Global Agg Ex-U.S. 19.36	Global Agg Ex-U.S. 12.55	Bank Loan 5.06	High Yield 11.85	Global Agg Ex-U.S. 11.03	MBS 8.34	Bank Loan 51.62	High Yield 15.12	Treasury 9.81	High Yield 15.81	Bank Loan 5.29
	EM (Local Currency) 16.92	High Yield 11.13	Municipal 3.51	Global Agg Ex-U.S. 8.16	Treasury 9.01	Global Agg Ex-U.S. 4.40	EM (Local Currency) 21.98	Bank Loan 10.13	Investment Grade 8.15	Investment Grade 9.82	MBS -1.41
	Bank Loan 9.97	Investment Grade 5.39	Treasury 2.79	Bank Loan 6.74	MBS 6.90	Municipal -2.47	Investment Grade 18.68	Investment Grade 9.00	MBS 6.23	Bank Loan 9.66	Investment Grade -1.53
	Investment Grade 8.24	Bank Loan 5.17	High Yield 2.74	MBS 5.22	Investment Grade 4.56	Investment Grade -4.94	Municipal 12.91	Treasury 5.87	High Yield 4.98	Municipal 6.78	Municipal -2.55
	Municipal 5.31	MBS 4.70	MBS 2.61	Municipal 4.84	Municipal 3.36	EM (Local Currency) -5.22	Global Agg Ex-U.S. 7.53	MBS 5.37	Global Agg Ex-U.S. 4.36	Global Agg Ex-U.S. 4.09	Treasury -2.75
	MBS 3.07	Municipal 4.48	Investment Grade 1.68	Investment Grade 4.30	Bank Loan 2.08	High Yield -26.16	MBS 5.89	Global Agg Ex-U.S. 4.95	Bank Loan 1.52	MBS 2.59	Global Agg Ex-U.S. -3.08
Lower	Treasury 2.24	Treasury 3.54	Global Agg Ex-U.S. -8.65	Treasury 3.08	High Yield 1.87	Bank Loan -29.10	Treasury -3.57	Municipal 2.38	EM (Local Currency) -1.75	Treasury 1.99	EM (Local Currency) -8.98

Source: Eaton Vance

Global Debt Market Performance

Recent Cumulative & Calendar Period Fixed Income Returns

Index	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y	10Y	2012	2011	2010	2009	2008
Barclays Capital U.S. Aggregate Index	-0.57	-0.14	-2.02	-2.02	3.26	4.44	4.55	4.21	7.84	6.54	5.93	5.24
U.S. Treasury	-0.91	-0.75	-2.75	-2.75	2.89	2.15	4.23	1.99	9.81	5.87	-3.57	13.74
U.S. Agency	-0.56	-0.17	-1.38	-1.38	1.84	2.28	3.83	2.16	4.82	4.36	1.53	9.26
U.S. Mortgage Backed Securities	-0.47	-0.42	-1.41	-1.41	2.42	3.69	4.61	2.59	6.23	5.37	5.89	8.34
U.S. Asset Backed Securities	-0.22	0.32	-0.27	-0.27	2.82	7.49	3.49	3.66	5.14	5.85	24.71	-12.72
U.S. Commercial Mortgage Backed Securities	-0.29	0.53	0.23	0.23	5.23	12.50	5.32	9.66	6.02	20.40	28.45	-20.52
U.S. Investment Grade Corporate	-0.16	1.11	-1.53	-1.53	5.36	8.63	5.33	9.82	8.15	9.00	18.68	-4.94
U.S. Aggregate Local Authorities	-1.14	0.80	-4.56	-4.56	7.30	5.94	5.74	9.61	18.10	7.22	0.72	6.97
Barclays Capital Municipal Bond Index	-0.26	0.32	-2.55	-2.55	4.83	5.89	4.29	6.78	10.70	2.38	12.91	-2.47
BofAML US Inflation-Linked Treasury Index	-1.52	-2.16	-9.35	-9.35	3.54	5.37	4.85	7.33	14.10	6.34	10.03	-1.13
BofAML Preferred Index (Fixed Rate)	-1.65	0.08	-3.65	-3.65	4.45	9.23	1.69	13.60	4.11	13.66	20.07	-25.24
Barclays Capital U.S. Corporate High Yield Index	0.54	3.58	7.44	7.44	9.32	18.93	8.62	15.81	4.98	15.12	58.21	-26.16
S&P / LSTA Leveraged Loan Index	0.47	1.70	5.29	5.29	5.44	14.37	5.27	9.66	1.52	10.13	51.62	-29.10
JPMorgan Emerging Markets Bond Index Plus (EMBI+)	0.48	0.64	-8.31	-8.31	5.73	10.73	8.25	18.04	9.20	11.83	25.95	-9.70
JPMorgan Corporate Emerging Markets Bond Index (CEMBI) Diversified	0.16	1.93	-1.73	-1.73	-	-	-	16.95	3.24	13.50	38.61	-15.36
JPMorgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified	-0.55	-1.54	-8.98	-8.98	1.45	8.06	9.52	16.76	-1.75	15.68	21.98	-5.22
Barclays Capital Global Aggregate Ex-U.S. Index	-0.64	-0.72	-3.08	-3.08	1.73	3.51	4.35	4.09	4.36	4.95	7.53	4.40
BofAML U.K. Gilts Index	-0.09	0.78	-2.44	-2.44	6.78	7.09	4.53	7.54	16.04	4.32	10.90	-18.35
BofAML European Union Government Bond Index	0.49	2.54	4.67	4.67	6.41	4.66	5.34	11.62	3.12	-3.55	8.07	0.43

Source: Eaton Vance

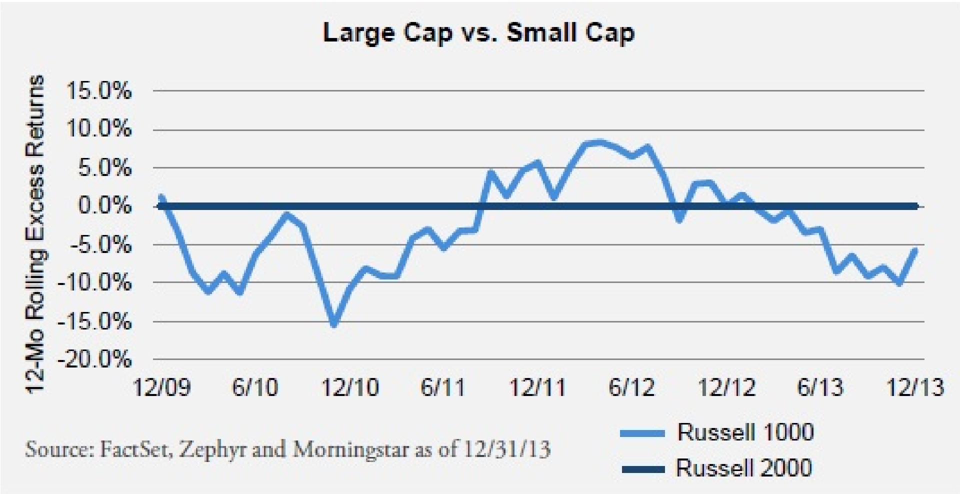
Where are we?

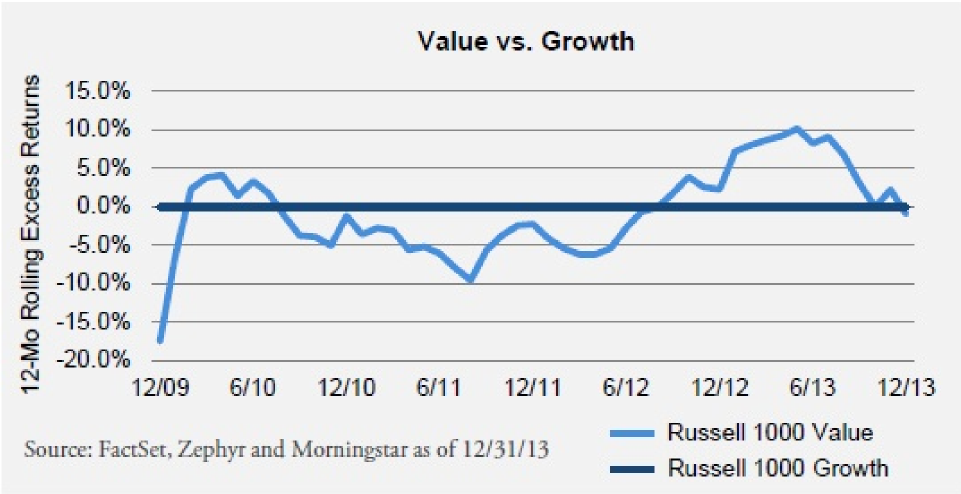
Cumulative & Calendar Year Equity Returns

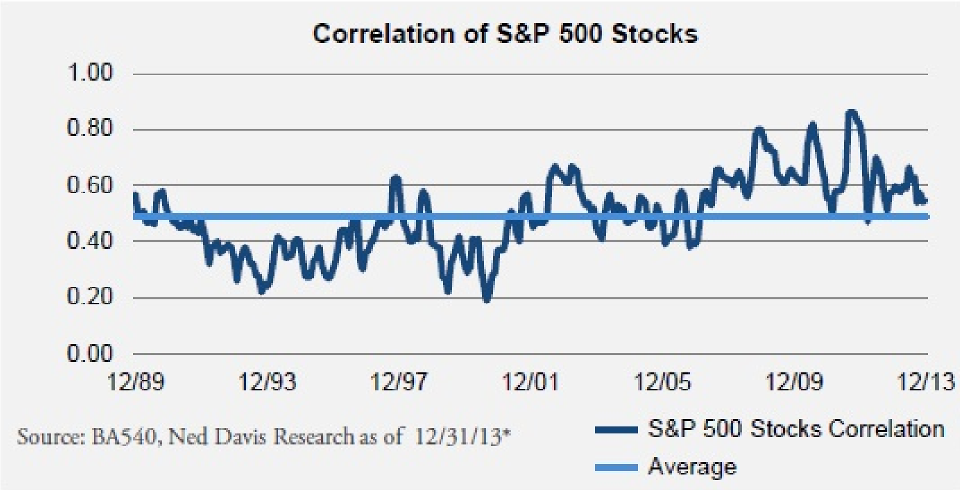
U.S. Equities	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y	10Y	2012	2011	2010	2009	2008
S&P 500	2.53	10.51	32.39	32.39	16.18	17.94	7.41	16.00	2.11	15.06	26.46	-37.00
S&P 500 High Quality	1.95	9.39	32.44	32.44	17.59	20.04	7.53	15.18	6.59	22.14	25.52	-32.84
S&P 500 Low Quality	3.90	10.62	42.69	42.69	17.21	26.81	10.40	21.12	-6.83	23.54	64.85	-46.11
Russell 2500	2.54	8.66	36.80	36.80	16.28	21.77	9.81	17.88	-2.51	26.71	34.39	-36.79
Russell 1000 Growth	2.86	10.44	33.48	33.48	16.45	20.39	7.83	15.26	2.64	16.71	37.21	-38.44
Russell 1000 Value	2.53	10.01	32.53	32.53	16.06	16.67	7.58	17.51	0.39	15.51	19.69	-36.85
Russell Mid Cap	2.98	8.39	34.76	34.76	15.88	22.36	10.22	17.28	-1.55	25.48	40.48	-41.46
Russell 2000	1.97	8.72	38.82	38.82	15.67	20.08	9.07	16.35	-4.18	26.85	27.17	-33.79
CBOE S&P 500 Buywrite BXM	2.05	7.13	13.26	13.26	8.00	10.92	5.03	5.20	5.72	5.86	25.91	-28.65
Global Equities	**1-Mo.**	**3-Mo.**	**YTD**	**1Y**	**3Y**	**5Y**	**10Y**	**2012**	**2011**	**2010**	**2009**	**2008**
MSCI World	2.12	8.00	26.68	26.68	11.49	15.02	6.98	15.83	-5.54	11.76	29.99	-40.71
MSCI EAFE	1.50	5.71	22.78	22.78	8.17	12.44	6.91	17.32	-12.14	7.75	31.78	-43.38
MSCI EM	-1.45	1.83	-2.60	-2.60	-2.06	14.79	11.17	18.22	-18.42	18.88	78.51	-53.33
MSCI AC Asia Pac	-0.43	2.29	11.97	11.97	3.54	12.32	7.27	16.78	-15.11	17.02	37.59	-41.85
MSCI ACWI	1.73	7.31	22.80	22.80	9.73	14.92	7.17	16.13	-7.35	12.67	34.63	-42.19
MSCI Europe	2.24	7.88	25.23	25.23	9.89	13.36	7.28	19.12	-11.06	3.88	35.83	-46.42
FTSE 100	2.70	7.49	20.91	20.91	10.53	16.09	7.20	15.03	-2.90	9.19	43.01	-48.23
FTSE All Small	3.44	8.49	35.70	35.70	16.18	26.37	8.41	33.05	-13.14	16.11	76.99	-59.10
STOXX Europe 600	2.25	7.99	26.24	26.24	10.25	13.83	7.61	20.02	-11.56	4.36	36.65	-46.54
Nikkei 225 Average	1.31	5.21	28.93	28.93	7.11	9.66	4.52	9.40	-12.86	11.33	15.91	-28.67
Sectors	**1-Mo.**	**3-Mo.**	**YTD**	**1Y**	**3Y**	**5Y**	**10Y**	**2012**	**2011**	**2010**	**2009**	**2008**
S&P 500 Cons Disc	2.34	10.81	43.08	43.08	23.46	27.69	9.44	23.92	6.13	27.66	41.30	-33.49
S&P 500 Cons Staples	0.59	8.66	26.14	26.14	16.78	15.86	9.95	10.76	13.99	14.11	14.89	-15.43
S&P 500 Energy	3.12	8.35	25.07	25.07	11.07	13.44	13.44	4.61	4.72	20.46	13.82	-34.87
S&P 500 Financials	2.17	10.33	35.63	35.63	13.16	13.75	-0.26	28.82	-17.06	12.13	17.22	-55.32
S&P 500 Health Care	0.83	10.13	41.46	41.46	23.42	18.29	8.35	17.89	12.73	2.90	19.70	-22.81
S&P 500 Industrials	4.25	13.53	40.68	40.68	17.28	19.84	8.58	15.35	-0.59	26.73	20.93	-39.92
S&P 500 Info Tech	4.15	13.26	28.43	28.43	14.73	21.90	7.17	14.82	2.41	10.19	61.72	-43.14
S&P 500 Materials	4.82	10.66	25.60	25.60	9.23	18.80	8.25	14.97	-9.75	22.20	48.59	-45.66
S&P 500 Telecom Services	-0.28	5.47	11.47	11.47	11.91	12.67	8.14	18.31	6.27	18.97	8.93	-30.49
S&P 500 Utilities	0.92	2.79	13.21	13.21	11.20	10.17	9.23	1.29	19.91	5.46	11.91	-28.98

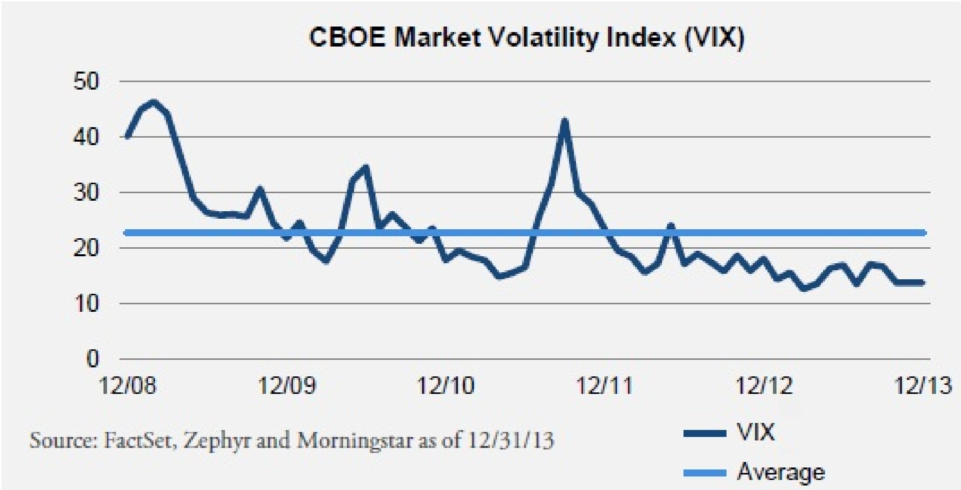
Source: Eaton Vance

2013 Domestic Equity Highlights





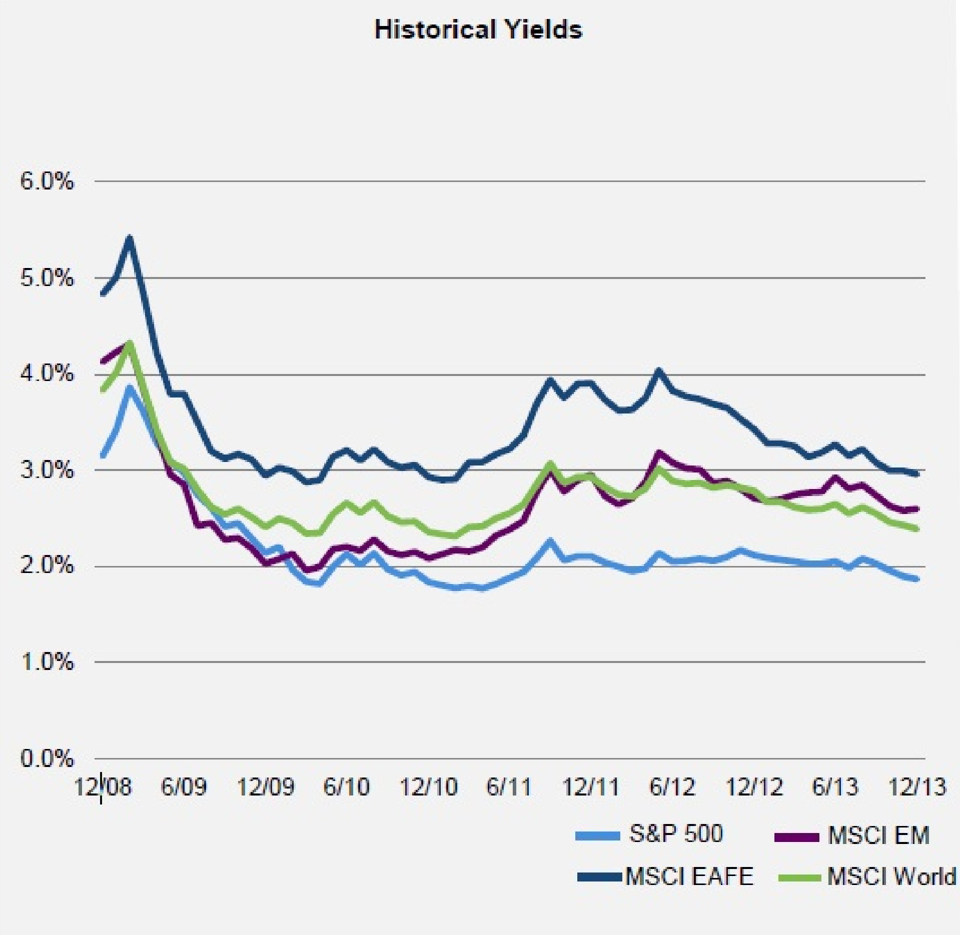




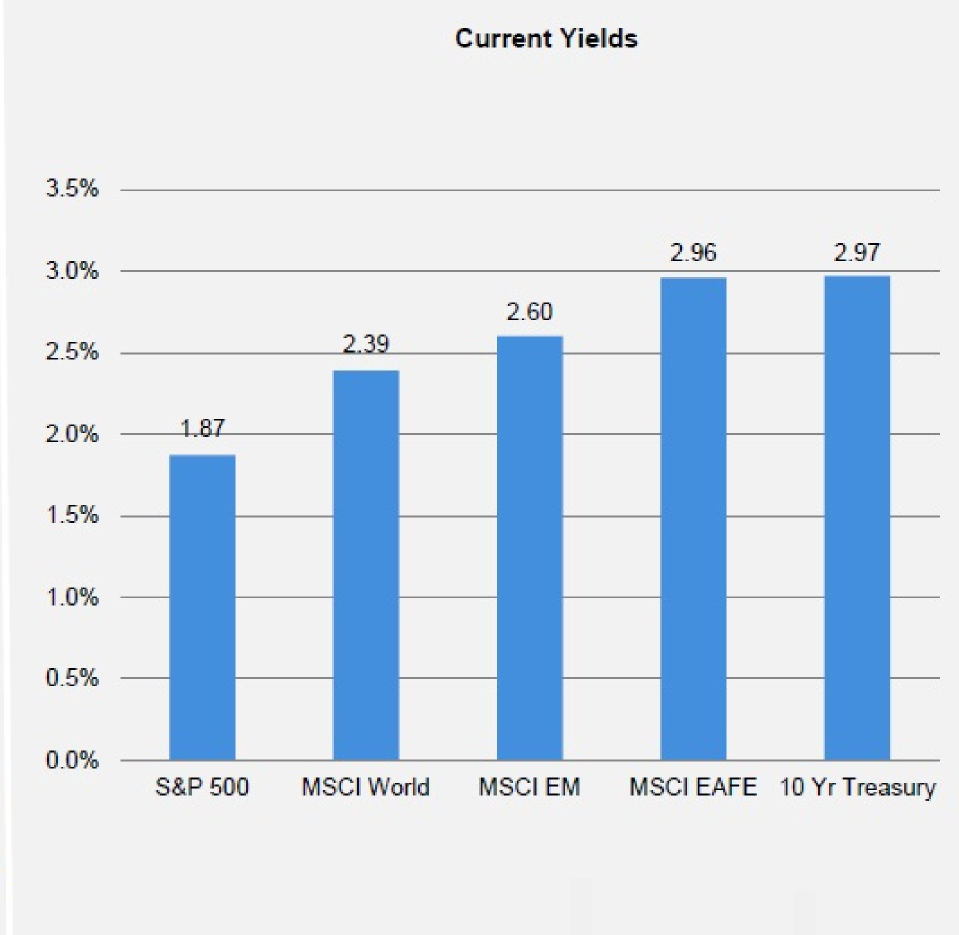
- Growth and small-cap stocks outperformed, while volatility remained low

Source: Eaton Vance

Global Dividend Yield Comparisons



Source: FactSet, Zephyr and Morningstar as of 12/31/13

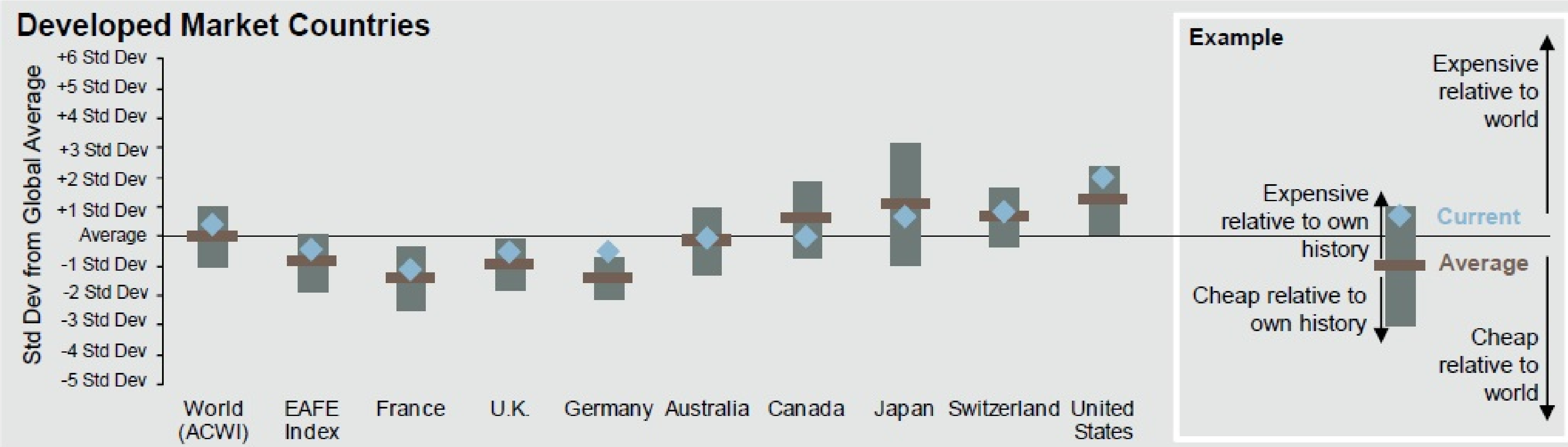


Source: FactSet, Zephyr and Morningstar as of 12/31/13

- Strong 2013 has resulted in domestic dividend yields declining relative to non-U.S. equities
- Increase in rates during the year reduced current equity yield appeal relative to bonds

Source: Eaton Vance

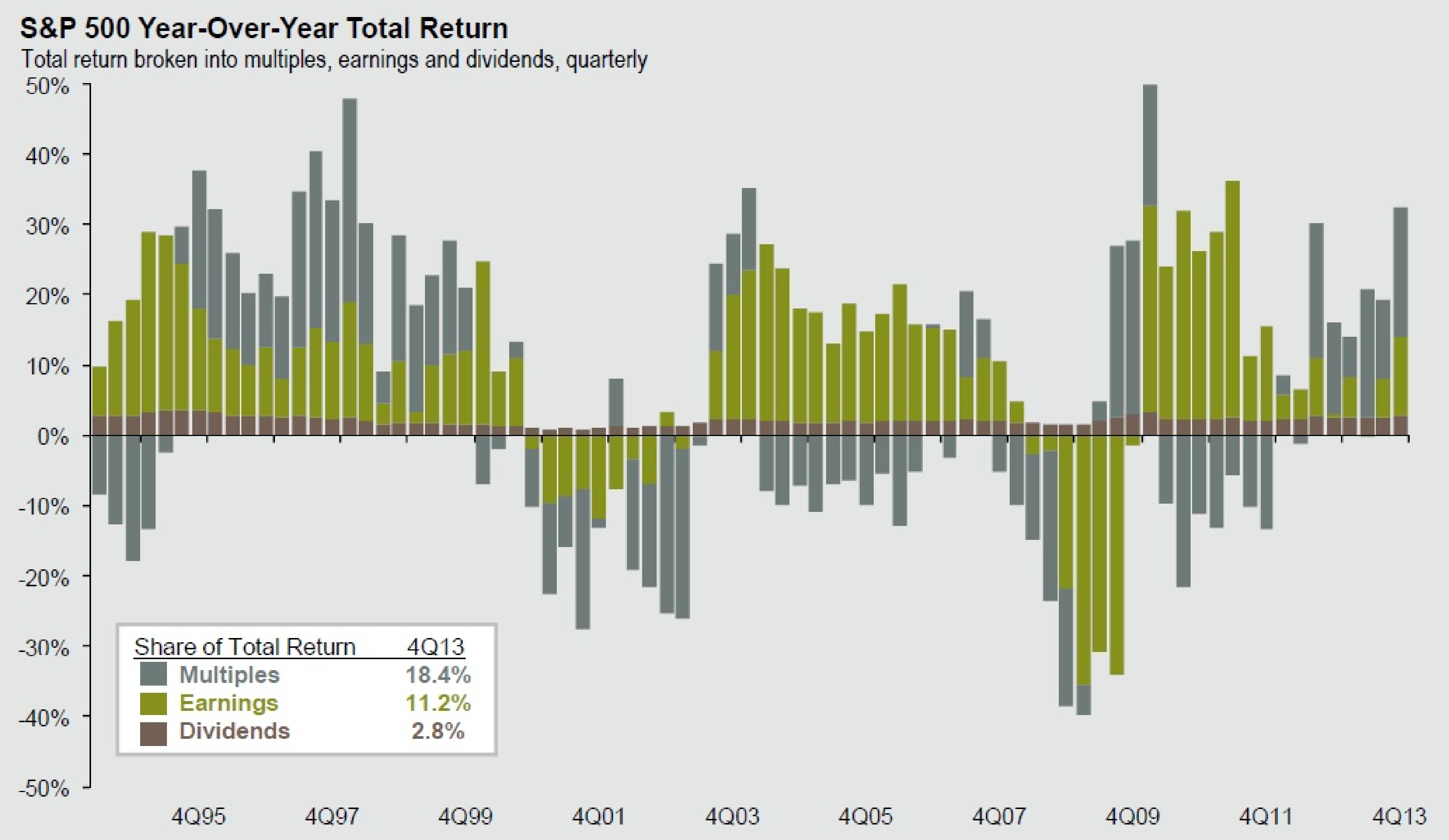
Relative Equity Valuation



	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
World (ACWI)	0.39	13.8	2.0	8.6	2.5%	13.1	2.0	7.4	2.5%
EAFE Index	-0.45	13.3	1.7	7.9	3.1%	12.6	1.7	6.6	3.1%
France	-1.13	12.5	1.5	6.8	3.4%	11.3	1.6	5.8	3.3%
U.K.	-0.53	12.3	1.9	8.5	3.6%	11.5	1.5	5.5	3.0%
Germany	-0.51	12.5	1.7	7.2	2.7%	11.2	2.0	7.6	3.7%
Australia	-0.05	13.7	2.0	10.4	4.5%	13.4	2.2	9.4	4.3%
Canada	-0.02	14.2	1.9	8.0	2.9%	13.7	2.1	8.6	2.2%
Japan	0.66	14.1	1.4	7.8	1.7%	16.5	1.4	6.4	1.5%
Switzerland	0.82	14.6	2.5	9.7	3.0%	13.3	2.4	9.6	2.6%
United States	1.99	15.4	2.7	10.1	1.9%	14.0	2.5	8.6	1.9%

Source: J.P. Morgan

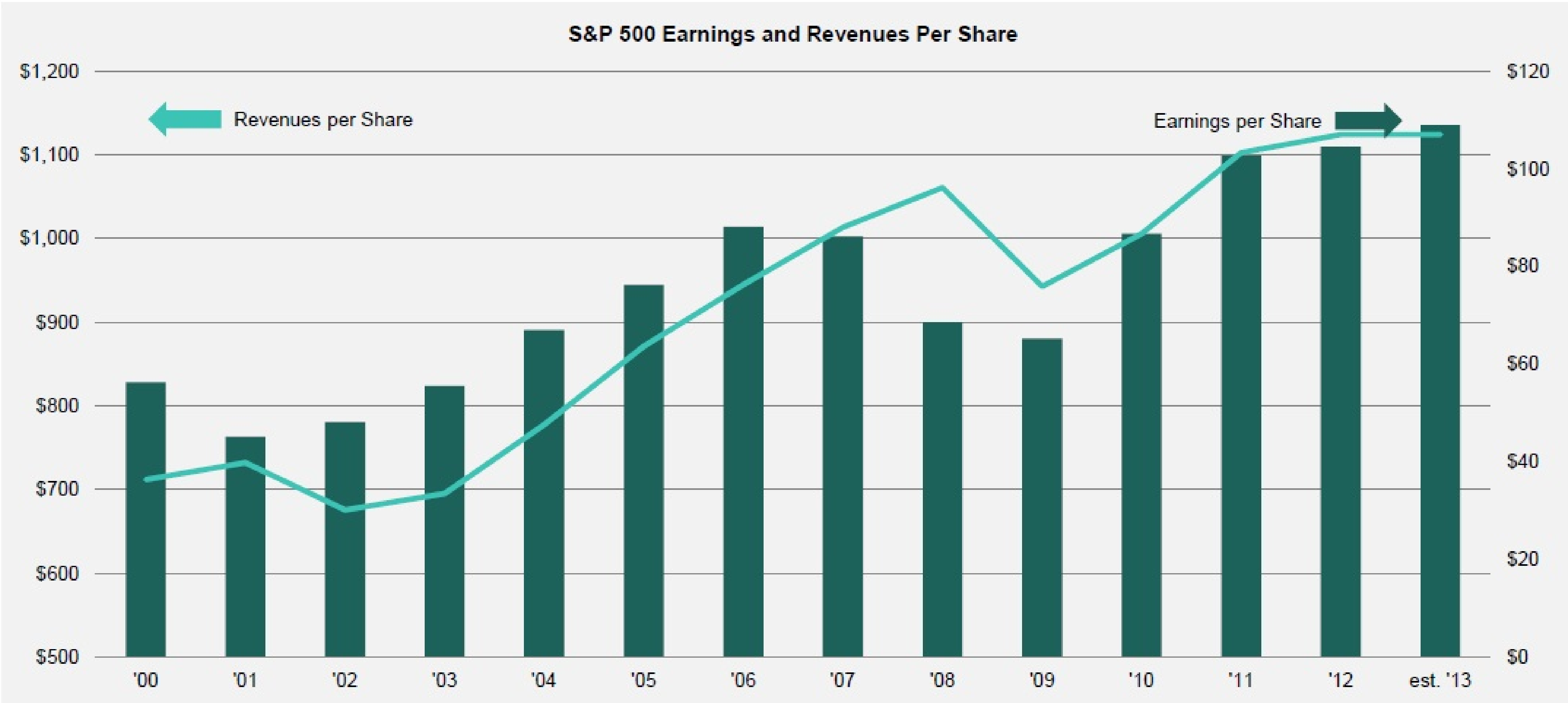
Return Components for the S&P 500



- Significant price-to-earnings ratio expansion resulting in greater importance of continued earnings growth

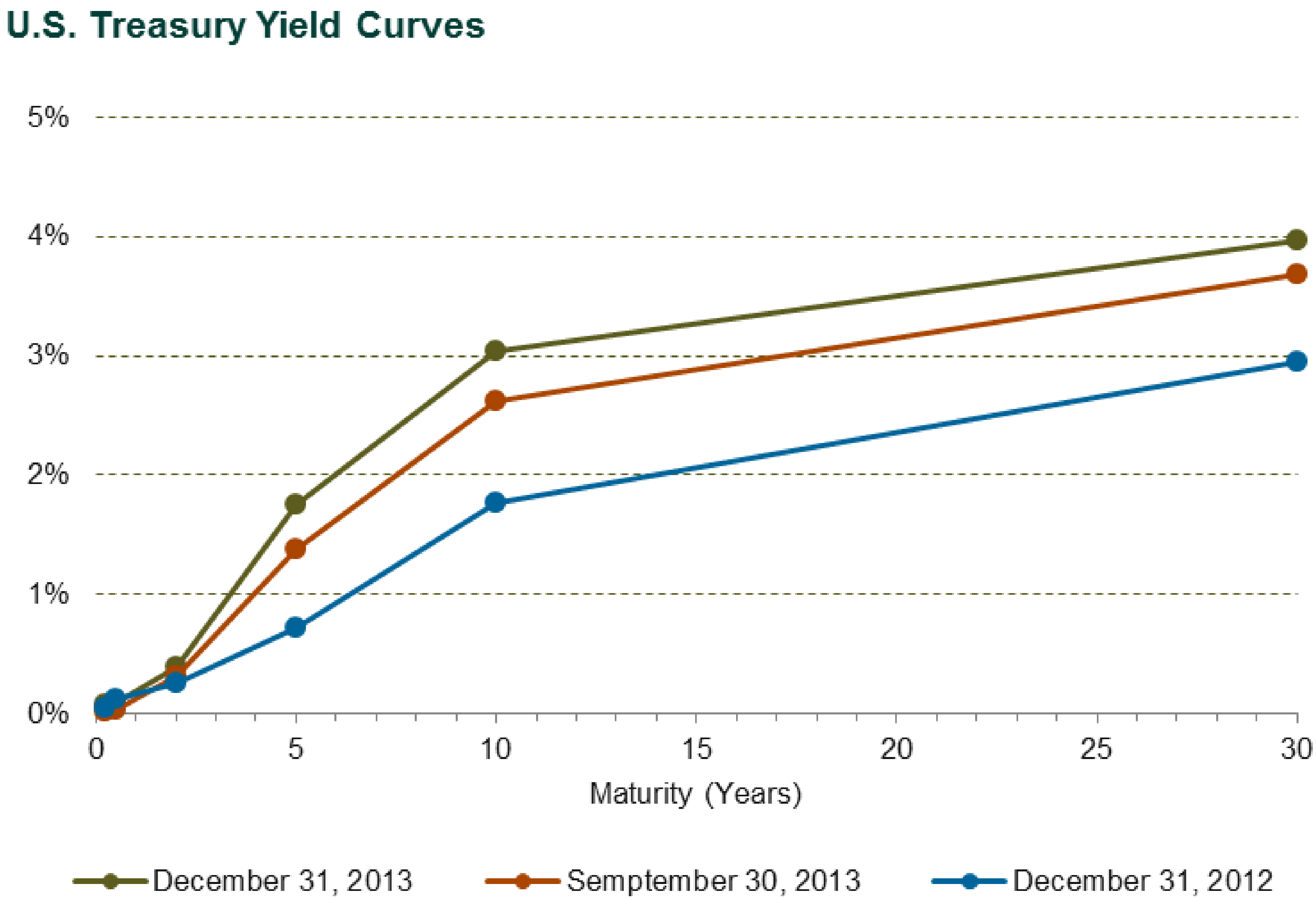
Source: J.P. Morgan

S&P Earnings & Revenue Growth



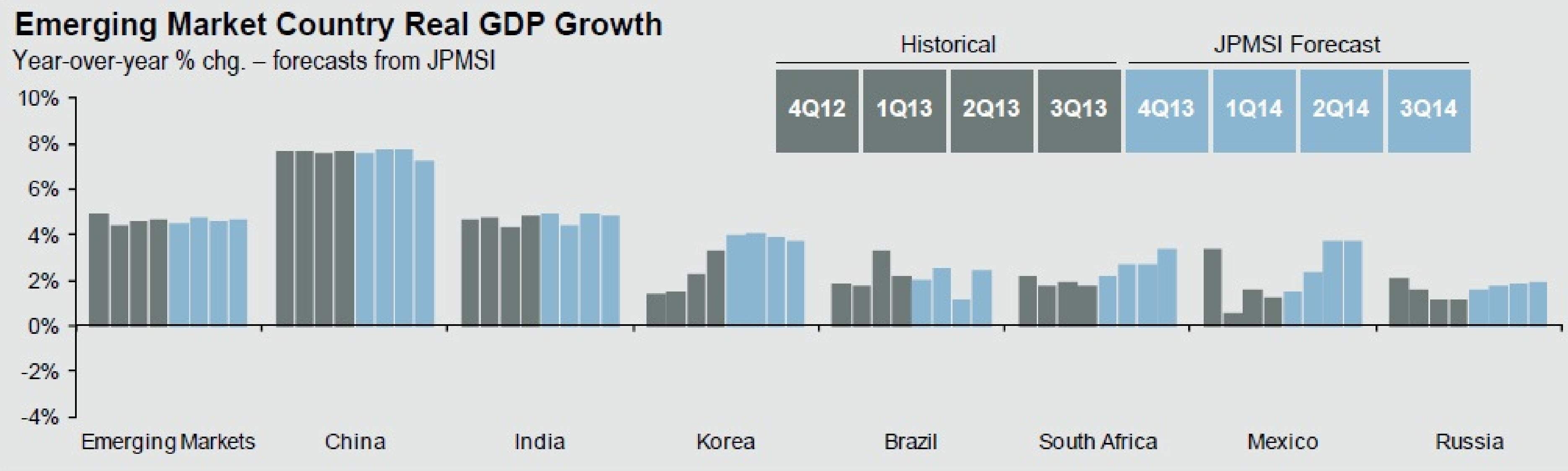
Source: Eaton Vance

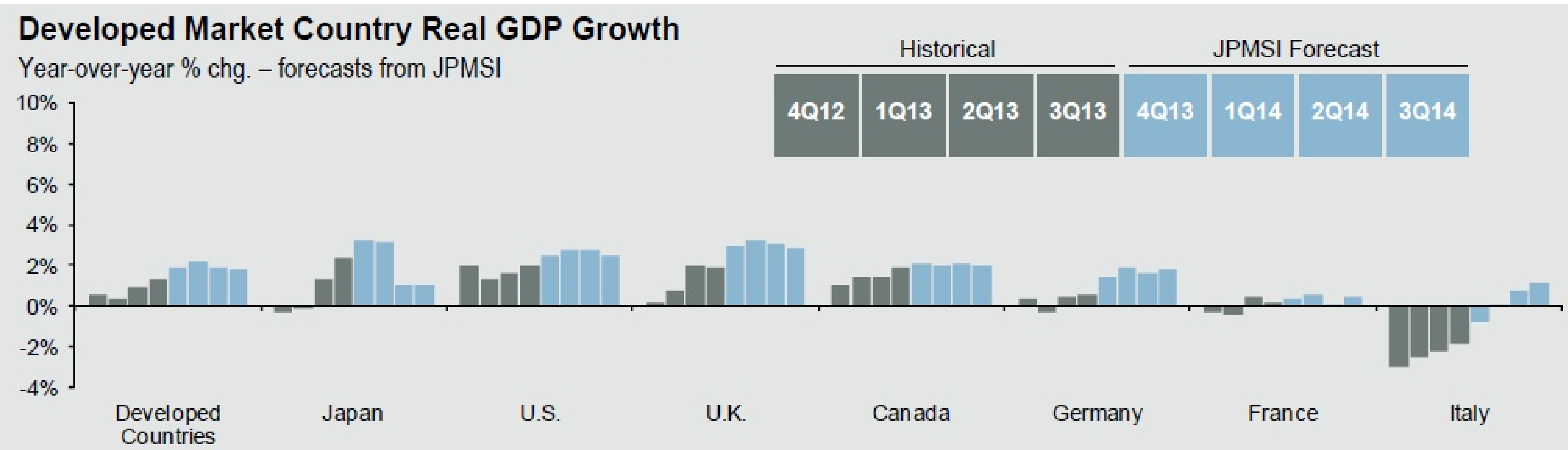
Recent Treasury Yield Curve



- While the curve rose, it is still low

Recent & Expected Real GDP Growth





- Assumption is that EM real growth continues to outpace developed world real growth

Source: J.P. Morgan

2014 Preliminary Capital Market Projections

Return and Risk

Summary of Callan's Long-Term Capital Market Projections (2014 - 2023)

		Projected Return			Projected Risk	2013 - 2022	
Asset Class	Index	1-Year Arithmetic	10-Year Geometric*	Real	Standard Deviation	10-Year Geometric*	Standard Deviation
Equities							
Broad Domestic Equity	Russell 3000	9.15%	7.65%	5.40%	19.00%	7.65%	18.95%
Large Cap	S&P 500	8.90%	7.50%	5.25%	18.30%	7.50%	18.30%
Small/Mid Cap	Russell 2500	10.15%	7.85%	5.60%	22.95%	7.85%	22.90%
International Equity	MSCI EAFE	9.25%	7.50%	5.25%	20.20%	7.50%	20.10%
Emerging Markets Equity	MSCI EMF	11.45%	7.90%	5.65%	27.95%	7.95%	27.75%
Global ex-US Equity	MSCI ACWI ex-US	9.80%	7.80%	5.55%	21.50%	7.85%	21.25%
Fixed Income							
Domestic Fixed	BC Aggregate	3.05%	3.00%	0.75%	3.75%	2.50%	3.75%
TIPS	BC TIPS	3.15%	3.00%	0.75%	6.00%	2.30%	5.00%
Other							
Real Estate	Callan Real Estate	7.55%	6.20%	3.95%	17.50%	6.40%	16.95%
Private Equity	VE Post Venture Cap	13.00%	8.65%	6.40%	30.90%	8.80%	30.60%
Hedge Funds	Callan Hedge FoF	5.50%	5.10%	2.85%	10.20%	5.55%	10.00%
Cash Equivalents	90-Day T-Bill	2.00%	2.00%	-0.25%	0.90%	2.75%	0.90%
Inflation	CPI-U	2.25%	2.25%		1.50%	2.50%	1.40%

** Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).*

2014 Capital Market Projections

Correlations

	Broad	Lg Cap	Sm/Mid	GlobxUS	Int'l Eq	Emerge	Dom Fix	TIPS	Real Est	Pvt Eqt	Hedge Fd	Cash Eq	Inflation
Broad Domestic Equity	1.000												
Large Cap	0.997	1.000											
Small/Mid Cap	0.965	0.940	1.000										
Global ex-US Equity	0.882	0.879	0.853	1.000									
International Equity	0.852	0.850	0.820	0.986	1.000								
Emerging Markets Equity	0.861	0.855	0.840	0.933	0.860	1.000							
Domestic Fixed	-0.107	-0.100	-0.125	-0.118	-0.100	-0.145	1.000						
TIPS	-0.165	-0.160	-0.175	-0.163	-0.150	-0.175	0.635	1.000					
Real Estate	0.743	0.740	0.720	0.664	0.650	0.630	-0.010	-0.060	1.000				
Private Equity	0.907	0.905	0.870	0.881	0.860	0.840	-0.150	-0.185	0.730	1.000			
Hedge Funds	0.752	0.750	0.725	0.719	0.695	0.700	0.080	0.020	0.575	0.685	1.000		
Cash Equivalents	-0.042	-0.030	-0.080	-0.040	-0.010	-0.100	0.100	0.070	-0.060	0.000	-0.070	1.000	
Inflation	-0.072	-0.080	-0.060	-0.020	0.010	0.000	-0.200	0.100	-0.130	-0.150	0.100	0.300	1.000

2014 Capital Market Projections

Efficient Mixes – All Broad Asset Classes

Asset Mix Alternatives
Optimization Set: 2014

Portfolio Component	Min	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
Broad Domestic Equity	0	100	14	17	20	24	28	33
Global (ex-US) Equity	0	100	10	13	16	20	24	28
Domestic Fixed	0	100	54	47	39	30	19	6
TIPS	0	100	10	8	6	3	1	0
Real Estate	0	100	4	5	6	8	9	11
Private Equity	0	100	2	3	5	6	8	10
Hedge Funds	0	100	6	7	8	9	11	12
Cash Equivalents	0	100	0	0	0	0	0	0
Totals			100	100	100	100	100	100
10 Yr. Geometric Mean Return			5.00%	5.51%	6.00%	6.50%	7.00%	7.50%
Projected Standard Deviation			6.43%	8.07%	9.89%	11.99%	14.39%	17.10%
10 Yr. Simulated Sharpe Ratio			0.47%	0.43%	0.40%	0.37%	0.35%	0.32%

2014 Capital Market Projections

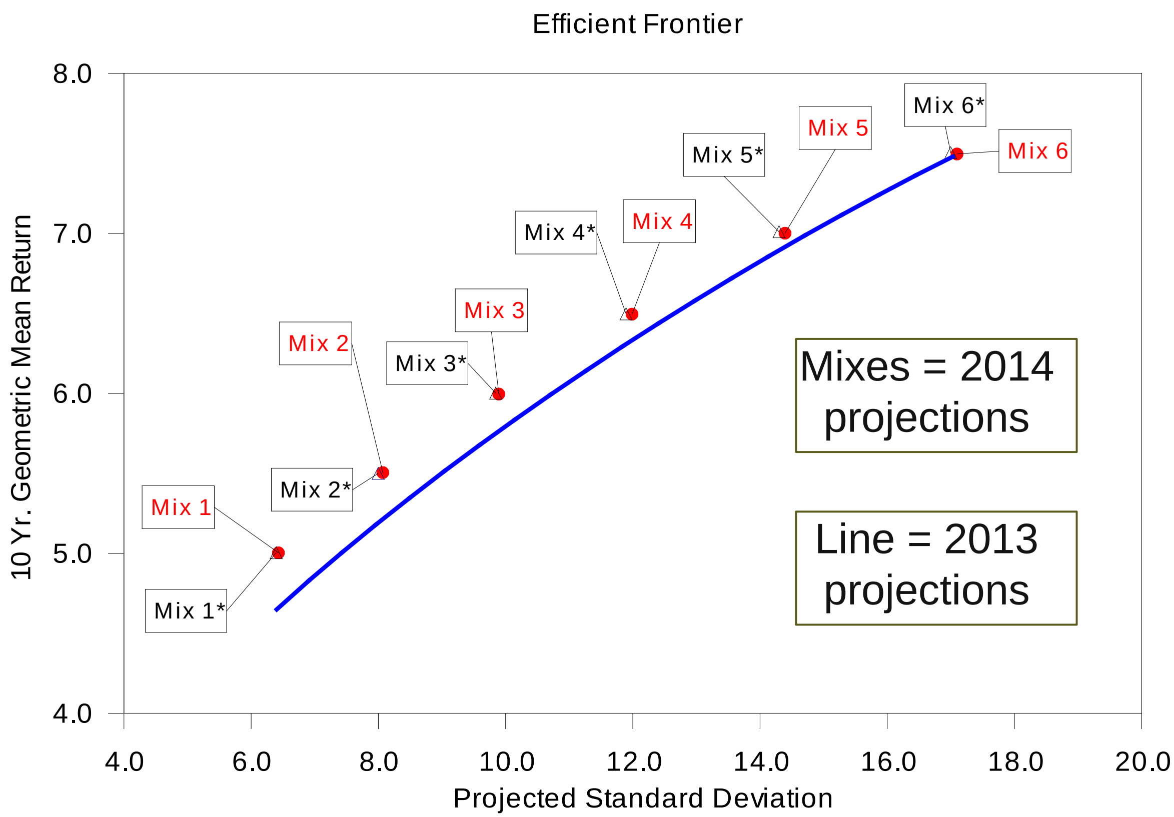
No Hedge Funds

Asset Mix Alternatives
Optimization Set: 2014 no HF

Portfolio Component	Min	Max	Mix 1*	Mix 2*	Mix 3*	Mix 4*	Mix 5*	Mix 6*
Broad Domestic Equity	0	100	15	19	23	27	31	37
Global (ex-US) Equity	0	100	11	14	17	21	25	30
Domestic Fixed	0	100	57	50	42	33	24	13
TIPS	0	100	11	9	7	5	3	0
Real Estate	0	100	4	5	6	8	10	11
Private Equity	0	100	2	3	5	6	7	9
Cash Equivalents	0	100	0	0	0	0	0	0
Totals			100	100	100	100	100	100
10 Yr. Geometric Mean Return			5.00%	5.50%	6.00%	6.50%	7.01%	7.50%
Projected Standard Deviation			6.40%	8.00%	9.85%	11.89%	14.30%	17.00%
10 Yr. Simulated Sharpe Ratio			0.47%	0.44%	0.41%	0.38%	0.35%	0.32%

2014 Capital Market Projections

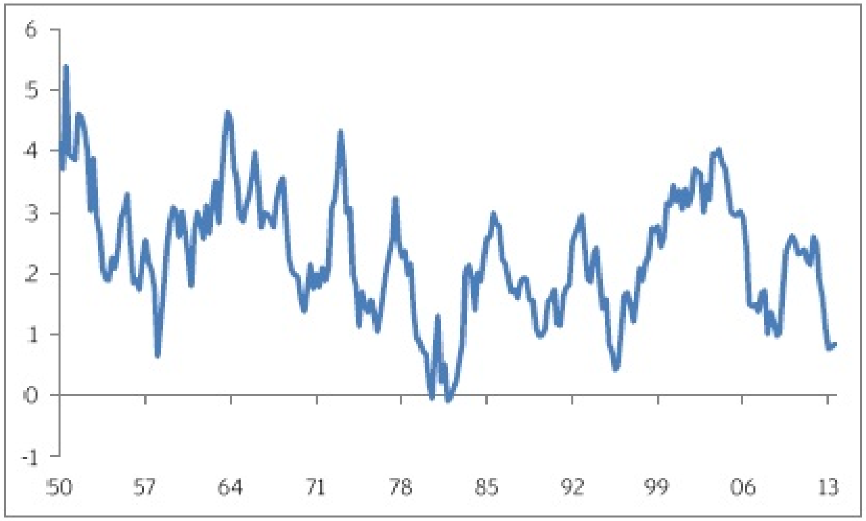
Efficient Mixes vs 2013 Efficient Frontier



- Mixes 1-6 include hedge fund allocation.
- Mixes marked with an asterisk (*) exclude hedge funds.
- Blue line is 2013 frontier for comparison.

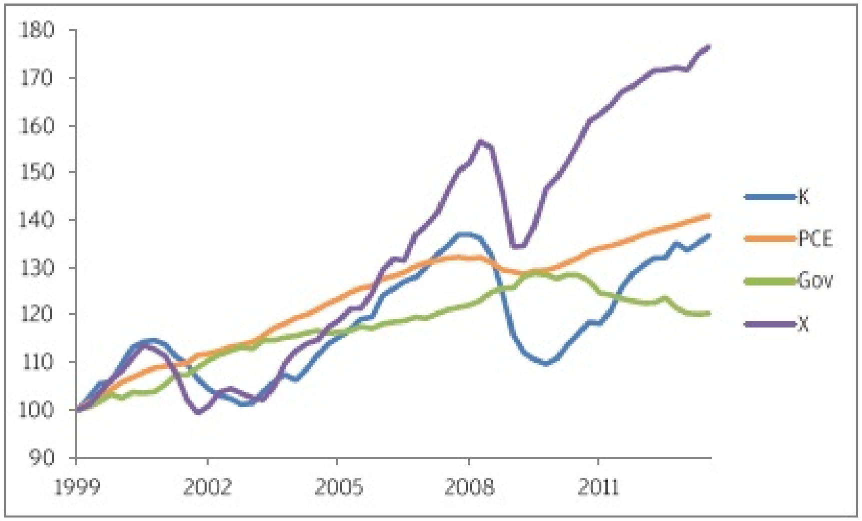
Supplemental Graphs

Chart 3: U.S. productivity (% q/q, saar, 12-quarter moving average)



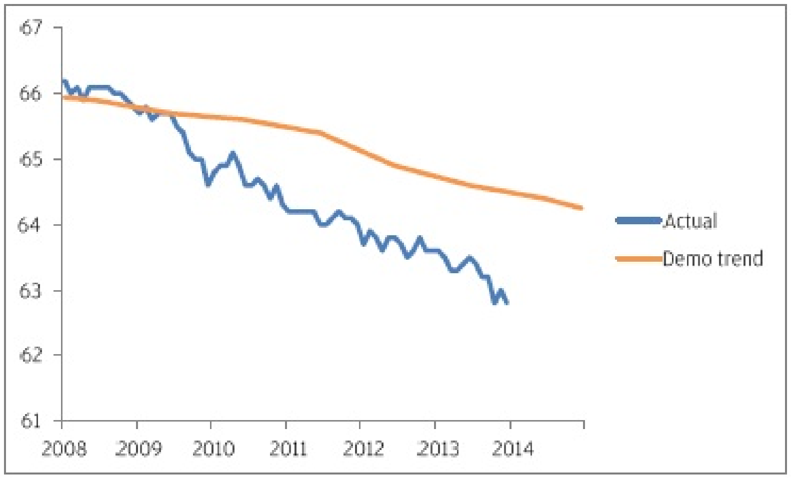
Source: J.P. Morgan; data as September 30, 2013.

Chart 4: U.S. GDP demand components (99Q1 = 100, sa)



Source: J.P. Morgan; data as of September 30, 2013. K is business investment, PCE is private consumption, Gov is government expenditure, and X is gross exports of goods and services.

Chart 2: U.S. labor force participation rate, actual and demographic trend (% of working-age population)

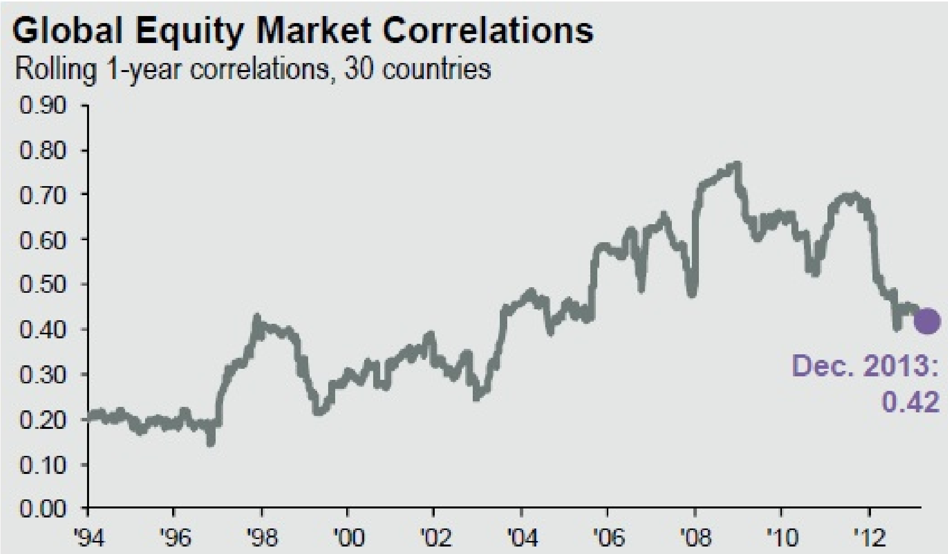


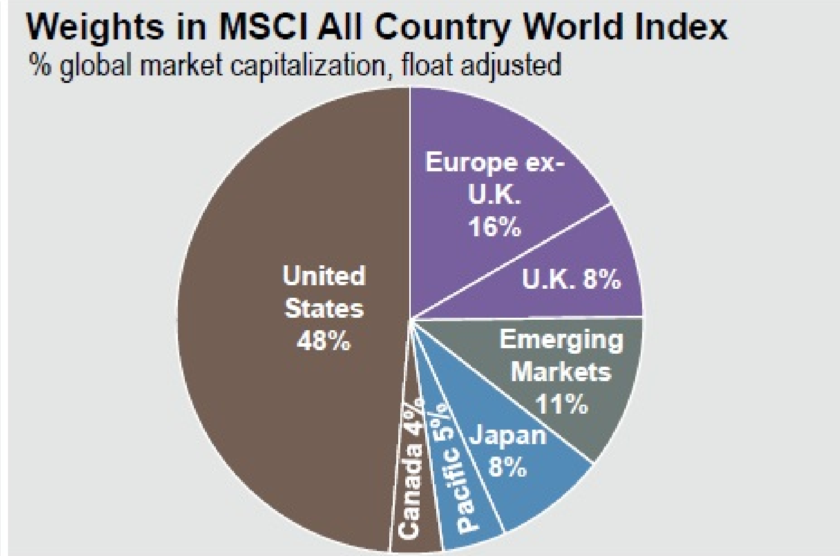
Source: J.P. Morgan; forecast through December 2014.

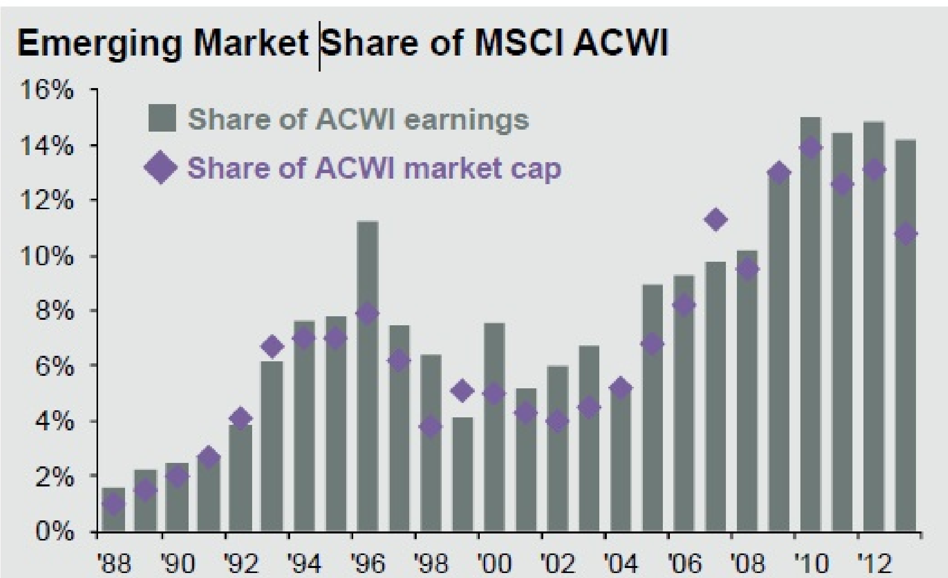
Source: J.P. Morgan

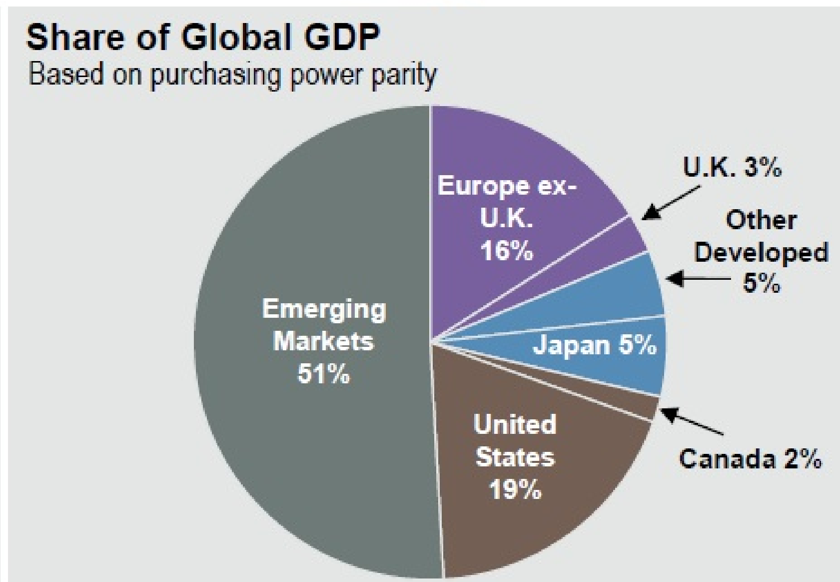
Global Equity Market Composition

Emerging Markets Focus









Source: J.P. Morgan

2014 Periodic Table of Investment Returns

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
MSCI EAFE 7.78%	S&P 500 Growth 38.13%	S&P 500 Growth 23.97%	S&P 500 Growth 36.52%	S&P 500 Growth 42.16%	MSCI Emerging Markets 66.42%	Russell 2000 Value 22.83%	Russell 2000 Value 14.02%	Barclays Agg 10.26%	MSCI Emerging Markets 56.28%
S&P 500 Growth 3.13%	S&P 500 37.58%	S&P 500 22.96%	S&P 500 33.36%	S&P 500 28.58%	Russell 2000 Growth 43.09%	Barclays Agg 11.63%	Barclays Agg 8.43%	Barclays Corp High Yield -1.41%	Russell 2000 Growth 48.54%
S&P 500 1.32%	S&P 500 Value 36.99%	S&P 500 Value 22.00%	Russell 2000 Value 31.78%	MSCI EAFE 20.00%	S&P 500 Growth 28.24%	S&P 500 Value 6.08%	Barclays Corp High Yield 5.28%	MSCI Emerging Markets -6.00%	Russell 2000 47.25%
S&P 500 Value -0.64%	Russell 2000 Growth 31.04%	Russell 2000 Value 21.37%	S&P 500 Value 29.98%	S&P 500 Value 14.69%	MSCI EAFE 26.96%	Russell 2000 -3.02%	Russell 2000 2.49%	Russell 2000 Value -11.43%	Russell 2000 Value 46.03%
Barclays Corp High Yield -1.03%	Russell 2000 28.45%	Russell 2000 16.49%	Russell 2000 22.36%	Barclays Agg 8.70%	Russell 2000 21.26%	Barclays Corp High Yield -5.86%	MSCI Emerging Markets -2.37%	MSCI EAFE -15.94%	MSCI EAFE 38.59%
Russell 2000 Value -1.54%	Russell 2000 Value 25.75%	Barclays Corp High Yield 11.35%	Russell 2000 Growth 12.95%	Barclays Corp High Yield 1.87%	S&P 500 21.04%	S&P 500 -9.11%	Russell 2000 Growth -9.23%	Russell 2000 -20.48%	S&P 500 Value 31.79%
Russell 2000 -1.82%	Barclays Corp High Yield 19.18%	Russell 2000 Growth 11.26%	Barclays Corp High Yield 12.76%	Russell 2000 Growth 1.23%	S&P 500 Value 12.73%	MSCI EAFE -14.17%	S&P 500 Value -11.71%	S&P 500 Value -20.85%	Barclays Corp High Yield 28.97%
Russell 2000 Growth -2.43%	Barclays Agg 18.46%	MSCI EAFE 6.05%	Barclays Agg 9.64%	Russell 2000 -2.55%	Barclays Corp High Yield 2.39%	S&P 500 Growth -22.08%	S&P 500 -11.89%	S&P 500 -22.10%	S&P 500 28.68%
Barclays Agg -2.92%	MSCI EAFE 11.21%	MSCI Emerging Markets 6.03%	MSCI EAFE 1.78%	Russell 2000 Value -6.45%	Barclays Agg -0.82%	Russell 2000 Growth -22.43%	S&P 500 Growth -12.73%	S&P 500 Growth -23.59%	S&P 500 Growth 25.66%
MSCI Emerging Markets -7.32%	MSCI Emerging Markets -5.21%	Barclays Agg 3.64%	MSCI Emerging Markets -11.59%	MSCI Emerging Markets -25.34%	Russell 2000 Value -1.49%	MSCI Emerging Markets -30.61%	MSCI EAFE -21.44%	Russell 2000 Growth -30.26%	Barclays Agg 4.10%

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
MSCI Emerging Markets 25.95%	MSCI Emerging Markets 34.54%	MSCI Emerging Markets 32.59%	MSCI Emerging Markets 39.78%	Barclays Agg 5.24%	MSCI Emerging Markets 79.02%	Russell 2000 Growth 29.09%	Barclays Agg 7.84%	MSCI Emerging Markets 18.63%	Russell 2000 Growth 43.30%
Russell 2000 Value 22.25%	MSCI EAFE 13.54%	MSCI EAFE 26.34%	MSCI EAFE 11.17%	Barclays Corp High Yield -26.16%	Barclays Corp High Yield 58.21%	Russell 2000 26.85%	Barclays Corp High Yield 4.98%	Russell 2000 Value 18.05%	Russell 2000 38.82%
MSCI EAFE 20.25%	S&P 500 Value 5.82%	Russell 2000 Value 23.48%	S&P 500 Growth 9.13%	Russell 2000 Value -28.92%	Russell 2000 Growth 34.47%	Russell 2000 Value 24.50%	S&P 500 Growth 4.65%	S&P 500 Value 17.68%	Russell 2000 Value 34.52%
Russell 2000 18.33%	S&P 500 4.91%	S&P 500 Value 20.81%	Russell 2000 Growth 7.05%	Russell 2000 -33.79%	MSCI EAFE 31.78%	MSCI Emerging Markets 19.20%	S&P 500 2.11%	MSCI EAFE 17.32%	S&P 500 Growth 32.75%
S&P 500 Value 15.71%	Russell 2000 Value 4.71%	Russell 2000 18.37%	Barclays Agg 6.97%	S&P 500 Growth -34.92%	S&P 500 Growth 31.57%	Barclays Corp High Yield 15.12%	S&P 500 Value -0.48%	Russell 2000 16.35%	S&P 500 32.39%
Russell 2000 Growth 14.31%	Russell 2000 4.55%	S&P 500 15.79%	S&P 500 5.49%	S&P 500 -37.00%	Russell 2000 27.17%	S&P 500 Value 15.10%	Russell 2000 Growth -2.91%	S&P 500 16.00%	S&P 500 Value 31.99%
Barclays Corp High Yield 11.13%	Russell 2000 Growth 4.15%	Russell 2000 Growth 13.35%	S&P 500 Value 1.99%	Russell 2000 Growth -38.54%	S&P 500 26.47%	S&P 500 15.06%	Russell 2000 -4.18%	Barclays Corp High Yield 15.81%	MSCI EAFE 22.78%
S&P 500 10.88%	S&P 500 Growth 4.00%	Barclays Corp High Yield 11.85%	Barclays Corp High Yield 1.87%	S&P 500 Value -39.22%	S&P 500 Value 21.17%	S&P 500 Growth 15.05%	Russell 2000 Value -5.50%	S&P 500 Growth 14.61%	Barclays Corp High Yield 7.44%
S&P 500 Growth 6.13%	Barclays Corp High Yield 2.74%	S&P 500 Growth 11.01%	Russell 2000 -1.57%	MSCI EAFE -43.38%	Russell 2000 Value 20.58%	MSCI EAFE 7.75%	MSCI EAFE -12.14%	Russell 2000 Growth 14.59%	Barclays Agg -2.02%
Barclays Agg 4.34%	Barclays Agg 2.43%	Barclays Agg 4.33%	Russell 2000 Value -9.78%	MSCI Emerging Markets -53.18%	Barclays Agg 5.93%	Barclays Agg 6.54%	MSCI Emerging Markets -18.17%	Barclays Agg 4.21%	MSCI Emerging Markets -2.27%

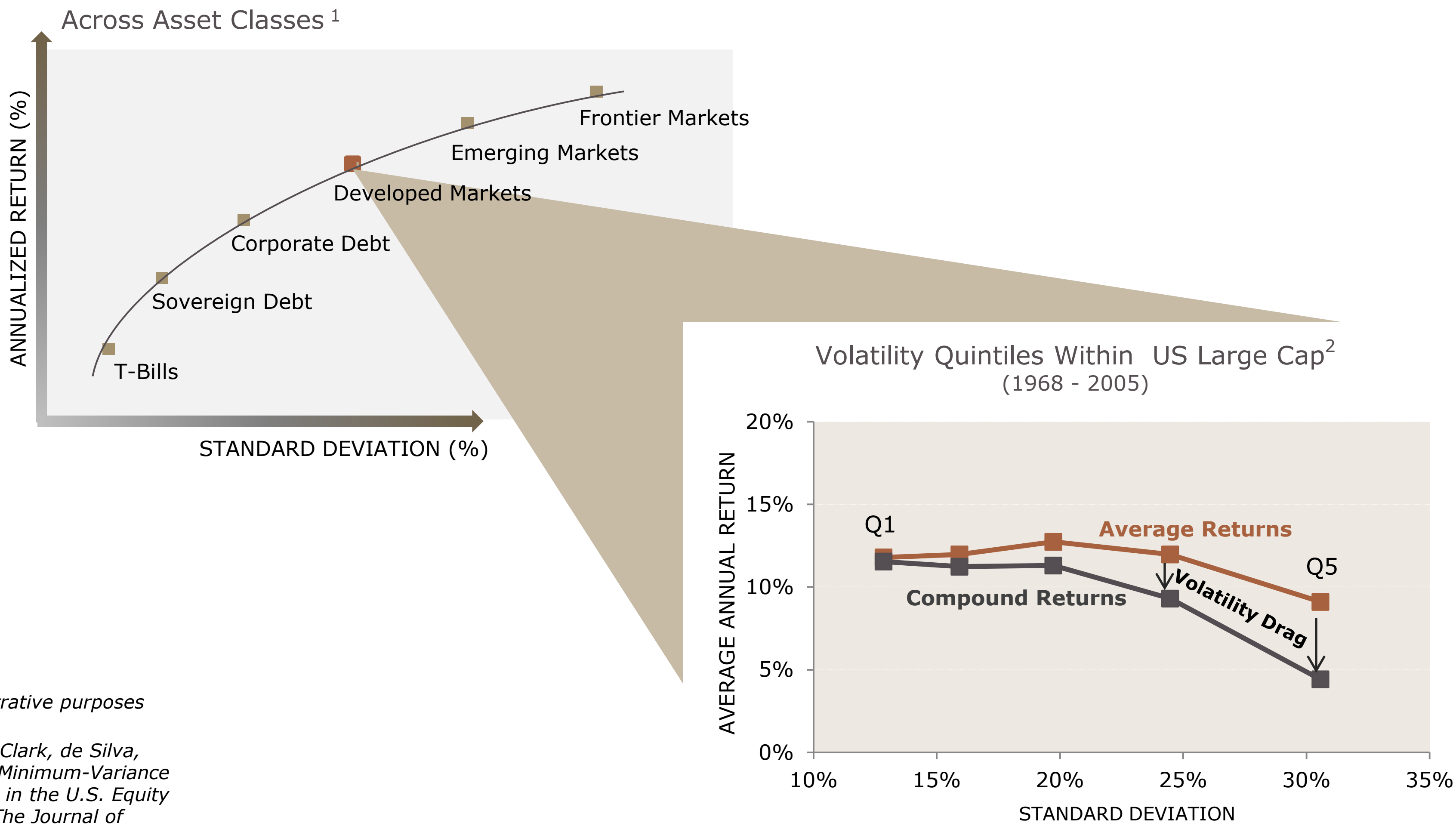
LOW VOLATILITY INVESTING

As of December 31, 2013

Analytic INVESTORS

Analytic Research

Relationship Between Risk and Return

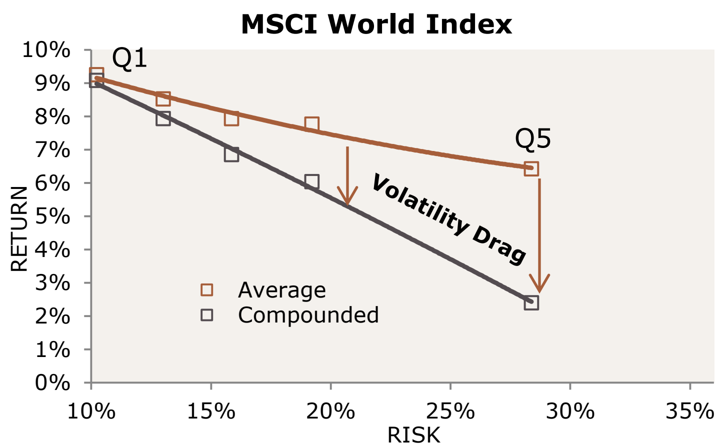


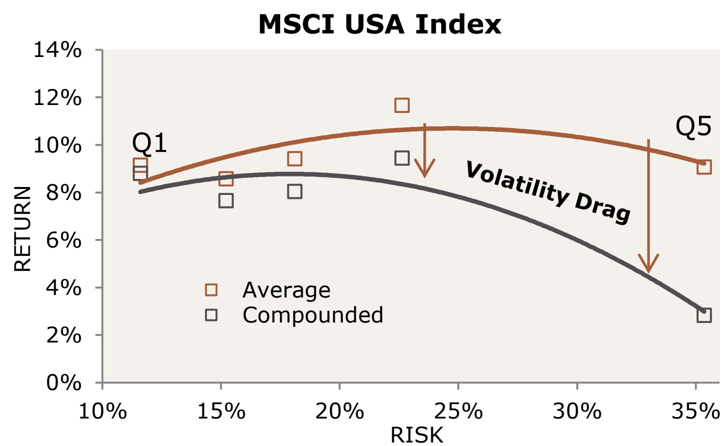
[1]For illustrative purposes only

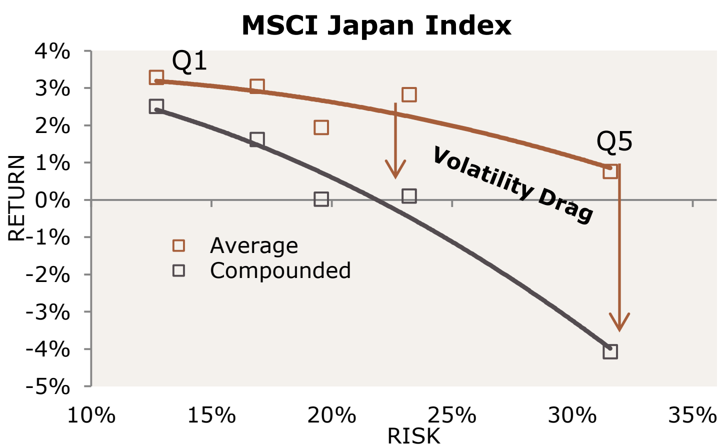
[2]Source: Clark, de Silva, Thorley "Minimum-Variance Portfolios in the U.S. Equity Market" The Journal of Portfolio Management, Fall 2006.

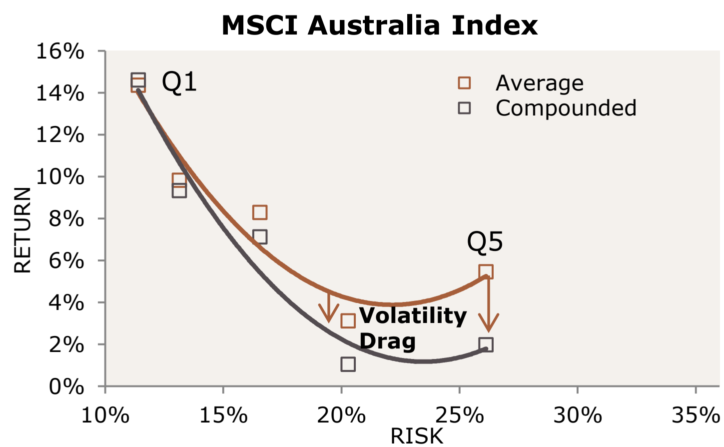
Performance by Beta Quintile – Negative Effects of Volatility

1997 – 2012









Average return is the arithmetic average. Portfolios were formed monthly based on Barra's beta forecast.

Sources: Compustat and MSCI Barra.

Low Volatility Research

Low Beta Stocks Outperform High Beta Stocks

1972	1992	*(2003-05)* 2006	2010	2011
Relationship between beta and return is "too flat". Rejects CAPM prediction of a return premium per unit of beta.	Low beta stocks keep pace with high beta stocks. Value stocks and small cap stocks earn higher returns than their growth or large cap counterparts.	Low volatility portfolios can be constructed with materially less risk than the market, with no give-up of return.	Volatility exposure is as important as value/growth and large/small exposure and can be an uncompensated source of risk.	The beta of a stock is a key determinant of its weight in a low volatility portfolio.
Black, Jensen, Scholes **"The Capital Asset Pricing Model: Some Empirical Tests"** *Studies in the Theory of Capital Markets*	**Fama, French** **"The Cross-Section of Expected Stock Returns"** *Journal of Finance*	**Analytic:** **Clarke, de Silva, Thorley** **"Minimum-Variance Portfolios in the U.S. Equity Market"** *Journal of Portfolio Management*	**Analytic:** **Clarke, de Silva, Thorley** **"Know Your VMS Exposure"** *Journal of Portfolio Management*	**Analytic:** **Clarke, de Silva, Thorley** **"Minimum Variance Portfolio Composition"** *Journal of Portfolio Management*

Research

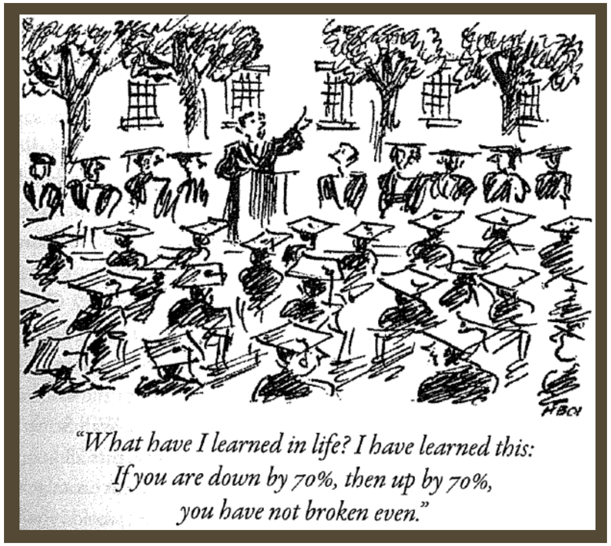
Why Does the Low Volatility Equity Anomaly Exist

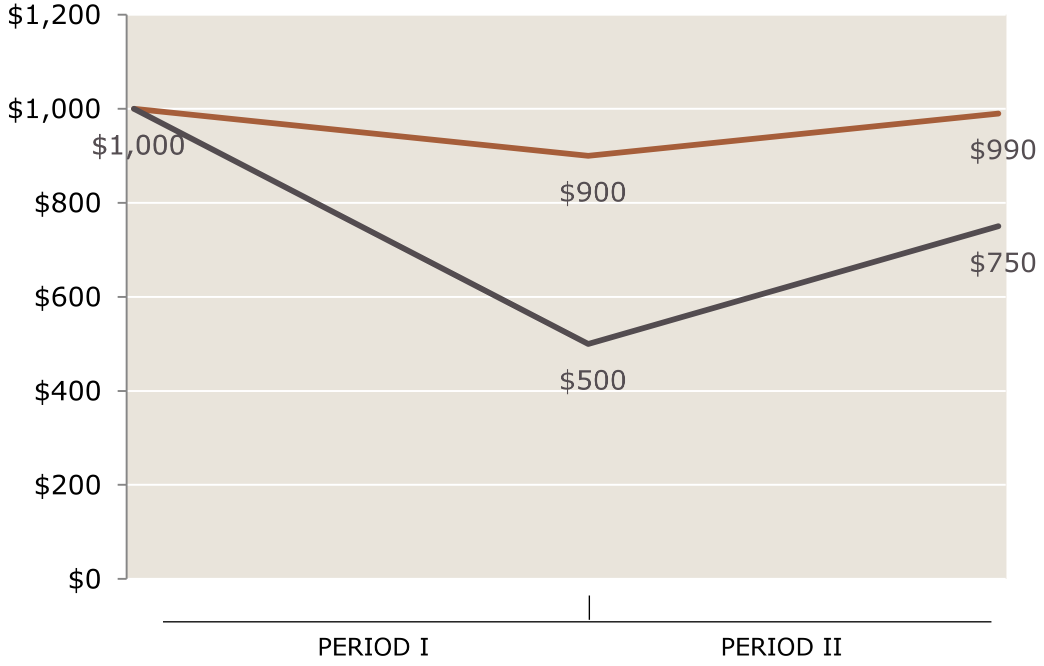
Explanations *include…*

- Market portfolio is inefficient
  - Investors focus on pricing of individual securities and treat securities within an asset class the same (e.g., large cap stocks), not the pricing of total portfolios.
- Institutional and retail emphasis on tracking error
  - Institutional focus on IR and retail focus on "keeping up with the Joneses" places to much emphasis on mega-cap, beta one securities needed to track the market.
- "Lottery effect" associated with high volatility stocks
  - Investors focus on potential winners and over-estimate their success in finding such companies. *Aka 'Jim Cramer Effect'.*
- Limits to borrowing create "overpricing" of high volatility stocks
  - Investors face excessive costs or regulatory restrictions which prevent them from borrowing. Results in the price of high beta stocks being bid up, thereby reducing their forward expected return.

Benefits of Reducing Volatility

Win by Not Losing – Preservation of Capital





	Period I	Period II	Simple Average	Volatility Drag	Compounded Return
Scenario 1	-10%	+10%	0%	→	-1%
Scenario 2	-50%	+50%	0%	→	-25%

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Objectives

Outperform with Significantly Less Variability

REDUCE VOLATILITY

- Maintain standard deviation of 20% to 30% less than index (U.S.)
- Maintain standard deviation of 30% to 40% less than index (Global)

OUTPERFORM OVER A FULL RISK CYCLE

- Outperform in falling markets
- Lag in risk-seeking markets
- Keep up in moderately rising markets

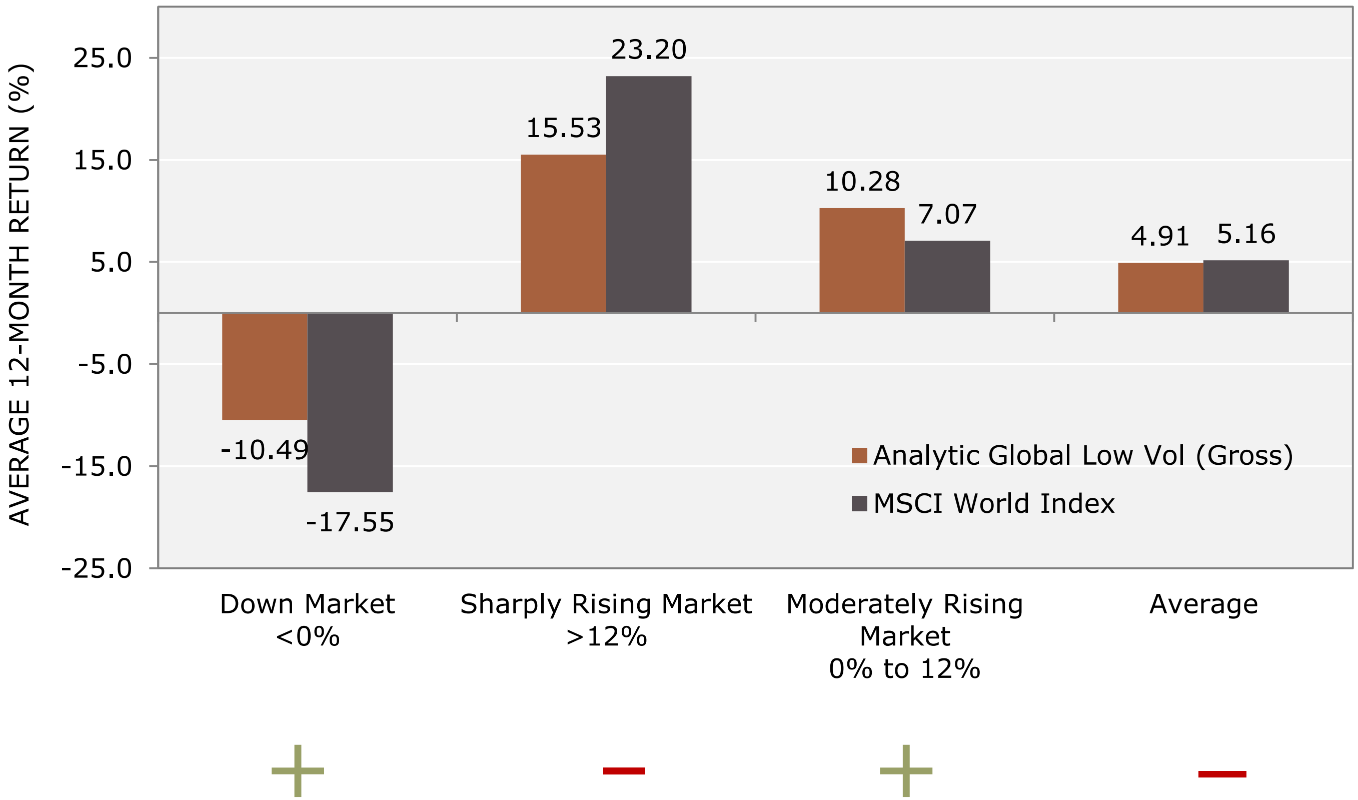
EQUITY EXPOSURE

- Select stocks from the index
- Fully invested
- No derivatives
- Long only and highly liquid

Results

Downside Protection, Up-Market Participation

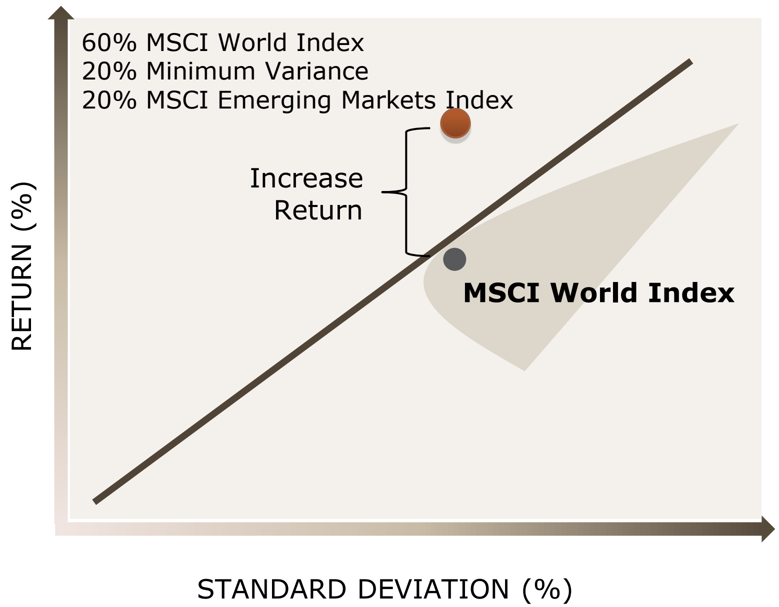
August 1, 2006 (Inception) – December 31, 2013



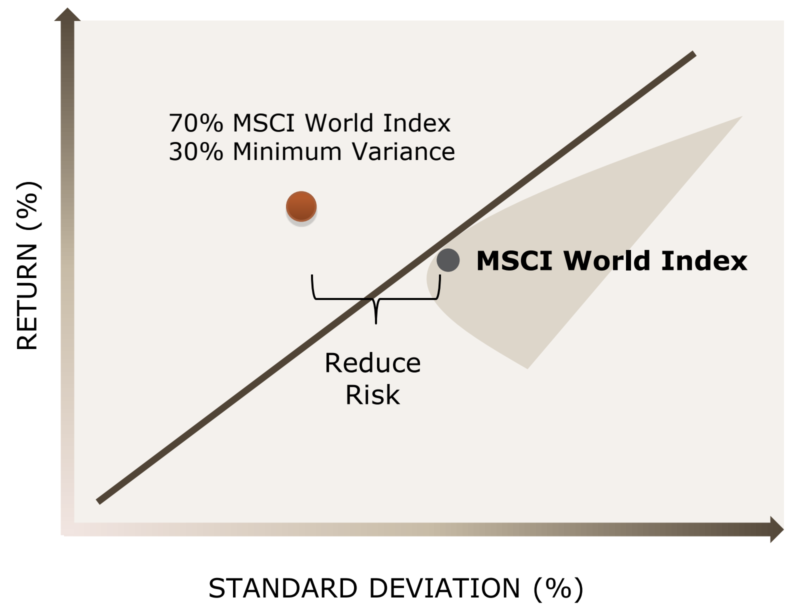
Past performance does not guarantee future results. Please see Composite Notes for additional information. Market assignments were made according to each 12-month MSCI World return, with corresponding composite returns for that time period. The average returns information was calculated by taking the average rolling 12-month return over the entire period shown. Representative account information shown above is supplemental To the fully compliant GIPS presentation.

Effective Portfolio Allocation

Risk Budgeting



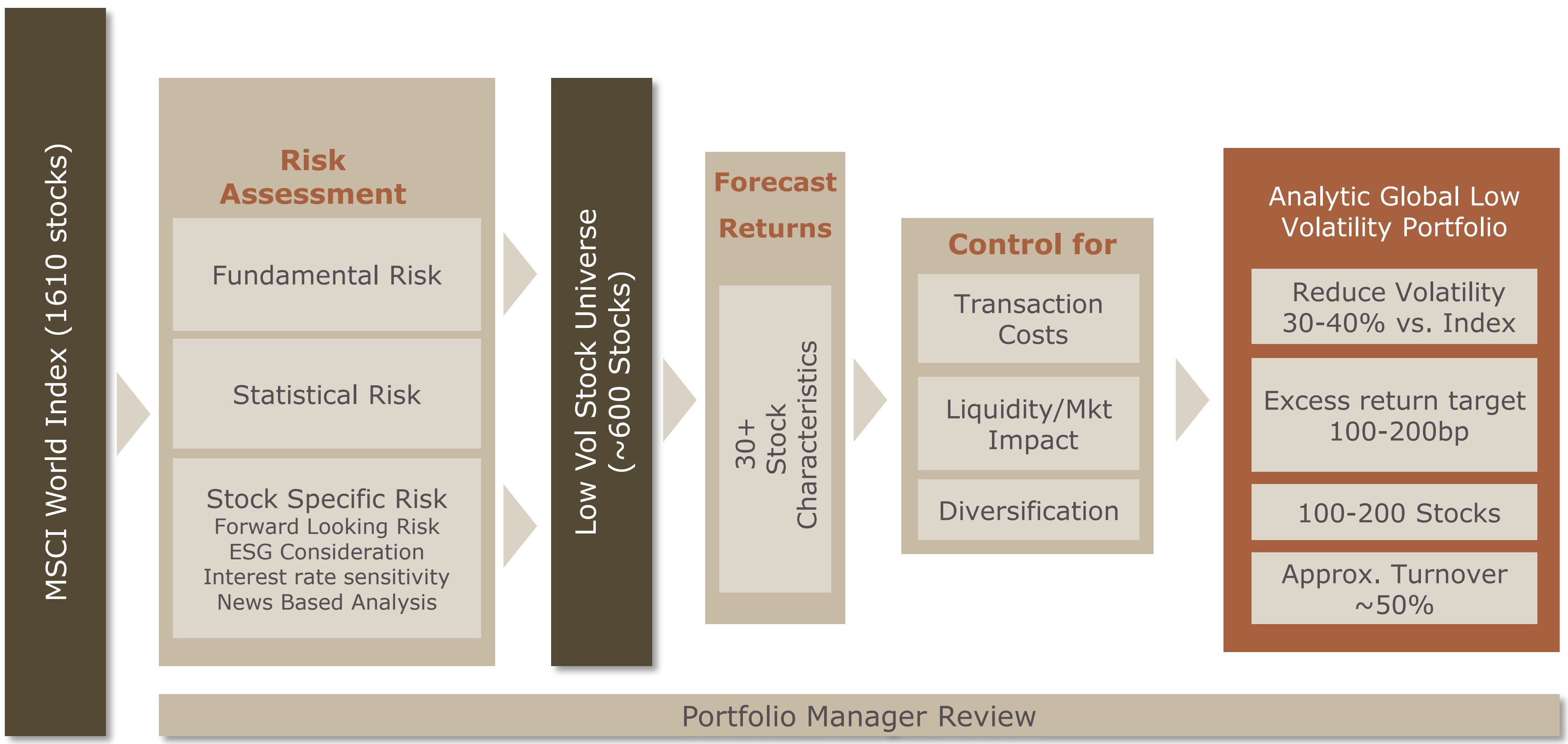
De-Risking



For illustrative purposes only.

Process Overview

Constructing the Analytic Low Volatility Portfolio



For illustrative purposes only.

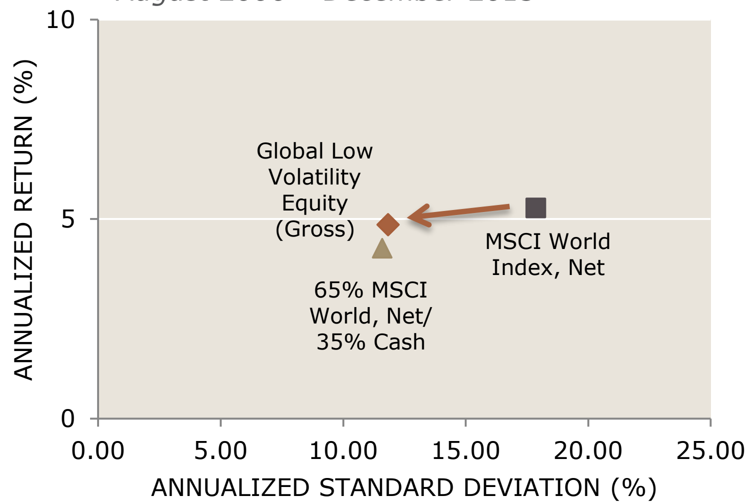
Results

Analytic Low Volatility Equity

Returns since inception.

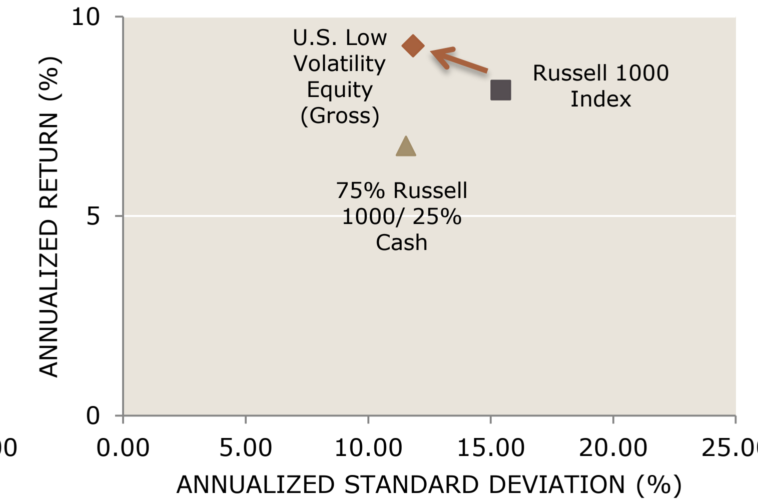
Periods greater than one year are annualized. Performance is presented gross of fees and does not reflect the deduction of investment advisory fees. Client's return will be reduced by the advisory fees (as described in Part II of the adviser's Form ADV) and any other expenses it may incur in the management of its investment advisory accounts. See Performance Table page for an example of the effect compounded advisory fees have on a client's portfolio value over a period of years. Past performance does not guarantee future results. Please see Composite Notes for additional information.

August 2006 – December 2013



	Return (%)	Standard Deviation (%)	Volatility Reduction (%)
Global Low Volatility (Gross)	4.86	11.83	33.74
MSCI World Index, Net	5.28	17.86	
Value Added vs. MSCI World, Net	-0.41		

November 2004 – December 2013



	Return (%)	Standard Deviation (%)	Volatility Reduction (%)
U.S. Low Volatility (Gross)	9.27	11.83	23.19
Russell 1000 Index	8.16	15.41	
Value Added vs. Russell 1000	1.11		

Global Low Volatility Equity *As of December 31, 2013*

Since Inception: 8/1/2006			
Analytic Global Low Vol Equity, Gross ITD	4.86	Standard Deviation (%)	11.83
Analytic Global Low Vol Equity, Net ITD	4.61	Sharpe Ratio	0.30
MSCI World Index, Net ITD	5.28	Tracking Error	9.59
Value-Added (Gross)	**-0.41**	Reporting Currency	USD

	Q1	Q2	Q3	Q4	YEAR
2013					
Analytic Global Low Vol Equity, Gross	11.50	-5.71	3.75	2.99	12.33
MSCI World Index, Net	7.73	0.65	8.18	8.00	26.68
Value Added (Gross)	**3.76**	**-6.35**	**-4.43**	**-5.01**	**-14.34**
2012					
Analytic Global Low Vol Equity, Gross	4.95	0.42	6.81	-0.25	12.28
MSCI World Index, Net	11.56	-5.07	6.71	2.49	15.83
Value Added (Gross)	**-6.62**	**5.49**	**0.10**	**-2.73**	**-3.54**
2011					
Analytic Global Low Vol Equity, Gross	3.41	3.72	-6.69	3.40	3.48
MSCI World Index, Net	4.80	0.47	-16.61	7.59	-5.54
Value Added (Gross)	**-1.38**	**3.25**	**9.92**	**-4.19**	**9.02**
2010					
Analytic Global Low Vol Equity, Gross	4.48	-4.07	8.92	5.79	15.48
MSCI World Index, Net	3.24	-12.67	13.78	8.95	11.76
Value Added (Gross)	**1.24**	**8.60**	**-4.86**	**-3.16**	**3.72**
2009					
Analytic Global Low Vol Equity, Gross	-14.68	11.70	12.83	1.24	8.87
MSCI World Index, Net	-11.92	20.75	17.45	4.07	29.99
Value Added (Gross)	**-2.76**	**-9.05**	**-4.62**	**-2.83**	**-21.12**
2008					
Analytic Global Low Vol Equity, Gross	-5.45	-1.05	-6.04	-10.21	-21.07
MSCI World Index, Net	-9.06	-1.66	-15.25	-21.77	-40.71
Value Added (Gross)	**3.60**	**0.61**	**9.22**	**11.56**	**19.64**
2007					
Analytic Global Low Vol Equity, Gross	2.23	1.22	-1.00	-2.64	-0.26
MSCI World Index, Net	2.50	6.51	2.36	-2.42	9.04
Value Added (Gross)	**-0.26**	**-5.29**	**-3.36**	**-0.22**	**-9.29**
2006					
Analytic Global Low Vol Equity, Gross				6.94	10.12
MSCI World Index, Net				8.37	12.51
Value Added (Gross)				**-1.43**	**-2.39**

Periods greater than one year are annualized. Performance is presented gross and net of fees. Past performance does not guarantee future results. Please see Composite Notes for additional information.

U.S. Low Volatility Equity *As of December 31, 2013*

Since Inception: 11/1/2004			
Analytic U.S. Low Vol Equity, Gross ITD	9.27	Standard Deviation (%)	11.83
Analytic U.S. Low Vol Equity, Net ITD	9.05	Sharpe Ratio	0.64
Russell 1000 Index, ITD	8.16	Tracking Error	7.39
Value-Added (Gross)	**1.11**	Reporting Currency	USD

	Q1	Q2	Q3	Q4	YEAR
2013					
Analytic U.S. Low Vol Equity, Gross	14.10	-0.49	1.48	8.56	25.09
Russell 1000 Index	10.96	2.65	6.02	10.23	33.11
Value Added (Gross)	**3.14**	**-3.14**	**-4.54**	**-1.67**	**-8.02**
2012					
Analytic U.S. Low Vol Equity, Gross	7.78	6.00	2.24	-0.20	16.58
Russell 1000 Index	12.90	-3.12	6.31	0.12	16.42
Value Added (Gross)	**-5.12**	**9.12**	**-4.07**	**-0.32**	**0.16**
2011					
Analytic U.S. Low Vol Equity, Gross	7.14	4.92	-5.62	7.95	14.54
Russell 1000 Index	6.24	0.12	-14.68	11.84	1.50
Value Added (Gross)	**0.90**	**4.80**	**9.07**	**-3.90**	**13.04**
2010					
Analytic U.S. Low Vol Equity, Gross	4.27	-6.60	9.13	8.07	14.86
Russell 1000 Index	5.70	-11.44	11.55	11.19	16.10
Value Added (Gross)	**-1.43**	**4.85**	**-2.42**	**-3.12**	**-1.24**
2009					
Analytic U.S. Low Vol Equity, Gross	-11.26	7.33	10.24	7.55	12.93
Russell 1000 Index	-10.45	16.50	16.07	6.07	28.43
Value Added (Gross)	**-0.80**	**-9.17**	**-5.82**	**1.48**	**-15.50**
2008					
Analytic U.S. Low Vol Equity, Gross	-8.59	1.14	-2.71	-21.16	-29.09
Russell 1000 Index	-9.48	-1.89	-9.35	-22.48	-37.60
Value Added (Gross)	**0.89**	**3.03**	**6.64**	**1.33**	**8.51**
2007					
Analytic U.S. Low Vol Equity, Gross	4.19	5.17	1.02	0.25	10.97
Russell 1000 Index	1.21	5.90	1.98	-3.23	5.77
Value Added (Gross)	**2.97**	**-0.72**	**-0.96**	**3.48**	**5.20**

Periods greater than one year are annualized. Performance is presented gross and net of fees. Past performance does not guarantee future results. Please see Composite Notes for additional information.

U.S. Low Volatility Equity (Continued) *As of December 31, 2013*

	Q1	Q2	Q3	Q4	YEAR
2006					
Analytic U.S. Low Vol Equity, Gross	4.34	0.27	4.68	5.26	15.28
Russell 1000 Index	4.49	-1.66	5.06	6.95	15.46
Value Added (Gross)	**-0.15**	**1.93**	**-0.38**	**-1.70**	**-0.18**
2005					
Analytic U.S. Low Vol Equity, Gross	-0.74	3.17	2.69	0.54	5.74
Russell 1000 Index	-1.91	2.05	3.95	2.12	6.27
Value Added (Gross)	**1.17**	**1.12**	**-1.25**	**-1.58**	**-0.53**
2004					
Analytic U.S. Low Vol Equity, Gross					8.43
Russell 1000 Index					8.06
Value Added (Gross)					**0.37**

Periods greater than one year are annualized. Performance is presented gross and net of fees. Past performance does not guarantee future results. Please see Composite Notes for additional information.

Appendix

When I eat a tomato,
I look at it the way
anyone else would.
But when I paint
a tomato, then
I see it differently.

HENRI MATISSE

Composite Notes

Global Low Volatility Equity Composite

Market-Weighted Returns Expressed in USD for the Period Ending September 30, 2013

	Total Gross Return (%)	Total Net Return (%)	Benchmark[1] Return (%)	Benchmark[2] Return (%)	Number of Accounts	Composite Dispersion**	3 Year Ex-Post Annualized Standard Deviation - Gross (%)	3 Year Ex-Post Annualized Standard Deviation - Benchmark (%)	Composite Assets (MM) in USD	% of Total Firm Assets including Overlays (MM)	Total Firm Assets including Overlays (MM) in USD
Aug - Dec 2006*	10.12	10.00	12.51	12.88	<5	N/A	N/A	N/A	85.33	1.03	8,319.87
2007	-0.26	-0.51	9.04	7.96	<5	N/A	N/A	N/A	147.32	1.18	12,519.57
2008	-21.07	-21.27	-40.71	-29.59	<5	N/A	N/A	N/A	164.32	1.89	8,687.62
2009	8.87	8.62	29.99	16.43	5.00	0.80	14.21	21.40	430.66	4.64	9,289.27
2010	15.48	15.18	11.76	12.03	5.00	0.98	15.09	23.72	619.07	9.78	6,331.96
2011	3.48	3.23	-5.54	7.29	6.00	0.46	12.39	20.15	945.52	16.10	5,872.95
2012	12.28	12.01	15.83	8.06	7.00	0.55	9.11	16.74	1232.32	19.71	6,253.39
Jan - Sept 2013	9.07	8.87	17.29	11.07	10.00	0.67	10.06	14.11	2129.69	26.30	8,096.34

*Inception: August 1, 2006

**The measurement of internal dispersion for composites with fewer than 5 accounts for the entire period is not considered statistically meaningful and accordingly has not been presented.

[1]The primary benchmark is the MSCI World Net Total Return Index, representing the broad global developed market. The MSCI World Index is a free float adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The benchmark consists of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Returns are calculated net of non-claimable withholding taxes on dividends. The exchange rates used in the benchmark calculation may differ from those used by the composite itself. Considering the objectives of the strategy, the benchmark's volatility is anticipated to be significantly higher than that of the investment strategy.

[2]The secondary benchmark is the MSCI World Minimum Volatility Index. (Shown here in accordance with GIPS® best practices) From September 2006 through July 2008 the MSCI World Net Total Return Index was presented as the benchmark for the Global Low Volatility Equity composite. In August of 2008, the benchmark was changed (retro-actively back to inception) to the MSCI World Minimum Volatility Index. This index was created in April of 2008 from the parent index (MSCI World) using the Barra Global Equity Model (GEM) as the risk estimate input. Effective January 1, 2011, as a result of subsequent methodology changes by the index provider, the benchmark for the composite reverted back to its original benchmark, the MSCI World Net Total Return Index.

Analytic Investors, LLC (the "Firm"), an independent investment adviser registered under the Investment Advisers Act of 1940, specializes in the application of systematic investment processes to evaluate and exploit opportunities in global equity, fixed income and derivative securities markets primarily for institutional investors. The Firm originally formed in 1970, and was acquired in 1985 by United Asset Management Company ("UAM") in a transaction accounted for as a purchase. On September 26, 2000, UAM was acquired by Old Mutual plc and Analytic Investors, LLC became a subsidiary of Old Mutual Asset Managers (US) LLC. As of August 1, 2010 the Firm redefined its firm to exclude WRAP accounts from its firm definition due to a change in external systems platform which fails to provide the necessary calculation components required under GIPS®. On December 31, 2012, the Firm closed its management buy-back transaction with its former parent company, resulting in a fully independent and employee owned firm.

The Global Low Volatility Equity Composite (formerly named Global Managed Volatility) was created in August 2006, and is composed of all fully discretionary accounts in accordance with the Global Low Volatility Equity strategy. The strategy consists of long-only portfolios investing in global developed equity securities designed to reflect the performance characteristics of the MSCI World, Net Index, while focusing on absolute risk reduction. The composite's name change was effective in February 2007 to more accurately reflect the strategy's objectives. Gross returns are calculated by the Firm using Modified Dietz methodology with an average capital base and reflect daily realized and unrealized gains and losses, plus income. Net returns reflect the impact of actual investment management fees received by the Firm on the gross return. Returns for periods greater than one year have been annualized The dispersion of cumulative returns is measured by the asset-weighted standard deviation of the cumulative gross returns of portfolios within the composite, including only the portfolios held for each full period. New accounts are added to the composite beginning with the first complete month at strategy; accounts are removed from the composite the last day of the final full month at strategy. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Representative fee schedule is as follows: Per Annum: 0.50% of the first $20,000,000, 0.40% of the next $80,000,000, 0.30% in excess of $100,000,000.

Analytic Investors, LLC claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Analytic Investors has been independently verified for the periods October 1, 1996 through September 30, 2013. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Global Low Volatility Equity Composite has been examined for the periods August 1, 2006 through September 30, 2013. The verification and performance examination reports are available upon request. A complete list with descriptions of firm composites is available upon request. Past performance is no guarantee of future results. Investment management fee arrangements are subject to negotiation and may differ from the schedule above.

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U.S. Low Volatility Equity Composite

Market-Weighted Returns Expressed in USD for the Period Ending September 30, 2013

	Total Gross Return (%)	Total Net Return (%)	Benchmark[1] Return (%)	Benchmark[2] Return (%)	Number of Accounts	Composite Dispersion**	3 Year Ex-Post Annualized Standard Deviation - Gross (%)	3 Year Ex-Post Annualized Standard Deviation - Benchmark (%)	Composite Assets (MM) in USD	% of Total Firm Assets including Overlays (MM)	Total Firm Assets including Overlays (MM) in USD
Nov - Dec 2004*	8.43	8.40	8.06	8.83	<5	N/A	N/A	N/A	31.0	0.5	6,547.00
2005	5.74	5.53	6.27	5.77	<5	N/A	N/A	N/A	93.4	0.9	10,169.60
2006	15.28	15.05	15.46	12.41	<5	N/A	N/A	N/A	160.1	1.9	8,319.87
2007	10.97	10.75	5.77	5.43	<5	N/A	5.74	7.81	614.9	4.9	12,519.57
2008	-29.09	-29.24	-37.6	-27.52	<5	N/A	13.27	15.56	481.8	5.5	8,687.62
2009	12.93	12.69	28.43	18.36	6	0.47	15.80	20.05	751.3	8.1	9,289.27
2010	14.86	14.62	16.1	14.7	6	0.49	17.24	22.29	752.0	11.9	6,331.96
2011	14.54	14.30	1.50	12.87	8	0.46	12.75	18.95	1,564.2	26.6	5,872.95
2012	16.58	16.36	16.42	11.19	8	0.57	9.77	15.40	1,774.1	28.37	6,253.39
Jan - Sept 2013	15.23	15.06	20.76	16.62	12	0.30	8.69	12.56	2,689.7	33.2	8,096.34

*Inception: November 1, 2004
**The measurement of internal dispersion for composites with fewer than 5 accounts for the entire period is not considered statistically meaningful and accordingly has not been presented.
[1]The primary benchmark is the Russell 1000 Total Return Index, representing the broad U.S. market. This index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. Individuals cannot invest directly in this index. Considering the objectives of the strategy, the benchmark's volatility is anticipated to be significantly higher than that of the investment strategy.
[2] The secondary benchmark is the MSCI USA Minimum Volatility Index. (Shown here in accordance with GIPS® best practices) From September 2006 through July 2008 the Russell 1000 Total Return Index was presented as the benchmark for the US Low Volatility Composite. In August of 2008, the benchmark was changed (retro-actively back to inception) to the MSCI USA Minimum Volatility Index. This index was created in April of 2008 from the parent index (MSCI USA Index) using the Barra Global Equity Model (GEM) as the risk estimate input. Effective January 1, 2011, as a result of subsequent methodology changes by the index provider, the benchmark for the composite reverted back to its original benchmark, the Russell 1000 Total Return Index.

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The U.S. Low Volatility Equity Composite (formerly named Managed Volatility) was created November 1, 2004, and is composed of all fully discretionary accounts managed in accordance with the U.S. Low Volatility Equity strategy. The strategy consists of long-only portfolios investing in U.S. equity securities designed to reflect the performance characteristics of the Russell 1000 Index, while focusing on absolute risk reduction. The composite's name change was effective in February 2007 and serves to more accurately reflect the strategy's objectives. Gross returns are calculated by the Firm using Modified Dietz methodology with an average capital base and reflect daily realized and unrealized gains and losses, plus income. Net returns reflect the impact of actual investment management fees received by the Firm on the gross return. Returns for periods greater than one year have been annualized. The dispersion of cumulative returns is measured by the asset-weighted standard deviation of the cumulative gross returns of portfolios within the composite, including only the portfolios held for each full period. New accounts are added to the composite beginning with the first complete month at strategy; accounts are removed from the composite the last day of the final full month at strategy. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
Representative fee schedule is as follows: Per Annum: 0.40% of the first $20,000,000, 0.30% of the next $80,000,000, 0.20% in excess of $100,000,000.

Analytic Investors, LLC claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Analytic Investors has been independently verified for the periods October 1, 1996 through September 30, 2013. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The U.S. Low Volatility Equity Composite has been examined for the periods November 1, 2004 through September 30, 2013. The verification and performance examination reports are available upon request. A complete list and description of firm composites along with performance results is available upon request. Past performance is no guarantee of future results. Investment management fee arrangements are subject to negotiation and may differ from the schedule above.

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Analytic INVESTORS

555 West Fifth Street 50th Floor
Los Angeles, CA 90013
Tel: 800-618-1872
Fax: 213-688-8856
www.aninvestor.com

Brandes Investment Partners, L.P.

Relevant Mandates: **International Equity** — **Hired:** **1997**

Firm Information	Investment Approach	Total ARMB Mandate
Brandes Investment Partners, L.P. (Brandes) is an Investment Advisory firm that was founded in March 1974. The firm became a Delaware limited partnership in October 2004. The firm was first registered with the Securities and Exchange Commission in 1975. As of 9/30/13, the firm's total assets under management were $26.7 billion. **Key Executives:** **Juan Benito**, *Institutional Portfolio Manager* **Glenn Carlson**, *Executive Director*	Brandes believes that a security's market price and its intrinsic value often detach from one another in the short term. The firm's equity approach is to view a stock as a small piece of a business that is for sale. Thus the firm focuses on the fundamental characteristics of a company in order to develop an estimate of its intrinsic value. Because of the volatile nature of the overall market, where sentiment can shift rapidly between sweeping optimism and overwhelming uncertainty, prices of stocks tend to fluctuate more than the underlying intrinsic value of the companies they represent. By choosing stocks that are selling at a discount to the firm's estimates of their intrinsic business value, the firm seeks to establish a margin of safety and an opportunity for competitive performance. This combination of rational fundamental analysis and the discipline to take advantage of market price irrationality enables the firm to target competitive long-term results. **Benchmark:** MSCI EAFE Index	**Assets Under Management:** 9/30/13 $976,729,196

Concerns: Placed on Watch List September 2012 for performance.

9/30/2013 Performance

	Last Quarter	1 Year	3 Years Annualized	5 Years Annualized
Brandes International Equity	13.04%	27.28%	8.45%	6.40%
MSCI EAFE Index	11.56%	23.77%	8.47%	6.35%

Brandes Investment Partners, L.P.

Portfolio Review

Alaska Retirement Management Board

Juan J. Benito, CFA
Institutional Portfolio Manager

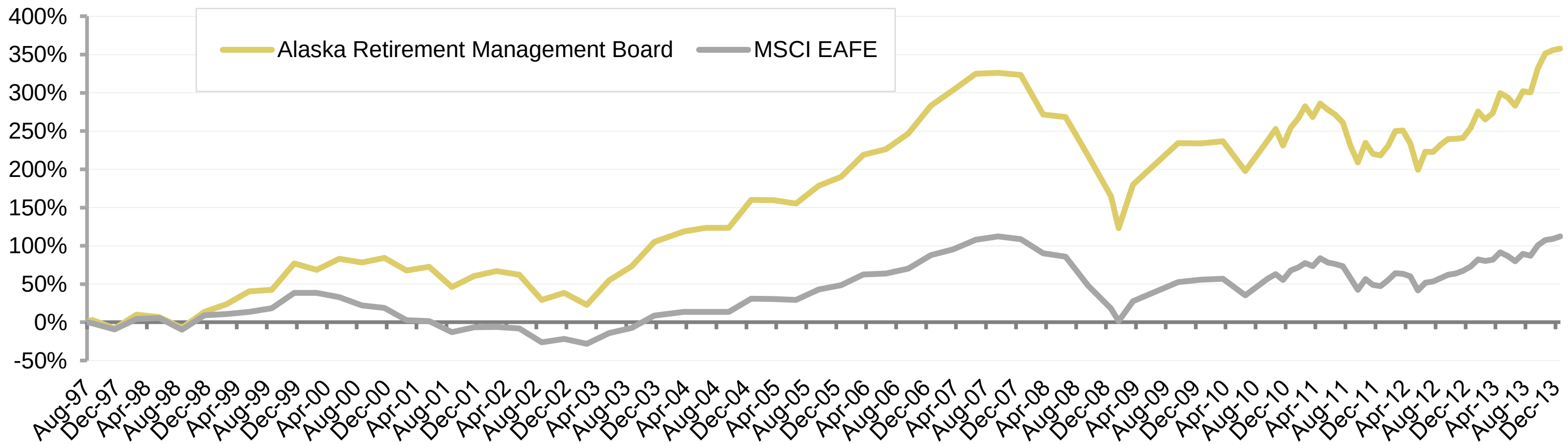
Glenn R. Carlson, CFA
Executive Director

February 06, 2014

Defined Benefit Portfolio
Portfolio Performance* vs. Index

BRANDES INVESTMENT PARTNERS

As of December 31, 2013



Results*	Account %	MSCI EAFE Index %	Relative Perf. %
1 Year:	29.12	22.78	6.34
3 Years:	8.92	8.17	0.75
5 Years:	11.56	12.44	-0.88
10 Years:	8.37	6.91	1.46
15 Years:	9.73	4.54	5.19
From Inception:	9.72	4.70	5.02

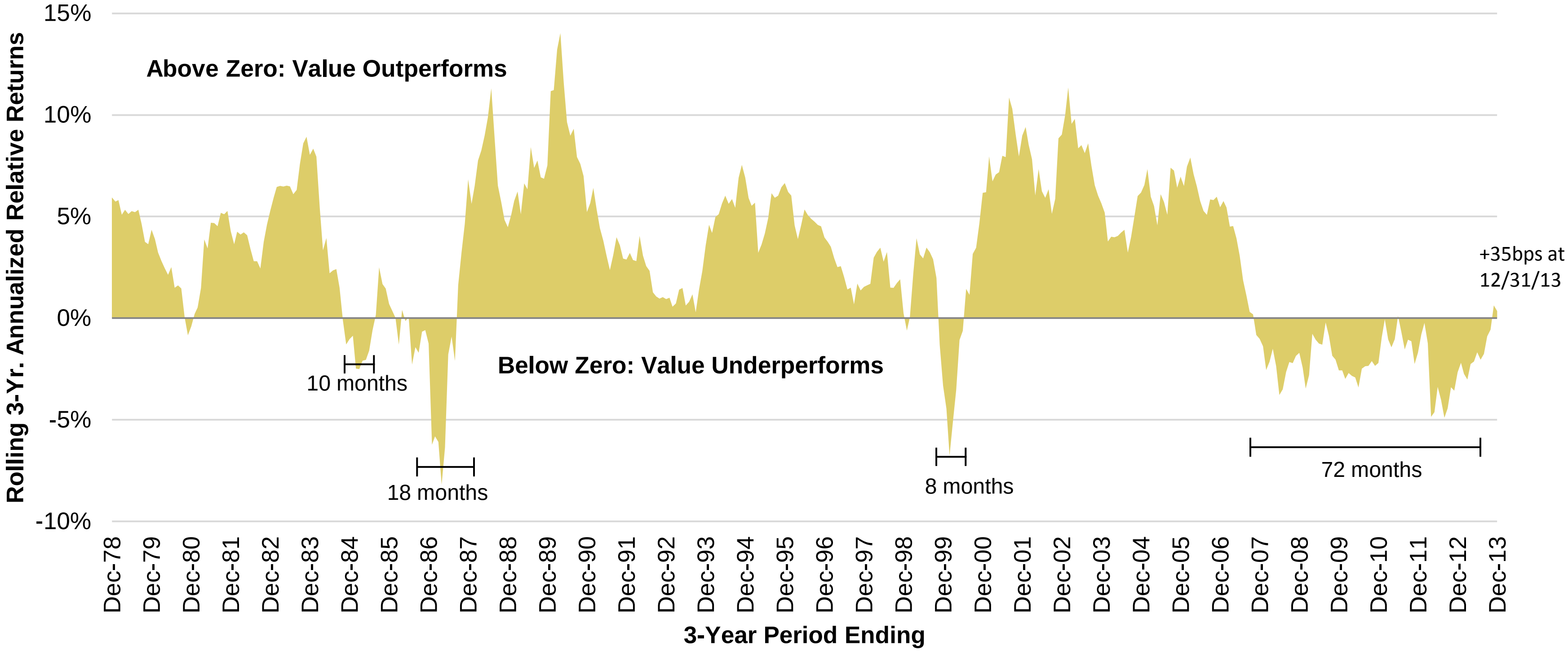
Account Value:
$1,032,392,758

Inception Date:
8/11/1997

*Cumulative total return since inception – gross of management fees. All figures one year and above are annualized. All performance is historical and is not a guarantee of future results. Indices are unmanaged and are not available for direct investment. International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility. FOR INSTITUTIONAL ONE-ON-ONE USE ONLY.

Value Has Been Out of Favor Recently

Rolling 3-Year Annualized Relative Returns
MSCI EAFE Value Index less MSCI EAFE Growth Index

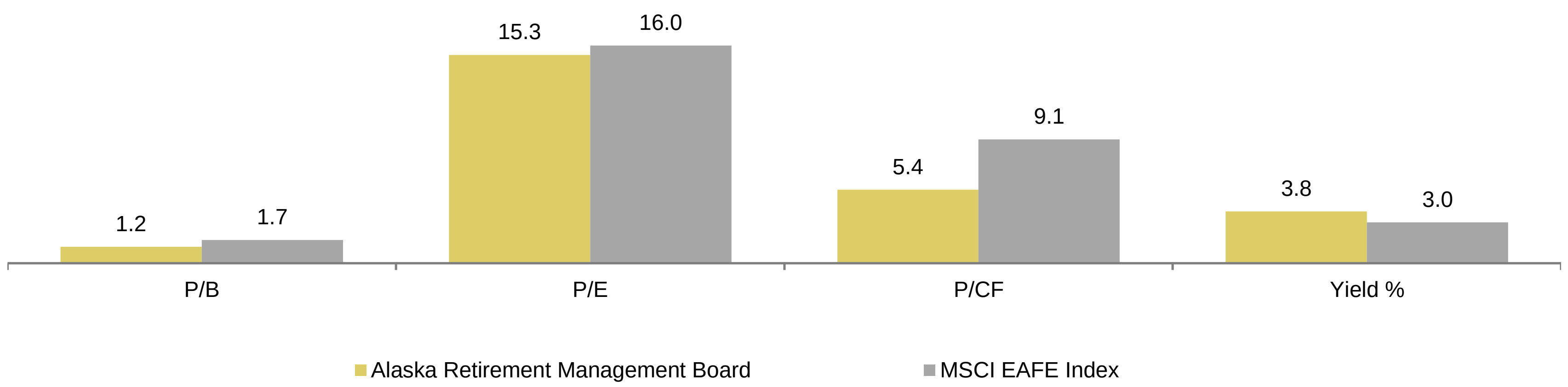


Source: MSCI via FactSet. Past performance is not a guarantee of future results. Rolling periods represent a series of overlapping, smaller time periods within a single, longer-time period. For example, over a 20-year period, there is one 20-year period, eleven 10-year rolling periods, sixteen 5-year rolling periods, and so forth.

Defined Benefit Portfolio
Long-Term Potential

BRANDES INVESTMENT PARTNERS

Fundamental Information as of December 31, 2013



Key Overweights	P/B	P/E	P/CF	Yield %
Pharmaceuticals	2.1	21.6	12.0	3.9
Diversified Telecommunication Services	1.0	17.0	2.5	4.7
Japan	1.0	14.7	5.1	2.2
MSCI EAFE Index	1.7	16.0	9.1	3.0

Portfolio allocations are subject to change at any time. Past performance is not a guarantee of future results.

Brandes Overview

As of December 31, 2013

Year Firm Founded:	**1974**
Total Assets Under Management:	**$27.2 billion**
Total Institutional/Private Client Assets*:	$21.5 billion
Total SMA Division Assets**:	$5.7 billion
Investment Style:	**Graham & Dodd, bottom-up value**
Headquarters Located:	**San Diego, California**
Total Employees Worldwide:	**341**
Investment Professionals:	**54, including 29 security analysts**
Ownership:	**100% employee owned**

Strategies			
Global	**International (Non-U.S.)**	**United States**	**Fixed Income**
Global Balanced	Asia Pacific (ex-Japan) Equity	U.S. Mid Cap Value Equity	Core Plus Fixed Income
Global Equity	Canadian Equity	U.S. Small Cap Value Equity	Corporate Focus Fixed Income
Global Mid Cap Equity	Emerging Markets Equity	U.S. Value Equity	Enhanced Income
Global Opportunities	Emerging Markets Opportunities		
Global Small Cap Equity	European Equity		
	International Equity		
	International Mid Cap Equity		
	International Small Cap Equity		
	Japan Equity		

*Assets include institutional accounts, pooled investment vehicles, and high net worth accounts outside of SMA ("wrap-fee") programs.
**The SMA Division encompasses the firm's "Separately Managed Account" business (subadvisory "wrap-fee" business with brokerage firms). Also includes UMA ("unified managed account") assets.

Strategy Assets*

As of December 31, 2013

Global Equity	($ Mill)
Global Balanced	41
Global Equity	6,161
Global Mid Cap Equity	149
Global Opportunities	105
Global Small Cap Equity	208

International Equity (Non-U.S.)	($ Mill)
Asia Pacific (ex-Japan)	24
Canadian Equity	31
Emerging Markets Equity	3,125
Emerging Markets Opportunities	4
European Equity	330
International Equity	9,197
International Mid Cap Equity	136
International Small Cap Equity	636
Japan Equity	791

United States	($ Mill)
U.S. Mid Cap Value Equity	6
U.S. Small Cap Value Equity	20
U.S. Value Equity	200

Fixed Income	($ Mill)
Core Plus Fixed Income	133
Corporate Focus Fixed Income	119
Enhanced Income	9
Other Fixed Income	31

*Assets include institutional accounts, pooled investment vehicles, and high net worth accounts outside of SMA (“wrap-fee”) programs.

Total Strategy Assets

As of December 31, 2013

	Inst./PC* ($ Mill)	SMA** ($ Mill)	Total	% of Total AUM
Equity				
International Equity	9,197	2,306	11,503	42%
Global Equity	6,161	2,401	8,562	32%
Emerging Markets Equity	3,125	0	3,125	12%
U.S. Value Equity	200	445	645	2%
Other Equity***	2,489	335	2,824	10%
Total Equity	**21,172**	**5,487**	**26,659**	98%
Fixed Income				
Total Fixed Income	292	254	546	2%
Total Assets Under Management	**21,464**	**5,741**	**27,205**	**100%**

*Assets include institutional accounts, pooled investment vehicles, and high net worth accounts outside of SMA ("wrap-fee") programs.

**The SMA Division encompasses the firm's "Separately Managed Account" business (subadvisory "wrap-fee" business with brokerage firms). Also includes UMA ("unified managed account") assets.

***Other equity includes Global Balanced, Global Mid Cap Equity, Global Small Cap Equity, Asia Pacific (ex-Japan), Canadian Equity, European Equity, International Mid Cap Equity, International Small Cap Equity, Japan Equity, U.S. Mid Cap Value Equity, U.S. Small Cap Value Equity, Global Opportunities, Global Micro Cap Equity, Emerging Markets Opportunities.

Your Portfolio Management Team

BRANDES INVESTMENT PARTNERS

Juan J. Benito, CFA

Institutional Portfolio Manager

Juan is an institutional portfolio manager. Before joining Brandes, he served as a director and senior portfolio manager at Citigroup Asset Management in Switzerland and as a portfolio manager/research analyst at Templeton Investment Counsel. Previously, Juan worked as a strategy consultant at Monitor Company and as a regional manager at Iberdrola in Spain. He earned his BS/MS in industrial engineering with highest honors from the Polytechnical University of Valencia, Spain and his MBA, with distinction, from the Harvard Business School. He has 17 years of investment experience.

Glenn R. Carlson, CFA

Chief Executive Officer

Glenn Carlson, a limited partner of the firm's parent company, serves as Executive Director and is a member of the firm's Executive Committee. As an Executive Committee member, he contributes to strategic decisions and helps set the firm's objectives. In addition, Mr. Carlson contributes to the investment process as a member of the Investment Oversight Committee. He is also a member of the Brandes Institute Advisory Board. Mr. Carlson earned his BA from the University of California, San Diego. He is a member of the CFA Society of San Diego and has 30 years of investment experience.

Other Institutional Portfolio Management Members

Sam Arredondo – *Institutional Portfolio Associate*	**Bouramey Ko –** *Senior Institutional Portfolio Associate*
Rhonda Berger – *Institutional Portfolio Manager*	**Shane O'Doherty –** *Institutional Portfolio Associate*
Charles H. Brandes, CFA – *Chairman*	**Ian Sunder -** *Institutional Portfolio Manager*
Emily Garcia - *Senior Institutional Portfolio Associate*	**Lawrence Taylor -** *Institutional Portfolio Manager*
Chris Garrett, CFA – *Institutional Portfolio Manager*	

Application of the Brandes Equity Philosophy

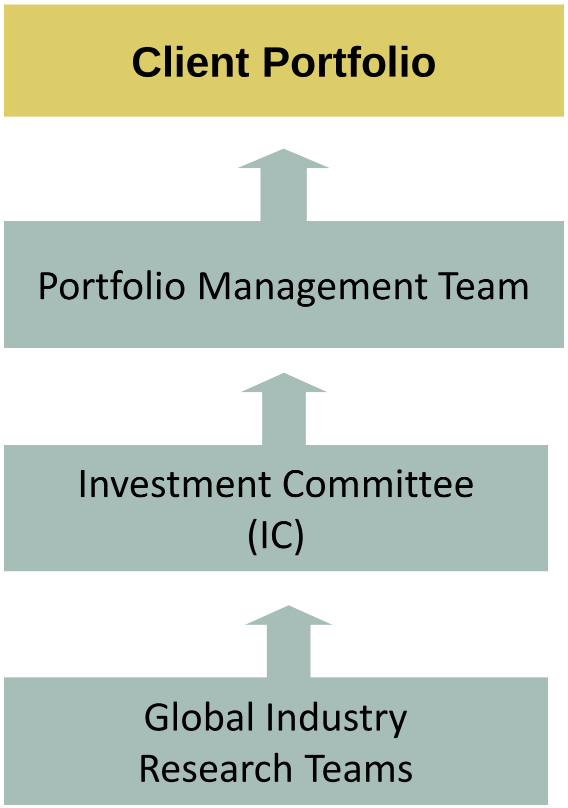
BRANDES INVESTMENT PARTNERS

Goal: Seek to outperform the product benchmark over the long-term by building portfolios with high overall average margin of safety which we believe offer attractive long-term appreciation potential.

Philosophy	Application
Intrinsic business value estimate can be assessed Through company specific fundamental analysis	**Conduct detailed company research** ▪ Understand industry dynamics and long-term potential ▪ Focus on undervalued companies ▪ Bias for conservative capital structures **Identify intrinsic value estimate: Our sell price** ▪ Conservative business-like valuation
Securities can be acquired at a discount to intrinsic value, due to volatility of short-term stock prices and market inefficiencies	**Buy at a discount to intrinsic value** ▪ The discount gives us a "margin of safety" **Take a long-term view (3-5 years)** ▪ Look beyond short-term concerns ▪ Comfortable with averaging down

*The margin of safety for any security is defined as the discount of its market price to what the firm believes is the current intrinsic value of that security. Diversification does not assure a profit or protect against a loss in a declining market

Equity Investment Process



- **Diversified equity portfolios of under-valued businesses**

- **Implements Investment Committee decisions**
  - Reviews and monitors client portfolios
  - Adheres to client restrictions and guidelines

- **Establishes/updates individual companies' intrinsic value estimates**
- **Determines target holdings and weightings based on "margin of safety" (discount from our estimate of intrinsic value)**
- **Constructs model portfolios with goal of maximizing overall margin of safety**

- **Cover industries on a global basis across all market caps**
- **Prepare company valuation reports and industry reports for the Investment Committee**

What We Can Control: Inputs

BRANDES INVESTMENT PARTNERS

PHILOSOPHY: Exploiting Fear & Greed Behavioral Inefficiencies

- A consistent application of a Graham & Dodd value approach to global investing that can complement other managers and investment styles.
- A long-term investment horizon with typically low portfolio turnover and moderate trading costs.

PROCESS: Consistent, disciplined, collegial application of the philosophy

- A research process designed to identify companies that can be purchased at discounts to the firm's estimates of their intrinsic values and that we believe have the potential to deliver long-term outperformance.

PEOPLE: Focus on research, portfolio management and client service, not on revenues

- A highly motivated professional team with low turnover.
- An employee-owned, debt-free investment manager with the resources and commitment to maintain stable operations in all market environments.

Equity Sell Discipline

A security is typically sold when another security with a meaningfully higher margin of safety* is identified and available.

- A partial or full sale may occur in order to buy other securities that we believe have a higher margin of safety.
- A full sale of a position often occurs when a security's price is close to its current intrinsic value estimate.
- A full or partial sale may occur if our assessment of intrinsic value declines, making the margin of safety unattractive.

Average Annual Portfolio Turnover Typically = 20-40%

*The margin of safety for any security is defined as the discount of its market price to what the firm believes is the current intrinsic value of that security.

Large-Cap International Investment Committee

As of December 31, 2013

International Large-Cap Investment Committee			
Committee Member	Title	Years with Firm	Years Industry Experience
Jeffrey Germain, CFA	Senior Analyst	12	12
Amelia Morris, CFA	Director	15	25
Shingo Omura, CFA	Senior Analyst	8	12
Luiz Sauerbronn	Director	12	18
Brent V. Woods, CFA	CEO	18	18

Defined Benefit Portfolio
Key Performance Factors*

Trailing 12 months Ending December 31, 2013

Positive Factors:

- Financials sector – stock selection (Aegon, Swiss Re)
- Consumer Staples sector – stock selection (Carrefour, Koninklijke Ahold)
- Information Technology sector – allocation & stock selection (TE Connectivity, Seagate Technology)
- Japan – allocation & stock selection (NTT, Toyota)

Negative Factors:

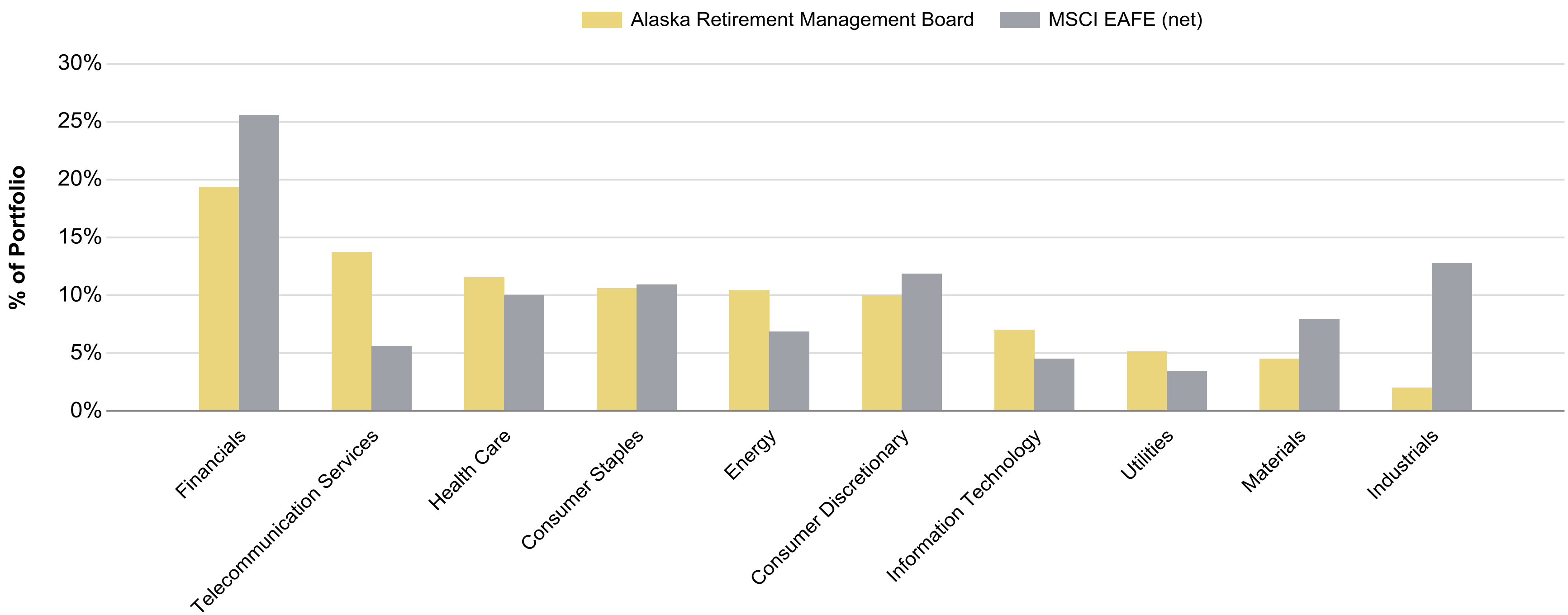
- Energy sector - allocation
- Emerging Markets

*Relative to the client's primary index.

Defined Benefit Portfolio Sector Exposure

BRANDES INVESTMENT PARTNERS

As of December 31, 2013



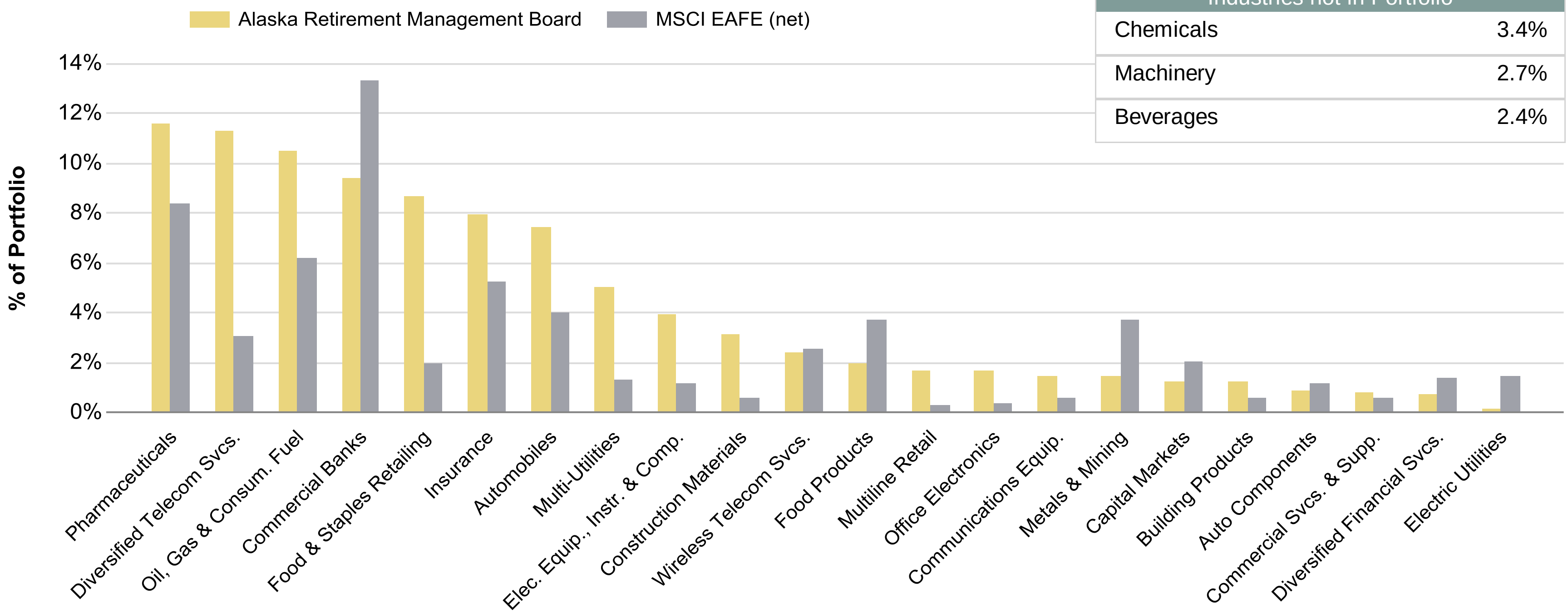
Largest Sector Weighting Increases	12/31/2013	12/31/2012	Change
Financials	19.4%	17.5%	+1.9%
Industrials	2.1%	0.6%	+1.5%
Energy	10.5%	9.6%	+0.9%

Largest Sector Weighting Decreases	12/31/2013	12/31/2012	Change
Information Technology	7.1%	11.5%	-4.4%
Materials	4.6%	6.0%	-1.4%
Consumer Discretionary	10.0%	11.3%	-1.3%

Portfolio allocations are subject to change at any time.

Defined Benefit Portfolio Industry Exposure

As of December 31, 2013



Top 3 MSCI EAFE (net) Industries not in Portfolio	
Chemicals	3.4%
Machinery	2.7%
Beverages	2.4%

Largest Industry Weighting Increases	12/31/2013	12/31/2012	Change
Automobiles	7.4%	5.2%	+2.2%
Commercial Banks	9.4%	8.0%	+1.4%
Building Products	1.3%	0.0%	+1.3%

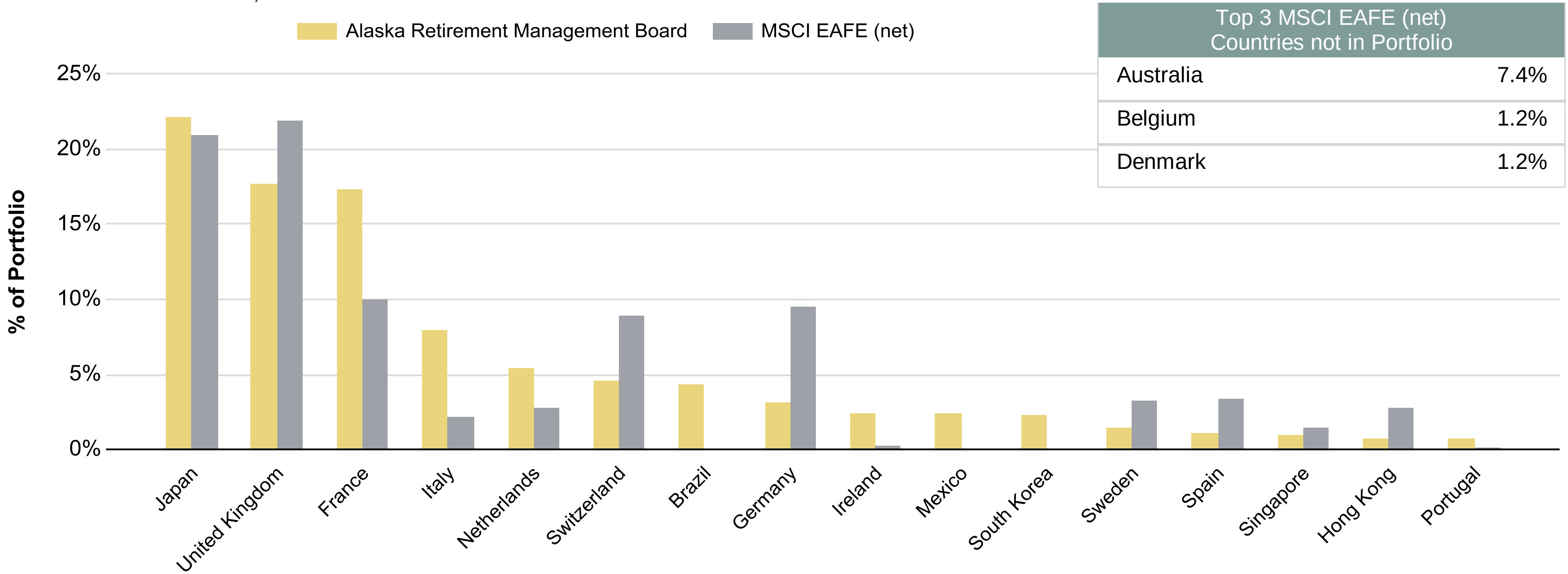
Largest Industry Weighting Decreases	12/31/2013	12/31/2012	Change
Media	0.0%	2.5%	-2.5%
Wireless Telecom Svcs.	2.5%	4.6%	-2.1%
Semiconductors & Equip.	0.0%	1.9%	-1.9%

- Total number of industries in Portfolio: 22
- No exposure to industries that represent 35.7% of benchmark

Portfolio allocations are subject to change at any time.

Defined Benefit Portfolio Country Exposure

As of December 31, 2013



Top 3 MSCI EAFE (net) Countries not in Portfolio	
Australia	7.4%
Belgium	1.2%
Denmark	1.2%

Regional Weightings	12/31/2013	12/31/2012	Change
Latin America	6.8%	6.5%	+0.3%
Europe	61.9%	62.2%	-0.3%
Asia	26.2%	29.6%	-3.4%

Market Weightings	12/31/2013	12/31/2012	Change
Developed Markets	85.8%	89.4%	-3.6%
Emerging Markets	9.2%	8.9%	+0.3%
Cash	5.0%	1.7%	+3.3%

- Total number of countries in Portfolio: 16
- No exposure to countries that represent 12.4% of benchmark

Portfolio allocations are subject to change at any time.

Defined Benefit Portfolio
Summary of Portfolio Changes

Trailing 12 months as of December 31, 2013

Company	Industry	Country
New Position(s)		
Compagnie de Saint-Gobain	Building Products	France
Hyundai Mobis Co. Ltd.	Auto Components	South Korea
Nissan Motor Co., Ltd.	Automobiles	Japan
Tesco Plc	Food & Staples Retailing	United Kingdom

Defined Benefit Portfolio
Summary of Portfolio Changes

Trailing 12 months as of December 31, 2013

Company	Industry	Country
Complete Sale of Position(s)		
Akzo Nobel	Chemicals	Netherlands
Home Retail Groupl Plc	Internet & Catalog Retail	United Kingdom
ITV Plc	Media	United Kingdom
Japan Tobacco	Tobacco	Japan
Kingfisher Plc	Specialty Retail	United Kingdom
Korea Electric Power	Electric Utilities	South Korea
Natixis	Commercial Banks	France
Ono Pharmaceutical Co.	Pharmaceuticals	Japan
Rohm Company Ltd.	Semiconductors & Equipment	Japan
Seagate Technology Inc.	Computers & Peripherals	Ireland
Seven & I Holdings Co. Ltd	Food & Staples Retailing	Japan
SK Telecom Co. Ltd.	Wireless Telecom Services	South Korea
Sony	Household Durables	Japan
STMicroelectronics	Semiconductors & Equipment	Netherlands
Sumitomo Mitsui Financial Group	Commercial Banks	Japan
TDK Corporation	Elec. Equip., Instr. & Components	Japan
Vodafone Group Plc	Wireless Telecom Svcs.	United Kingdom
Wolters Kluwer NV	Media	Netherlands

Defined Benefit Portfolio
Top 10 Holdings

As of December 31, 2013

Company	%	Country	Industry
BP Plc	3.84%	United Kingdom	Oil, Gas & Consum. Fuel
GDF Suez	3.25%	France	Multi-Utilities
Telecom Italia	2.80%	Italy	Diversified Telecom Svcs.
Total SA	2.73%	France	Oil, Gas & Consum. Fuel
AstraZeneca Plc	2.63%	United Kingdom	Pharmaceuticals
Carrefour SA	2.61%	France	Food & Staples Retailing
CRH Plc	2.42%	Ireland	Construction Materials
ENI S.p.A.	2.32%	Italy	Oil, Gas & Consum. Fuel
Wm. Morrison Supermkts Plc	2.24%	United Kingdom	Food & Staples Retailing
Orange SA	2.23%	France	Diversified Telecom Svcs.
Top 10 as % of Portfolio	**27.07%**		

Total Number of Companies: 60

Portfolio allocations are subject to change at any time.

Alaska Retirement Management Board

PORTFOLIO SUMMARY

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

Fundamental Summary

	MKT CAP (MIL)	PRICE/BOOK	PRICE/EARN	PRICE/CF	% LT DEBT/EQUITY	% YLD	% ROE
Portfolio Equity Averages:	56,745	1.2	15.3	5.4	78.6	3.8	8
MSCI EAFE (net) Averages:	63,017	1.7	16.0	9.1	71.1	3.0	11

Industry Summary %

Auto Components	0.89	Diversified Financial Services	0.76	Multi-Utilities	5.03
Automobiles	7.43	Diversified Telecom Svcs.	11.29	Multiline Retail	1.68
Building Products	1.29	Elec. Equip., Instr. & Components	3.97	Office Electronics	1.67
Capital Markets	1.30	Electric Utilities	0.19	Oil Gas & Consumable Fuels	10.48
Commercial Banks	9.41	Food & Staples Retailing	8.69	Pharmaceuticals	11.56
Commercial Services & Supplies	0.80	Food Products	2.01	Wireless Telecom Svcs.	2.46
Communications Equipment	1.49	Insurance	7.98		
Construction Materials	3.17	Metals & Mining	1.46		

Capitalization Summary %

Large Cap (> 5.0 Billion)	92.27	Medium Cap (1.5-5.0 Billion)	2.71	Small Cap (0-1.5 Billion)	0.00

Country Summary %

Brazil	4.40	Italy	7.91	Singapore	1.01
France	17.37	Japan	22.11	South Korea	2.35
Germany	3.20	Mexico	2.41	Spain	1.06
Hong Kong	0.76	Netherlands	5.40	Sweden	1.49
Ireland	2.42	Portugal	0.75	Switzerland	4.62

Alaska Retirement Management Board

PORTFOLIO SUMMARY

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

Country Summary %

United Kingdom	17.72

Regional Summary %

Developed Markets	85.82	Asia	26.23	Latin America	6.81
Emerging Markets	9.16	Europe	61.94		

Asset Allocation Summary %

Equity	94.98	Cash	5.02

Alaska Retirement Management Board

PORTFOLIO APPRAISAL

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

QUANTITY	SECURITY	UNIT COST	TOTAL COST	MARKET PRICE	MARKET VALUE	% OF ASSETS
	EQUITY					
	COMMON STOCKS:					
2,023,605	Aegon NV ORD	7.11	14,388,030.52	9.45	19,130,711.22	1.85
733,762	America Movil SAB Ser L ADR	22.06	16,184,383.04	23.37	17,148,017.94	1.66
125,800	Astellas Pharma Inc ORD	40.83	5,136,207.79	59.20	7,447,819.03	0.72
458,481	AstraZeneca Plc ORD	48.60	22,280,233.95	59.23	27,155,584.34	2.63
480,325	Banco do Brasil S.A. ORD	12.83	6,163,263.06	10.33	4,962,287.24	0.48
1,031,638	Banco Santander Brasil SA ADR	7.61	7,852,397.06	6.10	6,292,991.80	0.61
3,652,326	Barclays Plc ORD	4.60	16,798,235.56	4.51	16,458,153.42	1.60
4,898,896	BP Plc ORD	7.32	35,841,381.08	8.09	39,617,315.61	3.84
544,200	Canon, Inc. ORD	32.94	17,927,206.37	31.64	17,221,191.60	1.67
678,157	Carrefour SA ORD	29.32	19,886,861.91	39.69	26,917,093.66	2.61
653,004	Cemex SA Part. Cert. ADR	6.97	4,552,768.41	11.83	7,725,037.32	0.75
752,700	Centrais Eletricas Bras ADR	8.95	6,737,964.78	2.59	1,949,493.00	0.19
242,117	Compagnie de Saint-Gobain ORD	37.64	9,113,034.68	55.07	13,334,244.52	1.29
988,131	CRH PLC ORD	18.26	18,043,063.42	25.24	24,936,582.61	2.42
781,000	Dai Nippon Printing ORD	11.70	9,137,730.56	10.61	8,282,771.04	0.80
953,700	Daiichi Sankyo Company, Ltd ORD	17.55	16,738,727.43	18.27	17,428,158.24	1.69
195,589	Daimler AG ORD	47.75	9,340,022.07	86.66	16,949,220.52	1.64
936,465	Deutsche Telekom AG ORD	16.10	15,072,485.51	17.12	16,036,786.13	1.55
993,600	ENI S.p.A. ORD	21.66	21,519,321.36	24.10	23,941,758.77	2.32
1,255,074	Ericsson (L.M.) Telephone ORD	9.09	11,412,888.22	12.22	15,331,980.86	1.49
6,919,159	First Pacific Co., Ltd. ORD	0.94	6,499,821.42	1.14	7,871,097.78	0.76
1,337,300	Flextronics Intl Ltd. ORD	7.11	9,507,188.40	7.77	10,390,821.00	1.01
532,700	FUJIFILM Holdings Corp ORD	26.97	14,367,897.85	28.33	15,090,551.11	1.46
1,422,199	GDF Suez ORD	22.59	32,123,960.38	23.55	33,495,320.10	3.25
761,235	GlaxoSmithKline Plc ORD	25.49	19,404,345.50	26.70	20,326,919.46	1.97
331,800	Honda Motor Company ORD	28.18	9,351,333.74	41.15	13,652,893.60	1.32

Alaska Retirement Management Board

PORTFOLIO APPRAISAL

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

QUANTITY	SECURITY	UNIT COST	TOTAL COST	MARKET PRICE	MARKET VALUE	% OF ASSETS
1,371,707	HSBC Holdings PLC (GBP) ORD	10.43	14,307,604.53	10.98	15,055,812.14	1.46
33,130	Hyundai Mobis ORD	234.74	7,776,916.89	278.13	9,214,550.68	0.89
3,125,851	Intesa Sanpaolo Spa ORD	3.68	11,518,276.93	2.47	7,725,833.95	0.75
10,417,634	Intesa Sanpaolo Spa Svgs Shs ORD	1.49	15,534,755.44	2.02	20,997,523.69	2.04
1,752,800	J Sainsbury PLC ORD	5.66	9,920,817.13	6.05	10,601,022.04	1.03
881,592	Koninklijke Ahold NV ORD	5.50	4,849,455.80	17.98	15,850,129.34	1.54
2,415,256	Marks & Spencer Group PLC ORD	5.64	13,618,230.80	7.17	17,312,994.58	1.68
1,735,000	Mitsubishi UFJ Financial Grp ORD	11.21	19,448,805.82	6.79	11,788,700.89	1.14
402,105	MS&AD Insurance Grp Hldg ORD	35.62	14,324,121.58	26.82	10,783,429.68	1.05
413,100	Nippon Tel & Tel Corp (NTT) ORD	45.06	18,613,926.50	53.79	22,219,386.01	2.15
1,965,700	Nissan Motor Co., Ltd. ORD	9.98	19,617,933.64	8.40	16,513,150.17	1.60
788,300	NKSJ Holdings Inc ORD	24.96	19,678,301.76	27.79	21,904,297.15	2.12
1,851,823	Orange SA ORD	18.52	34,301,530.90	12.40	22,961,308.92	2.23
1,114,440	Petroleo Bras A Pref Shrs ADR	22.35	24,911,795.39	14.69	16,371,123.60	1.59
1,782,633	Portugal Telecom, SGPS, SA ORD	8.08	14,406,137.76	4.35	7,760,749.81	0.75
48,603	Posco ORD	323.18	15,707,413.91	309.41	15,038,027.82	1.46
187,193	Renault ORD	81.33	15,224,537.36	80.53	15,074,009.28	1.46
196,337	Sanofi ORD	83.42	16,378,741.56	106.25	20,860,457.56	2.02
1,022,882	Suez Environnement Co ORD	11.37	11,631,423.24	17.94	18,355,149.52	1.78
2,609,000	Sumitomo Mitsui Trust Hldgs ORD	5.37	14,012,597.91	5.26	13,735,493.62	1.33
205,221	Swiss Re AG ORD	42.50	8,722,134.34	92.14	18,908,908.53	1.83
220,400	Taisho Pharmaceutical Hldgs ORD	67.94	14,974,635.85	68.71	15,142,943.96	1.47
237,000	Takeda Pharma Co Ltd ORD	46.89	11,113,990.24	45.85	10,866,910.53	1.05
279,913	TE Connectivity Ltd	29.93	8,378,099.22	55.11	15,426,005.43	1.50
9,518,074	Telecom Italia Spa ORD	2.20	20,932,110.64	0.99	9,454,509.45	0.92
24,800,642	Telecom Italia Svings Shs ORD	0.88	21,849,388.24	0.78	19,441,503.51	1.89
393,528	Telefonica Brasil SA Pfd ADR	17.29	6,803,958.73	19.22	7,563,608.16	0.73
673,287	Telefonica S.A. ORD	17.27	11,628,086.32	16.31	10,977,998.06	1.06

Alaska Retirement Management Board

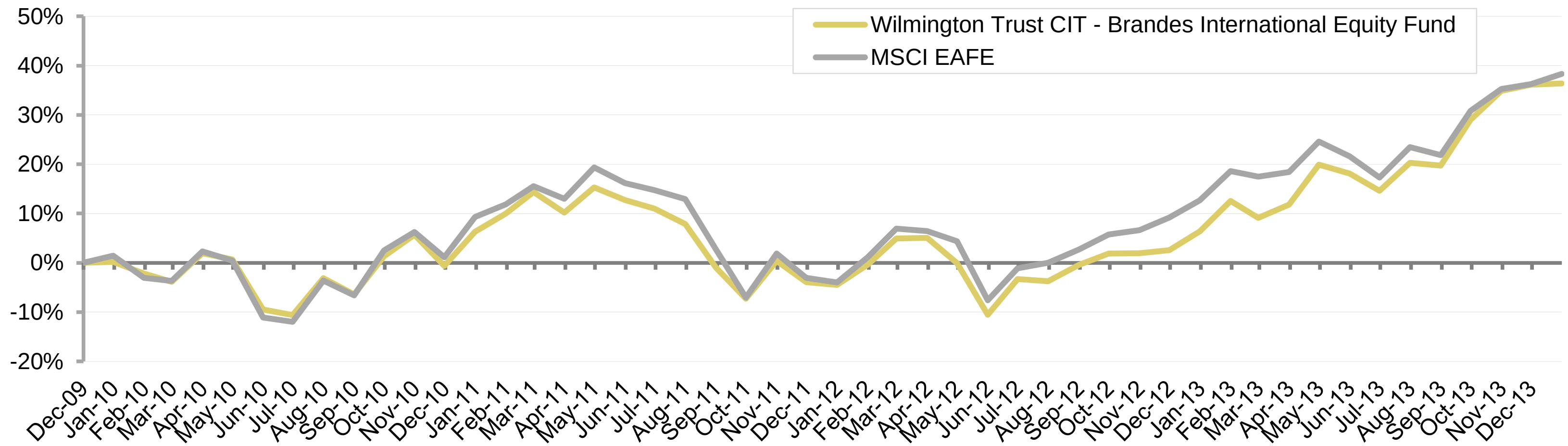
PORTFOLIO APPRAISAL

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

QUANTITY	SECURITY	UNIT COST	TOTAL COST	MARKET PRICE	MARKET VALUE	% OF ASSETS
2,368,000	Tesco Plc ORD	5.43	12,869,809.13	5.54	13,119,145.06	1.27
313,762	Tim Participacoes SA ADR	19.49	6,114,025.39	26.24	8,233,114.88	0.80
345,700	Tokio Marine Hldg Inc. ORD	30.86	10,667,962.25	33.40	11,547,424.64	1.12
458,173	Total SA ORD	54.58	25,008,029.25	61.35	28,108,446.67	2.73
236,000	Toyota Motor Corporation ORD	35.42	8,358,707.94	61.01	14,398,175.36	1.40
703,321	UBS AG ORD	13.61	9,572,901.40	19.00	13,363,493.90	1.30
513,935	Unilever N.V. Ctfs. ORD	30.07	15,455,089.05	40.33	20,728,112.50	2.01
5,350,000	Wm. Morrison Supermkts Plc ORD	3.93	21,029,129.60	4.32	23,137,519.50	2.24
	Total Common Stocks		**904,642,136.51**		**979,635,772.51**	**94.98**
	Total Equity		**904,642,136.51**		**979,635,772.51**	**94.98**
	CASH					
	Cash		51,729,503.14		51,729,503.14	5.02
	Total Portfolio		**956,371,639.65**		**1,031,365,275.65**	**100**
	Accrued Income				**1,027,482.31**	
	Total Portfolio including Accruals				**1,032,392,757.96**	

Defined Contribution Portfolio
Portfolio Performance* vs. Index

As of December 31, 2013



Results*	Account %	MSCI EAFE Index %	Relative Perf. %
1 Year:	28.17	22.78	5.39
3 Years:	8.66	8.17	0.49
From Inception:	7.89	8.26	-0.37

Account Value:
$153,832,482

Inception Date:
12/1/2009

*Cumulative total return since inception – gross of management fees. All figures one year and above are annualized. All performance is historical and is not a guarantee of future results. Indices are unmanaged and are not available for direct investment. International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility. FOR INSTITUTIONAL ONE-ON-ONE USE ONLY.

Defined Contribution Portfolio
Key Performance Factors*

Trailing 12 months Ending December 31, 2013

Positive Factors:

- Financials sector – stock selection (Aegon, Swiss Re)
- Consumer Staples sector – stock selection (Carrefour, Koninklijke Ahold)
- Information Technology sector – allocation & stock selection (TE Connectivity, FUJIFILM)
- Japan – allocation & stock selection (NTT, Toyota)

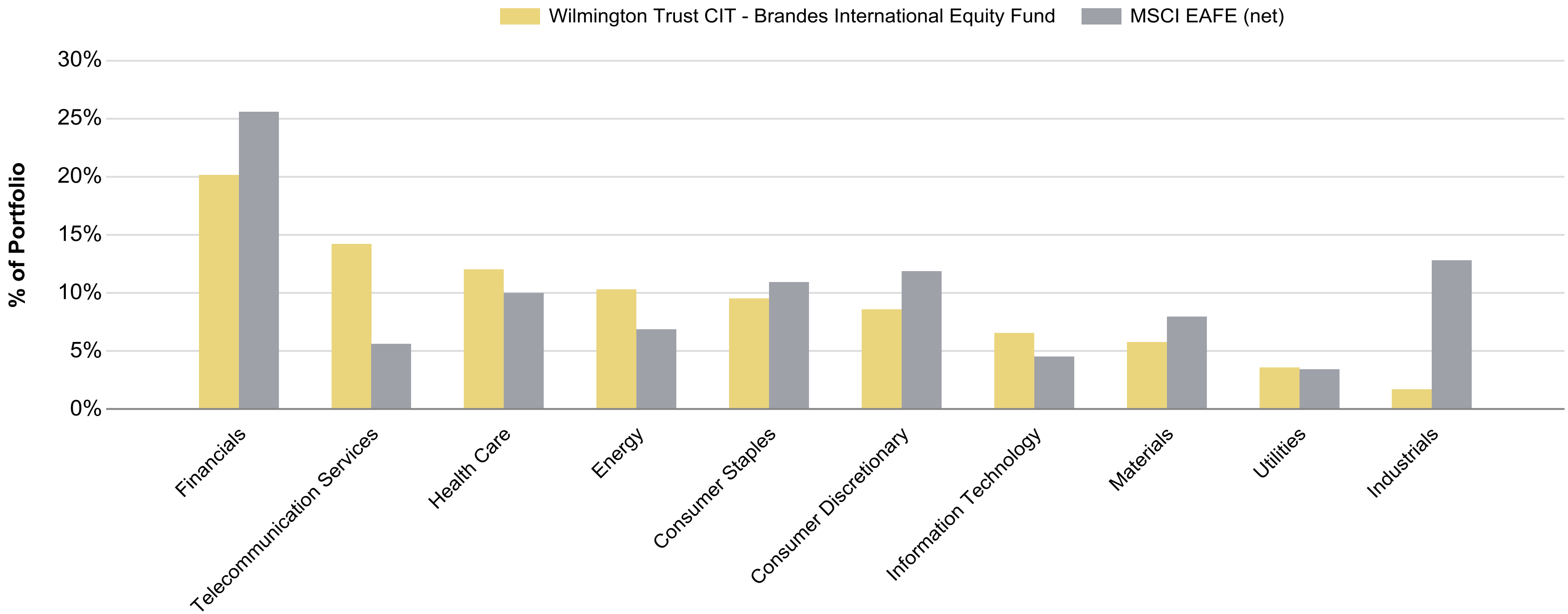
Negative Factors:

- Energy sector - allocation
- Emerging Markets

*Relative to the client's primary index.

Defined Contribution Portfolio Sector Exposure

As of December 31, 2013



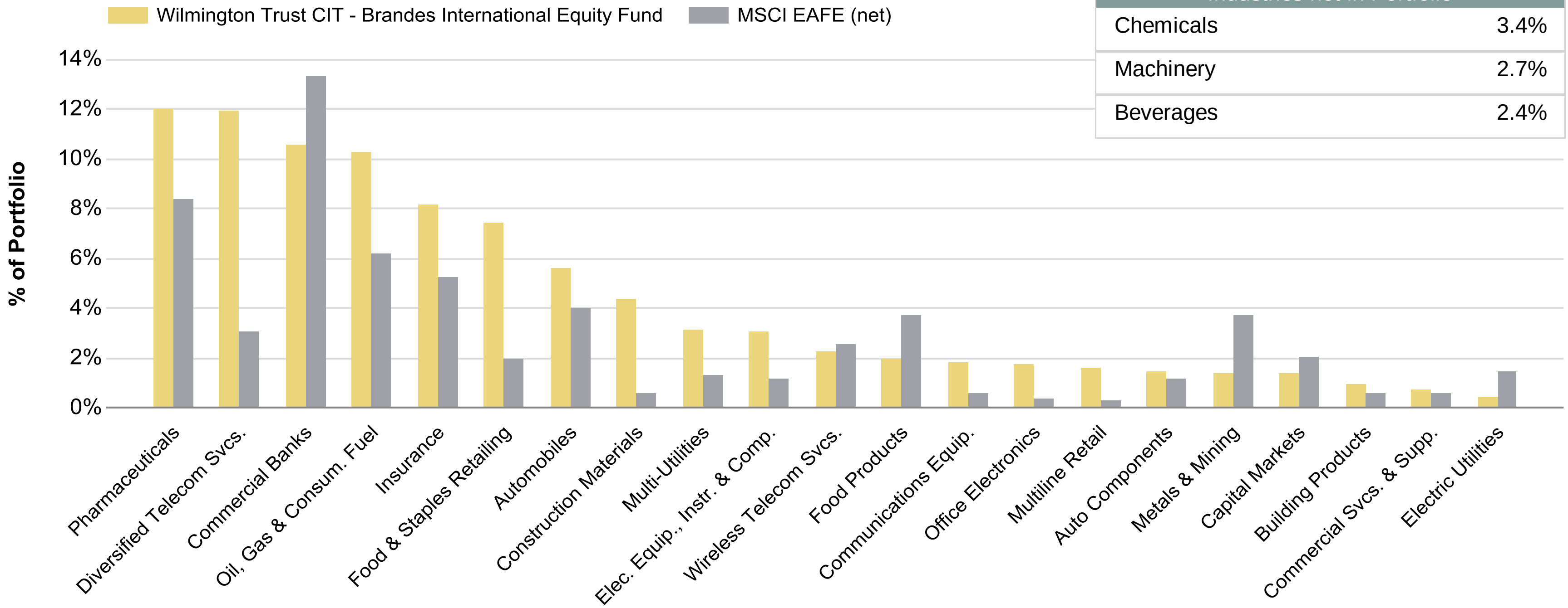
Largest Sector Weighting Increases	12/31/2013	12/31/2012	Change
Financials	20.1%	18.8%	+1.3%
Industrials	1.8%	0.7%	+1.1%

Largest Sector Weighting Decreases	12/31/2013	12/31/2012	Change
Information Technology	6.7%	9.7%	-3.0%
Consumer Discretionary	8.7%	11.2%	-2.5%
Energy	10.3%	12.2%	-1.9%

Portfolio allocations are subject to change at any time.

Defined Contribution Portfolio Industry Exposure

As of December 31, 2013



Top 3 MSCI EAFE (net) Industries not in Portfolio	
Chemicals	3.4%
Machinery	2.7%
Beverages	2.4%

Largest Industry Weighting Increases	12/31/2013	12/31/2012	Change
Auto Components	1.5%	0.0%	+1.5%
Automobiles	5.6%	4.5%	+1.1%
Commercial Banks	10.6%	9.5%	+1.1%

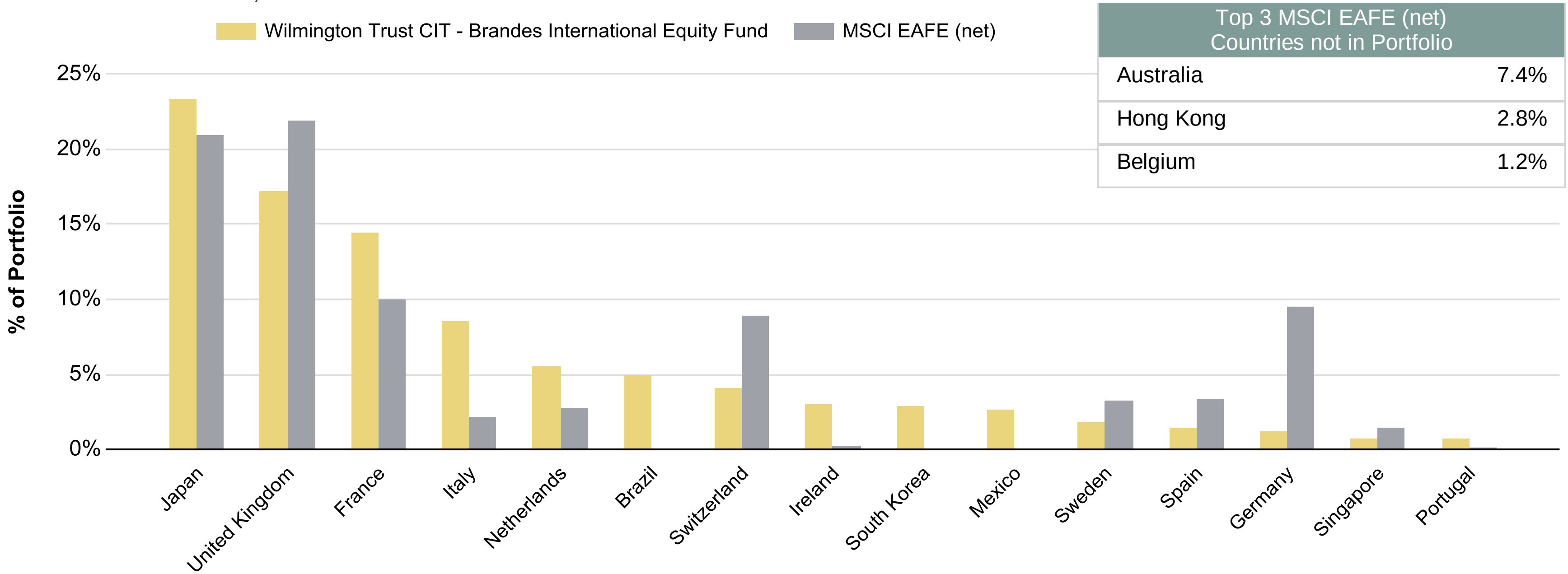
Largest Industry Weighting Decreases	12/31/2013	12/31/2012	Change
Media	0.0%	3.1%	-3.1%
Chemicals	0.0%	1.9%	-1.9%
Oil, Gas & Consum. Fuel	10.3%	12.2%	-1.9%

- Total number of industries in Portfolio: 21
- No exposure to industries that represent 37.1% of benchmark

Portfolio allocations are subject to change at any time.

Defined Contribution Portfolio Country Exposure

As of December 31, 2013



Top 3 MSCI EAFE (net) Countries not in Portfolio	
Australia	7.4%
Hong Kong	2.8%
Belgium	1.2%

Regional Weightings	12/31/2013	12/31/2012	Change
Latin America	7.6%	6.3%	+1.3%
Asia	27.1%	28.6%	-1.5%
Europe	58.1%	65.3%	-7.2%

Market Weightings	12/31/2013	12/31/2012	Change
Developed Markets	82.3%	89.9%	-7.6%
Emerging Markets	10.5%	10.2%	+0.3%
Cash	7.2%	0.0%	+7.2%

- Total number of countries in Portfolio: 15
- No exposure to countries that represent 15.2% of benchmark

Portfolio allocations are subject to change at any time.

Defined Contribution Portfolio
Summary of Portfolio Changes

Trailing 12 months as of December 31, 2013

Company	Industry	Country
New Position(s)		
Compagnie de Saint-Gobain	Building Products	France
Hyundai Mobis Co. Ltd.	Auto Components	South Korea
Nissan Motor Co., Ltd.	Automobiles	Japan

Defined Contribution Portfolio
Summary of Portfolio Changes

Trailing 12 months as of December 31, 2013

Company	Industry	Country
Complete Sale of Position(s)		
Akzo Nobel	Chemicals	Netherlands
ITV Plc	Media	United Kingdom
Japan Tobacco	Tobacco	Japan
Kingfisher Plc	Specialty Retail	United Kingdom
Korea Electric Power	Electric Utilities	South Korea
Lukoil	Oil Gas & Consumable Fuels	Russia
Natixis	Commercial Banks	France
Ono Pharmaceutical Co.	Pharmaceuticals	Japan
Rohm Company Ltd.	Semiconductors & Equipment	Japan
Seagate Technology Inc.	Computers & Peripherals	Ireland
Sony	Household Durables	Japan
STMicroelectronics	Semiconductors & Equipment	Netherlands
Sumitomo Mitsui Financial Group	Commercial Banks	Japan
TDK Corporation	Elec. Equip., Instr. & Components	Japan
Vodafone Group Plc	Wireless Telecom Svcs.	United Kingdom
Wolters Kluwer NV	Media	Netherlands

Defined Contribution Portfolio
Top 10 Holdings

As of December 31, 2013

Company	%	Country	Industry
BP Plc	3.80%	United Kingdom	Oil, Gas & Consum. Fuel
GDF Suez	3.19%	France	Multi-Utilities
Telecom Italia	3.09%	Italy	Diversified Telecom Svcs.
CRH Plc	3.08%	Ireland	Construction Materials
AstraZeneca Plc	3.03%	United Kingdom	Pharmaceuticals
Total SA	2.52%	France	Oil, Gas & Consum. Fuel
ENI S.p.A.	2.42%	Italy	Oil, Gas & Consum. Fuel
Nippon Tel & Tel Corp (NTT)	2.42%	Japan	Diversified Telecom Svcs.
NKSJ Holdings Inc	2.39%	Japan	Insurance
Orange SA	2.37%	France	Diversified Telecom Svcs.
Top 10 as % of Portfolio	**28.31%**		

Total Number of Companies: 57

Portfolio allocations are subject to change at any time.

Wilmington Trust CIT - Brandes International Equity Fund

PORTFOLIO SUMMARY

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

Fundamental Summary

	MKT CAP (MIL)	PRICE/BOOK	PRICE/EARN	PRICE/CF	% LT DEBT/EQUITY	% YLD	% ROE
Portfolio Equity Averages:	57,426	1.1	15.1	5.2	77.1	3.8	7
MSCI EAFE (net) Averages:	63,017	1.7	16.0	9.1	71.1	3.0	11

Industry Summary %

Auto Components	1.48	Construction Materials	4.40	Metals & Mining	1.42
Automobiles	5.59	Diversified Telecom Svcs.	11.93	Multi-Utilities	3.19
Building Products	0.98	Elec. Equip., Instr. & Components	3.08	Multiline Retail	1.63
Capital Markets	1.38	Electric Utilities	0.49	Office Electronics	1.75
Commercial Banks	10.58	Food & Staples Retailing	7.47	Oil Gas & Consumable Fuels	10.29
Commercial Services & Supplies	0.79	Food Products	2.02	Pharmaceuticals	12.01
Communications Equipment	1.82	Insurance	8.18	Wireless Telecom Svcs.	2.31

Capitalization Summary %

Large Cap (> 5.0 Billion)	90.54	Medium Cap (1.5-5.0 Billion)	2.27	Small Cap (0-1.5 Billion)	0.00

Country Summary %

Brazil	4.99	Japan	23.40	South Korea	2.90
France	14.46	Mexico	2.65	Spain	1.40
Germany	1.23	Netherlands	5.50	Sweden	1.82
Ireland	3.08	Portugal	0.69	Switzerland	4.14
Italy	8.57	Singapore	0.76	United Kingdom	17.22

Wilmington Trust CIT - Brandes International Equity Fund

PORTFOLIO SUMMARY

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

Regional Summary %

Developed Markets	82.27	Asia	27.06	Latin America	7.64
Emerging Markets	10.54	Europe	58.11		

Asset Allocation Summary %

Equity	92.81	Cash	7.19

Wilmington Trust CIT - Brandes International Equity Fund

PORTFOLIO APPRAISAL

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

QUANTITY	SECURITY	UNIT COST	TOTAL COST	MARKET PRICE	MARKET VALUE	% OF ASSETS
	EQUITY					
	COMMON STOCKS:					
255,087	Aegon NV ORD	5.64	1,439,766.27	9.45	2,411,535.72	1.57
108,753	America Movil SAB Ser L ADR	23.65	2,572,349.88	23.37	2,541,557.61	1.65
18,900	Astellas Pharma Inc ORD	37.03	699,797.64	59.20	1,118,948.96	0.73
78,600	AstraZeneca Plc ORD	44.87	3,526,397.31	59.23	4,655,435.95	3.03
121,200	Banco do Brasil S.A. ORD	14.46	1,752,619.50	10.33	1,252,129.73	0.81
187,500	Banco Santander Brasil SA ADR	8.17	1,531,671.65	6.10	1,143,750.00	0.74
561,063	Barclays Plc ORD	4.02	2,257,372.35	4.51	2,528,268.54	1.65
722,498	BP Plc ORD	8.08	5,837,602.27	8.09	5,842,833.02	3.80
85,200	Canon, Inc. ORD	36.16	3,080,789.43	31.64	2,696,151.28	1.75
87,125	Carrefour SA ORD	22.23	1,936,443.01	39.69	3,458,125.16	2.25
129,750	Cemex SA Part. Cert. ADR	8.71	1,130,271.72	11.83	1,534,942.50	1.00
292,300	Centrais Eletricas Bras ADR	9.37	2,737,784.63	2.59	757,057.00	0.49
27,358	Compagnie de Saint-Gobain ORD	37.31	1,020,801.83	55.07	1,506,702.39	0.98
187,629	CRH PLC ORD	19.71	3,698,437.73	25.24	4,735,026.08	3.08
114,300	Dai Nippon Printing ORD	12.97	1,482,136.80	10.61	1,212,190.43	0.79
112,700	Daiichi Sankyo Company, Ltd ORD	19.88	2,240,847.88	18.27	2,059,508.69	1.34
110,300	Deutsche Telekom AG ORD	14.81	1,633,034.74	17.12	1,888,866.65	1.23
154,600	ENI S.p.A. ORD	21.24	3,283,827.51	24.10	3,725,237.43	2.42
228,700	Ericsson (L.M.) Telephone ORD	9.60	2,194,698.97	12.22	2,793,798.63	1.82
151,000	Flextronics Intl Ltd. ORD	6.83	1,031,052.39	7.77	1,173,270.00	0.76
66,900	FUJIFILM Holdings Corp ORD	29.79	1,993,107.01	28.33	1,895,171.52	1.23
208,151	GDF Suez ORD	23.60	4,912,664.02	23.55	4,902,326.87	3.19
134,300	GlaxoSmithKline Plc ORD	20.22	2,716,104.09	26.70	3,586,153.14	2.33
56,400	Honda Motor Company ORD	32.19	1,815,234.85	41.15	2,320,745.02	1.51
205,513	HSBC Holdings PLC (GBP) ORD	9.45	1,941,219.56	10.98	2,255,704.11	1.47
8,167	Hyundai Mobis ORD	235.13	1,920,309.43	278.13	2,271,513.29	1.48

Wilmington Trust CIT - Brandes International Equity Fund

PORTFOLIO APPRAISAL

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

QUANTITY	SECURITY	UNIT COST	TOTAL COST	MARKET PRICE	MARKET VALUE	% OF ASSETS
613,714	Intesa Sanpaolo Spa ORD	3.65	2,237,901.51	2.47	1,516,851.72	0.99
1,338,400	Intesa Sanpaolo Spa Svgs Shs ORD	1.62	2,165,275.68	2.02	2,697,645.71	1.76
104,300	Italcementi Spa Savings Shs ORD	7.05	734,924.50	4.71	491,433.86	0.32
269,600	J Sainsbury PLC ORD	5.51	1,486,059.85	6.05	1,630,554.28	1.06
163,000	Koninklijke Ahold NV ORD	13.45	2,191,689.30	17.98	2,930,574.55	1.91
348,900	Marks & Spencer Group PLC ORD	6.24	2,175,808.85	7.17	2,500,978.70	1.63
412,600	Mitsubishi UFJ Financial Grp ORD	5.59	2,308,321.23	6.79	2,803,468.58	1.82
87,500	MS&AD Insurance Grp Hldg ORD	26.35	2,305,440.38	26.82	2,346,526.65	1.53
69,000	Nippon Tel & Tel Corp (NTT) ORD	43.53	3,003,311.25	53.79	3,711,299.04	2.42
259,200	Nissan Motor Co., Ltd. ORD	9.86	2,555,525.67	8.40	2,177,447.49	1.42
132,400	NKSJ Holdings Inc ORD	24.95	3,302,959.91	27.79	3,678,966.06	2.39
293,600	Orange SA ORD	20.39	5,987,273.81	12.40	3,640,434.48	2.37
160,970	Petroleo Bras A Pref Shrs ADR	24.68	3,973,521.44	14.69	2,364,649.30	1.54
244,443	Portugal Telecom, SGPS, SA ORD	12.08	2,953,590.34	4.35	1,064,190.42	0.69
7,072	Posco ORD	332.58	2,352,029.46	309.41	2,188,114.58	1.42
23,600	Renault ORD	48.33	1,140,487.94	80.53	1,900,426.93	1.24
27,600	Sanofi ORD	70.03	1,932,802.13	106.25	2,932,450.98	1.91
392,000	Sumitomo Mitsui Trust Hldgs ORD	3.96	1,553,204.80	5.26	2,063,746.07	1.34
27,900	Swiss Re AG ORD	43.69	1,219,023.51	92.14	2,570,685.01	1.67
32,600	Taisho Pharmaceutical Hldgs ORD	63.14	2,058,395.86	68.71	2,239,836.54	1.46
40,700	Takeda Pharma Co Ltd ORD	41.79	1,700,657.64	45.85	1,866,174.09	1.21
30,200	TE Connectivity Ltd	28.01	845,847.50	55.11	1,664,322.00	1.08
1,848,200	Telecom Italia Spa ORD	1.60	2,956,848.31	0.99	1,835,857.17	1.19
3,709,400	Telecom Italia Svings Shs ORD	0.90	3,320,994.99	0.78	2,907,840.58	1.89
58,645	Telefonica Brasil SA Pfd ADR	19.59	1,148,849.52	19.22	1,127,156.90	0.73
132,292	Telefonica S.A. ORD	22.09	2,922,509.67	16.31	2,157,031.58	1.40
38,697	Tim Participacoes SA ADR	20.54	794,654.64	26.24	1,015,409.28	0.66
46,900	Tokio Marine Hldg Inc. ORD	28.84	1,352,755.22	33.40	1,566,601.72	1.02

Wilmington Trust CIT - Brandes International Equity Fund

PORTFOLIO APPRAISAL

Brandes International Equity Portfolio as of 12/31/13 (Reporting Currency - USD)

QUANTITY	SECURITY	UNIT COST	TOTAL COST	MARKET PRICE	MARKET VALUE	% OF ASSETS
63,164	Total SA ORD	50.14	3,166,855.85	61.35	3,875,047.04	2.52
36,000	Toyota Motor Corporation ORD	36.20	1,303,106.83	61.01	2,196,331.83	1.43
111,552	UBS AG ORD	14.00	1,561,539.95	19.00	2,119,550.63	1.38
77,000	Unilever N.V. Ctfs. ORD	34.27	2,639,089.79	40.33	3,105,576.90	2.02
800,300	Wm. Morrison Supermkts Plc ORD	4.39	3,516,342.47	4.32	3,461,113.43	2.25
	Total Common Stocks		**135,253,942.27**		**142,615,243.82**	**92.81**
	Total Equity		**135,253,942.27**		**142,615,243.82**	**92.81**
	CASH					
	Cash		11,045,278.12		11,045,278.12	7.19
	Total Portfolio		**146,299,220.39**		**153,660,521.94**	**100**
	Accrued Income				**171,960.28**	
	Total Portfolio including Accruals				**153,832,482.22**	

Client Benefits

- A consistent application of a Graham & Dodd value approach to global investing that can complement other managers and investment styles.
- A long-term investment horizon with typically low portfolio turnover and moderate trading costs.
- A research process designed to identify companies that can be purchased at discounts to the firm's estimates of their intrinsic values and that have the potential to deliver long-term outperformance.
- An employee-owned, debt-free investment manager with the resources and commitment to maintain stable operations in all market environments.
- A highly motivated professional team with low turnover.
- A corporate philosophy that places priority on client needs.

Glossary of Terms – page one

ABS: Asset-backed security – bonds backed by financial assets; typically these assets consist of other than mortgage loans (e.g., credit card receivables, auto loans, home-equity loans, etc.).

ADR: American Depositary Receipt – a negotiable receipt for the shares of a foreign-based corporation held in trust by a financial institution that entitles the shareholder to all dividends and capital gains and is traded in the United States.

ADS: American Depositary Share – a share issued under a deposit agreement representing the underlying ordinary share that trades in the issuer's home market.

Alpha: Measures the difference between a portfolio's actual and expected returns given its risk level as measured by its beta. A positive alpha indicates the portfolio has performed better than its beta would predict, while a negative alpha indicates a portfolio has underperformed given the expectations established by its beta.

Annualized Return: Rate of return of the account smoothed as though the return occurred equally over 12-month periods. When the specified time frame is less than a year, the rate of return is projected as though the same performance continues to occur for a 12-month period. See Rate of Return.

Averages: PRICE/ BOOK, PRICE/ EARN and PRICE/ CF averages are asset-weighted harmonic averages; MARKET CAP, LT DEBT/ EQUITY and YLD averages are asset-weighted arithmetic averages; ROE averages are calculated as the ratio of PRICE/ BOOK average to PRICE/ EARN average.

Average Down: The process of buying additional shares in a company at lower prices than originally purchased, typically reducing the average price paid for all shares.

Barclays U.S. Aggregate Bond Index - LBAGGBX: The Barclays U.S. Aggregate Bond Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, taxable bonds. The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS. The U.S. Aggregate rolls up into other Barclays flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976. The index is a total return index which reflects the price changes and interest of each bond in the index.

Barclays U.S. Intermediate Credit Bond Index - LBINTCRED: The Barclays U.S. Intermediate Credit Bond Index is an unmanaged index consisting of U.S. dollar-denominated, publicly issued, fixed-rate corporate securities. The index includes securities in the intermediate maturity range of the U.S. Credit Index. The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays U.S. Intermediate Government/Credit Bond Index - LBINTGCX: The Barclays U.S. Intermediate Government/Credit Bond Index is an unmanaged index consisting of U.S. dollar-denominated, publicly issued, fixed-rate corporate and government securities. This index is the intermediate component of the U.S. Government/Credit index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays Commercial Mortgage Backed Securities Investment-Grade Index: The Barclays Commercial Mortgage Backed Securities (CMBS) Investment Grade Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate CMBS securities. The Commercial Mortgage-Backed Securities (CMBS Index family consists of four components: CMBS Investment-Grade Index, CMBS High-Yield Index, CMBS Interest-Only Index and Commercial Conduit Whole Loan Index (all bond classes and interest-only classes). The CMBS Investment-Grade Index is further subdivided into two components: the U.S. Aggregate-eligible component that contains bonds that are ERISA) eligible under the underwriter's exemption and the non-U.S. Aggregate-eligible component that consists of bonds that are not ERISA eligible. The CMBS Indices were launched on January 1, 1997. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays Intermediate U.S. Treasury Index: The Barclays Intermediate U.S. Treasury Index is an unmanaged index consisting of U.S. dollar-denominated, U.S. Treasury-issued securities. This index is the intermediate component of the U.S. Treasury index. The U.S. Treasury Index represents public obligations of the U.S. Treasury with a remaining maturity of one year or more. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays U.S. Corporate High-Yield Bond Index: The Barclays U.S. Corporate High-Yield Bond Index is an unmanaged index consisting of U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds. The U.S. Corporate High-Yield Index measures the market of U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging-market debt. It was created in 1986, with history backfilled to July 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays U.S. Credit Bond Index: The Barclays U.S. Credit Bond Index is an unmanaged index consisting of U.S. dollar-denominated, publicly issued, fixed-rate corporate securities. The U.S. Credit Index comprises the U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities. The U.S. Credit Index was called the U.S. Corporate Investment Grade Index until July 2000, when it was renamed to reflect its inclusion of both corporate and non-corporate issuers. Index history is available back to 1973. The U.S. Credit Index is a subset of the U.S. Government/Credit Index and the U.S. Aggregate Index. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Glossary of Terms – page two

Barclays U.S. Fixed-Rate Asset Backed Securities (ABS) Index: The Barclays U.S. Fixed-Rate Asset Backed Securities (ABS) Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, taxable bonds. The U.S. Fixed-Rate Asset-Backed Securities (ABS) Index covers fixed-rate ABS with the following collateral types: credit cards, autos, home equity loans and stranded-cost utility (rate reduction bonds). To be included in the index, an issue must have a fixed-rate coupon structure, have an average life greater than or equal to one year, and be part of a public offering. Manufactured housing asset-backed securities were removed from the U.S. ABS Index on January 1, 2008. The index was introduced in January 1992 when it was also added to the U.S. Aggregate Bond Index in its entirety. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays U.S. Government Bond Index: The Barclays U.S. Government Bond Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, publicly issued bonds. The U.S. Government Index is comprised of the U.S. Treasury and U.S. Agency Indices. The U.S. Government Index includes Treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and U.S. agency debentures (publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The U.S. Government Index is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays U.S. Mortgage Backed Securities Index: The Barclays U.S. Mortgage Backed Securities Index is an unmanaged index consisting of fixed-rate, mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The U.S. Mortgage-Backed Securities (MBS Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA, Fannie Mae (FNMA and Freddie Mac (FHLMC. Introduced in 1986, the GNMA, FHLMC and FNMA fixed-rate indices for 30y and 15y securities were backdated to January 1976, May 1977 and November 1982, respectively. Balloon securities were added in 1992. The U.S. MBS Index excludes buydowns, graduated equity mortgages, and project loans. Manufactured homes (GNMA) were originally included but were dropped in January 1992 for liquidity reasons. Graduated payment mortgages (GPMs) were dropped in January 1995 for similar reasons. Non-agency (whole loan) and jumbo securities are excluded. ARM securities are also excluded because they have an adjustable coupon. The MBS Index also excludes CMOs because their inclusion would result in double counting. Quarterly coupons have been excluded since 12/31/1998. The U.S. Mortgage Backed Securities Index is a component of the U.S. Aggregate Index. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Barclays U.S. Treasury Index: The Barclays U.S. Treasury Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, publicly issued bonds. The U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS), are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. The U.S. Treasury Index is a component of the U.S. Government Index, U.S. Government/Credit Index and U.S. Aggregate Index. The U.S. Treasury Index was launched on January 1, 1973. The index is a total-return index which reflects the price changes and interest of each bond in the index.

Beginning Value: The beginning performance value for a specified period is equal to market value at that time or equal to the sum of contributions and withdrawals to the account during the inception month.

Beta: A stock's (or a portfolio's) beta measures its volatility versus an index. A stock (or portfolio) with a beta higher than 1 has tended to exhibit more volatility than the index, while a stock (or portfolio) with a beta between 0 and 1 has tended to exhibit less volatility than the index.

Bond: Long-term securities with a maturity of greater than one year.

Book Value: Assets minus liabilities. Also known as shareholders' equity.

Capitalization Weighted Index: A stock index in which each stock affects the index in proportion to its market value (also called market-value weighted index).

Citigroup U.S. Broad Investment Grade Bond Index - CITBIGBND: The Citigroup U.S. Broad Investment Grade Bond Index is an unmanaged index designed to track the performance of bonds issued in the U.S. investment-grade bond market. It includes institutionally traded U.S. Treasury, government-sponsored (U.S. agency & supranational), mortgage, asset-backed and investment-grade securities. This index is a total-return index which reflects the price changes and interest of each bond in the index.

CMBS: Commercial mortgage-backed security - Bonds that are backed by pools of commercial mortgage loans.

CMO: Collateralized mortgage obligation - A multiclass bond backed by a pool of mortgage pass-through securities or mortgage loans.

Common Equity: A security that represents ownership in a corporation. Owners of the security generally are entitled to vote on the selection of directors and other important matters.

Corporate Bond: Debt instrument issued by a private corporation; distinct from one issued by a government agency or municipality.

Coupon: The rate of interest payable annually. Where the coupon is blank, it can indicate that the bond can be a zero-coupon, a new issue, or that it is a variable-rate bond.

Cur Yld: Current Yield -The annualized income from the investment (dividends, interest, etc.) divided by the current market price of the investment.

Current Face: The current monthly remaining principal on a bond. Current face is computed by multiplying the original face value of the security by the current factor.

Dividend Adjustment: Adjustment reflecting additional information released regarding a previously recorded dividend.

Dow Jones Industrial Average (DJIA, or The "Dow") – DJIA R: The Dow Jones Industrial Average is an unmanaged, price-weighted index of 30 blue chip U.S. stocks. The DJIA was created by Charles Dow in 1896 as a general measure of the stock market today is compiled by editors of The Wall Street Journal. With over years of data behind it, the DJIA still serves as a reliable U.S. market's measure. This index captures price movements of the securities.

Duration: The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates.

Emerging Markets: Refers to those companies operating in developing nations as defined by MSCI.

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Enhanced Income (EI) 70% Barclays U.S. Aggregate Bond Index, 30% S&P Developed $25 Billion Plus Index - EILA25B: Enhanced Income Index (rebalanced daily): 70% Barclays U.S. Aggregate Bond Index, 30% S&P Developed $25 Billion Plus Index with gross dividends. The Barclays U.S. Aggregate Bond Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, taxable bonds. The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclays flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976. The index is a total return index which reflects the price changes and interest of each bond in the index. The S&P Developed $25 Billion Plus Index with gross dividends is an unmanaged, free float-adjusted market capitalization index that is designed to measure equity market performance of the developed markets throughout the world, including the United States, that have market capitalizations greater than $25 billion (USD). This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Equal Weighted: Performance data or other data calculated by weighting all of a composite or index's components equally.

Euro: The currency used by the 17 member countries that form the European Monetary Union, also known as the euro zone.

Euro zone: Consists of the 17 countries that form the European Monetary Union.

European Central Bank (ECB): Sets monetary policy for members of the euro zone. Its main goal is to maintain price stability, or to keep inflation in check.

European Union (EU): Consists of 27 member nations formed under the Maastricht Treaty in 1992.

Factor: The multiple of original face outstanding at the time of purchase or sale.

Fiscal Year: Business year. Assumed to be the calendar year, unless otherwise designated.

Float Weighted: An index in which each constituent affects the index in proportion to its float (the number of shares outstanding and available for public trading).

FTSE World Mid Cap Index - FTWRLDM/S: The FTSE World Mid Cap Index with gross dividends is an unmanaged, free float-adjusted market-capitalization weighted index that tracks medium capitalization companies in 35 countries, including the United States. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

FTSE World Ex-US Mid Cap Index - FTWXUSM/S: The FTSE World Ex-US Mid Cap Index with gross dividends is an unmanaged, free float-adjusted market-capitalization weighted index that tracks medium capitalization companies in 35 countries, excluding the United States. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Fundamental Information: MARKET CAP, PRICE/ BOOK, PRICE/ EARN, PRICE/ CF, LT DEBT/ EQUITY, ROE and YLD for each security are provided by Bloomberg, L.P., and are generally shown unadjusted.

Interest (payment): An amount charged to a borrower by a lender for the use of money, normally expressed in terms of an annual percentage rate of the principal amount.

International Monetary Fund (IMF): An organization of 188 countries with the goal of fostering global monetary cooperation and financial stability, facilitating international trade, promoting high employment and sustainable economic growth, and reducing poverty around the world.

Intrinsic Value: The actual value of a company or an asset based on an underlying perception of its true value.

Large Cap: Large capitalization - refers to those companies with a market capitalization generally greater than $5 billion (USD).

Lt Debt/Equity: Long-term debt of a corporation divided by the corporation's common equity.

Margin of Safety (MOS): The difference between the intrinsic value of a stock and its market price.

Market Price: Price of the investment as of the appraisal date.

Maturity: The date when the principal amount of a security becomes due and payable, if not subject to prior call or redemption.

Medium/Mid Cap: Medium capitalization - refers to those companies with a market capitalization generally between $1.5 billion and $7.5 billion (USD).

Mkt Cap: Market capitalization - the number of common shares outstanding multiplied by the current market price per common share.

Money Market Yield: The average yield of the most common taxable money market funds used in client portfolios. This figure may differ from the fund used for your portfolio, particularly if the fund is tax exempt.

Mortgage: A legal instrument that creates a lien upon real estate securing the payment of a specific debt.

Mortgage-Backed Security: Bonds that are backed by pools of residential mortgage loans.

MSCI All Country Asia-Pacific ex-Japan (ACAPACXJ) Index - ACAPACFXJP: The MSCI AC (All Country) Asia Pacific ex-Japan (ACAPACXJ) Index with gross dividends is an unmanaged, free float-adjusted market-capitalization weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Asia Pacific region, excluding Japan. MSCI AC Asia Pacific ex-Japan Index consists of 12 developed and emerging-market countries. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

MSCI ACWI Index - MSACWFREE: The MSCI ACWI (All Country World) Index with gross dividends is an unmanaged, free float-adjusted market-capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging-market country indices. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

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MSCI ACWI ex-Canada Index - MSACWXCAD: The MSCI ACWI (All Country World) ex-Canada Index with gross dividends is an unmanaged, free float-adjusted market-capitalization weighted index designed to measure equity market performance of developed and emerging markets, excluding Canada. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

MSCI ACWI ex-U.S. Index - MSACWFXUS: The MSCI ACWI (All Country World) ex-U.S. Index with gross dividends is an unmanaged, free float-adjusted market-capitalization weighted index designed to measure equity market performance of developed and emerging markets, excluding the United States. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

MSCI EAFE Index - MSCI EAFE: The MSCI EAFE (Europe, Australasia, Far East) Index with net dividends is an unmanaged, free float-adjusted market-capitalization index designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of 22 developed-market country indices. This index often is used as a benchmark for international equity portfolios and includes dividends and distributions net of withholding taxes but does not reflect fees, brokerage commissions, or other expenses of investing.

MSCI Emerging Markets (MSCI EM) Index - MSCIEMF: The MSCI Emerging Markets Index with gross dividends is an unmanaged, free float-adjusted market-capitalization index designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of 21 emerging-market country indices. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

MSCI EM Asia Index: The MSCI EM (Emerging Markets) Asia Index is an unmanaged, free float-adjusted market-capitalization weighted index designed to measure equity market performance of emerging markets in Asia.

MSCI EM Latin America Index: The MSCI EM (Emerging Markets) Latin America Index is an unmanaged, free float-adjusted market-capitalization weighted index designed to measure equity market performance in Latin America.

MSCI Europe Index - MSCIEURO: The MSCI Europe Index with net dividends is an unmanaged, free float-adjusted market-capitalization weighted index designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of 16 developed-market country indices. This index includes dividends and distributions net of withholding taxes but does not reflect fees, brokerage commissions, or other expenses of investing.

MSCI Japan Index - MSCI JP: The MSCI Japan Index with gross dividends is an unmanaged, free float-adjusted market capitalization weighted index designed to measure equity market performance of the developed markets in Japan. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

MSCI KOKUSAI Index – MSWRLDXJP: The MSCI KOKUSAI Index with net dividends is an unmanaged, free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding Japan. The MSCI KOKUSAI Index consists of 23 developed-market country indices. This index includes dividends and distributions net of withholding taxes but does not reflect fees, brokerage commissions, or other expenses of investing.

MSCI Pacific Index: The MSCI Pacific Index with gross dividends is an unmanaged, free float-adjusted market capitalization weighted index designed to measure the equity market performance of the developed markets in the Pacific region. The MSCI Pacific Index consists of 5 Developed Market countries. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

MSCI World Index - MSCI WRLD: The MSCI World Index with net dividends is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of 24 developed-market country indices. This index includes dividends and distributions net of withholding taxes but does not reflect fees, brokerage commissions, or other expenses of investing.

NASDAQ Composite Index: The NASDAQ Composite Index is an unmanaged, broad-based market-capitalization-weighted index that measures all NASDAQ domestic- and international-based common type stocks listed on the NASDAQ market. This index captures price movements of the securities.

Net Capital: The net total of all contributions and withdrawals since the inception of the account.Nikkei 225 Index: The Nikkei 225 Index is an unmanaged stock market index for the Tokyo Stock Exchange (TSE). The Nikkei average is the most watched index of Asian stocks. It has been calculated daily by the Nihon Keizai Shimbun (Nikkei) newspaper since 1971. It is a price-weighted average (the unit is Yen), and the components are reviewed once a year.

Organization for Economic Cooperation and Development (OECD): The OECD's mission is to promote policies that will improve the economic and social well-being of people around the world.

ORD: Ordinary - shares of foreign securities traded on their local exchange.

Original Face: The face value or original principal amount of a security on its issue date.

Par: The face value of a bond.

Pass-through: A mortgage-backed security for which the payments on the underlying mortgages are passed from the mortgage holder through the servicing agent (who usually keeps a portion as a fee) to the security holder.

Performance Gross of Fees: Returns prior to subtraction of management fees.

Performance Net of Fees: Returns after subtraction of management fees.

Price: The dollar amount to be paid for a security, stated as a percentage of its face value, or par. Bond prices are best reflected in their yields, which vary inversely with the dollar price. The price paid for a bond is based on a host of variables, including interest rates, supply and demand, credit quality, maturity and call features, tax status, state of issuance, market events and the size of the transaction.

Price Weighted: A stock index in which each stock affects the index in proportion to its price per share.

Price/Book: Price per share divided by book value per share.

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Price/CF: Price per share divided by cash flow per share.

Price/Earn: Price per share divided by earnings per share.

Principal: The face amount of a bond, exclusive of accrued interest and payable at maturity.

R2: A portfolio's R2 (pronounced "r-squared") measures how closely the portfolio's performance correlates with the performance of an index. Specifically, R2 indicates what proportion of the portfolio's performance is determined by the performance of the index. Values for R2 range from zero to one.

Rate of Return: Percentage change in the market value of the account over the specified time frame, including realized and unrealized gains or losses, dividends and income.

Rating: Alpha or numeric symbols, or both used to give indications of relative credit quality. In the municipal market, these designations are published by the rating services. Internal ratings are also used by other market participants to indicate relative credit quality.

Real: Brazil's currency.

Realized Gain/Loss: Profit or loss resulting from the sale or other disposal of a security. Gains and losses are based on first in first out (FIFO) accounting methodology.

Return on Equity (ROE): Net income divided by common equity.

Reverse Stock Split: A procedure whereby a corporation will reduce the number of shares outstanding while maintaining the same total market value of the company by increasing the value per share of stock; for example, if a firm with 10 million outstanding shares selling at $10/share executes a reverse 1-for-10-split, the firm will end up with 1 million shares selling for $100 each.

Russell 1000 Index - RUSSELL1K: The Russell 1000 Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the Russell 3000 Index. This index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Russell 1000 Value Index - RUSSELL1V: The Russell 1000 Value Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with the lower price-to-book ratios and lower expected growth values. The index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Russell 2000 Index - RUSSELL2K: The Russell 2000 Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. This index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Russell 2000 Value Index - RUSSEL2KV: The Russell 2000 Value Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. This index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Russell 3000 Index - RUSSELL3K: The Russell 3000 Index with gross dividends is an unmanaged market-capitalization weighted index that measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. This index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Russell Midcap Index - RUSSELMC: The Russell Midcap Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies. This index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

SEC 30-Day Yield: This calculation is based on a 30-day period ending on the last day of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

Small Cap: Small capitalization - refers to those companies with a market capitalization of generally less than $2 billion (USD).

Spin-off: A procedure whereby a corporation reorganizes one or more of its operating entities into a separate corporation and gives shares of this new corporation to its shareholders.

Stock Split: A procedure whereby a corporation increases the number of shares outstanding while maintaining the same total market value of the company by reducing the value per share of stock; e.g., if a stock at $100 par value splits 2-for-1, the number of outstanding shares doubles and the price per share drops by half to $50.

S&P 500 Index- SP500 G: The S&P 500 Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the equity performance of 500 leading companies in leading industries of the U.S. economy. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P Global BMI: The S&P Global BMI (Broad Market Index), comprised of the S&P Developed BMI and S&P Emerging BMI, is a comprehensive, rules-based index measuring global stock market performance. It represents the only global index suite with a transparent, modular structure that has been fully float adjusted since its inception in 1989.

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S&P Global <$500M Index: The S&P Global <$500M Index with net dividends is a comprehensive, rules-based index measuring global stock market performance of micro- and small- capitalization companies. It represents all issues in the S&P Global BMI (Broad Market Index (BMI) whose market capitalization at time of index constitution is less than $500 million. The S&P Global <$500M Index includes companies from both developed and emerging nations. This index includes dividends and distributions net of withholding taxes but does not reflect fees, brokerage commissions or other expenses of investing.

S&P 500 Growth Index - SGXINDEX: The S&P 500 Growth Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the equity performance of those S&P 500 Index companies with higher expected growth rates. The S&P 500 Growth and Value Indices measure growth and value in separate dimensions across six risk factors. Growth factors include sales growth, earnings change to price, and momentum. This index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P 500 Value Index - SVXINDEX: The S&P 500 Value Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the equity performance of those S&P 500 Index companies with lower price-to-book ratios. The S&P 500 Growth and Value Indices measure growth and value in separate dimensions across six risk factors. Value factors include book value-to-price ratio, sales–to-price ratio and dividend yield. This index includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P MidCap 400 Value Index - SPMV400 G: The S&P MidCap 400 Value Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the equity performance of those S&P MidCap 400 Index companies with lower price-to-book ratios. The S&P MidCap 400 Growth and Value Indices measure growth and value in separate dimensions across six risk factors. Value factors include book value–to-price ratio, sales-to-price ratio and dividend yield. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P SmallCap 600 Value Index - SPV600 G: The S&P SmallCap 600 Value Index with gross dividends is an unmanaged, market-capitalization weighted index that measures the equity performance of those S&P SmallCap 600 Index companies with lower price-to-book ratios. The S&P SmallCap 600 Growth and Value Indices measure growth and value in separate dimensions across six risk factors. Value factors include book value-to-price ratio, sales-to-price ratio and dividend yield. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P Developed SmallCap Index - CITEMIWRLD: The S&P Developed SmallCap Index is an unmanaged, float-adjusted market-capitalization weighted index that measures the equity performance of small-capitalization companies from developed markets around the world, including the United States. This index includes the reinvestment of dividends and income but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P Developed Ex-U.S. SmallCap Index - CITWXUSEM: The S&P Developed Ex-U.S. SmallCap Index with gross dividends is an unmanaged, float-adjusted market-capitalization weighted index that measures the equity performance of small-capitalization companies from developed markets around the world, excluding the United States. This index includes dividends and distributions but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P Developed $1-5 Billion Index - CITWLD15B: The S&P Developed $1-5 Billion Index is an unmanaged, float-adjusted market-capitalization weighted index that measures the equity performance of companies around the developed world, including the United States that have market capitalizations between $1 and $5 billion (USD). This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

S&P Developed Ex-U.S. $1-5 Billion Index - CITWXUS15: The S&P Developed Ex-U.S. $1-5 Billion Index with gross dividends is an unmanaged, float-adjusted market-capitalization weighted index that measures the equity performance of companies around the developed world, excluding the United States, that have market capitalizations between $1 and $5 billion (USD). This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing.

Tokyo Stock Price Index - TOPIX: The TOPIX Index with gross dividends is an unmanaged, free-float adjusted market-capitalization -weighted index that is calculated based on all the domestic common stocks listed on the Tokyo Stock Exchange First Section. TOPIX shows the measure of current market capitalization assuming that market capitalization as of the base date (January 4, 1968) is 100 points. The total-returns for the index prior to 12/31/98 are not available, therefore returns are derived by combining the price index returns and corresponding month-end yields (the source of this index information came from FT Interactive Data Corporation). From 12/31/98 to present time, the returns for the TOPIX index are calculated on a total-return basis, which includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes or other expenses of investing. The source of the index information is FactSet Research Systems Inc., a leading provider of financial and economic information. USD conversion of the index is calculated by FactSet using the spot rate at 16:00 Greenwich Mean Time.

Total Return (Cumulative Return): Rate of return of the account over the specified time period. See Rate of Return.

Total Return: Investment performance measure over a stated time period which includes coupon interest, interest on interest, and any realized and unrealized gains or losses.

Treynor Ratio: The Treynor Ratio measures excess return per unit of risk. Specifically, the Treynor Ratio relates the return earned above the risk-free rate to the portfolio beta for a given time period.

U.S. Agency: The debt of an agency of the U.S. Government. The government itself sometimes guarantees payment of principal and interest.

U.S. Federal Reserve (Fed): The U.S. central bank established in 1913 with three main objectives: maximum employment, stable prices and moderate long-term interest rates. The Fed is also responsible for setting monetary policy, supervising and regulating banking institutions, maintaining the stability of the financial system and providing financial services to depository institutions, the U.S. government and foreign official institutions.

Unit Cost: Average cost per share.

Unrealized Gain/Loss: A tentative gain or loss on an investment that has not been realized. A gain or loss becomes realized once the investment is actually sold.

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World Balanced Index - BAL INDEX (rebalanced daily): 50% of the MSCI World Index with net dividends; 50% Citigroup U.S. Broad Investment Grade Bond Index. The MSCI World Index is an unmanaged, free float-adjusted market-capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of 24 developed market country indices. This index includes dividends and distributions net of withholding taxes but does not reflect fees, brokerage commissions, or other expenses of investing. The Citigroup U.S. Broad Investment Grade Bond Index is an unmanaged index that tracks the performance of bonds issued in the U.S. investment-grade bond market and includes U.S. Treasury, government-sponsored, mortgage, asset-backed, and investment-grade securities. This index is a total-return index which reflects the price changes and interest of each bond in the index.

Yankee Bond: Dollar-denominated bonds issued in the U.S. by foreign banks and corporations for trade in U.S. markets.

Yen: Japan's currency

Yield Curve: The graphical relationship between yield and maturity among bonds of different maturities and the same credit quality. This line shows the term structure of interest rates.

Yield to Maturity (YTM): The rate of return anticipated on a bond if it is held until the maturity date.

Yield to Worst (YTW): The lowest potential yield that can be received on a bond without the issuer defaulting.

Yld: Yield - annual income from the investment (dividend, interest, etc.) divided by the current market price of the investment.

Yuan: China's currency

Last Update: September 2012

The information provided in this material should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any security transactions, holdings, or sectors discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance discussed herein. Portfolio holdings and allocations are subject to change at any time and should not be considered a recommendation to buy or sell particular securities. Strategies discussed herein are subject to change at any time by the investment manager in its discretion due to market conditions or opportunities. Indices are unmanaged and are not available for direct investment. Market conditions may impact performance. The performance results presented were achieved in particular market conditions which may not be repeated. Moreover, the current market volatility and uncertain regulatory environment may have a negative impact on future performance. International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes; such risks may result in greater share price volatility. Stocks of small companies usually experience more volatility than mid and large sized companies.

The foregoing reflects the thoughts and opinions of Brandes Investment Partners exclusively and is subject to change without notice.

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Suite 600
P.O. Box 919048
San Diego, California
92191-9048

McKinley Capital Management, LLC

Relevant Mandates: **Non-US Growth** **Hired:** **2005**

Firm Information	Investment Approach	Total ARMB Mandate
McKinley Capital, founded by Robert B. Gillam in 1990, is an independently owned, private limited liability company wholly owned by McKinley Capital Management, Inc. which is wholly owned by employees of McKinley Capital LLC and family trusts. Approximately 24% of issued and outstanding non-voting shares are held by or for the benefit of employees of McKinley Capital other than Robert B. Gillam. As of 9/30/13, the firm's total assets under management were $7.6 billion. **Key Executives:** **Robert B. Gillam**, *President & CEO* **Robert A. Gillam**, *Senior VP & CIO* **Alex Slivka,** *Director of Institutional Marketing*	McKinley Capital's investment philosophy, which focuses on the acceleration of earnings growth rates, as well as the firm's blending of quantitative analysis with a qualitative overlay, differentiates McKinley's process from other strategies. The firm's substantial investment in cutting-edge technology enables the investment team to gather vast amounts of research data from varied sources and quickly synthesize it into meaningful information. **Benchmark:** MSCI ACWI Ex-US Growth Index	**Assets Under Management:** 9/30/13 $339,351,440

Concerns: Placed on Watch List December 2009 for performance.

9/30/2013 Performance

	Last Quarter	1 Year	3 Years Annualized	5 Years Annualized
McKinley Non-US Growth	6.25%	16.27%	5.71%	4.07%
Blended Benchark*	8.88%	17.35%	6.56%	5.23%

*MSCI EAFE Index through 10/31/2012, then MSCI ACWI Ex-US Growth Index thereafter.

McKinley Capital Management, LLC

Global Growth Specialist

McKinley Capital’s mission is to be a premier global growth specialist providing superior relative investment returns over time and exceptional client service.

Alaska Retirement Management Board

Account Review

Non-U.S. Growth

For the period ended December 31, 2013

REPORT CONTENTS

Section 1

INTRODUCTION TO McKINLEY CAPITAL

- Global Investment Adviser
- Founded in 1990
- Quantitatively Driven Investment Process
- Capabilities:
    - Single Country
    - Region Based
    - Global ex Home Country
    - ESG/SRI/MRI
    - Long/Short

- Products:
    - Global Growth
    - Non-U.S. Growth
    - Non-U.S. Developed Growth
    - Non-U.S. Developed (130/30) Growth
    - Emerging Markets Growth
    - U.S. Large Cap Growth
    - U.S. Small Cap Growth
    - U.S. All Cap Growth

- Independently Owned
- Equity Incentive Plan
- Team Approach

REPRESENTATIVE CLIENT LIST

AT&T, Inc.
Bombardier
SEI Investments
Houston Firefighters' Relief and Retirement Fund
Alaska Permanent Fund Corporation
Minnesota State Investment Board
Alaska Retirement Management Board
Teachers' Retirement System of the State of Illinois
The Health Foundation

It is not known whether the listed clients approve or disapprove of McKinley Capital or the advisory services it has provided. The names included herein were selected as being representative of the different types of institutional clients and businesses serviced by McKinley Capital. Performance was not a determining factor for inclusion or exclusion of client names on the list.

ASSET BREAKDOWN

As of December 31, 2013

Product	Total Value (U.S.$ in millions)
Global Growth	$2,505
Non-U.S. Growth	$4,028
Non-U.S. Developed Growth	$476
Emerging Markets Growth	$158
U.S. Large Cap Growth	$369
U.S. Small Cap Growth	$392
Other	$207
TOTAL	**$8,135**

Total may not be exact when summed due to rounding.

Figures reflect assets managed in a particular capitalization range or style and may include assets from more than one composite.

PERFORMANCE SUMMARY

Annualized gross and net returns for the period ended December 31, 2013

Preliminary	Current Quarter	Year to Date	One Year	Three Year	Five Year	Ten Year	Since Inception
Global Growth							*7/98*
Gross	**8.57**	**25.13**	**25.13**	**10.44**	**15.22**	**9.09**	**6.35**
Net	**8.46**	**24.60**	**24.60**	**9.96**	**14.73**	**8.72**	**5.94**
MSCI ACW Growth	7.51	23.62	23.62	10.43	16.52	7.64	4.50
MSCI ACW	7.42	23.44	23.44	10.33	15.53	7.72	5.34
Non-U.S. Growth							*10/95*
Gross	**8.41**	**20.77**	**20.77**	**5.83**	**11.16**	**7.01**	**8.58**
Net	**8.26**	**20.07**	**20.07**	**5.26**	**10.58**	**6.50**	**7.85**
MSCI ACW XUS Growth	4.69	15.86	15.86	5.29	13.28	7.70	N/A [1]
MSCI ACW XUS	4.81	15.78	15.78	5.61	13.32	8.04	6.24
MSCI EAFE	5.75	23.29	23.29	8.66	12.96	7.39	5.83
Non-U.S. Developed Growth							*5/04*
Gross	**7.84**	**28.64**	**28.64**	**8.87**	**12.34**	**N/A**	**7.12**
Net	**7.72**	**28.03**	**28.03**	**8.34**	**11.82**		**6.65**
MSCI EAFE Growth	5.17	22.95	22.95	8.33	13.21		**7.43**
MSCI EAFE	5.75	23.29	23.29	8.66	12.96		**7.42**
Non-U.S. Developed (130/30) Growth							*1/07*
Gross	**11.74**	**28.46**	**28.46**	**11.04**	**12.08**	**N/A**	**2.30**
Net	**11.55**	**27.50**	**27.50**	**10.18**	**11.20**		**1.50**
MSCI EAFE Growth	5.17	22.95	22.95	8.33	13.21		3.24
MSCI EAFE	5.75	23.29	23.29	8.66	12.96		2.26
Emerging Markets Growth							*4/11*
Gross	**4.77**	**6.97**	**6.97**	**N/A**	**N/A**	**N/A**	**4.12**
Net	**4.76**	**6.95**	**6.95**				**4.11**
MSCI Emerging Markets Growth	3.12	0.07	0.07				-1.10
MSCI Emerging Markets	1.86	-2.27	-2.27				-2.63
U.S. Large Cap Growth							*4/95*
Gross	**10.32**	**31.87**	**31.87**	**16.63**	**18.60**	**8.41**	**10.62**
Net	**10.23**	**31.44**	**31.44**	**16.34**	**18.28**	**8.09**	**10.13**
Russell 1000 Growth	10.44	33.48	33.48	16.45	20.39	7.83	8.43
U.S. Small Cap Growth							*1/97*
Gross	**9.89**	**52.32**	**52.32**	**20.34**	**23.64**	**8.26**	**8.06**
Net	**9.73**	**51.59**	**51.59**	**19.78**	**23.01**	**7.66**	**7.31**
Russell 2000 Growth	8.17	43.30	43.30	16.82	22.58	9.41	6.53

Performance periods greater than one year are annualized.
Source: McKinley Capital Management, LLC
[1]MSCI ACW XUS Growth Index Inception date is January 1, 1997
Performance stated in U.S. dollars unless otherwise noted
McKinley Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®)

Section 2

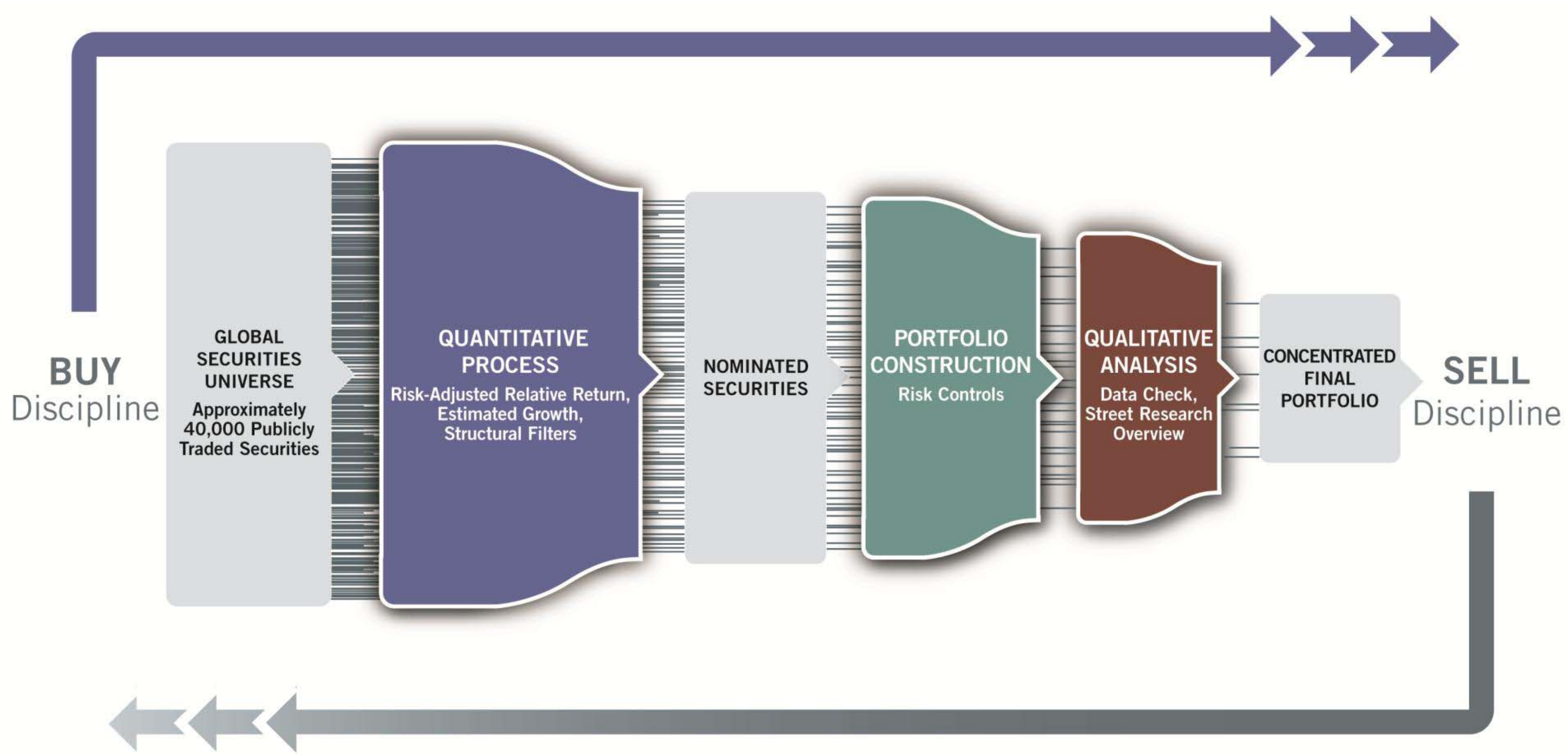
INVESTMENT PHILOSOPHY

McKinley Capital believes that excess market returns can be achieved through the construction and management of a diversified, fundamentally sound portfolio of inefficiently priced securities whose earnings growth rates are accelerating above market expectations.

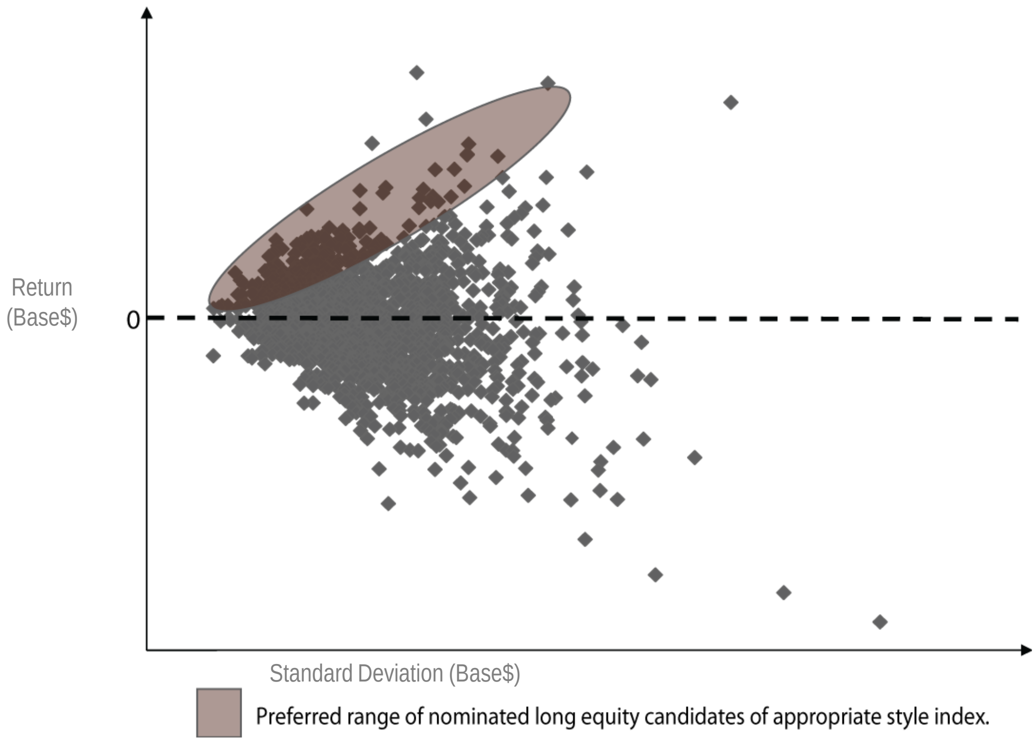
INVESTMENT STYLE

- Growth Focus
- Risk Exposures
  - Growth
  - Momentum
  - Selection
- Bottom-up Process
- Quantitative/Qualitative

OVERVIEW


BUY
Discipline
GLOBAL SECURITIES UNIVERSE
Approximately 40,000 Publicly Traded Securities
QUANTITATIVE PROCESS
Risk-Adjusted Relative Return, Estimated Growth, Structural Filters
NOMINATED SECURITIES
PORTFOLIO CONSTRUCTION
Risk Controls
QUALITATIVE ANALYSIS
Data Check, Street Research Overview
CONCENTRATED FINAL PORTFOLIO
SELL
Discipline

RISK-ADJUSTED RELATIVE RETURN



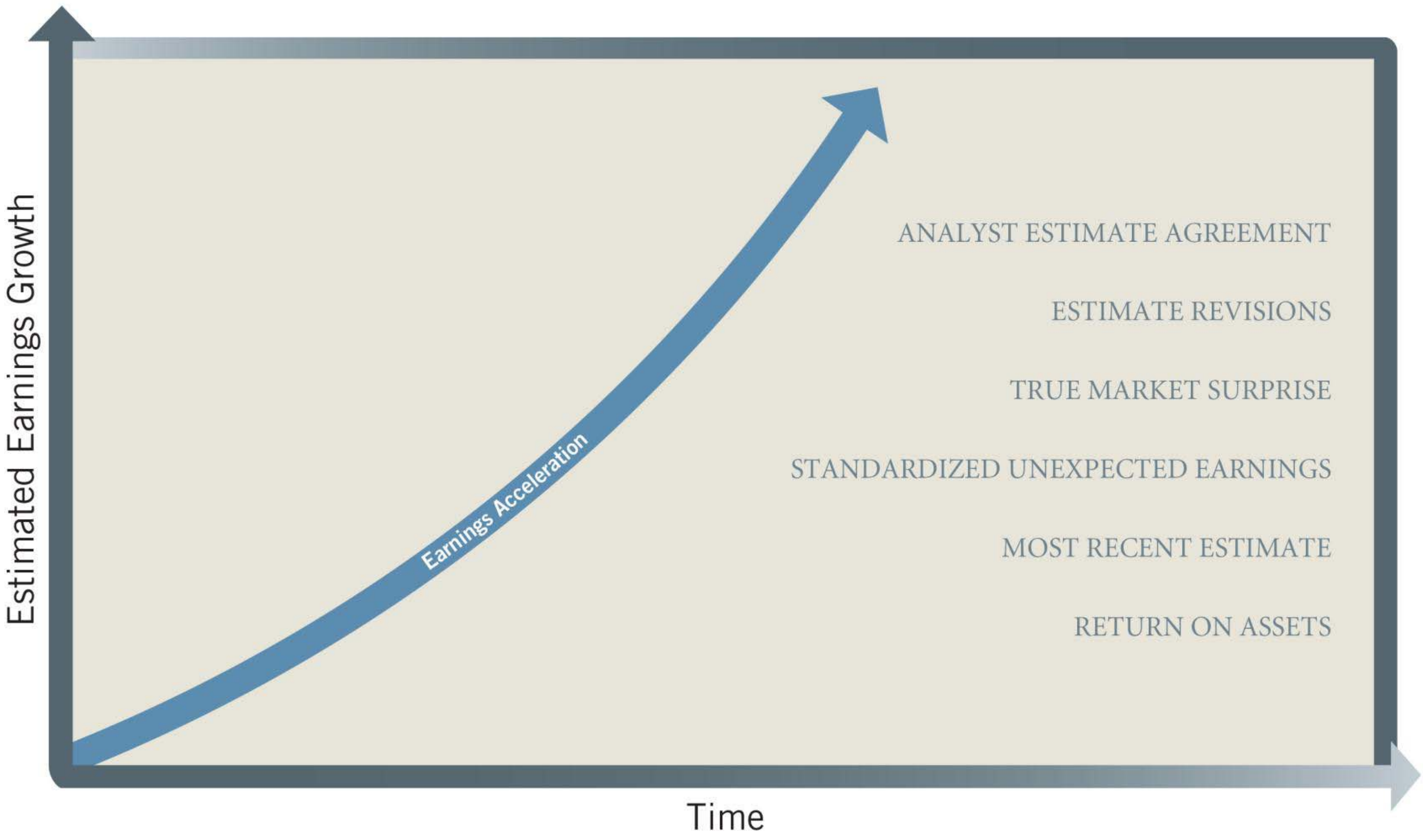
Currency Strategy

(Non-U.S. and Global)

- Unhedged
- Quantitative process incorporates currency valuation

Source: McKinley Capital Management, LLC December 2006

ESTIMATED GROWTH CONCEPTUALIZATION



STRUCTURAL FILTERS

Capacity Constraints

- Liquidity constraints dictate maximum capacity
- Maximum asset levels have been established for every product

Liquidity Filters

- Minimum market cap of U.S. $100 million *(by style)*
- Buy-in positions not to exceed three times average daily trading volume

RISK CONTROLS

We seek to create “balanced” portfolios by controlling systematic influences such as:

- Sector
- Industry
- Country
- Region *(emerging markets)*
- Size *(market capitalization)*
- Position *(active weight)*
- Number of stocks *(varies by product)*

DATA CHECK AND OVERVIEW

Purpose: *To ensure that earnings estimates are reasonable and sustainable.*

Qualitative Data Check

- Compare data across multiple sources to ensure accuracy
- Review formulas to highlight drivers

Street Research Overview

- WHO: Determine the top analyst
- WHAT: Top analyst's expectations vs. the Street's
- WHY: Why the top analyst's opinion is different from the Street's
- CROSS-REFERENCE: Research top analyst's opinion and other sources

SELL DISCIPLINE

Sells are triggered by the following strict, objective criteria:

- A consecutive and sustained deterioration in risk-adjusted relative return
- Estimate deceleration
- Negative earnings surprises
- Relative forward valuation multiples exceeding relative forward growth estimates
- Risk controls
- Country factors *(nationalization, capital controls, etc.)*
- Fraud *(earnings re-statement)*

Section 3

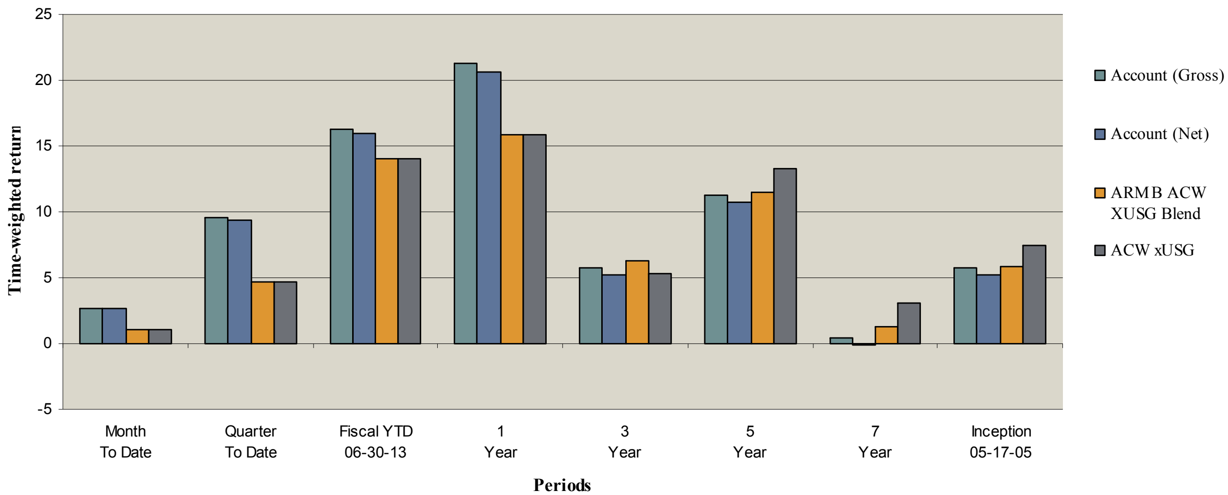
INVESTMENT RESULTS
ANNUALIZED

Alaska Retirement Management Board

Non-U.S. Growth
For the Period Ended 12/31/2013

Reporting Currency: United States Dollar

	Month To Date	Quarter To Date	Fiscal YTD 06-30-13	One Year	Three Year	Five Year	Seven Year	Inception 05-17-05
Account (Gross)	2.68	9.53	16.25	21.24	5.73	11.31	0.44	5.74
Account (Net)	2.68	9.41	15.97	20.67	5.22	10.77	-0.06	5.24
ARMB ACW XUSG Blend	1.04	4.69	13.99	15.86	6.25	11.44	1.28	5.90
Difference (Gross)	**1.64**	**4.84**	**2.26**	**5.38**	**-0.52**	**-0.13**	**-0.84**	**-0.16**
ACW xUSG	1.04	4.69	13.99	15.86	5.29	13.28	3.08	7.42
Difference (Gross)	**1.64**	**4.84**	**2.26**	**5.38**	**0.44**	**-1.97**	**-2.64**	**-1.68**



* The blended benchmark consists of the MSCI EAFE Index from the account inception, 5/17/2005, through 10/31/2012. After 10/31/2012, the blended benchmark is the MSCI ACW XUSG Index. The two benchmarks have been linked.

Non-U.S. Growth Composite Performance - *USD$*

Performance for the period ended December 31, 2013

Calendar Year Performance (%)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Non-U.S. Growth (gross)	20.77	15.08	-14.72	13.20	26.53	-49.61	19.90	28.57	18.36	26.19
Non-U.S. Growth (net)	20.07	14.50	-15.18	12.62	25.87	-49.87	19.37	28.02	17.90	25.76
MSCI ACW XUS Growth	15.86	17.07	-13.93	14.79	39.21	-45.41	21.40	23.96	17.08	17.07
Difference (gross)	4.91	-1.99	-0.79	-1.59	-12.68	-4.20	-1.50	4.61	1.28	9.12
MSCI ACW XUS	15.78	17.39	-13.33	11.60	42.14	-45.24	17.12	27.16	17.11	21.36
MSCI EAFE	23.29	17.90	-11.73	8.21	32.46	-43.06	11.63	26.86	14.02	20.70

Calendar Year Performance (%)	2003	2002	2001	2000	1999	1998	1997	1996	1995
Non-U.S. Growth (gross)	43.77	-7.48	-22.05	-21.10	54.21	6.40	38.70	14.99	6.52 [2]
Non-U.S. Growth (net)	43.10	-7.91	-22.39	-21.50	53.00	4.90	36.67	13.18	6.20 [2]
MSCI ACW XUS Growth	34.91	-14.74	-23.44	-24.85	35.72	16.93	2.21	N/A [1]	N/A [1]
Difference (gross)	8.86	7.26	1.39	3.75	18.49	-10.53	36.49	N/A [1]	N/A [1]
MSCI ACW XUS	41.41	-14.67	-19.50	-15.09	30.91	14.46	2.04	6.68	3.55 [2]
MSCI EAFE	39.17	-15.66	-21.21	-13.96	27.30	20.33	2.06	6.36	4.13 [2]

[1] Inception date for MSCI ACWXUS Growth 1Q97

[2] Year end numbers for 1995 reflect performance from 10/95-12/95

Preliminary

Trailing Performance (%)	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	Inception (10/01/95)
Non-U.S. Growth (gross)	8.41	20.77	20.77	5.83	11.16	0.36	7.01	8.58
Non-U.S. Growth (net)	8.26	20.07	20.07	5.26	10.58	-0.15	6.50	7.85
MSCI ACW XUS Growth	4.69	15.86	15.86	5.29	13.28	3.08	7.70	N/A [1]
Difference (gross)	3.72	4.91	4.91	0.54	-2.12	-2.72	-0.69	N/A [1]
MSCI ACW XUS	4.81	15.78	15.78	5.61	13.32	2.62	8.04	6.24
MSCI EAFE	5.75	23.29	23.29	8.66	12.96	2.26	7.39	5.83

[1] Inception date for MSCI ACWXUS Growth 1Q97

Performance periods greater than one year are annualized.

Source: McKinley Capital Management, LLC

See the International Non-U.S. Growth Annual Disclosure Presentation at the end of the report.

ATTRIBUTION SUMMARY

Alaska Retirement Management Board

Non-U.S. Growth
From 9/30/2013 to 12/31/2013

Reporting Currency: United States Dollar

The Alaska Retirement Management Board Non-U.S. Growth Portfolio outperformed the MSCI All Country World Ex-United States Growth Index last quarter (9.53% vs 4.69%, USD, gross of fees).

Performance Drivers	Total Effect
Position Contributors	
Himax Technologies Inc.	0.72
Whitbread Plc	0.47
Skandinaviska Enskilda Banken AB	0.39
Berkeley Group Holdings Plc	0.37
DNO International ASA	0.36
Position Detractors	
Neste Oil Oyj	-0.28
Japan Tobacco Inc.	-0.25
Power Assets Holdings Ltd.	-0.19
China Overseas Land & Investment Ltd.	-0.14
Aozora Bank Ltd.	-0.13
Developed/Emerging	
Developed	4.14
Emerging	0.93

	Total Effect
Country Contributors	
United Kingdom	1.71
Taiwan	0.85
Switzerland	0.58
Country Detractors	
China	-0.50
Japan	-0.32
Germany	-0.31
Sector Contributors	
Consumer Discretionary	1.45
Information Technology	0.74
Health Care	0.63
Sector Detractors	
Utilities	-0.21

ATTRIBUTION SUMMARY

Alaska Retirement Management Board

Non-U.S. Growth
From 12/31/2012 to 12/31/2013

Reporting Currency: United States Dollar

The Alaska Retirement Management Board Non-U.S. Growth Portfolio outperformed the MSCI All Country World Ex-United States Growth Index year to date (21.24% vs 15.86%, USD, gross of fees).

Performance Drivers	Total Effect
Position Contributors	
Himax Technologies Inc.	1.48
EasyJet Plc	1.18
ITV Plc	0.99
Tosoh Corp.	0.87
KDDI Corp.	0.76
Position Detractors	
Debenhams Plc	-0.52
Krung Thai Bank Public Co. Ltd.	-0.46
PostNL NV	-0.43
Suedzucker AG	-0.38
Duratex SA	-0.37
Developed/Emerging	
Developed	4.98
Emerging	1.48

	Total Effect
Country Contributors	
United Kingdom	2.40
Taiwan	1.36
Switzerland	0.94
Country Detractors	
Japan	-0.92
Germany	-0.91
Netherlands	-0.62
Sector Contributors	
Materials	2.48
Energy	1.47
Information Technology	0.90
Sector Detractors	
Industrials	-0.29
Utilities	-0.21
Consumer Staples	-0.05

ASSET SUMMARY

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

PORTFOLIO COMPOSITION

	Market Value	Pct. Assets
Equities	360,016,231.51	96.9
Fixed Income	0.00	0.0
Cash	10,887,071.36	2.9
Accruals	779,843.74	0.2
Other	0.00	0.0
Total	**371,683,146.61**	**100.0**

CHANGE IN PORTFOLIO

Portfolio Value on 09-30-13	339,320,583.19
Net Additions/Withdrawals	0.00
Realized Gains	-709,119.53
Unrealized Gains*	31,904,623.27
Income and Expenses	1,168,452.19
Portfolio Value on 12-31-13	**371,683,146.61**

*Change in unrealized gain/loss from prior period.

PORTFOLIO CHARACTERISTICS

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

	Account	ACW xUSG
Number of Holdings	86	1,062
Market Capitalization BIL*	27.94	43.88
Earnings Growth (Current Year)	15.55 %	10.53 %
Price/Earnings (Last 12 Months)	14.40	18.80
Price/Earnings (Forward 1 Year Est.)	16.74	18.92
Dividend Yield	1.95 %	1.70 %
Price to Book	2.14	2.18
Return on Assets	7.83 %	5.01 %

*Figure is weighted average; all other figures are median.

TOP TEN WEIGHTS

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Security	Country	Nominal Weight
Roche Holding AG	Switzerland	3.76
Toyota Motor Corp.	Japan	2.63
Whitbread Plc	United Kingdom	2.31
Skandinaviska Enskilda Banken AB	Sweden	2.21
ITV Plc	United Kingdom	2.21
Magna International Inc.	Canada	2.16
EasyJet Plc	United Kingdom	2.16
Recordati SpA	Italy	2.09
Himax Technologies Inc.	Taiwan	2.06
Nissan Chemical Industries Ltd.	Japan	1.97
TOTAL		**23.56**

Security	Country	Active Weight
Skandinaviska Enskilda Banken AB	Sweden	2.21
Whitbread Plc	United Kingdom	2.19
EasyJet Plc	United Kingdom	2.12
Recordati SpA	Italy	2.09
ITV Plc	United Kingdom	2.08
Himax Technologies Inc.	Taiwan	2.06
Nissan Chemical Industries Ltd.	Japan	1.97
Magna International Inc.	Canada	1.96
Galenica AG	Switzerland	1.91
Tosoh Corp.	Japan	1.91
TOTAL		**20.51**

Active weight vs. ACW xUSG

The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

SECTOR WEIGHTS

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

MSCI GICS Sector	Portfolio	ACW xUSG	Difference	Portfolio As Of Prior Quarter End
Consumer Discretionary	22.9	15.1	7.7	26.4
Consumer Staples	8.3	15.4	-7.1	8.8
Energy	1.8	5.0	-3.2	1.9
Financials	15.9	17.7	-1.8	14.7
Health Care	11.5	9.7	1.8	12.1
Industrials	12.1	14.8	-2.7	12.5
Information Technology	8.1	9.9	-1.8	5.2
Materials	9.2	6.8	2.4	9.6
Telecommunication Services	5.5	4.0	1.4	5.6
Utilities	1.5	1.5	0.1	1.6
Cash	3.1	0.0	3.1	1.5
TOTAL	**100.0**	**100.0**		**100.0**

COUNTRY WEIGHTS

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Country	Portfolio	ACW xUSG	Difference	Portfolio As Of Prior Quarter End
Developed	**82.6**	**79.6**	**2.9**	**79.8**
Australia	2.7	5.4	-2.7	3.0
Austria	0.0	0.1	-0.1	0.0
Belgium	1.3	1.3	0.0	1.4
Canada	8.6	7.1	1.5	7.2
Denmark	2.7	1.4	1.2	2.5
Finland	1.0	0.6	0.4	1.5
France	2.3	6.7	-4.4	1.0
Germany	3.2	6.0	-2.8	3.2
Hong Kong	3.6	2.6	0.9	3.8
Ireland	1.2	0.2	1.0	1.1
Israel	0.0	0.3	-0.3	0.0
Italy	4.9	1.0	4.0	5.1
Japan	15.8	15.3	0.6	17.3
Luxembourg	0.0	0.1	-0.1	0.0
Netherlands	0.5	2.8	-2.3	0.5
New Zealand	0.0	0.1	-0.1	0.0
Norway	0.8	0.1	0.7	0.5
Portugal	0.0	0.1	-0.1	0.0
Singapore	0.0	1.0	-1.0	0.0
Spain	1.5	2.7	-1.2	1.3
Sweden	3.4	2.7	0.8	3.2
Switzerland	10.0	9.5	0.5	9.7
United Kingdom	19.1	12.6	6.5	17.6

Country	Portfolio	ACW xUSG	Difference	Portfolio As Of Prior Quarter End
Emerging	**14.3**	**20.4**	**-6.1**	**18.7**
Brazil	0.9	2.2	-1.3	1.0
Chile	0.0	0.3	-0.3	0.0
China	3.8	3.7	0.1	3.3
Colombia	0.0	0.2	-0.2	0.0
Czech Republic	0.0	0.0	0.0	0.0
Egypt	0.0	0.0	0.0	0.0
Greece	0.0	0.1	-0.1	0.0
Hungary	0.0	0.1	-0.1	0.0
India	0.0	1.3	-1.3	0.4
Indonesia	0.0	0.4	-0.4	2.1
Malaysia	0.4	0.8	-0.4	1.7
Mexico	0.5	1.1	-0.6	0.6
Peru	0.0	0.1	-0.1	0.0
Philippines	0.6	0.2	0.4	0.6
Poland	0.0	0.3	-0.3	0.0
Qatar	0.5	0.0	0.5	0.9
Russia	0.2	1.3	-1.1	0.0
South Africa	0.5	1.5	-1.0	0.5
South Korea	2.4	3.5	-1.1	2.5
Taiwan	3.7	2.4	1.3	2.9
Thailand	0.8	0.4	0.4	1.5
Turkey	0.0	0.3	-0.3	0.0
United Arab Emirates	0.0	0.0	0.0	0.6
Cash	3.1	0.0	3.1	1.5
TOTAL	**100.0**	**100.0**		**100.0**

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
Australia						
COMMON STOCK						
80,060	Flight Centre Travel Group Ltd	42.10	3,370,879.36	42.54	3,405,802.70	0.9
174,020	JB Hi-Fi Ltd	19.60	3,410,495.90	19.23	3,347,271.99	0.9
712,950	Telstra Corp.	3.24	2,306,600.34	4.70	3,348,665.41	0.9
			9,087,975.60		10,101,740.10	2.7
Australia Total			9,087,975.60		10,101,740.10	2.7
Belgium						
COMMON STOCK						
113,400	Ageas	34.69	3,934,292.80	42.65	4,836,237.37	1.3
Belgium Total			3,934,292.80		4,836,237.37	1.3
Brazil						
COMMON STOCK						
205,800	Estacio Participacoes SA	8.21	1,689,335.14	8.65	1,780,386.99	0.5
40,200	M Dias Branco SA	39.85	1,602,028.98	42.39	1,703,931.33	0.5
			3,291,364.11		3,484,318.32	0.9
CASH AND EQUIVALENTS						
35,320.54	Accrued Dividends BRL	0.43	15,304.52	0.42	14,971.09	0.0

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
Brazil Total			3,306,668.63		3,499,289.41	0.9
Canada						
COMMON STOCK						
26,800	Canadian Pacific Railway Ltd	120.30	3,223,938.38	151.20	4,052,160.00	1.1
28,000	Constellation Software Inc/Canada	186.11	5,211,189.60	211.76	5,929,148.24	1.6
33,100	Gildan Activewear Inc.	40.79	1,350,308.83	53.28	1,763,568.00	0.5
98,100	Magna International Inc.	78.63	7,713,413.31	81.98	8,041,891.76	2.2
6,969	Methanex Corp.	52.33	364,654.20	59.12	412,040.08	0.1
78,500	Metro Inc.	63.77	5,005,907.44	61.08	4,794,964.71	1.3
70,900	West Fraser Timber Co Ltd	80.61	5,715,114.30	97.51	6,913,167.06	1.9
			28,584,526.06		31,906,939.84	8.6
CASH AND EQUIVALENTS						
52,817.92	Accrued Dividends CAD	0.94	49,719.31	0.94	49,710.98	0.0
Canada Total			28,634,245.37		31,956,650.82	8.6
China						
COMMON STOCK						
1,898,000	China Overseas Land & Invest	3.01	5,717,218.02	2.81	5,336,308.93	1.4
6,246,000	Country Garden Holdings Co.	0.52	3,263,564.65	0.60	3,769,954.38	1.0

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
1,550,000	Huaneng Power Intl	1.06	1,645,808.60	0.90	1,401,322.12	0.4
4,038,000	Soho China Ltd	0.86	3,460,171.71	0.86	3,478,812.64	0.9
			14,086,762.98		13,986,398.06	3.8
China Total			14,086,762.98		13,986,398.06	3.8
Denmark						
COMMON STOCK						
76,510	Coloplast A/S	50.96	3,899,090.01	66.31	5,073,251.33	1.4
197,260	GN Store Nord A/S	16.54	3,262,417.81	24.60	4,853,074.75	1.3
			7,161,507.82		9,926,326.07	2.7
CASH AND EQUIVALENTS						
390,966.10	DANISH KRONER - INCOME CASH	0.18	71,716.50	0.18	72,212.57	0.0
Denmark Total			7,233,224.32		9,998,538.65	2.7
Europe						
CASH AND EQUIVALENTS						
11,087.94	EURO	1.35	15,021.12	1.38	15,278.64	0.0
116,919.73	EURO - INCOME CASH	1.38	161,016.08	1.38	161,109.71	0.0
			176,037.19		176,388.35	0.0

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
Europe Total			176,037.19		176,388.35	0.0
Finland						
COMMON STOCK						
140,570	Elisa OYJ	24.42	3,432,209.65	26.54	3,730,635.58	1.0
Finland Total			3,432,209.65		3,730,635.58	1.0
France						
COMMON STOCK						
63,650	Thales Sa	50.10	3,189,179.38	64.49	4,104,669.19	1.1
39,120	Valeo Sa	86.77	3,394,263.84	110.83	4,335,616.05	1.2
			6,583,443.21		8,440,285.24	2.3
France Total			6,583,443.21		8,440,285.24	2.3
Germany						
COMMON STOCK						
134,560	Drillisch AG	21.81	2,934,472.17	28.94	3,893,759.95	1.0
96,780	Symrise AG	30.73	2,974,449.22	46.16	4,467,497.57	1.2
45,810	United Internet AG	35.19	1,612,167.27	42.61	1,951,792.65	0.5

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
24,880	Wincor Nixdorf AG	66.26	1,648,540.87	69.41	1,726,856.41	0.5
			9,169,629.53		12,039,906.58	3.2
Germany Total			9,169,629.53		12,039,906.58	3.2
Hong Kong						
COMMON STOCK						
1,045,500	Link Reit	4.98	5,209,835.97	4.85	5,069,908.76	1.4
443,500	Power Assets Holdings Ltd	7.11	3,153,059.75	7.95	3,526,265.17	0.9
1,381,000	SJM Holdings Limited	1.11	1,531,089.81	3.35	4,630,792.15	1.2
			9,893,985.54		13,226,966.08	3.6
CASH AND EQUIVALENTS						
-3.00	HONG KONG DOLLAR	0.13	-0.39	0.13	-0.39	0.0
838,700.10	HONG KONG DOLLAR - INCOME CASH	0.13	108,183.77	0.13	108,167.04	0.0
			108,183.38		108,166.66	0.0
Hong Kong Total			10,002,168.92		13,335,132.73	3.6
Ireland						
COMMON STOCK						
275,135	Glanbia PLC	10.44	2,873,027.94	15.52	4,268,921.13	1.1

PORTFOLIO APPRAISAL
Alaska Retirement Management Board
Non-U.S. Growth
December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
	Ireland Total		2,873,027.94		4,268,921.13	1.1
Italy						
COMMON STOCK						
36,010	Brembo SpA	23.17	834,193.89	26.98	971,560.19	0.3
1,373,500	Intesa Sanpaolo SpA	1.89	2,593,544.15	2.02	2,768,897.57	0.7
1,245,645	Parmalat SpA	3.31	4,120,445.47	3.41	4,249,901.16	1.1
538,770	Recordati SpA	11.03	5,943,627.32	14.41	7,765,492.24	2.1
67,890	Salvatore Ferragamo SpA	33.82	2,296,150.63	38.10	2,586,633.18	0.7
			15,787,961.47		18,342,484.34	4.9
	Italy Total		15,787,961.47		18,342,484.34	4.9
Japan						
COMMON STOCK						
1,955,000	Aozora Bank Ltd	2.67	5,225,672.44	2.84	5,542,932.73	1.5
24,990	Electric Power Development Co Ltd	33.65	840,810.20	29.16	728,741.19	0.2
195,000	Japan Tobacco Inc.	30.68	5,982,605.89	32.54	6,345,082.88	1.7
66,700	KDDI Corp.	38.00	2,534,708.81	61.56	4,105,884.20	1.1
274,000	NGK Spark Plug Co Ltd	15.18	4,159,004.62	23.69	6,491,222.45	1.7
462,000	Nissan Chemical Industries Ltd	12.01	5,548,837.03	15.88	7,336,263.04	2.0
24,400	Nomura Research Institute	35.52	866,785.66	31.54	769,573.21	0.2

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
387,000	Oji Holdings Corp	4.67	1,808,895.55	5.13	1,984,615.20	0.5
549,000	Seino Holdings Co Ltd	9.28	5,092,146.45	10.49	5,761,352.38	1.6
57,000	Sumitomo Mitsui Financial Group	41.94	2,390,602.34	51.57	2,939,346.09	0.8
1,523,000	Tosoh Corp	2.66	4,056,673.35	4.65	7,085,742.15	1.9
159,900	Toyota Motor Corp.	53.49	8,552,355.67	61.08	9,766,974.95	2.6
			47,059,098.01		58,857,730.47	15.8
CASH AND EQUIVALENTS						
7,820,000.00	Accrued Dividends JPY	0.01	74,689.59	0.01	74,401.78	0.0
5,865,000.00	JAPANESE YEN - INCOME CASH	0.01	59,273.75	0.01	55,801.34	0.0
			133,963.34		130,203.12	0.0
Japan Total			47,193,061.36		58,987,933.59	15.9
Malaysia						
COMMON STOCK						
1,102,300	Gamuda Bhd	1.48	1,629,426.36	1.47	1,615,338.12	0.4
Malaysia Total			1,629,426.36		1,615,338.12	0.4
Mexico						
COMMON STOCK						
765,800	Ohl Mexico Sab De Cv	3.34	2,556,441.07	2.55	1,954,676.70	0.5

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
Mexico Total			2,556,441.07		1,954,676.70	0.5
Netherlands						
COMMON STOCK						
49,610	Koninklijke Philips Electronics NV	33.28	1,651,135.52	36.72	1,821,456.70	0.5
Netherlands Total			1,651,135.52		1,821,456.70	0.5
New Zealand						
CASH AND EQUIVALENTS						
0.01	NEW ZEALAND DOLLAR	0.79	0.01	0.82	0.01	0.0
New Zealand Total			0.01		0.01	0.0
Norway						
COMMON STOCK						
731,000	DNO International ASA	2.25	1,645,330.99	3.99	2,915,878.92	0.8
Norway Total			1,645,330.99		2,915,878.92	0.8
Philippines						
COMMON STOCK						
3,638,500	Alliance Global Group Inc.	0.65	2,352,720.93	0.58	2,115,097.17	0.6

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
Philippines Total			2,352,720.93		2,115,097.17	0.6
Qatar						
COMMON STOCK						
38,560	Industries Qatar	45.39	1,750,124.56	46.38	1,788,489.36	0.5
Qatar Total			1,750,124.56		1,788,489.36	0.5
Russia						
ADR / GDR COMMON STOCK						
13,335	Magnit OJSC	64.39	858,577.91	66.20	882,777.00	0.2
Russia Total			858,577.91		882,777.00	0.2
South Africa						
COMMON STOCK						
101,020	Mondi Ltd	16.42	1,658,711.13	17.16	1,733,218.19	0.5
CASH AND EQUIVALENTS						
0.01	SOUTH AFRICAN ZAR	0.10	0.00	0.10	0.00	0.0
South Africa Total			1,658,711.13		1,733,218.19	0.5

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
South Korea						
COMMON STOCK						
2,844	Samsung Elec. Co. Ltd	957.88	2,724,220.63	1,300.04	3,697,321.27	1.0
23,940	SK Telecom Co Ltd	164.31	3,933,515.60	217.94	5,217,416.02	1.4
			6,657,736.23		8,914,737.29	2.4
South Korea Total			6,657,736.23		8,914,737.29	2.4
Spain						
COMMON STOCK						
126,060	Amadeus It Holding Sa	23.88	3,009,686.81	42.86	5,403,080.14	1.5
Spain Total			3,009,686.81		5,403,080.14	1.5
Sweden						
COMMON STOCK						
26,780	ICA Gruppen AB	30.23	809,538.75	31.30	838,099.83	0.2
622,660	Skandinaviska Enskilda Banken AB	10.63	6,618,230.70	13.20	8,221,213.84	2.2
187,510	Trelleborg AB	17.92	3,359,911.39	19.91	3,734,084.17	1.0
			10,787,680.84		12,793,397.85	3.4
CASH AND EQUIVALENTS						
0.01	SWEDISH KRONA	0.15	0.00	0.16	0.00	0.0

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
Sweden Total			10,787,680.84		12,793,397.85	3.4
Switzerland						
COMMON STOCK						
24,320	Actelion Ltd	69.81	1,697,704.08	84.72	2,060,507.11	0.6
7,030	Galenica AG	826.01	5,806,883.13	1,009.73	7,098,375.22	1.9
77,060	Nestle SA	65.59	5,054,703.53	73.42	5,658,085.12	1.5
252,400	OC Oerlikon Corp AG	10.10	2,550,474.54	15.01	3,788,767.08	1.0
49,860	Roche Holding AG	174.03	8,677,053.68	280.20	13,971,003.54	3.8
51,160	Swiss Re AG	65.19	3,334,939.62	92.26	4,719,939.28	1.3
			27,121,758.59		37,296,677.35	10.0
Switzerland Total			27,121,758.59		37,296,677.35	10.0
Taiwan						
COMMON STOCK						
527,000	Makalot Industrial Co Ltd	5.47	2,883,051.55	5.40	2,846,880.69	0.8
ADR / GDR COMMON STOCK						
521,250	Himax Technologies Inc.	7.07	3,684,866.87	14.71	7,667,587.50	2.1
176,550	Taiwan Semiconductor Manufacturing Co. ADR	18.80	3,319,899.17	17.44	3,079,032.00	0.8
			7,004,766.04		10,746,619.50	2.9

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
CASH AND EQUIVALENTS						
10.00	NEW TAIWAN DOLLAR	0.03	0.34	0.03	0.34	0.0
Taiwan Total			9,887,817.93		13,593,500.52	3.7
Thailand						
COMMON STOCK						
11,731,700	BTS Group Holdings PCL	0.28	3,343,171.84	0.26	3,106,080.04	0.8
Thailand Total			3,343,171.84		3,106,080.04	0.8
United Kingdom						
COMMON STOCK						
72,390	ATKINS (WS) Plc	18.98	1,374,085.34	23.49	1,700,126.04	0.5
723,060	Barratt Developments Plc	3.05	2,203,223.47	5.78	4,179,516.80	1.1
123,070	Berkeley Group Holdings PLC	31.89	3,924,496.88	43.99	5,413,854.54	1.5
139,030	BHP Billiton Plc	34.67	4,820,225.39	30.96	4,303,721.26	1.2
316,090	Easyjet Plc	10.60	3,350,751.76	25.44	8,041,337.39	2.2
207,940	Genel Energy Plc	17.54	3,647,297.13	17.80	3,702,310.30	1.0
85,640	Hargreaves Lansdown PLC	15.48	1,325,503.29	22.43	1,920,532.38	0.5
144,310	Imi Plc	23.64	3,411,662.45	25.26	3,644,958.45	1.0
2,551,460	ITV PLC	1.87	4,766,556.76	3.21	8,198,167.85	2.2
1,085,130	Legal & General Group Plc	3.16	3,425,899.25	3.69	4,002,471.97	1.1

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
4,978,610	Lloyds Banking Group Plc	1.21	6,021,072.80	1.31	6,504,311.33	1.7
50,560	Next Plc	60.44	3,055,748.01	90.27	4,563,834.42	1.2
275,370	Reed Elsevier Plc	9.74	2,682,424.53	14.89	4,100,177.22	1.1
43,650	Shire Plc	45.99	2,007,297.58	47.24	2,061,864.31	0.6
138,360	Whitbread PLC	35.61	4,926,978.83	62.13	8,595,753.04	2.3
			50,943,223.46		70,932,937.32	19.1
CASH AND EQUIVALENTS						
203,759.03	Accrued Dividends GBP	1.63	331,349.52	1.66	337,476.22	0.1
17,385.56	POUNDS - INCOME CASH	1.61	27,975.18	1.66	28,794.86	0.0
			359,324.71		366,271.08	0.1
United Kingdom Total			51,302,548.16		71,299,208.40	19.2
United States						
CASH AND EQUIVALENTS						
	Accrued Interest USD		28.59		28.59	0.0
	Accrued Tax Reclaims		303,255.08		303,255.08	0.1
	U.S. DOLLARS		10,445,707.24		10,445,707.24	2.8
			10,748,990.91		10,748,990.91	2.9
United States Total			10,748,990.91		10,748,990.91	2.9

PORTFOLIO APPRAISAL

Alaska Retirement Management Board

Non-U.S. Growth

December 31, 2013

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
TOTAL PORTFOLIO			**298,462,568.77**		**371,683,146.61**	**100.0**

Section 4

ORGANIZATIONAL CHART

As of January 1, 2014

Robert B. Gillam
President
Chief Executive Officer

- **Robert A. Gillam, CFA**
  Senior Vice President
  Chief Investment Officer
  - **Quantitative Research**
    - **John B. Guerard Jr, Ph. D.** Director of Quantitative Research
      - **Sundaram Chettiappan CFA** Senior Quantitative Research Analyst
      - **Kenneth P. Lenhart** Quantitative Research Analyst
      - **Ziwei (Elaine) Wang** Quantitative Research Analyst
      - **Abhishek Saxena** Quantitative Research Analyst
      - **Harry M. Markowitz, Ph. D.** Quantitative Research Consultant
      - **Ganlin Xu, Ph. D.** Quantitative Research Consultant
      - **Rochester Cahan, CFA** Quantitative Research Consultant
      - **Ted L. Gifford** Quantitative Research Consultant
  - **Portfolio Management**
    - **Martino M. Boffa, CFA** Director of Investments Alternative Structures
    - **Gregory S. Samorajski, CFA** Director of Investments Portfolio Manager
      - **Sheldon J. Lien, CFA** Portfolio Manager
      - **Brandon S. Rinner, CFA** Portfolio Manager
      - **Paul Hanson, CFA** Portfolio Manager
      - **Forrest Badgley, CFA** Portfolio Manager
      - **Miles A. Wixon, CFA** Portfolio Manager
    - **David J. Talbot** Director of Investments Qualitative Research Analyst
      - **Flora J. Kim** Qualitative Research Analyst
      - **Shierley Widjaja** Qualitative Research Associate
  - **Trading**
    - **Joseph J. Dobrzynski** Head Trader
    - **Jeremy B. Lobb** Trader
    - **Claudia M. Jackson** Trader
    - **Brian D. Tillotson** Trader

Does not Include data management team or support staff

BIOGRAPHIES

PORTFOLIO MANAGEMENT TEAM*

Robert B. Gillam, President and Chief Executive Officer
M.B.A. Finance, University of California – Los Angeles, 1969
B.S. Economics, The Wharton School, University of Pennsylvania, 1968

Mr. Gillam is McKinley Capital's founder and remains today its President and Chief Executive Officer. He is responsible for overall corporate strategy and planning as well as providing oversight for all operational and investment management activities. Mr. Gillam serves on McKinley Capital's Executive Management Committee and is a member of the firm's Board of Directors. Mr. Gillam has over four decades of experience in the financial services industry, including banking, brokerage, and investment management. He has managed individual, corporate, and public investment accounts since 1970, beginning at Foster and Marshall, where he was elected First Vice President. In 1975, Mr. Gillam was appointed by Alaska's Governor to the Alaska State Investment Advisory Committee. In 1982, he became a General Partner of Boettcher and Company, an investment-banking firm, and in 1983 became an Allied Member of the New York Stock Exchange. At Boettcher Mr. Gillam assisted in the formation of the firm's managed accounts department. In 1988, Mr. Gillam began to incorporate Modern Portfolio Theory via quantitative computer models into active portfolio management. His achievements in this area serve as the foundation for McKinley Capital's quantitative investment methodology. In addition, Mr. Gillam has been featured in articles appearing in the Wall Street Journal, Forbes, Fortune and other financial publications.

Robert A. Gillam, CFA, Senior Vice President and Chief Investment Officer
B.S. Economics, Concentration: International Finance & Strategic Management, The Wharton School, University of Pennsylvania, 1994

Mr. Gillam joined McKinley Capital in 1994 and in his current role as Chief Investment Officer (CIO), he is responsible for all investment functions and personnel for traditional and alternative portfolios. He guides the firm's quantitative research, portfolio management, trading, risk management, and portfolio operations functions. Prior to becoming CIO, he worked as a Portfolio Manager with a specialty in non-U.S. and global strategies. Mr. Gillam serves on McKinley Capital's Executive Management Committee where he is actively involved in defining and developing corporate strategy and associated policies, procedures and programs and is a member of the firm's Board of Directors. He is a member of the CFA Institute; a member of the Wharton Global Family Alliance, a unique academic-family business partnership established to enhance the marketplace advantage and social wealth creation contributions of global families; and an investment committee member for the Rasmuson Foundation, a private foundation that supports Alaskan non-profit organizations; and an Advisory Board member of Jacobs Levy Equity Management Center for Quantitative Financial Research at Wharton.

Gregory S. Samorajski, CFA, Director of Investments, Portfolio Manager
M.B.A. Finance and Statistics, University of Chicago, 1979
B.A. Mathematics, Northwestern University, 1976

Mr. Samorajski joined McKinley Capital as a Portfolio Manager in 1997. In addition to stock selection responsibilities, he has applied his mathematical and quantitative talents to assist in developing and managing the firm's risk analysis and portfolio construction systems. Prior to joining McKinley, Mr. Samorajski worked for ten years at the Chicago Board of Trade as manager of the Exchange's financial futures product development group. In that capacity, Mr. Samorajski directed the design of the Federal Funds futures contract which is widely used today as a benchmark to determine the market's expectation of Federal Reserve policy changes. He also was responsible for the design of the successful Five-Year and Two-Year Treasury note futures contracts. Mr. Samorajski was also a market maker on the floor of the Chicago Board Options Exchange. He has served as a faculty member in the graduate Financial Markets and Trading Program of the Illinois Institute of Technology, and taught graduate investment classes at Alaska Pacific University.

Sheldon J. Lien, CFA, Portfolio Manager
B.S. Business, DeVry Institute of Technology, 1994

Mr. Lien joined McKinley Capital's Portfolio Management Team in 1995 and was trained in the discipline of strategic portfolio construction and management. Mr. Lien was formally promoted to Portfolio Manager in 1997 and participates as a member of McKinley Capital's Portfolio Management Team and shares responsibility for risk analysis and portfolio construction. Mr. Lien previously worked closely with the firm's programmers, providing valuable assistance in the development of McKinley Capital's proprietary computer software systems.

PORTFOLIO MANAGEMENT TEAM* *(continued)*

Brandon S. Rinner, CFA, Portfolio Manager
B.S. Applied Mathematics, University of Alaska - Anchorage, 1997

Mr. Rinner joined McKinley Capital's Portfolio Management Team in 1998 and was trained in the discipline of Portfolio Construction. He has capitalized on his studies in applied mathematics to assist in a variety of portfolio management functions which include alternative investment strategies and the investment global equity products where his responsibilities included back test models, quantitative models, and qualitative stock research. Mr. Rinner was formally promoted to Portfolio Manager in 2001 and participates as a member of McKinley Capital's Portfolio Management Team and shares responsibility for risk analysis and portfolio construction.

F. Paul Hanson, CFA, Portfolio Manager
M.B.A. University of Alaska - Southeast, 1999
B.S. Economics, University of Pennsylvania, Wharton School of Finance and Commerce, 1991

Mr. Hanson joined McKinley Capital's Portfolio Management Team in 2000 and was trained in the discipline of portfolio construction, while also supporting the portfolio management staff. Responsibilities included back-test models, quantitative models, and qualitative stock research. Mr. Hanson was formally promoted to Portfolio Manager in 2005 and participates as a member of McKinley Capital's Portfolio Management Team and shares responsibility for risk analysis and portfolio construction. Prior to joining McKinley Capital, Mr. Hanson was an Investment Associate for the Alaska Permanent Fund Corporation, and had additional prior experience in bank management.

M. Forrest Badgley, CFA, Portfolio Manager
M.B.A. Northwestern University, Kellogg School of Management, 2001
B.A. Philosophy, Dartmouth College, 1993

Mr. Badgley joined McKinley Capital's Quantitative Research Team in 2004 and received additional training in the discipline of portfolio construction where his responsibilities included back-test models, quantitative models and qualitative stock research. Mr. Badgley was formally promoted to Portfolio Manager in 2006 and participates as a member of McKinley Capital's Portfolio Management Team and shares responsibility for risk analysis and portfolio construction. Prior to joining McKinley Capital, Mr. Badgley worked on the currency futures trading desk for Aspire Trading and as a Quantitative Risk Management Analyst for Bank One.

Miles A. Wixon, CFA, Portfolio Manager
Master of International Affairs, Columbia University's School of International and Public Affairs, 1996
Bachelor of Arts with Honors, University of Wisconsin-Madison, 1994

Mr. Wixon joined McKinley Capital as a Portfolio Manager in 2009 and participates as a member of McKinley Capital's Portfolio Management Team and shares responsibility for risk analysis and portfolio construction. Prior to joining the firm Mr. Wixon was a Senior Vice President and Portfolio Manager for Oppenheimer Capital's Global Equity strategy. Earlier he was a Managing Director and Senior Portfolio Manager at Rockefeller & Company where he co-managed global, international and U.S. equities strategies, and covered the global financial services sector. He also previously covered the Japanese financial sector as a Tokyo-based analyst for Nikko Salomon Smith Barney from 1996 to 2000. Mr. Wixon is fluent in Japanese.

Martino M. Boffa, CFA, Director of Investments, Alternative Structures
M.S. Finance, Stuart School of the Illinois Institute of Technology, 1995
M.S. Economics & Business Administration, Universita' Cattolica del Sacro Cuore, Milan, 1991

Mr. Boffa joined McKinley Capital in 2009 as Director of Alternatives and Portfolio Manager. Mr. Boffa has more than 20 years of investment industry experience with over 16 years in alternative investments on both the buy and sell side. Under the direction of senior management, Mr. Boffa is responsible for the design, development, and implementation of alternative structures for the firm. Previously, Mr. Boffa was Senior Director of Arbitrage Strategies with Credit Suisse and managed a market neutral investment portfolio. Prior to that he worked at Société Générale where he was Managing Director of Hedge Fund Sales specializing in European equities.

*Portfolio Managers listed in order of tenure with the firm.

BIOGRAPHIES

QUALITATIVE RESEARCH TEAM

David J. Talbot, Director of Investments and Qualitative Research Analyst
BSc. Honours Mining Engineering and Mineral Economics, University of Nottingham, U.K., 1978

Mr. Talbot joined McKinley Capital as a Qualitative Research Analyst in 2007. In 2009 Mr. Talbot became Director of Investments. In this role he directly assists Robert A. Gillam, CIO, in client, consultant and investment team communication and coordination. Mr. Talbot has more than two decades of investment industry and personnel management experience, having formerly worked at Deutsche Bank AG, BNP Paribas, and John S. Herold, where he held senior positions in the research and institutional equity sales departments. As a Qualitative Research Analyst Mr. Talbot is a generalist who works closely with the Portfolio Management Team and is responsible for identifying and building relationships with leading global analysts to ascertain when the top analyst of a particular company sees any change that could result in higher or lower earnings. Prior to his career in the investment industry, Mr. Talbot worked for nearly a decade as a mining engineer and in various supervisory roles for several companies with mining operations.

Flora J. Kim, Qualitative Research Analyst
B.S. Management Science, University of California, San Diego, 2002
B.S. Biochemistry and Cell Biology, University of California, San Diego, 2002

Ms. Kim joined McKinley Capital as a Qualitative Research Analyst in 2007. She is a generalist who works closely with the Portfolio Management Team and is responsible for identifying and building relationships with leading global analysts to ascertain when the top analyst of a particular company sees any change that could result in higher or lower earnings. Ms. Kim has five years of experience as a healthcare and emerging markets analyst at Nicholas-Applegate. Prior to entering the investment industry, she worked in the healthcare industry performing laboratory research.

Shierley Widjaja, Qualitative Research Associate
M.B.A., Finance and Accounting, The Wharton School of Business, University of Pennsylvania, 2010
B.S., Electrical Engineering (summa cum laude), University of California, Los Angeles 2005

Ms. Widjaja joined McKinley Capital in 2010 as a Qualitative Research Associate. She is a member of McKinley Capital's Qualitative Research Team in New York and assists in providing security research, quantitative research and portfolio modeling. Ms. Widjaja has research and analyst experience from her prior work at UBS Investment Bank in Hong Kong and Singapore where she held positions as an Analyst in the Mergers & Acquisitions and Corporate Finance departments.

BIOGRAPHIES

QUANTITATIVE RESEARCH TEAM

John B. Guerard Jr., Ph.D., Director of Quantitative Research
Ph.D. Finance, University of Texas - Austin, 1980
M.S.I.M. Finance, Georgia Institute of Technology, 1977
M.A. Economics, University of Virginia, 1976
A.B. Economics, Duke University, cum laude, 1975

Dr. Guerard joined McKinley Capital as Director of Quantitative Research in 2005. His passion for global equity markets, along with his academic credentials and broad practitioner experience, make him a valuable addition to McKinley Capital. Dr. Guerard's focus is on the maintenance and enhancement of the firm's quantitative capabilities and investment models. Prior to joining McKinley Capital, he held a number of senior-level positions including Vice President for Daiwa Securities Trust Co. where he co-managed the Japan Equity Fund with Nobel Prize winner Dr. Harry Markowitz. He is also a former adjunct faculty member and faculty member of the Wharton School of the University of Pennsylvania and Rutgers University Graduate School of Management, respectively.

Harry M. Markowitz, Ph.D., Quantitative Research Consultant
Ph.D. Economics, University of Chicago, 1954
M.A. Economics, University of Chicago, 1950
Ph.B., University of Chicago, 1947

Dr. Harry Markowitz, Ph.D., joined McKinley Capital in 2012 as a Quantitative Research Consultant. In his distinguished career, Dr. Markowitz has served in various academic posts at many universities, including Baruch College, London School of Economics, London Business School, University of Tokyo, Rutgers University, Hebrew University, the Wharton School and UCLA. Dr. Markowitz has applied computer and mathematical techniques to various practical decision making areas. In finance: in an article in 1952 and a book in 1959 he presented what is now referred to as MPT, "modern portfolio theory." This has become a standard topic in college courses and texts on investments, and is widely used for asset allocation, risk control and attribution analysis by institutional investors and financial planners. In other areas: Dr. Markowitz developed "sparse matrix" techniques for solving very large mathematical optimization problems. These techniques are now standard in production software for optimization programs. Dr. Markowitz also designed and supervised the development of the SIMSCRIPT programming language. SIMSCRIPT has been widely used for programming computer simulations of systems such as factories, transportation systems and communication networks. In 1989 Dr. Markowitz received The John von Neumann Award from the Operations Research Society of America for his work in portfolio theory, sparse matrix techniques and SIMSCRIPT. In 1990 he shared The Nobel Prize in Economics for his work on portfolio theory. Currently, Harry Markowitz Company helps extend and apply portfolio theory. He is best known for his pioneering work in Modern Portfolio Theory, studying the effects of asset risk, return, correlation and diversification on probable investment portfolio returns.

Ganlin Xu, Ph.D., Quantitative Research Consultant
Ph.D. Mathematics, Carnegie Mellon University, 1990
B.S. Mathematics, University of Science and Technology of China, 1984

Dr. Ganlin Xu, Ph.D., joined McKinley Capital as a Quantitative Research Consultant in 2013. Dr. Xu has more than twenty (20) years of investment industry experience and is currently the Chief Technology Officer of GuidedChoice, Inc. Before joining Dr. Harry Markowitz at GuidedChoice in 2000, Dr. Xu worked with Dr. Markowitz in the global portfolio research group at Daiwa Securities. Dr. Xu led an effort at GuidedChoice to incorporate mean-variance efficient frontier into innovative products that provide investment advice and managed accounts to millions of investors. He has worked on various theoretical and practical aspects of portfolio management, and published papers in the SIAM Journal of Control and Optimizations and Annals of Applied Probability, among numerous others. Dr. Xu was co-recipient of the RIIA Practitioner Thought Leadership Award in 2012.

Rochester Cahan, CFA, Quantitative Research Consultant
Bachelor of Science and Bachelor of Business Studies double degree in Mathematical Physics and Finance, Massey University, New Zealand

Rochester Cahan joined McKinley Capital as a Quantitative Research Consultant in 2013. Mr. Cahan has more than ten (10) years of investment industry experience and is currently the U.S. Portfolio Strategist at Empirical Research Partners LLC. Before joining Empirical Research Partners LLC in 2013, Mr. Cahan was the head of U.S. Quantitative Strategy for Deutsche Bank in New York. During his tenure there the team was top-ranked for quantitative research in the Institutional Investor All-America Research Team survey for three consecutive years from 2011 through 2013. Before Deutsche Bank he also held quantitatively-focused positions at Macquarie Bank and Citigroup in both New York and Sydney, Australia from 2003 through 2010. In addition to his highly regarded practitioner research, Mr. Cahan has published a number of academic articles in top journals including The Journal of Empirical Finance, The Journal of Banking and Finance, and The Journal of Portfolio Management.

BIOGRAPHIES

QUANTITATIVE RESEARCH TEAM *(continued)*

Ted L. Gifford, Quantitative Research Consultant
M.S. Operations Research, Georgia Institute of Technology, 1981
M.A. Mathematics, University of California, Berkeley, 1972
B.A. Mathematics, University of California , Santa Barbara, 1971

Mr. Gifford contributes experience in computer science, mathematics, and statistical analysis to McKinley Capital. Prior to joining McKinley Capital, he was Associate Professor of Computer Science at the University of Alaska Anchorage. In addition to his strong academic background, Mr. Gifford has extensive knowledge of and experience in systems and software consulting. Mr. Gifford has a longstanding relationship with McKinley Capital, working with the firm as a consultant since the early 1990's to incorporate and formalize many of the quantitative research models McKinley Capital uses today. He continues that role in working to maintain and enhance McKinley Capital's quantitative capabilities and investment models.

Sundaram Chettiappan, CFA, Quantitative Research Analyst
M.S. Quantitative Computational Finance, Georgia Institute of Technology, 2005
B.E. Computer Science and Engineering, College of Engineering Guindy, Anna University, 2004

Mr. Chettiappan joined McKinley Capital as a Quantitative Research Analyst in 2006. He works with McKinley Capital's Global Quantitative Research Team to maintain and enhance the firm's investment models and is experienced in quantitative analysis. Prior to joining McKinley Capital, Mr. Chettiappan built quantitative analytic systems and developed Volatility Skew and Term Structure models while interning for Alopex Capital Management, LLC.

Kenneth P. Lenhart, Quantitative Research Analyst
M.B.A. with concentrations in Analytic Finance, Econometrics, and Statistics, University of Chicago, Chicago, IL 2007
B.A. Economics, Northwestern University, Evanston, IL 1999

Mr. Lenhart initially joined McKinley Capital as a Portfolio Associate in 2011 and is now a member of McKinley Capital's Global Quantitative Research Team that maintains and enhances the firm's investment models. Formerly, Mr. Lenhart was a Director of Equities & Quantitative Research for Midwest Asset Management, Inc. Prior to that he was at Deloitte Consulting as a Systems Analyst providing financial data model and securities expertise.

Ziwei (Elaine) Wang, Quantitative Research Analyst
M.S. Quantitative and Computational Finance, Georgia Institute of Technology, 2013
B.S Economics and Science, Peking University School of Economics & School of Mathematical Sciences, 2012

Ms. Wang joined McKinley Capital as a Quantitative Research Analyst in 2013. She works with McKinley Capital's Global Quantitative Research Team to maintain and enhance the firm's investment models. Ms. Wang interned with China Shenzhen Development Bank as an Asset Management Analyst, and with Anheuser-Busch as a Finance & Business Analyst.

Abhishek Saxena, Quantitative Research Analyst
M.S. Quantitative and Computational Finance, Georgia Institute of Technology, 2013
Bachelor of Technology, Pulp and Paper Engineering, Indian Institute of Technology (IIT) Roorkee, 2011

Mr. Saxena joined McKinley Capital as a Quantitative Research Analyst in 2013. He works with McKinley Capital's Global Quantitative Research Team to maintain and enhance the firm's investment models and is experienced in quantitative analysis in the investment industry. Prior to joining McKinley Capital, Mr. Saxena provided clients with reports and analysis of the investment opportunities in the Bombay Stock Exchange.

BIOGRAPHIES

TRADING AND OPERATIONS

Joseph J. Dobrzynski, Head Trader
M.B.A. Finance and Derivative Markets, Loyola University Chicago, Graduate School of Business, 1997
B.B.A. Accounting, Loyola University Chicago, 1995

Mr. Dobrzynski joined McKinley Capital as Head Trader in 2007. In this role, he manages the Global Equity Trading Desk and works closely with Trading Operations. Before relocating to Alaska to join McKinley, Mr. Dobrzynski spent ten years at William Blair & Company, four of them as Head of International Equity Trading. In that capacity, he directed the creation of the international equity trading desk and established an automated operations system.

Jeremy B. Lobb, Trader
B.S. Business, Montana State University, 2000

Mr. Lobb joined McKinley Capital in 2000 and is an integral member of the Global Equity Trading Team and responsible for execution of the firm's domestic and non-U.S. equities trading. Previously, he served as a Portfolio Assistant, providing support to the Portfolio Management Team and gained knowledge about McKinley's investment process as well as experience on the Portfolio Operations Team where he provided operational support for the firm's trading activities. He is a member of the Seattle Security Traders Association.

Claudia M. Jackson, Trader
Bachelor of Commerce Honors Degree (cum laude), Advanced Finance and Investment Management, University of South Africa, 1999
Bachelor of Commerce (cum laude), Finance, Economics and Law, University of South Africa, 1997

Ms. Jackson joined McKinley Capital in 2006 as an Operations Risk Specialist and was involved in infrastructure and trade-related projects. In 2007 Ms. Jackson became a Trader and formally joined McKinley Capital's Global Equity Trading Team where she is responsible for execution of the firms domestic and non-us equities trading. Prior to joining McKinley Capital, Ms. Jackson worked for Citibank in South Africa and two Canadian investment managers where she gained experience in foreign exchange trading and retail equity trading in both the U.S. and Canadian equity markets.

Brian D. Tillotson, Trader
B.B.A. University of Alaska, Fairbanks, 2003

Mr. Tillotson joined McKinley Capital's Trade Operations Support Group in 2004 where he provided operational support for the firm's trading activities and was involved in the daily reconciliation of trades and timely settlement of all transactions. He has held many trading related positions with McKinley Capital and in 2010 formally joined the Global Equity Trading Team.

Section 5

McKINLEY CAPITAL MANAGEMENT, LLC

INTERNATIONAL NON-U.S. GROWTH COMPOSITE

Year End	Total Firm Assets (millions)	Composite Assets		Annual Performance Results							
		U.S. Dollars (millions)	Number of accounts	Composite		Benchmark		3-Year Standard Deviation			Composite Dispersion (%)
									Benchmark		
				Gross (%)	Net (%)	Growth (%)	Core (%)	Composite (%)	Growth (%)	Core (%)	
2012	7,408	1,213	6	15.08	14.50	17.07	17.39	20.2	19.4	19.5	0.8
2011	8,585	1,588	9	(14.72)	(15.18)	(13.93)	(13.33)	21.6	22.1	23.1	0.5
2010	11,910	2,789	11	13.20	12.62	14.79	11.60				0.7
2009	12,729	6,737	55	26.53	25.87	39.21	42.14				0.7
2008	9,960	5,297	57	(49.61)	(49.87)	(45.41)	(45.24)				0.6
2007	16,332	8,689	55	19.90	19.37	21.40	17.12				0.8
2006	12,237	6,299	49	28.57	28.02	23.96	27.16				0.6
2005	8,704	4,733	44	18.36	17.90	17.08	17.11				0.2
2004	6,588	2,572	18	26.19	25.76	17.07	21.36				0.5
2003	4,718	1,187	10	43.77	43.10	34.91	41.41				0.5
2002	3,142	427	7	(7.48)	(7.91)	(14.74)	(14.67)				0.5
2001	3,304	398	13	(22.05)	(22.39)	(23.44)	(19.50)				0.3
2000	4,374	638	224	(21.10)	(21.50)	(24.85)	(15.09)				1.2
1999	3,448	269	131	54.21	53.00	35.72	30.91				1.2
1998	1,767	43	148	6.40	4.90	16.93	14.46				1.4
1997	1,142	28	106	38.70	36.67	2.21	2.04				2.0
1996	820	11	51	14.99	13.18	*	6.68				1.3
1995	331	1	2								

* MSCI ACW Ex US Growth Index inception date is 1/97

The **International Non-U.S. Growth Composite** includes fully discretionary institutional portfolios that invest in all capitalization Non-U.S. growth stocks that are considered to have earnings growth rates that are accelerating above market expectations as compared to the earnings growth rate of companies within the benchmark, MSCI All Country World Ex US Growth or the MSCI All Country World Ex US Index. It includes portfolios with equal to or greater than 25% emerging markets restrictions, 2x the benchmark or is silent regarding emerging markets restrictions and/or accounts that are registered in greater than of 90% of investable countries. Returns include the effect of foreign currency exchange rates which are obtained from Thomson Reuters Quantitative Analytics. The minimum account size for this composite is $100 thousand.

McKinley Capital Management, LLC claims compliance with Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. McKinley Capital Management, LLC has been independently verified for the period March 11, 1991 through December 31, 2012. Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS Standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS Standards. The International Non-U.S. Growth Composite has been examined for the periods October 1, 1995 through December 31, 2012. The verification and performance examination reports are available upon request.

McKinley Capital Management, LLC is a registered investment adviser under the SEC Investment Advisers Act of 1940 and a global growth equity manager. A complete list of composite descriptions is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Non-fee paying accounts represented less than 0.1% of the composite from 2007 - 2011. Non-fee-paying accounts were not included in the composite from 2001-2006 and 2012. Prior to January 1, 2001, non-fee paying accounts were included, and represented less than or equal to 1% of composite assets at each year-end 1996 through 2000, and 20% of the composite assets at year-end 1995. Effective July 1, 2002, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least $150 million or 50% of the portfolio market value, whichever is greater. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and reflects the reinvestment of all income to include realized gains, dividends, interest and other earnings. Net returns are reduced by all actual fees incurred. Effective April 1, 2001, the International Non-US Growth Composite includes only non-wrap accounts. On March 31, 2001 the International Non-U.S. Growth Composite consisted of 9% wrap assets. Gross returns for the wrap accounts are reduced by the non-management portion of the wrap fee. Other than brokerage commissions, this fee may include portfolio monitoring, consulting services, and custodial services. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Standard institutional fee schedule (on amounts up to $300M): First $10,000,000 = 0.75%; Next $15,000,000 = 0.65%; Next $25,000,000 = 0.60%; Next $100,000,000 = 0.50%; Next $150,000,000 = 0.48%. Standard institutional fee schedule (on amounts not less than $300M): First $300,000,000 = 0.50%; Next $300,000,000 = 0.45%; Thereafter $300,000,000 = 0.40%. Actual client fees may vary. A complete fee schedule is available on request at McKinley Capital Management, LLC, 3301 C Street, Suite 500, Anchorage, AK 99503, (907) 563-4488.

The International Non-U.S. Growth Composite was created on October 1, 1995

DISCLOSURES

McKinley Capital Management, LLC ("McKinley Capital") is a registered investment adviser under the U.S. Investment Advisers Act of 1940. McKinley Capital is not registered with, approved, authorized, or regulated by the Financial Conduct Authority ("FCA") or the Prudential Regulation Authority ("PRA"). Neither the FCA nor the PRA have commented on the firm, the content of any marketing material or any individual suitability assessments.

The material provided herein has been prepared for a one-on-one institutional client presentation, may contain confidential and/or proprietary information, and should not be further disseminated without written approval from McKinley Capital's Compliance Department. Returns are absolute, were generated using McKinley Capital's proprietary growth investment methodology as described in McKinley Capital's Form ADV Part 2A, are unaudited, and may not replicate actual returns for any client. McKinley Capital's investment methodology has not materially changed since its inception but it has undergone various enhancements. No securities mentioned herein may be considered as an offer to purchase or sell a firm product or security. Any comment regarding an individual security is presented at the client's request, may only be used for client reference, and may not be reflective of composite or individual portfolio ownership. McKinley Capital may not currently hold a specific security. In addition, any positive comments regarding specific securities may no longer be applicable and should not be relied upon for investment purposes. No security is profitable all of the time and there is always the possibility of selling it at a loss. With any investment, there is the potential for loss. Investments are subject to immediate change without notice. Comments and general market related perspectives are for informational purposes only; were based on data available at the time of writing; are subject to change without notice; and may not be relied upon for individual investing purposes. Past performance is no guarantee of future results.

Trade date based performance shown reflects the reinvestment of realized gains, dividends, interest and other earnings calculated using McKinley Capital's growth investment methodology. Portfolio performance is shown gross and/or net of management fees or asset based broker fees as indicated in the text of the presentation. Clients should realize that net returns would be lower and must be considered when determining absolute returns. Detailed account inclusion/exclusion policies are available upon request. Returns are based on fully discretionary accounts and do not take individual investor tax categories into consideration. No guarantee can be made that the composite performance reflects a statistically accurate representation of the performance of any specific account. Charts, graphs and other visual presentations and text information are derived from internal, proprietary, and/or service vendor technology sources and/or may have been extracted from other firm data bases. As a result, the tabulation of certain reports may not precisely match other published data. Specific results from calculations and formulas may be rounded up. Future investments may be made under different economic conditions, in different securities and using different investment strategies.

For GIPS® compliant presentations, all information is supplemental to the GIPS® compliant composites and a copy of the applicable GIPS® composite(s) is included with the presentation. Composite returns and individual client returns may materially differ from the stated benchmark(s). Deviations may include, but are not limited to, factors such as the purchase of higher risk securities, over/under weighting specific sectors and countries, limitations in market capitalization, company revenue sources, McKinley Capital's investment process and/or client restrictions. Global market investing, (including developed, emerging and frontier markets), also carries additional risks and/or costs including but not limited to: political, economic, financial market, currency exchange, liquidity, accounting, and trading capability risks. Derivatives trading and short selling may materially increase investment risk and potential returns. These risks may include, but are not limited to, margin/mark-to-market cash calls, currency exchange, liquidity, unlimited asset exposure, and counter-party risk. Foreign accounting principles may also differ from standard U.S. GAAP standards.

Fees are billed monthly or quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the quarterly effect of investment management fees on the total value of a client's portfolio assuming (a) $1,000,000 investment, (b) portfolio return of 5% a year, and (c) 1.00% annual investment advisory fee would be $10,038 in the first year, and cumulative effects of $51,210 over five years and $110,503 over ten years. Actual client fees vary. A fee schedule, available upon request, is described in the firm's Form ADV part 2A.

DISCLOSURES

Composite returns include only those accounts holding common stocks, preferred stocks, ADRs, ordinary shares, money market instruments and/or cash equivalents – and for non-U.S. and global composites foreign currencies and stocks. For the period prior to April 1, 2001, composites contain both wrap and non-wrap accounts. For this period, net returns for non-wrap accounts were not reduced by wrap sponsor fees, and gross returns for non-wrap accounts were reduced by transactional costs. The performance results prior to March 11, 1991 reflects the investment performance of discretionary brokerage accounts managed by Robert B. Gillam, Chief Investment Officer at FAS Alaska, Inc. (prior to the formation of McKinley Capital) with a growth investment philosophy and methodology similar to that described in McKinley Capital's brochure.

Data may have originated from various sources including, but not limited to, Bloomberg, ClariFi, MSCI/Barra, Russell Indices, FTSE, TQA, APT, Zephyr and/or other systems and programs. With regards to any material, if any, accredited to FTSE International Limited ("FTSE") ©FTSE [2013]: FTSE™ is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE International Limited under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data. With regards to any materials, if any, accredited to MSCI/Barra: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent. Please refer to the specific service provider's web site for complete details on all indices. McKinley Capital makes no representation or endorsement concerning the accuracy or propriety of information received from any third party. All information is believed to be correct but accuracy cannot be guaranteed. Clients should rely on their custodial statements for the official investment activity records. Clients should contact their custodian with any questions regarding monthly/quarterly receipt of those statements.

To receive a copy of the firm's ADV, a complete list and description of McKinley Capital's composites and/or a presentation that adheres to the GIPS® standards, please contact McKinley Capital at 1.907.563.4488 or visit the firm's website, www.mckinleycapital.com.

Capital Guardian

Relevant Mandates: **International Equity** | **Hired:** **2000**

Firm Information	Investment Approach	Total ARMB Mandate
Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high-conviction portfolios, rigorous research and individual accountability. As a private, Los Angeles based firm, with an independent charter and robust balance sheet, Capital Group invests in improving capabilities through good markets and bad. As of 9/30/13, the firm's total assets under management were $42.7 billion. **Key Executives:** **Michael Bowman**, *Senior VP, Relationship Manager* **Gerald Du Manoir**, *Senior VP, Portfolio Manager*	Capital Guardian's fundamental investment process, The Capital System, is designed to enable individual investment professionals to act on their highest convictions, while limiting the risk associated with isolated decision-making. Each portfolio is divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. A disciplined, multilayered governance structure oversees the system's operation. **Benchmark:** MSCI EAFE Index	**Assets Under Management:** 9/30/13 $762,419,373

Concerns: None

9/30/2013 Performance

	Last Quarter	1 Year	3 Years Annualized	5 Years Annualized
Capital International Equity	11.81%	25.20%	10.30%	8.02%
MSCI EAFE Index	11.56%	23.77%	8.47%	6.35%

An introduction to
Capital Group

A portfolio review to
Alaska Retirement
Management Board

February 6, 2014

CAPITAL
GROUP℠

Meeting participants

Your Contacts

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PublicFundTeamWest@capgroup.com

Michael A. Bowman is a relationship manager at Capital Group. He has 21 years of investment industry experience and has been with Capital Group for two years. Prior to joining Capital, he was a senior director at Invesco responsible for client service and marketing of institutional strategies. Before that, he was a managing director for Advent Capital Management. He holds a bachelor's degree in economics from the University of Texas, Austin. Michael is based in San Francisco.

Christopher Ryder is an equity investment specialist at Capital Group. He has 27 years of investment industry experience and has been with Capital Group for 11 years. Prior to joining Capital, he was head of European equity sales for North America at Lehman Brothers. Before that, he served as a director at Merrill Lynch and as an equity analyst within the investment banking division of HSBC. He holds a degree in economic history from University College, Durham, U.K. Chris is based in Chicago.

Client profile

Strategy	Account name	Account number	Inception date	Estimated account size USD millions
International Equity	Alaska Retirement Management Board - International Equity	44336000	7/31/01	$802.93
Total as of December 31, 2013				$802.93

Capital Group by the numbers

$1 trillion
assets under management

$230 billion
fixed-income assets managed

$100 billion
insurance series assets managed

More than 80 years of investment experience

1930s

1931
Founded during the Great Depression

1934
Begin managing The Investment Company of America®, the first mutual fund of what will become the American Funds family

1950s

1953
Royal Dutch Petroleum becomes first investment outside North America

1958
Begin managing assets using The Capital System℠

1960s

1962
Opens its first overseas office in Geneva

1965
Develops international indices that become the MSCI indices*

1968
First U.S. institutional accounts established

1970s

1973
Begin managing fixed-income assets for institutional clients

1976
First collective investment trusts are introduced

1980s

1984
American Funds Insurance Series®, one of the oldest insurance investment vehicles in U.S., is introduced

1986
Begin managing the world's first emerging markets equity fund

1990s

1992
First global private equity funds are created

2000s

2002
The American Funds' R share class, designed for retirement plans, is created

2007
American Funds Target Date Retirement Series® is introduced

*MSCI indices are now maintained by MSCI, Inc.

Assets under management as of December 31, 2012.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses, summary prospectuses or the funds' characteristics statement, which can be obtained from a financial professional or your relationship manager, and should be read carefully before investing. This material must be preceded or accompanied by a prospectus or summary prospectus for any included fixed-income or balanced funds. Securities offered through American Funds Distributors, Inc.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high-conviction portfolios, rigorous research and individual accountability.

The Capital Advantage

Aligned with investor success	We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Achieving superior, long-term returns is our only goal, so managers are rewarded for their results, not the level of assets they manage. Collectively, Capital Group associates are significant investors in the company's investment offerings.
The Capital System℠	Our investment process, The Capital System, is designed to enable individual investment professionals to act on their highest convictions, while limiting the risk associated with isolated decision-making. Each portfolio is divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. A disciplined, multilayered governance structure oversees the system's operation.
Built to last	As a private firm with an independent charter and robust balance sheet, we invest in improving our capabilities through good markets and bad. With one of the highest retention rates in the industry,* we have some of the most experienced investment professionals, a deep bench and a commitment to sustaining our investment process over generations.

*Source: Morningstar, for the American Funds, as of December 31, 2012. Based on percentage of portfolio managers who have stayed with the firm during the past five calendar years.

Aligned with investor success

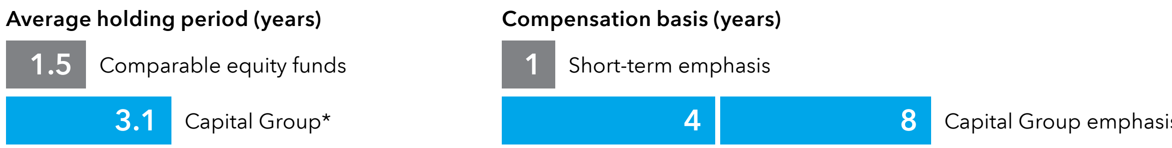
"Another key to [Capital Group's] successful culture is its compensation structure. [Capital Group] pays performance bonuses to analysts and managers based on one-, four-, and eight-year records, with emphasis on the four-year and eight-year records. This isn't common in the mutual fund industry, where many firms emphasize shorter term performance, but it is a true competitive advantage."

– **Morningstar**, May 2011

Our investment philosophy is based on doing what we believe is right for clients

- We reward long-term results: Compensation for investment professionals is heavily influenced by results over four- and eight-year periods
- We invest alongside you: Collectively, Capital Group associates are significant investors in the company's investment offerings
- **Why it matters:** Aligned by philosophy, incentives and ownership, our interests are deeply intertwined with those of clients

A long-term perspective on behalf of clients

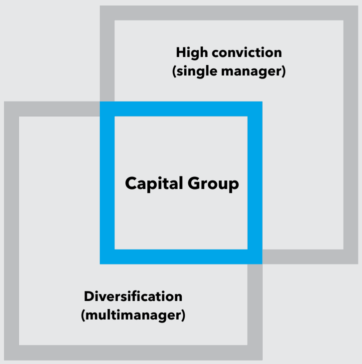


*For the American Funds only, as of December 31, 2012.
Average holding periods as of the most recent fiscal year-end periods available through December 31, 2012.
Source for comparable equity funds: Lipper.

The Capital System

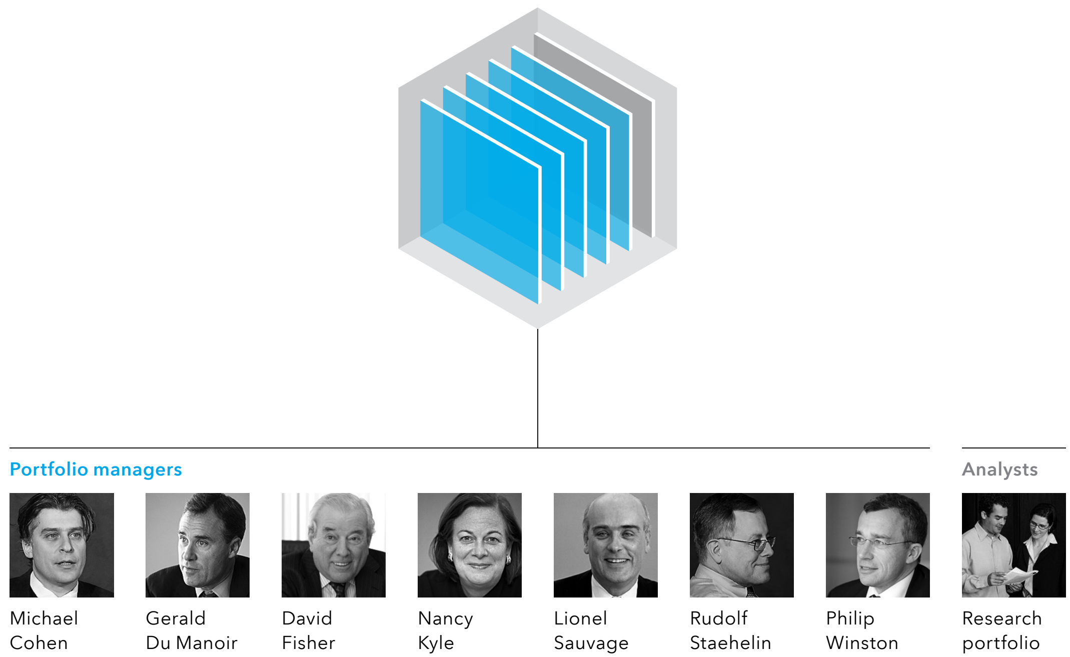
The Capital System is at the core of our sustained results

Our system seeks the best of both worlds: the high conviction of individual managers and the diversification of a team approach.



- Portfolios are divided into segments that are managed independently by individual portfolio managers
- The portfolios are built from the bottom up, security by security, based on extensive research
- **Why it matters:** The blend of managers is designed to lower volatility while striving for consistently superior long-term returns

Example: International Equity



Portfolio managers shown are as of May 15, 2013.

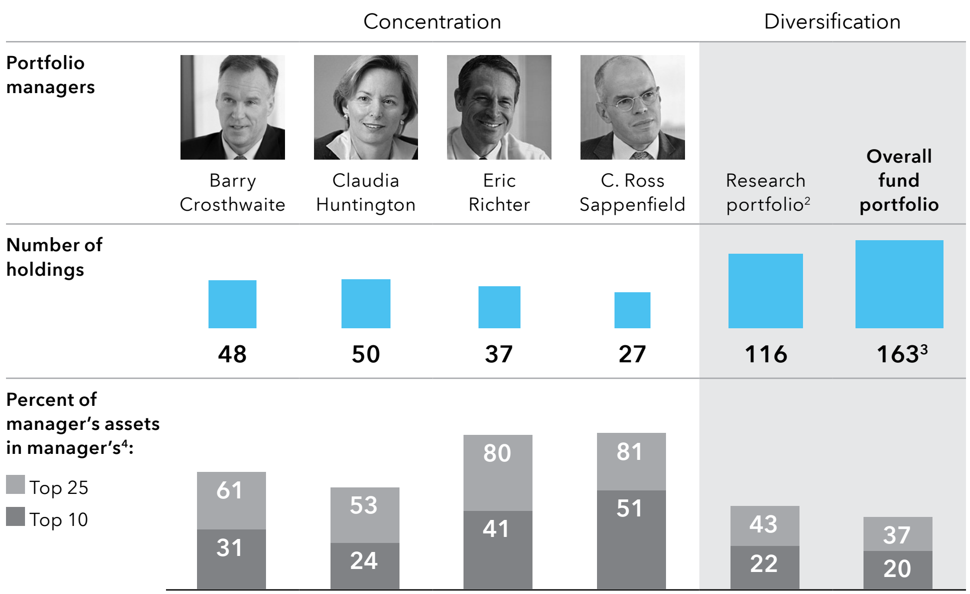
Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed-income investment professionals provide fixed-income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

Our system combines concentration and diversification in a single portfolio

- Each portfolio manager runs a relatively concentrated portfolio of highest conviction ideas
- In most portfolios, analysts manage a portion, known as the research portfolio, based on their highest conviction ideas
- **Why it matters:** We believe our system provides a conviction advantage with an added layer of diversification

Conviction and diversification in action

Example: Manager holdings in AMCAP Fund®[1]



[1]Based on 2012 month-end averages for equity holdings at the issuer level. Portfolio managers shown are as of the fund's prospectus dated May 1, 2012.

[2]The 25 analysts in the research portfolio each invest in one to 11 holdings for a total month-end average of 116.

[3]Overall fund portfolio includes holdings in common.

[4]Percent of holdings in market value includes cash.

The Capital System

Our approach is true active management, not closet indexing

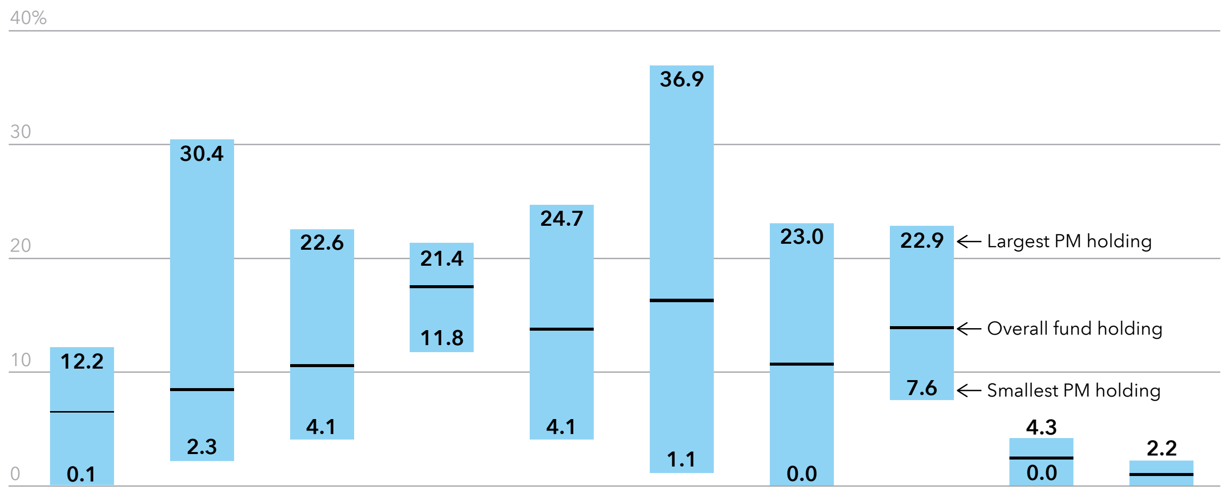
"[New Perspective Fund] is no benchmark-hugger or crowd follower. It lets its managers' stock-picking determine its sector and region weightings, which can look quite different from those of its rivals and benchmark."

– **Morningstar**, September 2012

- Each portfolio manager (PM) is encouraged to pursue the fund's objective following his or her individual approach and without trying to reflect an index
- **Why it matters:** Clients can benefit from an additional layer of manager diversification

Sector diversification as a natural outgrowth of bottom-up security selection

Example: New Perspective Fund®



	Energy	Materials	Industrials	Consumer discretionary	Consumer staples	Health care	Financials	Information technology	Telecom services	Utilities	Total
Sector holdings (%)											
Fund	6.4	8.3	10.4	17.4	13.6	16.2	10.6	13.8	2.4	0.9	100.0
Index	11.2	7.7	10.4	10.5	10.5	9.3	19.7	12.7	4.6	3.6	100.0

Based on 2012 month-end averages for equity holdings at issuer level.
The largest sector holdings in the fund and index are highlighted in gray.
Index reflects the MSCI All Country World Index.

The Capital System

Few firms can match the scale and scope of our proprietary research effort. We invest more in international stocks than any other mutual fund manager and are among the largest investors of international bonds.*

Capital Group investment professionals

As of December 31, 2012

Portfolio managers	
Equity	77
Fixed income	23

Analysts	
Equity	164
Fixed income	32
Macroeconomic	16

An extensive global research effort is the backbone of our system

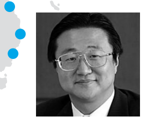
- We combine on-the-ground research with comprehensive macro analysis around the world
- Equity and fixed-income analysts work together, pooling research
- **Why it matters:** Fundamental global research is crucial for identifying investment opportunities and risks

Global research in action

Example: From Houston to Beijing, drilling deep on shale energy research

To understand the impact of the shale energy boom, our investment professionals have traveled around the world, from Alberta to Texas, Europe, the Middle East, Australia and Asia.

● Company/site visits



	Steve Backes	**Lars Reierson**	**Damien McCann**	**Christina Lu Han**	**Seung Kwak**
Role:	Fixed-income analyst, sovereign	Equity analyst, energy	Fixed-income analyst, energy	China industry specialist	Portfolio manager, Japan equity
Perspective:	EM sovereign debt could be a beneficiary.	Rigorous analysis can help identify the strongest companies.	Shale development requires significant new pipeline capacity.	Challenging geology, lack of water and less private-sector exploration may slow China's efforts.	Shale may impact high prices for liquefied natural gas in Asia.
Years of experience:	19	26	13	7	28

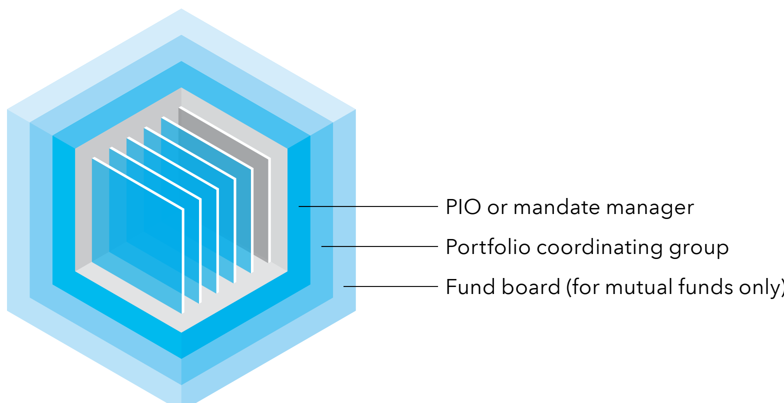
*Source: Morningstar, based on net assets as of December 31, 2012.

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed-income investment professionals provide fixed-income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

Multiple layers of oversight contribute to rigorous risk controls

- Each portfolio has a principal investment officer (PIO) or mandate manager who is accountable for the fund and works with a coordinating group to select and monitor the lineup of portfolio managers
- Typically, at least 75% of fund board members – and 100% of fund board chairs – are independent*
- **Why it matters:** Clients can be confident their investments are being managed with rigorous attention and prudent governance

Risk controls, accountability and governance



PIO or mandate manager

Accountable for:

- Overall objectives and yield targets
- Guiding risk management and distribution of assets among managers

Portfolio coordinating group

Group of senior executives at Capital accountable for:

- Portfolio manager lineup and succession planning
- Monitoring portfolio manager results

Fund board (for mutual funds only)

Independent trustees accountable for:

- Setting fees and renewing contracts
- Holding management responsible for results

*For the American Funds only, as of September 30, 2012.

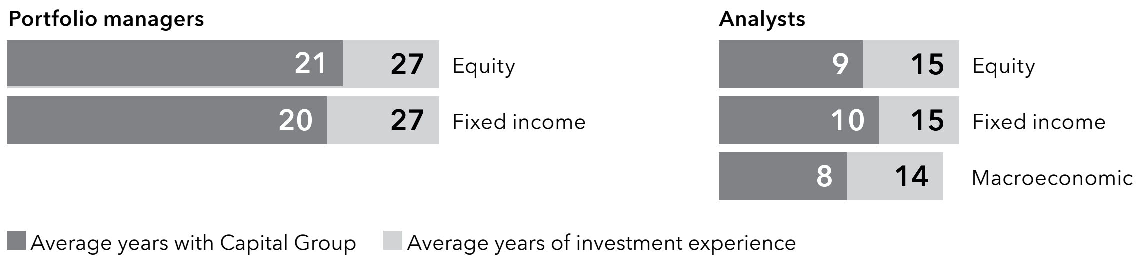
Built to last

As a private firm with an independent charter and robust balance sheet, we are able to invest in our capabilities through all markets, both good and bad. Our investment professionals are among the most experienced in the industry.

Experience over cycles defines our stability

- Our portfolio managers average 27 years of experience, including 21 years at our company
- The average tenure of a portfolio manager on a fund is 9.9 years; for the industry it's 5.7 years*
- **Why it matters:** Generations of knowledge over multiple full market cycles provide our clients an experience advantage

Experienced investment professionals, committed to our approach



100%
of our portfolio managers have more than 10 years of investment experience

87%
of our fixed-income portfolio managers experienced the difficult 1994 bond market

46%
of our portfolio managers experienced the October 1987 crash

*Source: Morningstar, as of December 31, 2012.

Portfolio manager and analyst data as of December 31, 2012.

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed-income investment professionals provide fixed-income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

Built to last

"In consulting and industry circles, stability of management is often considered the best measure of investment culture. … Creating a healthy culture where very skilled and sought after investment professionals want to stay for their whole career is one of the hardest things to do in the money management world."

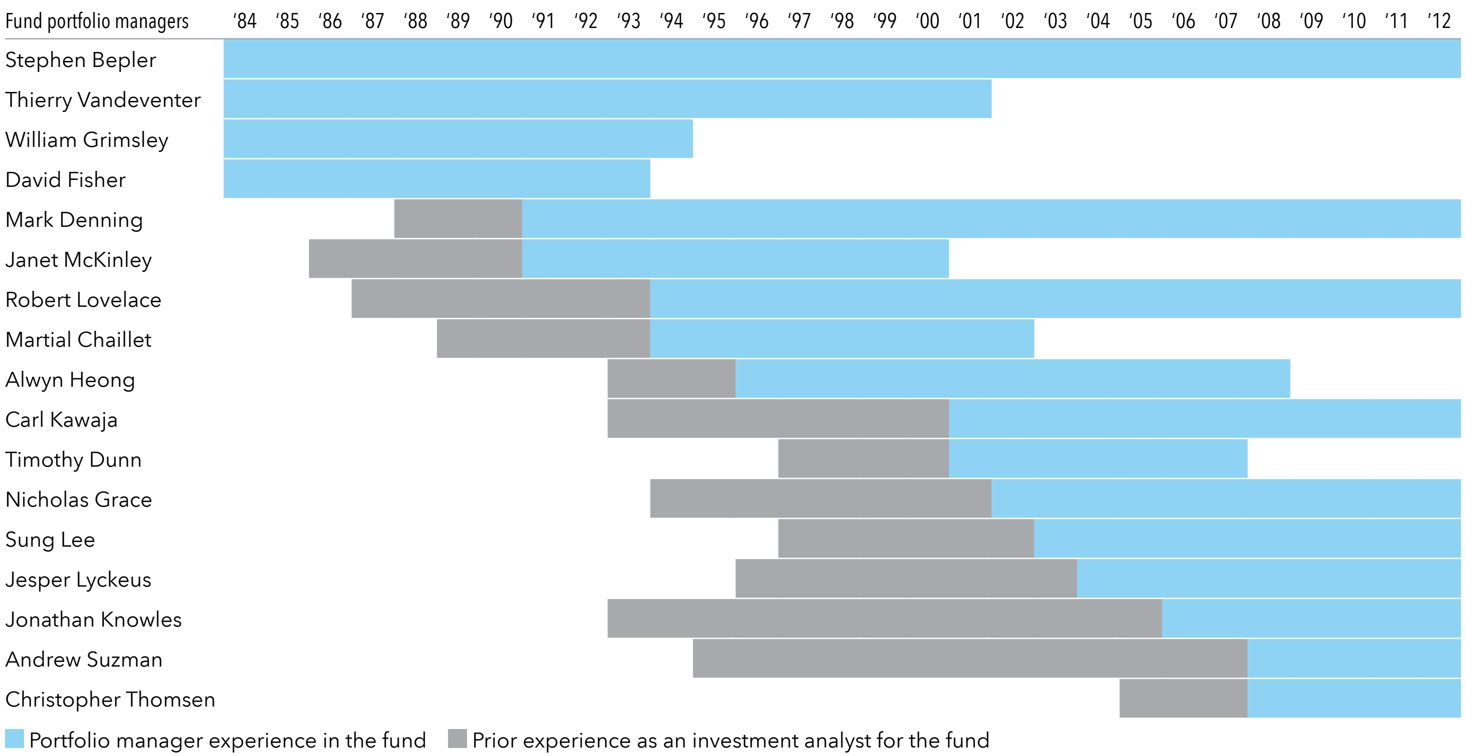
– **Morningstar**, September 2012

Our sustainable approach is backed by a deep bench

- Our 97% retention rate is among the highest in the industry*
- Because analysts are investors, they are prepared to assume portfolio management responsibilities
- **Why it matters:** Unlike the single-manager system, our modular approach allows us to add managers without disruptions

Succession planning is built into the system

Example: Manager transitions in EuroPacific Growth Fund®



*Source: Morningstar, for the American Funds, as of December 31, 2012. Based on percentage of portfolio managers who have stayed with the firm during the past five calendar years.

Portfolio manager and analyst data based on fund prospectuses.

Meeting institutional investor needs with objective-based strategies

Capital appreciation

Global
Companies with exposure to global trade patterns
Companies with exposure to emerging economies
Developed markets
All countries

International
All countries
Developed markets plus
Developed markets
All cap emerging markets
Emerging markets exposure while seeking lower volatility

U.S.
Diversified capital appreciation
Growth companies

Dividend income and appreciation

Global
Established, dividend-paying companies
Current income and dividend growth
Companies with growing dividends

International
Established, dividend-paying companies

U.S.
Established, dividend-paying companies
Dividend-paying companies while seeking downside protection
Value companies

Retirement

QDIA
Target date

Balanced
U.S.
Global

Asset allocation
Fund of funds

Total return fixed income

Emerging markets
Local currency
Blended
Corporates
U.S. dollar

Global
High-yielding securities
Core plus
Core

U.S.
High-yielding corporates
High-yielding securities (tax exempt)
Credit

Income and preservation

Emerging markets
Inflation protection

U.S.
Core plus
Core
Core (tax exempt)
Mortgage-backed securities

States
California (tax exempt)
Maryland (tax exempt)
New York (tax exempt)
Virginia (tax exempt)

Capital preservation

U.S.
Limited term (tax exempt)
Intermediate term
Short term
Short term (tax exempt)
Money market

Liability-driven investing

Long duration
Government/Credit
Credit
Corporates

This list does not include all mutual funds. Please visit **americanfunds.com** for a complete list.

International Equity

Fourth-quarter 2013

Summary of objectives and guidelines

Objective
The portfolio will have a primary emphasis on diversification to minimize risk.

Guidelines and restrictions

Permitted

- 144As
- ADRs
- Convertible securities
- Equity and equity-related securities
- EFTs (for purposes of equalizing cash)
- GDRs
- Hedging (subject to limits)
- Publicly traded partnerships
- U.S. government securities
- Warrants

Prohibited

- No investments in companies that are not permitted under Alaska's Iran restricted list
- No unlisted equity securities (excluding convertibles)
- No investment in corporate debt obligations rated lower than A by S&P, Moody's or Fitch

Other

- Account is subject to ERISA standards by contract
- Prior notification required to exceed 5% cash, calculated using a 10-day moving average at market
- Maximum 100% hedging per country at market
- Maximum 5% issuer's outstanding voting shares at market
- Maximum 10% emerging markets at market

Four-step investment process

1 Research

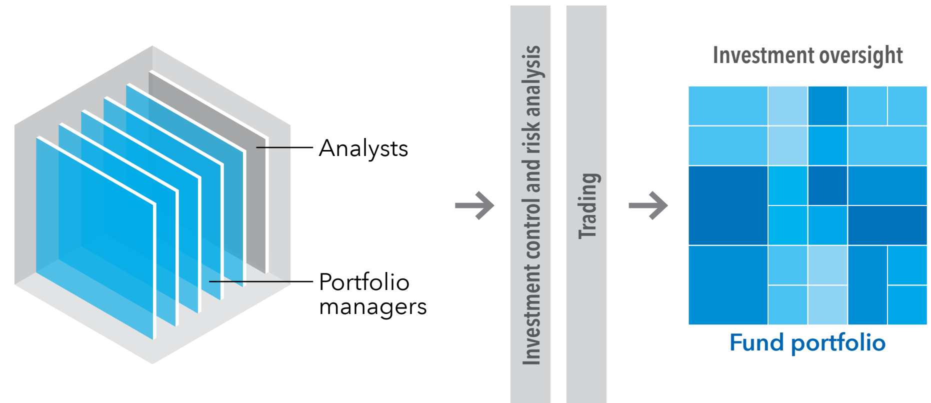
- Fundamental quantitative and macroeconomic research and analysis
- Focus on individual companies, issuers and security structures

2 Communication

- Discussion
- Commentary
- Recommendation

3 Stock/Security selection

4 Implementation and risk control

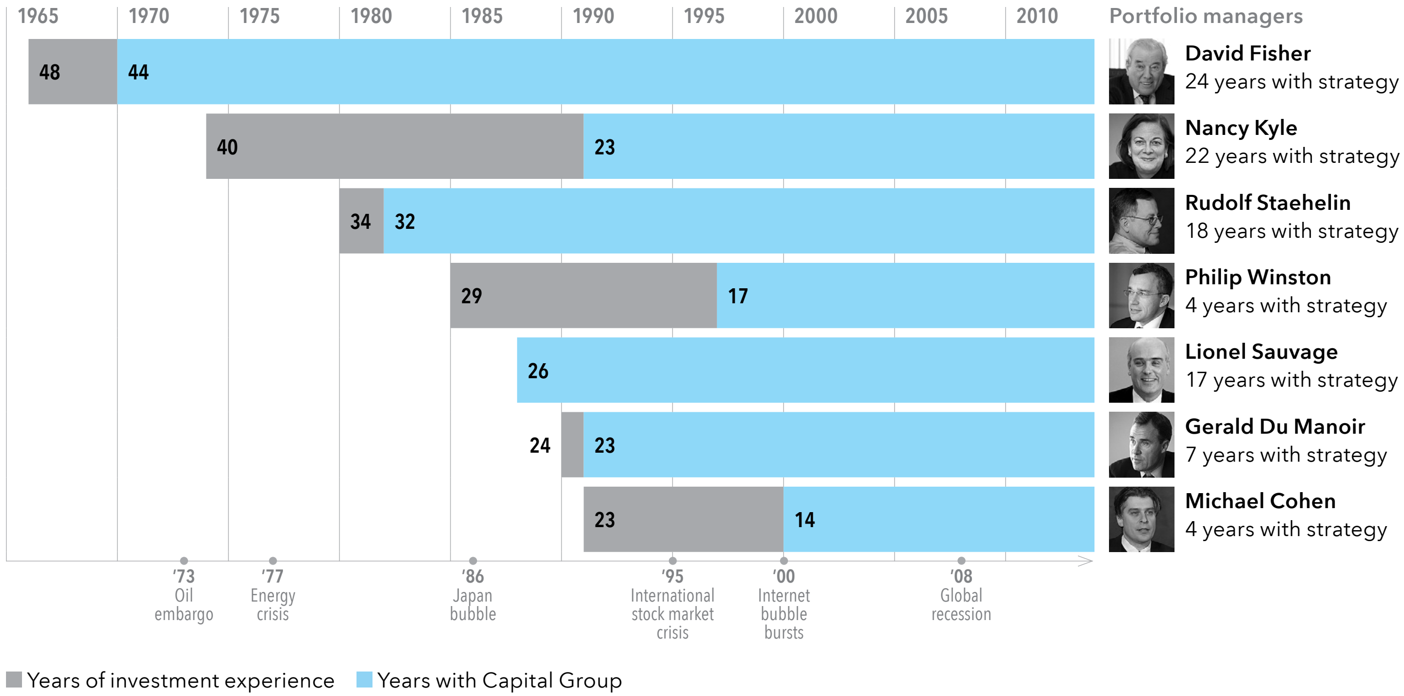


International Equity

Experienced management team

Experience
- Seven portfolio managers in the strategy have a median of 29 years' investment experience and 23 years with Capital Group
- Experience managing through various market cycles
- Four portfolio managers have been investors on the strategy for 17 years or more
- Diversity of ideas and disciplines
- Strong team dynamics

Portfolio managers' experience in the investment industry, with Capital and the strategy



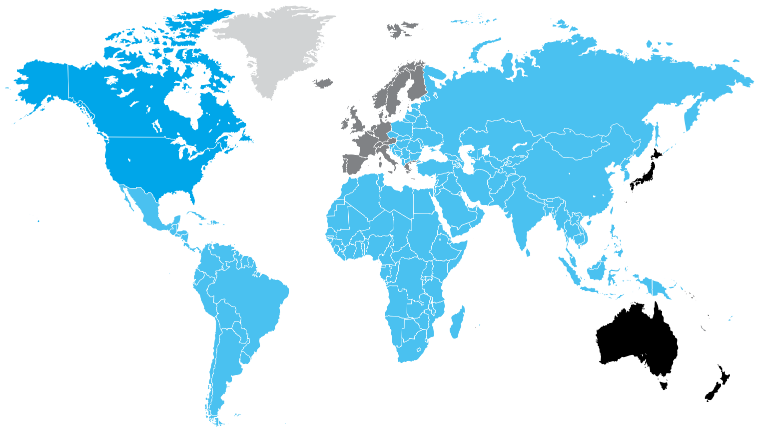
Reflects current portfolio manager team as of May 15, 2013. Years of investment experience and years with Capital Group as of December 31, 2013.

Market overview

The world at a glance

Year-to-date

Returns (%)



	Local currency	Currency	USD
Emerging markets			
Brazil	-3.9	-13.2	-16.6
China	5.7	0.0	5.6
India	6.9	-11.4	-5.3
Korea	2.6	1.4	4.1
Mexico	0.5	-0.9	-0.4
Russia	7.3	-5.7	1.1
South Africa	16.7	-19.0	-5.5
Taiwan	14.9	-2.6	12.0
North America			
Canada	13.6	-6.3	6.4
United States	32.6	0.0	32.6
Asia Pacific			
Australia	21.1	-13.8	4.3
Hong Kong	11.1	0.0	11.1
Japan	54.8	-17.7	27.4
Europe			
France	22.1	4.5	27.7
Germany	26.7	4.5	32.4
Italy	16.1	4.5	21.3
Spain	26.6	4.5	32.3
Switzerland	23.9	2.9	27.6
U.K.	18.5	1.9	20.7

Data as of December 31, 2013.

MSCI indices with gross dividends reinvested. Please note that some local indices contain USD traded securities. The calculated exchange rate is the percent difference between the MSCI EM Investable Market Index local index return and the MSCI EM Investable Market Index USD index return.

Local currency return reflects the year-to-date return in local currency.

Currency return reflects the year-to-date foreign exchange rate return vs. the USD.

USD return reflects the year-to-date return in USD.

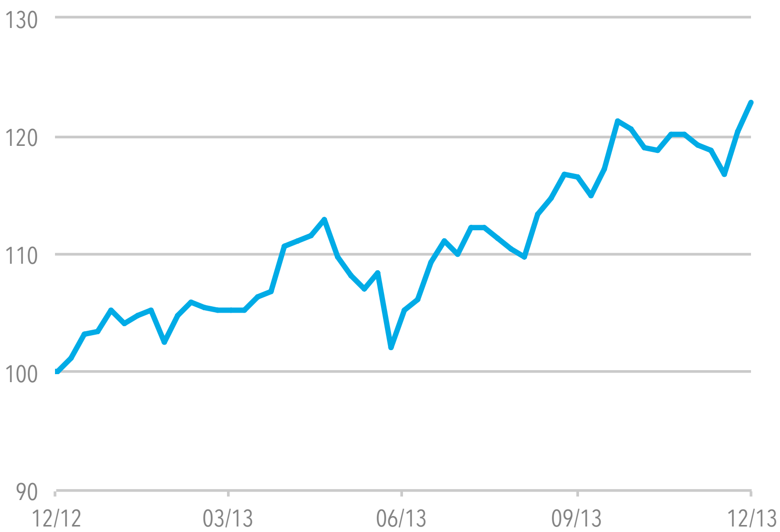
Source: MSCI data from RIMES.

Market overview

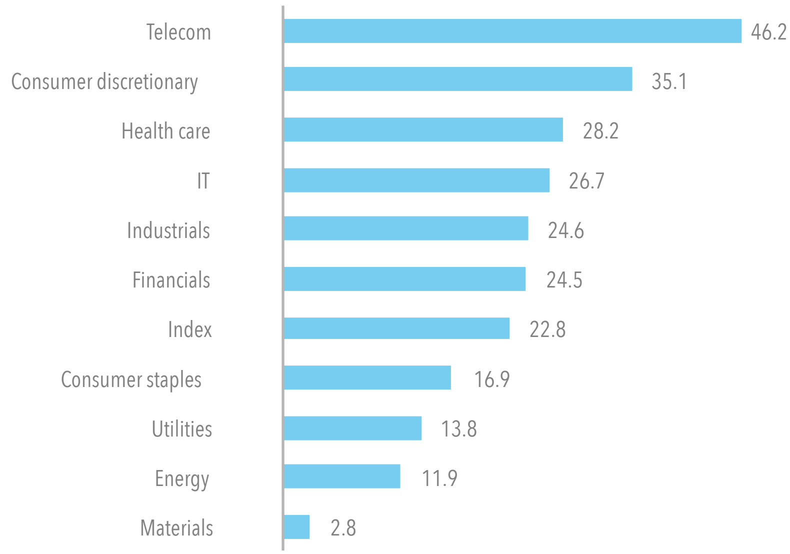
MSCI EAFE Index

Year-to-date

Market returns (%)



Sector returns (%)



Data as of December 31, 2013, unless otherwise noted.
MSCI index results reflect net dividends reinvested.
Sector returns reflect total return.
Market returns reflect the weekly returns in USD of the MSCI EAFE Index rebased to 100, using the week ending December 31, 2012 return as the base 100.
Source: RIMES.

Investment results

Average annual total returns for the period ending December 31, 2013 (%)

	3 months	YTD	1 year	3 years	5 years	10 years	Lifetime
Portfolio							
– gross of management fees	5.54	23.49	23.49	9.22	13.63	7.66	6.91
– net of management fees	5.44	23.04	23.04	8.83	13.24	7.29	6.54
MSCI EAFE Index	5.71	22.78	22.78	8.17	12.44	6.91	6.28

Annual total returns as of December 31 (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Portfolio										
– gross of management fees	15.09	19.95	20.65	14.00	–41.85	29.65	12.16	–12.69	20.83	23.49
– net of management fees	14.70	19.54	20.24	13.61	–42.06	29.20	11.78	–13.00	20.42	23.04
MSCI EAFE Index	20.25	13.54	26.34	11.17	–43.38	31.78	7.75	–12.14	17.32	22.78

Portfolio inception: July 31, 2001.

Returns are in USD and reflect the reinvestment of dividends, interest and other earnings. Periods greater than one year are annualized.

Net of fee return are estimated.

Each index is unmanaged.

MSCI index results reflect net dividends reinvested.

Securities offered through American Funds Distributors, Inc.

State of Alaska Department of Revenue

Attribution summary (relative)

Year-to-date

Portfolio return (%)	23.51
Benchmark return (%)	22.77

Largest contributors (%)

	+/- weight	Return	Impact
SoftBank Corp.	1.72	142.88	1.31
Prudential plc	1.69	62.26	0.53
Keyence Corporation	1.87	55.46	0.48
ISR: ASML Holding NV	1.86	47.97	0.40
Currency forwards	0.01	–	0.38
Sampo Oyj Class A	1.25	60.70	0.37
Kakaku.Com, Inc.	0.56	114.48	0.35
BHP Billiton Limited	-0.92	-8.76	0.34
BNP Paribas SA Class A	1.69	43.62	0.29
Murata Manufacturing Co., Ltd.	1.25	54.44	0.29

Largest detractors (%)

	+/- weight	Return	Impact
Industrial and Commercial Bank of China Limited Class H	0.89	1.21	–0.21
Standard Chartered PLC	0.65	-9.05	-0.23
First Quantum Minerals Ltd.	0.64	-17.36	-0.23
ISR: Oi SA Pfd	0.21	-56.01	-0.28
Inmet Mining Corporation	0.30	-12.91	-0.29
Tullow Oil plc	0.48	-30.08	-0.30
Vodafone Group Plc	-1.11	64.85	-0.36
Pernod Ricard SA	1.77	0.85	-0.38
ISR: Samsung Electronics Co., Ltd.	1.49	-8.54	-0.51
Cash ex currency forwards	3.71	–	-0.88

Sector (%)

	+/- weight	Sector Impact	Stock Impact	Impact
Information technology	8.62	0.27	0.61	0.89
Telecom services	-0.28	-0.05	0.52	0.47
Health care	-2.20	-0.08	0.48	0.40
Currency forwards	0.01	0.39	0.00	0.39
Financials	-1.76	-0.04	0.43	0.39
Utilities	-2.93	0.28	-0.02	0.26
Industrials	-1.74	-0.02	0.21	0.19
Materials	-0.79	0.13	-0.09	0.04
Consumer discretionary	1.64	0.13	-0.23	-0.10
Consumer staples	-2.37	0.11	-0.75	-0.64
Energy	-1.91	0.18	-0.84	-0.66
Cash ex currency forwards	3.71	-0.87	0.00	-0.87

Country (%)

	+/- weight	Sector Impact	Stock Impact	Impact
Japan	-3.49	-1.00	2.56	2.25
Australia	-6.86	0.44	-0.20	1.02
Netherlands	3.37	0.08	0.17	0.45
Currency forwards	0.01	0.00	0.00	0.39
United Kingdom	-5.33	0.37	0.24	0.38
China	1.84	0.00	-0.48	-0.38
Brazil	0.57	0.00	-0.43	-0.45
Korea	2.33	0.00	-0.78	-0.64
Cash ex currency forwards	3.71	-0.68	0.00	-0.88
Canada	3.03	0.00	-1.28	-1.26

Data as of December 31, 2013.

State of Alaska Department of Revenue vs. MSCI EAFE Index with net dividends reinvested.

State of Alaska Department of Revenue

Twenty largest holdings

Ranking Previous 12/31/12	Current 12/31/13	Security name	Total portfolio (%)	Index (%)	Description
3	1	Roche	2.7	1.5	A world leader in pharmaceuticals and diagnostic research.
1	2	BNP Paribas	2.5	0.6	This major French bank has operations around the globe.
9	3	SoftBank	2.3	0.6	Internet and telecommunications conglomerate and distributor of digital media and software.
2	4	Prudential	2.3	0.4	Major life insurance and pension provider with operations in the U.S., U.K. and Asia-Pacific region.
18	5	ASML Holding	2.2	0.3	A leading supplier of lithography equipment used in manufacturing semiconductors.
8	6	Keyence	2.2	0.1	A leading maker of sensors used in factory automation.
6	7	AIA Group	2.0	0.5	Life insurance and financial services provider in the Asia-Pacific region.
16	8	Bayer	1.9	0.9	Makes pharmaceuticals and over-the-counter medicines, and develops medical diagnostic equipment.
5	9	Pernod Ricard	1.7	0.2	Produces wine, spirits and nonalcoholic beverages.
20	10	Gemalto	1.6	0.1	Provider of digital security products and services.
		Total companies 1 through 10	**21.4**	**5.2**	
11	11	Barclays	1.5	0.5	One of the largest retail and commercial banking groups in the U.K.
13	12	ASSA ABLOY	1.5	0.1	Manufactures mechanical, electromagnetic and electronic locks and security systems.
22	13	Sampo	1.5	0.2	Offers insurance services both in Finland and abroad.
131	14	Lloyds Banking Group	1.4	0.5	Provides a comprehensive range of retail banking and financial services in the U.K.
44	15	Daimler	1.4	0.6	One of the world's largest automakers and heavy truck manufacturers.
10	16	Samsung Electronics	1.3	0.0	Korea's top electronics manufacturer and a global leader in semiconductor production.
12	17	Nestlé	1.3	1.8	Global packaged food and beverage company based in Switzerland.
19	18	Cie. Financière Richemont	1.3	0.4	Luxury goods holding company based in Switzerland.
29	19	DSM	1.3	0.1	Multinational life and materials sciences company.
7	20	Schneider Electric	1.2	0.4	An international supplier of industrial electrical equipment and industrial automation equipment.
		Total companies 1 through 20	**35.1**	**9.8**	

Index reflects MSCI EAFE Index.

State of Alaska Department of Revenue

Sector diversification

	Total portfolio (%) 12/31/12	Total portfolio (%) 12/31/13	Index (%) 12/31/13
Energy	**7.2**	**4.7**	**7.1**
Seadrill		0.7	
Ensco		0.6	
Oil Search		0.6	
Others		2.8	
Materials	**9.2**	**7.0**	**8.1**
DSM		1.3	
Syngenta		1.1	
Holcim		1.0	
Others		3.6	
Industrials	**10.8**	**11.5**	**12.9**
ASSA ABLOY		1.5	
Schneider Electric		1.2	
Meggitt		1.1	
Others		7.7	
Consumer discretionary	**10.0**	**15.2**	**11.8**
Daimler		1.4	
Cie. Financière Richemont		1.3	
Whitbread		1.1	
SES		0.9	
Others		10.5	
Consumer staples	**8.6**	**8.8**	**10.9**
Pernod Ricard		1.7	
Nestlé		1.3	
Unilever NV		0.8	
Others		5.0	
Health care	**8.1**	**7.3**	**9.9**
Roche		2.7	
Bayer		1.9	
Novo Nordisk		1.2	
Others		1.5	

	Total portfolio (%) 12/31/12	Total portfolio (%) 12/31/13	Index (%) 12/31/13
Financials	**23.0**	**23.2**	**25.6**
BNP Paribas		2.5	
Prudential		2.3	
AIA Group		2.0	
Barclays		1.5	
Sampo		1.5	
Others		13.4	
Information technology	**12.7**	**12.8**	**4.4**
ASML Holding		2.2	
Keyence		2.2	
Gemalto		1.6	
Samsung Electronics		1.3	
Others		5.5	
Telecom services	**5.3**	**5.0**	**5.7**
SoftBank		2.3	
Swisscom		0.6	
Others		2.1	
Utilities	**0.7**	**0.6**	**3.6**
National Grid		0.4	
Cheung Kong Infrastructure Holdings		0.2	
Total equity	**95.6**	**96.1**	**100.0**
Total cash and equivalents	**4.4**	**3.9**	
Total assets	**100.0**	**100.0**	

Index reflects MSCI EAFE Index.

Geographic diversification

	Total portfolio (%)		Index (%)
	12/31/12	12/31/13	12/31/13
European Monetary Union	**26.6**	**28.6**	**30.8**
France	11.6	11.4	10.0
Germany	7.0	7.2	9.5
Spain	0.4	1.0	3.4
Netherlands	3.8	6.8	2.7
Italy	0.4	0.2	2.2
Belgium	0.4	0.0	1.2
Finland	1.2	1.5	0.9
Austria	0.8	0.1	0.4
Ireland	1.0	0.4	0.3
Portugal	0.0	0.0	0.2
Other Europe	**31.6**	**33.5**	**36.0**
United Kingdom	17.2	17.6	21.9
Switzerland	10.1	11.1	8.9
Sweden	2.3	2.9	3.2
Denmark	1.3	1.2	1.2
Norway	0.7	0.7	0.8
Total Europe	**58.2**	**62.1**	**66.8**
Middle East	**0.0**	**0.0**	**0.4**
Israel	0.0	0.0	0.4

	Total portfolio (%)		Index (%)
	12/31/12	12/31/13	12/31/13
Pacific Basin	**24.3**	**24.5**	**32.8**
Japan	15.0	17.3	20.9
Australia	2.2	1.1	7.5
Hong Kong	5.2	4.6	2.8
Singapore	1.9	1.5	1.5
New Zealand	0.0	0.0	0.1
North America	**5.6**	**3.6**	**0.0**
Canada	5.1	3.0	0.0
United States	0.5	0.6	0.0
Emerging markets	**7.5**	**5.9**	**0.0**
Brazil	0.8	0.5	0.0
China	2.0	2.2	0.0
India	0.4	0.0	0.0
Indonesia	0.2	0.1	0.0
Russian Federation	0.4	0.8	0.0
South Africa	0.0	0.1	0.0
South Korea	2.9	2.0	0.0
Taiwan	0.8	0.2	0.0
Total equity	**95.6**	**96.1**	**100.00**
Total cash and equivalents	**4.4**	**3.9**	
Total assets	**100.0**	**100.0**	

Index reflects MSCI EAFE Index.

State of Alaska Department of Revenue

Notable purchases and sales

Year-to-date

Purchases

Security name	Amount	
Meggitt	8,284,941.00	New
Lloyds Banking Group	7,208,015.00	
Electrolux	5,961,839.00	New
Ocado Group	5,264,677.00	New
Holcim	4,832,625.00	
Ophir Energy	4,306,014.00	New
Unilever NV	3,878,455.00	
ASML Holding	3,756,490.00	
Renault	3,691,439.00	New
Casino, Guichard-Perrachon	3,655,189.00	
Enbridge	3,640,758.00	New
CaixaBank	3,617,118.00	New
Yahoo Japan	3,591,496.00	
Marks & Spencer	3,528,742.00	New
Deutsche Wohnen	3,279,921.00	
Vodafone	3,242,180.00	New
Sumitomo Mitsui Trust Holdings	3,133,817.00	New
Yandex	3,046,108.00	New
Zodiac Aerospace	3,037,410.00	New
Daimler	2,929,497.00	

Sales

Security name	Amount	
HSBC Holdings	11,459,000.00	
SoftBank	6,904,016.00	
HeidelbergCement	6,368,157.00	
Murata Manufacturing	5,943,762.00	
GKN	4,917,144.00	
Sysmex	4,217,380.00	
Fugro	4,114,683.00	
Andritz	4,044,477.00	Eliminated
BG Group	3,882,096.00	Eliminated
EnCana	3,841,920.00	Eliminated
GlaxoSmithKline	3,680,583.00	Eliminated
TELUS	3,674,167.00	Eliminated
SK hynix	3,607,902.00	Eliminated
Schneider Electric	3,592,947.00	
Linde	3,590,501.00	Eliminated
Imperial Tobacco	3,570,187.00	
Hitachi	3,254,339.00	
Cheung Kong (Holdings)	2,761,946.00	Eliminated
Belgacom	2,738,401.00	Eliminated
Prudential	2,636,585.00	

■ New ■ Eliminated

Data as of December 31, 2013.
All values in USD.
Reflects largest purchases and sales of common stock. Excludes depositary receipts, fixed income, and other non-equity securities.

Appendix

What's new

John Doyle joins Capital's defined contribution effort

John Doyle has joined Capital Group as a senior defined contribution specialist for American Funds. John has 26 years of investment industry experience. Prior to joining Capital, John was a senior consultant with The BridgePoint Group, where he developed retirement plan products and service strategies. He also was executive vice president and chief marketing officer for Hartford Investment Management Company, focused on fixed-income solutions for institutional clients. Prior to that he ran the marketing, communications and product functions at T. Rowe Price Retirement Plan Services, and before that he was a vice president of marketing at Fidelity Investments.

The role of defined contribution specialist was recently created at Capital as part of an initiative to strengthen our defined contribution experience and practice. John's counterpart in the Western U.S., top-ranked investment consultant Toni Brown, joined us last fall.

John will participate in a panel on the latest trends and best practices in target date funds at P&I's East Coast Defined Contribution Conference set for March 2–4 in Miami.

Capital is a diamond sponsor of the conference. For more information, please visit http://www.pionline.com/conferences.

Target date series passes milestone

American Funds Target Date Retirement Series® recently surpassed $18 billion in total assets under management – a 37% increase since the end of 2012, when the series was the sixth largest on Morningstar's list of target date managers. For more information on our target date series or other retirement plan offerings, please contact your relationship manager.

Portfolio manager biographies and investment approaches

Michael Cohen is an equity portfolio manager at Capital Group. He is vice chairman of Capital International Limited. He has 23 years of investment experience and has been with Capital Group for 14 years. Earlier in his career, as an equity investment analyst at Capital, Michael covered European utilities companies, as well as companies domiciled in Israel. Before joining Capital, he was a research analyst with both Schroders and Salomon Brothers in London. He holds an MBA from the London Business School and a bachelor's degree in accounting and economics from Tel Aviv University. Michael is based in London.

Good management and a prospering industry are two key criteria Michael uses when determining the companies he'll invest in. He looks for industries with strong, relatively predictable growth prospects, and seeks companies that have strong market positions and sound business strategies, backed by reliable management. Although macro views can influence his investment decisions, they don't drive his stock selection. "For the long-term future of the business, the people who manage it and the industry itself are the main investment parameters I'm focusing on, rather than the macro," he says. When it comes to valuations, he is willing to pay what he feels is fair value for a company if he believes it can thrive. He holds a concentrated portfolio that usually contains between 18 and 30 holdings, as he feels few companies meet his investment criteria. Balance sheets are also important to his investment decisions.

Gerald Du Manoir is an equity portfolio manager at Capital Group. He serves on the Capital Group Private Client Services Management Committee. He has 24 years of investment experience and has been with Capital Group for 23 years. Earlier in his career at Capital, as an equity investment analyst, Gerald covered European construction building materials and European consumer goods companies. Gerald began his career at Capital as a participant in The Associates Program, a two-year series of work assignments in various areas of the organization. Prior to joining Capital, he spent six months with Donaldson, Lufkin & Jenrette/Autranet in New York. He holds a degree in international finance from the Institut Supérieur de Gestion in Paris graduating with honors. Gerald is based in Los Angeles.

Gerald is a tenacious investor who does not like to pay for high valuations and will patiently wait for them to come down. He likes the visibility of cash flows and companies with strong asset bases. "I also like global franchises, whether they are consumer brands or technology companies." Gerald tends to avoid highly cyclical companies with uncertain earnings cycles, and is likely to sell in momentum-driven markets. While he holds investments in companies he likes for extended periods, he constantly retests the thesis of each investment and will sell when the thesis weakens. His portfolio has a low turnover rate and generally holds between 30 and 50 stocks, with the smaller investments being starter positions. He is comfortable with the top 10 holdings being a large proportion of his overall portfolio.

Portfolio managers shown are as of May 15, 2013. Years of experience as of December 31, 2013.

Portfolio manager biographies and investment approaches (continued)

David I. Fisher is an equity portfolio manager at Capital Group. He is chairman emeritus of Capital Group International, Inc. He has 48 years of investment experience and has been with Capital Group for 44 years. Earlier in his career at Capital, David was an equity investment analyst covering media, consumer electronics and electrical equipment companies, as well as director of research. Before joining Capital, he was an officer of Smith Barney & Co. and a marketing executive with General Electric Company. David holds an MBA from the University of Missouri Graduate School of Business Administration, and a bachelor's degree from the University of California, Berkeley. He serves as a member of the Los Angeles Society of Financial Analysts and the International Society of Security Analysts. He also serves as an advisory board member of the International Monetary Fund Retirement Plan. David is based in Los Angeles.

David says the most important factor in his investment decisions is the quality of company management. "Nothing is more useful to me," he says. "I think my competitive advantage as an investor is that I'm probably better than most at assessing management." Good management can motivate employees and adapt well to changes in the macroeconomic and business environment, he adds. Regarding valuations, David says that he is more willing than many managers to pay up for quality and growth, provided that he continues to believe in the company's potential. He holds companies for long periods and has one of the lowest portfolio turnover rates at Capital. David often starts out taking a small position in a company and building it over time. Although not macro-driven, he finds that drawing on global trends is helpful.

Nancy J. Kyle is an equity portfolio manager at Capital Group. She is vice chairman of Capital Guardian Trust Company. Nancy has 40 years of investment experience and has been with Capital Group for 23 years. Prior to joining Capital, she was a managing director at J.P. Morgan Investment Management in New York. She holds a bachelor's degree from Connecticut College and did graduate work in international political science at the London School of Economics. She is a member of the MSCI Barra Editorial Advisory Board. Nancy is based in Palm Beach.

Nancy's global investment approach focuses on stock selection by identifying companies with sound business models, sustainable cash flow and high-quality management. Although valuations are important, other criteria must be met based on one-on-one meetings with management. Her growth orientation includes top-line increases in revenues or sales of roughly 6%–8% annually and growth in cash flow in excess of revenues. Rather than a country or industry approach, Nancy analyzes each company on its own merits with an orientation to absolute returns in investing. "I'm comparing a capital goods company with its competitor on a business-model basis," she says, "but then I compare a capital goods company with a telecom one in terms of long-term investment returns." Nancy pays attention to balance sheet strength and use of leverage, and prefers to buy companies that have begun to deleverage after recently completing some capital expenditure projects. Free cash flow and how it is returned to shareholders is therefore important.

Portfolio managers shown are as of May 15, 2013. Years of experience as of December 31, 2013.

Portfolio manager biographies and investment approaches (continued)

Lionel M. Sauvage is an equity portfolio manager at Capital Group. He is chairman of Capital International Limited. Lionel has 26 years of investment experience, all with Capital Group. Earlier in his career, as an equity investment analyst at Capital, he covered European food, beverages and household goods companies, as well as the global airlines and U.S. and European aerospace industries. He holds an MBA from INSEAD, France, and an electronic engineering degree from ENSEM in Nancy, France. Lionel is based in London.

Lionel likes companies that have the demonstrated ability to generate sustained free cash flow, stable growth rates, and consistent returns on investment. He views dividend policies as an indication of the quality of the company and the management's commitment to return cash to shareholders. "My favorite companies are those that can maintain growth through their own cash flow without having to necessarily go to market for it," he says. He tends to be skeptical of turnaround situations and looks at valuations only after he is convinced of the investment thesis. He also follows macro themes and works closely with the fixed-income group to understand macro trends; he may express his macro views either by investing in a group of stocks, or by avoiding them. He generally maintains a diversified portfolio consisting of around 50 stocks.

Rudolf M. Staehelin is an equity portfolio manager at Capital Group. He is vice chairman of Capital International Sàrl. He has 34 years of investment experience and has been with Capital Group for 32 years. Earlier in his career, as an equity investment analyst at Capital, he covered European banking, pharmaceuticals and chemicals companies. Before joining Capital, Rudolf was with Maus Frères S.A., a retail holding company in Geneva. He holds an MBA from Stanford Graduate School of Business and has both doctorate and master's degrees in law from the Universität Basel in Switzerland. He is a member of the Swiss Association of Financial Analysts, the German Society for Securities Analysts and the New York Society of Security Analysts. Rudolf is based in Geneva.

Rudolf Staehelin takes an opportunistic approach: He is willing to buy undervalued stocks wherever he can find them, gradually migrating between deep value and strong growth over time. Rudolf searches for companies where he sees a catalyst for change, as well as a potential for earnings growth and higher valuations. His portfolios will often contain some high-potential, growth-oriented companies, anchored by cash and defensive stocks at the other end of the spectrum. Diversification is also an important element of his investment approach. He generally holds 55 to 65 companies, more in times of higher volatility and less in times of one-directional markets. Typically, his top 20 holdings will represent about half of his portfolio. "My ideal investment is what I call a 'coffee can' stock – a steady, reliable grower, which I can hold over many years," he says.

Portfolio managers shown are as of May 15, 2013. Years of experience as of December 31, 2013.

Portfolio manager biographies and investment approaches (continued)

Philip Winston is an equity portfolio manager at Capital Group. He has 29 years of investment experience and has been with Capital Group for 17 years. Earlier in his career, in addition to being a portfolio manager, Philip was an equity investment analyst at Capital covering U.K. property and paper & packaging companies, as well as European property and media companies. Before joining Capital, he was a director and U.K. equity fund manager at BZW Investment Management in London. Prior to that, he worked at Orion Royal Bank in London and New York. He holds a PhD and a master's degree in history from Cambridge University. Philip is based in London.

Philip Winston looks for well-run companies with long-term, sustainable franchises, stable cash flows, high returns on invested capital and strong balance sheets. He prefers to invest in companies that are gaining market share in growing industries and, ideally, with high barriers to entry keeping potential competitors at bay. Philip also is attracted to companies that are undergoing change and restructuring, or are misunderstood by investors. He calls them "the overlooked, the unloved and the forgotten." Philip wants to hold his best stocks for several years. He is not as concerned about achieving the lowest entry price as he is about potentially missing a good opportunity and benefiting from the compounding effects of high returns. Thus, he will buy at a reasonable price.

Portfolio managers shown are as of May 15, 2013. Years of experience as of December 31, 2013.

Attribution methodology notes

With security-level relative attribution

Portfolio name
State of Alaska Department of Revenue
Portfolio number
44336000

Benchmark name
MSCI EAFE Index with net dividends reinvested

Currency name
USD

Attribution methodology notes

The attribution data was produced using FactSet, a third-party software system, based on daily holdings and daily transactions. The analysis includes equity investments, cash, forward contracts, fixed-income investments, and commingled fund investments, if applicable. Data elements such as pricing, income, and exchange rates were furnished by CGTC, but market cap was provided by FactSet. The index provided for attribution is based on FactSet's methodology. CGTC believes the software and information from FactSet to be reliable. However, CGTC cannot be responsible for inaccuracies, incomplete information or updating of information by FactSet.

Report methodology notes

All of the pages contained in the report that display the portfolio weights, benchmark weights and weight differences are average weights over the period. The mnemonic "ISR:" indicates that two or more issues of the same issuer have been rolled up and thus what is presented in the report is the Issuer Level data. The attribution that is provided and calculated by FactSet, including the portfolio returns contained within the report, is gross of management fees.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	CIO Discretionary Investment Authority	ACTION:	X
DATE:	February 6, 2014	INFORMATION:	

BACKGROUND:

The Alaska Retirement Management Board has granted the CIO limited discretionary authority for making investments in Private Equity and Real Assets. This discretion is provided through the investment guidelines in each respective program. The discretion provided the CIO improves operational efficiency and opportunity by granting the CIO some latitude in making investment decisions where time sensitivity may be an issue and to help balance the scarcity of board meeting time.

STATUS:

The investment discretion granted the CIO has been useful in executing ARMB's investment strategies. Some modification of this discretion is required to calibrate this authority to a growing asset base and to bring consistency and clarity to the existing policies. The proposed changes to the respective investment guidelines are delineated in the attached Exhibit A.

RECOMMENDATION:

The Alaska Retirement Management Board adopt Resolution 2014-01 through 2014-05 revising ARMB's investment guidelines in Real Estate, Farmland, Timberland, Infrastructure, and Private Equity to reflect modifications in the CIO discretionary investment authority.

Resolution 2014-01	Real Estate Guidelines
Resolution 2014-02	Farmland Guidelines
Resolution 2014-03	Timberland Guidelines
Resolution 2014-04	Infrastructure Guidelines
Resolution 2014-05	Private Equity Guidelines

Exhibit A

Summary of Changes to Investment Guidelines relating to CIO Discretionary Investment Authority

<table>
<tr><th colspan="2">Real Estate Guidelines (Resolution 2014-01)</th></tr>
<tr><td>Current Guidelines</td><td>Section: II.B. Diversification
Contingent Allocation – The authority of the CIO to exercise discretion in allocating funds within investment bands shall include authority to add funds to the allocation of real estate Separate Account Investment Managers. Exercise of this discretion shall be for:
(i) acquisition of a particular real estate asset which is, in the opinion of the CIO, attractive and the acquisition of which is constrained by the allocation to the investment Separate Account Investment Manager;
(ii) not exceed $150 MM for acquisitions in high barrier markets and not exceed the single property investment limit (Section IIB) for acquisitions in other markets. High barrier markets exhibit constraints (i.e. physical, political, financial) on supply growth that restrict new construction and therefore create an environment conducive to real rent growth in response to increasing space demand. High barrier markets tend to be located in both coasts of the United States. Low barrier markets lack supply constraints and are typically prone to over supply as developers can quickly react to anticipated demand growth. Low barrier markets dominate in the Midwest, South, and Mountain states.
(iii) not exceed $150 MM in any fiscal year period.

The CIO may also exercise the following discretion pertaining to real estate investments:
(i) Commit to investments up to $100 million with existing managers, and former managers in good standing;
(ii) Commit to investments related to co-investment opportunities, up to $100 million, with existing managers; and,
(iii) Commit to investments with new managers up to $75 million, with the concurrence of ARMB's real estate consultant.

The CIO will provide prior notification to the chairs of the ARMB and Real Estate Committee 7 days before committing to any real estate investments under this authority.</td></tr>
<tr><td>Proposed New Guidelines</td><td>Section: II.B. Diversification
CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.</td></tr>
</table>

Exhibit A

Summary of Changes to Investment Guidelines relating to CIO Discretionary Investment Authority

<table>
<tr><th colspan="2">Farmland Guidelines and Timberland Guidelines (Resolution 2014-02 and Resolution 2014-03)</th></tr>
<tr><td>Current Guidelines</td><td>(no CIO discretionary investment authority currently exists in the Farmland or Timberland guidelines.)</td></tr>
<tr><td>Proposed New Guidelines</td><td>Farmland Section: II.B. Diversification; Timberland Section 3. Allocation
CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.</td></tr>
</table>

<table>
<tr><th colspan="2">Infrastructure Guidelines (Resolution 2014-04)</th></tr>
<tr><td>Current Guidelines</td><td>Section 3. Allocation
The CIO may also exercise the following discretion pertaining to private infrastructure investments:

(a) Commit to investments up to $100 million with existing managers, and former managers in good standing;

(b) Commit to investments related to co-investment opportunities, up to $100 million, with existing managers; and,

(c) Commit to investments with new managers up to $75 million, with the concurrence of ARMB's investment consultant.

The CIO will provide prior notification to the chairs of the ARMB and Real Assets Committee seven days before committing to any infrastructure investments under this authority.</td></tr>
<tr><td>Proposed New Guidelines</td><td>Section 3. Allocation
CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.</td></tr>
</table>

Exhibit A

Summary of Changes to Investment Guidelines relating to CIO Discretionary Investment Authority

Private Equity Guidelines (Resolution 2014-05)	
Current Guidelines	Section: I.B. ASSET ALLOCATION The ARMB commitment to private equity investments shall remain within the limits authorized by the Board of Trustees. The target commitment is 7 % (within a range of 2% to 12%) of its portfolio (based on invested net asset value). ARMB recognizes that it will be necessary to make capital commitments in excess of the target allocation in order to achieve and maintain a 7% net asset value. An important implementation goal for ARMB is to spread out timing of new commitments so as to avoid an undue concentration of commitments in any one fiscal year. In order to efficiently build ARMB's private equity portfolio, Staff has the flexibility to approve in writing a variance of up to 10% beyond an investment manager's annual commitment target. Over the long-term it is expected that approximately equal amounts of new funding will be committed each year to garner the benefits of time diversification. Section: III.A.1 Board of Trustees The ARMB shall set an allocation target for direct investments in private equity partnerships as part of the *Annual Tactical Plan.* For direct investments, the ARMB delegates authority to the Chief Investment Officer ("CIO") to commit the annual allocation target to a number of direct investments or fund-of-fund investments with private equity partnerships as follows: a. The CIO has the authority to engage the ARMB's private equity consultant to assist in the evaluation, due diligence, and negotiation of private equity partnership investments; and b. The CIO has the authority to commit to private equity partnership investments with new managers of up to $50 million per investment with concurrence on the investment decision from the ARMB private equity consultant; and c. The CIO has the authority to commit to private equity partnership investments of up to $50 million per investment with existing private equity partnership managers and former private equity partnership managers in good standing; and d. With respect to the direct investment allocation target set by the ARMB annually, the CIO has the authority to commit up to an additional $50 million over and above this target to accommodate specific investment opportunities or manage the ARMB's allocation to private equity. The CIO will notify the Chair of the ARMB seven (7) days prior to committing to any direct private equity partnership investment. With respect to direct investments made by the ARMB, Staff will assume the relevant investment manager responsibilities addressed in Section III.C of this document and the Consultant will review the performance of the direct investments.
Proposed New Guidelines	Section: I.B. ASSET ALLOCATION The ARMB commitment to private equity investments shall remain within the limits authorized by the Board of Trustees. The ARMB recognizes that it may be necessary to make capital commitments in excess of the target allocation in order to achieve and maintain the allocation target. An important implementation goal for ARMB is to spread out timing of new commitments so as to avoid an undue concentration of commitments in any one fiscal year. In order to efficiently build the ARMB's private equity portfolio, Staff has the flexibility to approve in writing a variance of up to 50% beyond an investment manager's annual commitment target. Over the long-term it is expected that approximately equal amounts of new funding will be committed each year to garner the benefits of time diversification.

Exhibit A

Summary of Changes to Investment Guidelines relating to CIO Discretionary Investment Authority

	<u>Section: III.A.1 Board of Trustees</u> The ARMB shall set an allocation target for direct investments in private equity partnerships as part of the Annual Tactical Plan. For direct investments, the ARMB delegates authority to the Chief Investment Officer ("CIO") to commit the annual allocation target to a number of direct investments or fund-of-fund investments with private equity partnerships as follows: a. The CIO has the authority to commit to private equity partnership investments of up to $100 million per fund. An investment with a manager that is new to the ARMB's portfolio requires concurrence on the investment decision from the ARMB private equity consultant or gatekeepers. b. The CIO has the authority to engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration. c. With respect to the direct investment allocation target set by the ARMB annually, the CIO has the authority to commit up to an additional $125 million over the target to accommodate specific investment opportunities or manage the ARMB's allocation to private equity. The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply. The CIO will provide prior notification to the ARMB Chair before committing to any investment under this authority. All discretionary CIO investment actions shall be reported to the Board. With respect to direct investments, Staff will assume the relevant investment manager responsibilities addressed in Section III.C of this document and the Consultant will review the performance of the direct investments.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Real Estate Investment Policies, Procedures and Guidelines

Resolution 2014-01

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in real estate assets for the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System, including investments for those systems in the State of Alaska Retirement and Benefit Plans Trust; and

WHEREAS, the Board establishes and from time to time as necessary, modifies investment policies, procedures, and guidelines for real estate;

NOW THEREFORE, BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the revised Real Estate Investment Policies, Procedures and Guidelines, attached hereto and made a part hereof. This resolution repeals and replaces Resolution 2013-16.

DATED at Juneau, Alaska this _____ day of February, 2014

____
Chair

ATTEST:

____
Secretary

ALASKA RETIREMENT MANAGEMENT BOARD
REAL ESTATE INVESTMENT
POLICIES, PROCEDURES AND GUIDELINES

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ATTACHMENTS

ALASKA RETIREMENT MANAGEMENT BOARD
REAL ESTATE INVESTMENT
POLICIES, PROCEDURES AND GUIDELINES

I. INVESTMENT OBJECTIVES

A. Investments in Real Estate and Other Real Estate Related Assets

The Alaska Retirement Management Board (ARMB) will invest in real estate with the goals of portfolio diversification and attaining the optimum return on the portfolio, consistent with the assumption of prudent risk and safety of principal. ARMB recognizes the need to use active investment management in order to obtain the highest attainable total investment return (measured as income plus appreciation) within ARMB's framework of prudence and managed risk.

ARMB will select Real Estate Investment Managers who have the discretion to invest in publicly traded equity and/or privately placed equity sectors, subject to ARMB's approval of an Annual Strategic/Tactical Plan and an Annual Investment Plan. In order for real estate investments to be considered, the Investment Manager must demonstrate that it is able to: add value through its real estate knowledge, experience and strategy; underwrite the risks of the investment which is contemplated; and at the time of investment, comply with the intent of the Real Estate Investment Policies, Procedures and Guidelines **(Guidelines)**.

Single property and multi property strategies will be considered as well as "pooled/commingled" fund investment vehicles.

B. Asset Allocation

The ARMB allocation to real estate investments shall be determined by the Board of Trustees and reviewed annually. Allocated capital to Investment Managers will be defined as invested capital based on ARMB's cost.

C. Portfolio Return Objective

1. **Total Return**
   Over rolling 5 year periods, the equity real estate investment portfolio is expected to generate a minimum total real rate of return (net of investment management fees) of 5% using a time-weighted rate of return calculation. The inflation index used to calculate the actual real rate of return is the CPI All Urban.

2. **Income Return**
   Income, which is defined as cash distributed to ARMB, is expected to produce 50-60% of the total return over rolling five-year periods.

3. **Index**

   The overall portfolio is expected to exceed the target index. The target index is composed of 90% NCREIF Property Index and 10% NAREIT Equity Index.

II. PROGRAM RISK MANAGEMENT AND IMPLEMENTATION

The selection and management of assets in the real estate portfolio of the ARMB will be guided by the principles of preserving investment capital, attaining the optimum return on the portfolio consistent with the assumption of prudent risk, generating current income, being sensitive to inflation, maintaining diversification of assets and diversification of management responsibility.

In real estate investment, there is an inherent risk that the actual income and return of capital will vary from the amounts expected. The ARMB will manage the investment risk associated with real estate in several ways**:**

A. Institutional Quality

All assets must be of institutional investment quality as evidenced by a precedent of institutional investment in similar properties; expert analysis which supports the economic viability of the market; high quality construction and design features; and a potential competitive position within the property's immediate market area**.**

B. Diversification

The real estate portfolio will be diversified as to style group, property type, industry sector, life cycle, economic driver, investment manager and geographical location. Diversification reduces the impact on the portfolio of any one investment or any single manager's investment style to the extent that an adversity affecting any one particular area will not impact a disproportionate share of the total portfolio. Portfolios for core investment managers and non-core or value added investment managers will carry the diversification characteristics set forth in the allocations and definitions set out below. Diversification compliance will be monitored on a quarterly basis for compliance with ARMB's Guidelines by staff and the real estate consultant.

For purposes of calculating diversification compliance, the overall real estate portfolio size will be considered the product of the greater of projected or target real estate allocation times the projected fiscal year-end overall plan assets as established in the Annual Investment Plan. The projected fiscal year-end overall plan assets will take into account the target allocations and projected returns of all asset classes in which plan assets are invested, and estimated net pay-outs to plan beneficiaries. Unless exceptional circumstances justify a deviation, the maximum percentage of the real estate portfolio investment for each of the identified categories is as follows:

Controlled Investments:	85 %
(ARMB can liquidate within 180 days)	
Non-Controlled Investments:	50%
(ARMB cannot liquidate within 180 days)	

Core Investments (See definition below):	85 %
Non-Core Investments (See definition below):	50%

Single Manager Limit: *(value of both Separate Account and Commingled Fund combined, if applicable)*	35 %

Public Equity:	50 %
Public Debt:	0 %
Private Equity:	100 %
Private Debt:	0 %

Geographic:

ARMB will avoid over-concentration in areas of similar real estate performance. The consultant will monitor ARMB's concentrations in this area, considering indicators such as NCREIF sub-region, metropolitan areas and economic drivers. The consultant will report its conclusions regarding the acceptability of ARMB's concentration limits quarterly.

Outside United States:	20 %
Single Property Investment: *(acquisition cost plus projected capital additions and improvements)*	5 %
Single-Tenant (any one firm):	10 %
Property Type:	40 %

Manager Allocation – It is understood that Separate Account Investment Managers may exceed their Board-approved allocations by up to 5% for the purposes of capital improvements on existing assets and/or for the completion of an acquisition. A core Separate Account Investment Manager's portfolio may be invested up to 15% in core-plus style properties to assemble a core portfolio. A value-added Separate Account Investment Manager's portfolio shall include 70%-100% in value-added style properties, and may include up to 30% in opportunistic style properties.

Subject to CIO approval, upon the sale of a property held by a Separate Account Investment Manager in which the net sales proceeds are in excess of the property's cumulative basis, the advisor's allocation will increase in an amount equal to the lesser of the excess of the net sales proceeds over the property's cumulative basis or the aggregate portfolio net asset value over the aggregate portfolio cumulative basis adjusted to reflect actual sale proceeds. The CIO will also consider whether an allocation increase should be adjusted for any past realized losses incurred by the Separate Account Investment Manager. The intent of this provision is to allow a Separate Account Investment Manager to reinvest realized gains but only to the extent gains are greater than losses which have been experienced in other property investments in the Separate Account Investment Manager's portfolio.

Exceptional circumstances justifying a deviation – When circumstances arise of a temporary nature, such as an unexpected re-valuation of assets, a transfer of assets among managers, or an event in which it would be in the fiduciary interest of the ARMB to do so, the limits set forth in paragraph II.B of ARMB Policies may be exceeded provided that ARMB concurs.

~~**Contingent Allocation** – The authority of the CIO to exercise discretion in allocating funds within investment bands shall include authority to add funds to the allocation of real estate Separate Account Investment Managers. Exercise of this discretion shall be for:~~
~~(i) acquisition of a particular real estate asset which is, in the opinion of the CIO, attractive and the acquisition of which is constrained by the allocation to the investment Separate Account Investment Manager;~~
~~(ii) not exceed $150 MM for acquisitions in high barrier markets and not exceed the single property investment limit (Section IIB) for acquisitions in other markets. High barrier markets exhibit constraints (i.e. physical, political, financial) on supply growth that restrict new construction and therefore create an environment conducive to real rent growth in response to increasing space demand. High barrier markets tend to be located in both coasts of the United States. Low barrier markets lack supply constraints and are typically prone to over supply as developers can quickly react to anticipated demand growth. Low barrier markets dominate in the Midwest, South, and Mountain states.~~
~~(iii) not exceed $150 MM in any fiscal year period.~~

~~The CIO may also exercise the following discretion pertaining to real estate investments:~~
~~(i) Commit to investments up to $100 million with existing managers, and former managers in good standing;~~
~~(ii) Commit to investments related to co-investment opportunities, up to $100 million, with existing managers; and,~~
~~(iii) Commit to investments with new managers up to $75 million, with the concurrence of ARMB's real estate consultant.~~

~~The CIO will provide prior notification to the chairs of the ARMB and Real Estate Committee 7 days before committing to any real estate investments under this authority.~~
CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

Definitions

Core Investments

Primary Characteristics:

- Fully or substantially leased (85% occupancy or greater)
- Inconsequential turnover near term
- Inconsequential physical issues or renovation required
- Credit tenants
- Primary markets
- Quality property
- Income produces 50% or more of expected return
- Typically longer term holds
- Properties in markets with stable or improving economic conditions

Core-plus Investments

Primary Characteristics:

- Limited renovation, primarily deferred maintenance, limited physical issues or repositioning needed
- Modest near term lease roll over; modest vacant lease up

- Expected growth through increasing rents
- Poor prior management
- A- to B- quality
- Income produces 50% or more of expected return

Non-Core Investments

Value-Added Investments

Primary Characteristics:

- Asset renovation – lobbies, corridors, deferred maintenance
- Intermediate term (6-9 months) physical issues
- Current vacancies or rent loss
- Near term roll over exposure
- Repositioning, re-tenanting
- Distressed prior management
- Purchase of adjacent land to develop
- Alternative, turnaround markets and property types
- Income produces 50% or less of total return

Opportunistic Investments – These investments involve significant redevelopment risk, high leasing risk, and high development risk.

Primary Characteristics:

- Empty Buildings
- High near term turnover
- New development – spec or limited pre-leasing
- Significant rehabilitation and leasing, redevelopment into alternative uses
- Capital displacement in maligned markets: lack of investment capital due to level of risk
- Non-traditional asset type (mezzanine debt, land, etc.)
- Wide ranging investment structures
- Investing in non-performing notes
- Cross-border investing
- Holding periods typically 1 to 5 years
- Income produces less than 50% of total return

Note: *Properties within a multi-property investment will be categorized as either core or non-core.*

C. Implementation Approach

The ARMB will implement an investment process for real estate which will, over time, include a minimum of three (3) qualified Separate Account Investment Managers who have been selected on a competitive basis. The ARMB will endeavor to allocate specific funds to qualified managers on a separate account basis. Selected managers will seek real estate investment opportunities in publicly-traded equity and/or privately-placed equity sectors. Investments will be made on a discretionary basis subject to Staff approval of the Annual Strategic/Tactical Plans prepared by Separate Account Investment Managers and ARMB's approval of the Annual Investment Plan prepared by Staff. In addition to separate accounts, ARMB will selectively consider investments in "pooled/commingled" investment vehicles.

All allocation of funds to a manager (including additional investment with existing accounts) and investment strategy must be recommended to ARMB by Staff and the Real Estate Consultant and be accompanied by an investment report which, at a minimum, includes the following: market information; investment alternatives; fee structure and comparison to other alternatives; demonstration of compliance with Guidelines and the then current Annual Investment Plan; historical performance of Separate Account Investment Manager (cash–based internal rates of return and industry standard); projected returns (income and appreciation); and positive and negative attributes of the investment strategy.

On a selective basis, a member of ARMB may visit the site of a real estate investment for the purpose of rendering a report to ARMB supplementing reports provided by Staff, the Real Estate Consultant, or others**.**

D. Prudent Leverage

The total amount of leverage placed on the aggregate separate account assets will not exceed thirty five percent (35%) of the total market value of the real estate separate account portfolio. Directly-owned properties will not be leveraged by the Separate Account Investment Manager. Property encumbered by debt at the time of purchase, if justified on a risk-return basis by the Separate Account Investment Manager, may be acquired subject to Chief Investment Officer approval. With authorization by the ARMB, the Chief Investment Officer may place leverage on a pool of existing core real estate assets held in ARMB's separate account portfolio in a manner consistent with the ARMB's Guidelines.

The total amount of fund level leverage, at the time of investment, will not exceed 35% for core commingled funds investing in a core equity diversified asset strategy. The total amount of fund level leverage, at the time of investment, will not exceed 65% for non-core commingled funds investing in a value add or opportunistic equity diversified asset strategy.

E. Lease Structure

Multi-tenant and single tenant properties will be considered. When acquiring single tenant properties, consideration will be given to avoid multiple single-tenant exposure to any firm if those single tenant properties constitute more than 10% of the portfolio. A staggered lease structure for commercial properties will be emphasized.

F. Separate Account Investment Manager Business Plan; Annual Strategic/Tactical Plan; Disposition/Exit Strategy

A Business Plan (including property operating budgets) will be completed by each manager for each asset under its management. The Business Plan will identify the current and anticipated competitive position for each property in order to set tactical and strategic objectives and will prescribe in appropriate detail a disposition and exit strategy respecting the particular investments. Part of this process is to evaluate the potential timing of dispositions. A property is considered for sale when it is believed that the equity in the existing investment can achieve a higher return in another real estate investment of similar risk. The Annual Strategic/Tactical Plan will describe the expectation of the manager with respect to acquisitions and dispositions.

G. Fee Structure

Involvement in any venture will be done on a fee basis that is competitive. The preferred method of calculating manager fees will be based upon a formula, which considers both 1) the cost basis of assets under management and 2) investment performance. All fee structures will be approved by ARMB. For core managers, the return-based portion of a fee will emphasize actual cash available for distribution to ARMB.

H. Single Asset Ownership Structure (Applies to Separate Accounts Only)

Provided that the goals of these guidelines are followed, ARMB may invest in separate, specific real estate assets. However, such investments will be undertaken in a fashion structured to limit ARMB's liability to the amount of its investment.

I. Reporting System

Staff and the Real Estate Consultant will develop and implement a comprehensive and responsive reporting and monitoring system for the entire portfolio, individual investments and individual managers. The reporting and monitoring system will endeavor to identify under-performing investments, controlled portfolio diversification deficiencies and inherent conflicts of interest, thereby facilitating active portfolio management. A cash-based internal rate of return (IRR) will be used when evaluating the long-term performance of an investment. Time- weighted returns will be used to measure comparative performance.

J. Distribution of Current Income

All separate account income will be distributed immediately to ARMB or its designee and not automatically reinvested in the account.

K. Lines of Responsibility

Well defined lines of responsibility and accountability will be required of all participants in ARMB's real estate investment program. Participants are identified as:

ARMB – The fiduciaries appointed by the Governor to represent the beneficiaries' interest which shall retain final authority over all real estate investment decisions.

Real Estate Committee – Comprised of at least three (3) members of ARMB who continually review the role and performance of real estate.

Staff – Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the Real Estate equity investment program's design, policy implementation and administration.

Real Estate Consultant – Professionals retained to support Staff and ARMB through the provision of expert real estate strategic planning, implementation and performance monitoring support.

Separate Account Investment Managers – Qualified entities who provide institutional real estate investment management services and maintain a discretionary relationship with ARMB subject to Staff's approval of Annual Business Plans and Annual Strategic/Tactical plans, prepared by Separate Account Investment Managers, and ARMB's approval of the Annual Investment Plan.

Commingled Fund Managers – Qualified entities who provide institutional real estate investment management services through open-end and closed-end real estate pools and other pooled/commingled vehicles.

III. CONFLICTS OF INTEREST

In real estate investment, separate and distinct from other asset classes, the Manager of a Separate Account or Commingled Fund may have direct or significant control over the operations of the assets. This inherent or potential conflict of interest if openly described and regulated may contribute to the lower volatility associated with the asset class, but it also creates a need for a higher oversight standard by the plan sponsor. Staff and ARMB will maintain this oversight in at least the following ways:

A. Property Valuation

The Separate Account Investment Manager will provide ARMB with annual appraisal valuations for all properties for which it has asset management responsibility as of the quarter ending March 31. Unless otherwise directed by ARMB, the appraisal will be prepared by a qualified independent third party entity in accordance with industry standards. Staff may waive the appraisal requirement for recent acquisitions or pending dispositions following a recommendation by the Separate Account Investment Manager that such appraisal would not be a cost effective exercise. For development assets, appraisals are to be conducted in the manner described above after substantial completion payment by ARMB is made. In addition, the Separate Account Investment Manager will mark each asset to market each quarter based on asset conditions and leasing, operations and capital market conditions for comparable properties in that market.

B. Property Management

The selection of on-site property management will generally be left to the discretion of the Separate Account Investment Manager. It is expected that the Separate Account Investment Manager will retain the highest caliber, market rate property management service either through a third party fee manager or the Separate Account Investment Manager's affiliated property management division. This business relationship will be periodically reviewed by Staff, the Real Estate Consultant and ARMB.

IV. INSURANCE COVERAGE

The Separate Account Investment Manager will obtain insurance for the physical properties and assets under its control. The coverage will be in such amounts and against such risks as, in the Separate Account Investment Manager's professional judgment, shall be in accordance with sound institutional practices applicable to such properties or assets in the specific geographic area. It is expected that such insurance will include, but not be limited to, casualty loss, including where deemed appropriate by the Separate Account Investment Manager, earthquake, flood and any other disaster-type insurance coverage; comprehensive general liability; and title insurance. Separate Account Investment Managers will provide proof of insurance to Staff annually.

V. UNRELATED BUSINESS INCOME TAX

Prior to entering into any transaction, the Manager will assess whether income generated from the property under consideration could qualify as unrelated business taxable income. If this risk exists, the Manager will provide ARMB with an opinion of counsel satisfactory to ARMB that the transaction will not generate unrelated business taxable income under the federal income tax law or any other tax provisions that could affect ARMB's tax-exempt status existing at the time. The Manager shall investigate as to whether ARMB shall be entitled to any property tax exemptions. Managers will provide letters of opinion on UBIT and property tax exemptions to Staff.

VI. ENVIRONMENTAL EVALUATIONS

As a standard procedure during the pre-acquisition analysis, the Separate Account Investment Manager will initiate a formal evaluation for each property through the selection of an environmental consultant. In carrying out the review, appropriate procedures based on standards of the locale and conditions known to exist in the locale shall be undertaken and such procedures should at a minimum include:

- Appointment of an environmental consultant with specific experience in testing and removal of asbestos and other environmental hazards.
- A site survey will be conducted to determine from the available evidence whether hazardous chemicals or environmentally dangerous materials exist or have existed on the subject property, including, at a minimum, a Phase I report.

ARMB may invest in properties, which contain asbestos and other toxic substances, only if the following conditions are met:

- The substance and potential risks are thoroughly disclosed.
- The property is not in violation of any federal, state or local law, ordinance, or regulation relating to the property's environmental condition.
- The estimated cost of the removal or containment programs will be reflected in the purchase assumptions.
- The substance can be properly contained or removed in accordance with the then current Environmental Protection Agency Standards.
- The leasing rollover pattern in the property will accommodate a removal program in the future.

Separate Account Investment Managers will provide the environmental evaluation reports to staff

VII. PROCEDURES FOR INVESTMENT

A. Delegation of Responsibilities

The real estate investment program will be implemented and monitored through the coordinated efforts of the ARMB; the Real Estate Committee; Staff; the Real Estate Consultant and; the qualified Manager(s). Delegation of responsibilities for each participant is described in the following sections: A summary of the delegation is attached:

1. ARMB

ARMB will retain final authority over all real estate investment strategy decisions except for Business Plan variances as set forth in the Guidelines Section VIII; approve the Guidelines, the Annual Investment Plan and any periodic revisions to these documents which ARMB deems to be appropriate and prudent for the investment of ARMB assets; retain qualified investment managers and real estate consultants; and set investment limits.

2. Real Estate Committee

Review and report the status of real estate portfolio annually to ARMB; participate in the selection of real estate consultants and investment managers; serve as ARMB's liaison with the Real Estate Consultant; recommend revisions to the Guidelines; review and recommend the Annual Investment Plan to Board for approval; and attend industry conferences at least every other year in order to keep abreast of industry trends.

3. Staff

Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the Separate Account Investment Managers and monitor diversification compliance on a quarterly basis. Staff will also coordinate the receipt and distribution of capital. Staff, in cooperation with the Real Estate Consultant, will periodically review the Separate Account Investment Managers' and portfolio's performance in relation to target returns; review and approve the Separate Account Investment Manager's Annual Business Plan and Annual Strategic/Tactical Plan; review and recommend investments in commingled vehicles; prepare and recommend an Annual Investment Plan; and recommend revisions to the Real Estate Investment Policy Procedures and Guidelines. Staff will also review and approve the detailed property operating budgets prior to the start of each fiscal year and revisions to the property operating budgets in accordance with Section VIII of these Guidelines.

4. Real Estate Consultant

In cooperation with Staff and as deemed appropriate by the Real Estate Committee and ARMB, the Real Estate Consultant will ensure program compliance; assist in the implementation of a multiple manager program; review all program documentation and management relationships; conduct manager searches when requested; provide performance measurement analysis of the portfolio; review the Annual Investment Plan as set forth in the Investment Procedures outlined below; and provide special project research pertaining to technical real estate issues.

The Real Estate Consultant will, as requested by ARMB, provide periodic reports for the real estate program including a performance evaluation of the total portfolio to include both ARMB's commingled fund investments and ARMB's separate account investments. The analysis will include both income and capital accounting; comparison to industry performance benchmarks (such as NCREIF); Manager reviews, and effects of "Pooled Leverage" on the real estate portfolio. The Real Estate Consultant will prepare a quarterly performance analysis report which will provide after-fee realized and unrealized gains/losses; monitor and report quarterly diversification compliance and the geographic concentration limits; time weighted returns including both current quarter returns and annualized returns since portfolio inception; and internal rates of return since inception based on actual cash flow from and to ARMB.

Additional responsibilities may include developing selection criteria in manager search efforts, coordinating/conducting manager searches, conducting manager reviews, and other special projects.

5. Managers

Separate Account Investment Managers will acquire and manage real estate investments on behalf of ARMB and in accordance with the then current and approved Annual Business, Annual Strategic/Tactical Plans, and the objectives set forth in the Annual Investment Plan and the Guidelines. Managers will prepare Annual Business (including property operating budgets) and Annual Strategic/Tactical Plans for Staff review and approval.

Commingled fund investment managers will acquire and manage real estate investments on behalf of ARMB and in accordance with the terms of any and all agreements between each respective Manager and ARMB.

B. Investment Procedure

Real estate investments, in compliance with ARMB's Policies, shall be acquired through the following process:

1. Separate Accounts:

Annually, Staff will prepare an Investment Plan after reviewing the Annual Business and Strategic/Tactical Plans of the Separate Account Investment Managers. This document will recommend, as appropriate, revisions to the ARMB Guidelines, additional allocations to existing managers, and revisions to the Annual Business and Strategic/Tactical Plans of each respective Separate Account Investment Manager. Any searches that may be recommended will be outlined. The Investment Plan will then be reviewed by the consultant and submitted, along with the Real Estate Committee's recommendations to ARMB for final approval. Staff and the Real Estate Consultant shall review the Separate Account Investment Manager's Annual Business Plans and Annual Strategic/Tactical Plans for consistency with the Annual Investment Plan. Staff will approve all Plans prepared by Separate Account Investment Managers.

Investments will be made on a discretionary basis by Separate Account Investment Managers in accordance with their approved Annual Business and Strategic/Tactical Plans. Separate Account Investment Managers must provide staff with copies of their internal "Investment Committee" reports for each asset purchased on ARMB's behalf.

2. Commingled Funds:

Investments in commingled funds will be recommended by Staff and the Real Estate Consultant on an individual fund basis in accordance with the Annual Investment Plan and the ARMB Guidelines.

VIII. DELEGATION OF AUTHORITY

ARMB shall delegate authority to Staff to approve the following:

- Each Separate Account Investment Manager's detailed property operating budgets for each fiscal year;
- Annual Business Plans and Annual Tactical/Strategic Plans prepared by ARMB's Separate Account Investment Managers;
- Revised property operating budgets and variances in approved Annual Business Plans for unanticipated, significant leasing activity; and
- Line item variances in approved capital expenditure budgets in amounts up to $300,000 with a cumulative fiscal year maximum of $3,000,000 per Separate Account Investment Manager for other capital expenditures not related to leasing activity (such as repairs for building damage or defects).

IX. CONFIDENTIALITY

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by Manager(s) or Consultant(s) which is reasonably designated by Manager(s) or Consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to Part II section I (Reporting System) of these Guidelines shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by Manager(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of Manager(s) or ARMB to manage, lease, market or sell such property or Assets.

X. REVISIONS

This document replaces and consolidates the policies, procedures, and guidelines as of September 19~~20~~, 2013~~2~~.This document is to be reviewed no less than annually and revised as appropriate.

XI. REAL ESTATE SEPARATE ACCOUNT INVESTMENT MANAGERS

The following investment managers acquire institutional-grade properties on a discretionary basis for the Alaska Retirement Management Board:

UBS Realty Investors LLC
Property type – Core/apartments, industrial, retail and office
Contact - Jeffrey G. Maguire
Managing Director
10 State House Square
Hartford, CT 06103-3604
Telephone: 860-616-9086
Fax: 860-616-9104
E-mail: jeffrey.maguire@ubs.com
Web site: www.ubs.com

Sentinel Realty Advisors Corp.
Property type – Core/apartments only
Contact – David Weiner
Managing Director
1251 Avenue of the Americas
New York, NY 10020
Telephone: 212-408-2913
Fax: 212-603-5961
E-mail: weiner@sentinelcorp.com
Web site: www. sentinelcorp.com

LaSalle Investment Management
Property type – Core/apartments, industrial, retail and office (includes Takeover Assets)
Attn: George Duke
Managing Director
100 East Pratt Street, 20th Floor
Baltimore, MD 21202
Telephone: (410) 878-4810
Facsimile: (410) 878-4910
E-mail: George.Duke@lasalle.com
Web site: www.lasalle.com

Cornerstone Real Estate Advisers LLC
Property type – Core/apartments, industrial, retail and office
Attn: Denise Stake
Portfolio Manager
One Financial Plaza, Suite 1700
Hartford, CT 06103-2604
Telephone: (860) 509-2311
Facsimile: (860) 509-2296
*Email:*dstake@Cornerstoneadvisers.com
Web site: www.cornerstoneadvisers.com

XII. REAL ESTATE COMMINGLED ACCOUNT INVESTMENT MANAGERS

UBS Realty Investors LLC
Contact: Thomas J. Anathan, Managing Director
10 State House Square
Hartford, CT 06103-3604
Telephone: 860-616-9128;
Facsimile: 860-616-9104
E-mail: thomas.anathan@ubs.com

J.P. Morgan Asset Management
Contact: Ann Cole, Managing Director Portfolio Manager; Kimberly Adams, Managing Director Portfolio Manager, Strategic Property Fund
270 Park Avenue, 7th Floor
New York, NY 10017
Telephone: (AC) 212-648-2152
Telephone: (KA) 312-732-6366
Facsimile: 917-464-7449
ann.e.cole@jpmorgan.com
kimberly.a.adams@jpmorgan.com

Clarion Partners
Contact: Doug Bowen
Managing Director
230 Park Avenue
New York, NY 10169
Telephone: 212-883-2506
Facsimile: 212-883-2806
E-mail:
doug.bowen@clarionpartners.com

Tishman Speyer Properties
Contact: Julie Lurie
45 Rockefeller Plaza, 7th Floor
New York, NY 10020
Telephone: 212-715-0329
Facsimile: 212-895-0129
E-mail: JRLurie@tishmanspeyer.com

Almanac Realty Investors, LLC
Contact: Matt Kaplan, Managing Partner
1140 Avenue of the Americas, 17th Floor
New York, NY 10036
Telephone: 212-403-3522
Facsimile: 212-403-3520
E-mail:
matthew.kaplan@almanacrealty.com

ColonyCapital, LLC
Contact: Andrea Nicholas
2450 Broadway, 6th Floor
Santa Monica, CA 90404
Telephone: 310-552-7191
Facsimile: 310-407-7391
E-mail: ANicholas@colonyinc.com

LaSalle Investment Management
Contact: Steve Bolen, President
100 East Pratt Street, 20th Floor
Baltimore, MD 21202
Telephone: 410-347-0660
Facsimile: 410-347-0612 fax
E-mail: steve.bolen@lasalle.com

Silverpeak Legacy Partners
Contact: Tanya M. Tarar-Oblak,
Managing Director
1330 Avenue of the Americas, Suite 1200
New York, NY 10019
Telephone: 212-716-2025
Facsimile: (646) 285-9271
E-mail: investorrelations@silverpeakre.com

Cornerstone Real Estate Advisers LLC
Contact: Patrick T. Kendall, Vice President
One Financial Plaza, Suite 1700
Hartford, CT 06103
Telephone: 310-234-2525
Facsimile: 949-852-9804
E-mail: pkendall@Cornerstoneadvisors.com

Coventry Real Estate Fund II, LLC
Contact: Peter Henkel
888 Seventh Avenue, 12th Floor
New York, NY 10019
Telephone: 212-699-4109
Facsimile: 212-699-4124
E-mail: phenkel@coventryadvisors.com

BlackRock, Inc.
Contact: Ted Koros, Managing Director
50 California Street, Suite 300
San Francisco, CA 94111
Telephone: 415-670-6210
Facsimile: 646-521-4982
E-mail: theodore.koros@blackrock.com

Lowe Hospitality Investment Partners, LLC
Contact: Bleecker P. Seaman, Executive VP
11777 San Vicente Boulevard, Suite 900
P.O. Box 49021
Los Angeles, CA 90049-6615
Telephone: 310-571-4263
Facsimile: 310-207-1132
bseaman@loweenterprises.com

Attachment 1

REAL ESTATE INVESTMENT POLICY and PROCEDURES - Delegation of Responsibilities Attachment						
	Frequency	**Separate Account Investment Managers**	**Consultant**	**Staff**	**Real Estate Committee**	**Board**
Real Estate Investment Policy, Procedures, and Guidelines			R	P&R	R	A
Review and Revise	Annually		R	R	R	A
Separate Account Investment **Manager Selection**	Periodically		G&R	G&R	G&R*	A
Request For Proposal (RFP)			P&R	P&R	R	A
Real Estate **Consultant Selection**	Tri-Annually			G&R	G&R*	A
Request For Proposal (RFP)				P&R	R	A
Commingled Fund Selection**	Periodically		R	R	R	A
Real Estate Investment Plan**	Annually		R	P&R	R	A
Separate Account Business Plan**	Annually	P	R	R&A	RT	
Detailed Property Operating Budget	Annually	P	R	R&A		
Separate Account Strategic/Tactical Plan**	Annually	P	R	R&A	RT	RT
Quarterly Performance	Quarterly		P	RT		RT
Portfolio/Property Diversification Compliance	Quarterly		M	M		
Geographic Concentration Limit	Quarterly		M	RT		

A = Approves RT = Reported To * Grade Semi-finalists only
G = Grade M = Monitor ** Investment Decision (Shaded)
P = Prepares
R = Recommends

ALASKA RETIREMENT MANAGEMENT BOARD
REAL ESTATE INVESTMENT
POLICIES, PROCEDURES AND GUIDELINES

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ATTACHMENTS

ALASKA RETIREMENT MANAGEMENT BOARD
REAL ESTATE INVESTMENT
POLICIES, PROCEDURES AND GUIDELINES

I. INVESTMENT OBJECTIVES

A. Investments in Real Estate and Other Real Estate Related Assets

The Alaska Retirement Management Board (ARMB) will invest in real estate with the goals of portfolio diversification and attaining the optimum return on the portfolio, consistent with the assumption of prudent risk and safety of principal. ARMB recognizes the need to use active investment management in order to obtain the highest attainable total investment return (measured as income plus appreciation) within ARMB's framework of prudence and managed risk.

ARMB will select Real Estate Investment Managers who have the discretion to invest in publicly traded equity and/or privately placed equity sectors, subject to ARMB's approval of an Annual Strategic/Tactical Plan and an Annual Investment Plan. In order for real estate investments to be considered, the Investment Manager must demonstrate that it is able to: add value through its real estate knowledge, experience and strategy; underwrite the risks of the investment which is contemplated; and at the time of investment, comply with the intent of the Real Estate Investment Policies, Procedures and Guidelines **(Guidelines)**.

Single property and multi property strategies will be considered as well as "pooled/commingled" fund investment vehicles.

B. Asset Allocation

The ARMB allocation to real estate investments shall be determined by the Board of Trustees and reviewed annually. Allocated capital to Investment Managers will be defined as invested capital based on ARMB's cost.

C. Portfolio Return Objective

1. **Total Return**
   Over rolling 5 year periods, the equity real estate investment portfolio is expected to generate a minimum total real rate of return (net of investment management fees) of 5% using a time-weighted rate of return calculation. The inflation index used to calculate the actual real rate of return is the CPI All Urban.

2. **Income Return**
   Income, which is defined as cash distributed to ARMB, is expected to produce 50-60% of the total return over rolling five-year periods.

3. **Index**

   The overall portfolio is expected to exceed the target index. The target index is composed of 90% NCREIF Property Index and 10% NAREIT Equity Index.

II. PROGRAM RISK MANAGEMENT AND IMPLEMENTATION

The selection and management of assets in the real estate portfolio of the ARMB will be guided by the principles of preserving investment capital, attaining the optimum return on the portfolio consistent with the assumption of prudent risk, generating current income, being sensitive to inflation, maintaining diversification of assets and diversification of management responsibility.

In real estate investment, there is an inherent risk that the actual income and return of capital will vary from the amounts expected. The ARMB will manage the investment risk associated with real estate in several ways**:**

A. Institutional Quality

All assets must be of institutional investment quality as evidenced by a precedent of institutional investment in similar properties; expert analysis which supports the economic viability of the market; high quality construction and design features; and a potential competitive position within the property's immediate market area**.**

B. Diversification

The real estate portfolio will be diversified as to style group, property type, industry sector, life cycle, economic driver, investment manager and geographical location. Diversification reduces the impact on the portfolio of any one investment or any single manager's investment style to the extent that an adversity affecting any one particular area will not impact a disproportionate share of the total portfolio. Portfolios for core investment managers and non-core or value added investment managers will carry the diversification characteristics set forth in the allocations and definitions set out below. Diversification compliance will be monitored on a quarterly basis for compliance with ARMB's Guidelines by staff and the real estate consultant.

For purposes of calculating diversification compliance, the overall real estate portfolio size will be considered the product of the greater of projected or target real estate allocation times the projected fiscal year-end overall plan assets as established in the Annual Investment Plan. The projected fiscal year-end overall plan assets will take into account the target allocations and projected returns of all asset classes in which plan assets are invested, and estimated net pay-outs to plan beneficiaries. Unless exceptional circumstances justify a deviation, the maximum percentage of the real estate portfolio investment for each of the identified categories is as follows:

Controlled Investments:	85 %
(ARMB can liquidate within 180 days)	
Non-Controlled Investments:	50%
(ARMB cannot liquidate within 180 days)	

Core Investments (See definition below):	85 %
Non-Core Investments (See definition below):	50%

Single Manager Limit: *(value of both Separate Account and Commingled Fund combined, if applicable)*	35 %

Public Equity:	50 %
Public Debt:	0 %
Private Equity:	100 %
Private Debt:	0 %

Geographic:

ARMB will avoid over-concentration in areas of similar real estate performance. The consultant will monitor ARMB's concentrations in this area, considering indicators such as NCREIF sub-region, metropolitan areas and economic drivers. The consultant will report its conclusions regarding the acceptability of ARMB's concentration limits quarterly.

Outside United States:	20 %
Single Property Investment: *(acquisition cost plus projected capital additions and improvements)*	5 %
Single-Tenant (any one firm):	10 %
Property Type:	40 %

Manager Allocation – It is understood that Separate Account Investment Managers may exceed their Board-approved allocations by up to 5% for the purposes of capital improvements on existing assets and/or for the completion of an acquisition. A core Separate Account Investment Manager's portfolio may be invested up to 15% in core-plus style properties to assemble a core portfolio. A value-added Separate Account Investment Manager's portfolio shall include 70%-100% in value-added style properties, and may include up to 30% in opportunistic style properties.

Subject to CIO approval, upon the sale of a property held by a Separate Account Investment Manager in which the net sales proceeds are in excess of the property's cumulative basis, the advisor's allocation will increase in an amount equal to the lesser of the excess of the net sales proceeds over the property's cumulative basis or the aggregate portfolio net asset value over the aggregate portfolio cumulative basis adjusted to reflect actual sale proceeds. The CIO will also consider whether an allocation increase should be adjusted for any past realized losses incurred by the Separate Account Investment Manager. The intent of this provision is to allow a Separate Account Investment Manager to reinvest realized gains but only to the extent gains are greater than losses which have been experienced in other property investments in the Separate Account Investment Manager's portfolio.

Exceptional circumstances justifying a deviation – When circumstances arise of a temporary nature, such as an unexpected re-valuation of assets, a transfer of assets among managers, or an event in which it would be in the fiduciary interest of the ARMB to do so, the limits set forth in paragraph II.B of ARMB Policies may be exceeded provided that ARMB concurs.

CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

Definitions

Core Investments

Primary Characteristics:

- Fully or substantially leased (85% occupancy or greater)
- Inconsequential turnover near term
- Inconsequential physical issues or renovation required
- Credit tenants
- Primary markets
- Quality property
- Income produces 50% or more of expected return
- Typically longer term holds
- Properties in markets with stable or improving economic conditions

Core-plus Investments

Primary Characteristics:

- Limited renovation, primarily deferred maintenance, limited physical issues or repositioning needed
- Modest near term lease roll over; modest vacant lease up
- Expected growth through increasing rents
- Poor prior management
- A- to B- quality
- Income produces 50% or more of expected return

Non-Core Investments

Value-Added Investments

Primary Characteristics:

- Asset renovation – lobbies, corridors, deferred maintenance
- Intermediate term (6-9 months) physical issues
- Current vacancies or rent loss
- Near term roll over exposure
- Repositioning, re-tenanting
- Distressed prior management
- Purchase of adjacent land to develop
- Alternative, turnaround markets and property types
- Income produces 50% or less of total return

Opportunistic Investments – These investments involve significant redevelopment risk, high leasing risk, and high development risk.

Primary Characteristics:	• Empty Buildings • High near term turnover • New development – spec or limited pre-leasing • Significant rehabilitation and leasing, redevelopment into alternative uses • Capital displacement in maligned markets: lack of investment capital due to level of risk • Non-traditional asset type (mezzanine debt, land, etc.) • Wide ranging investment structures • Investing in non-performing notes • Cross-border investing • Holding periods typically 1 to 5 years • Income produces less than 50% of total return

Note: *Properties within a multi-property investment will be categorized as either core or non-core.*

C. Implementation Approach

The ARMB will implement an investment process for real estate which will, over time, include a minimum of three (3) qualified Separate Account Investment Managers who have been selected on a competitive basis. The ARMB will endeavor to allocate specific funds to qualified managers on a separate account basis. Selected managers will seek real estate investment opportunities in publicly-traded equity and/or privately-placed equity sectors. Investments will be made on a discretionary basis subject to Staff approval of the Annual Strategic/Tactical Plans prepared by Separate Account Investment Managers and ARMB's approval of the Annual Investment Plan prepared by Staff. In addition to separate accounts, ARMB will selectively consider investments in "pooled/commingled" investment vehicles.

All allocation of funds to a manager (including additional investment with existing accounts) and investment strategy must be recommended to ARMB by Staff and the Real Estate Consultant and be accompanied by an investment report which, at a minimum, includes the following: market information; investment alternatives; fee structure and comparison to other alternatives; demonstration of compliance with Guidelines and the then current Annual Investment Plan; historical performance of Separate Account Investment Manager (cash–based internal rates of return and industry standard); projected returns (income and appreciation); and positive and negative attributes of the investment strategy.

On a selective basis, a member of ARMB may visit the site of a real estate investment for the purpose of rendering a report to ARMB supplementing reports provided by Staff, the Real Estate Consultant, or others**.**

D. Prudent Leverage

The total amount of leverage placed on the aggregate separate account assets will not exceed thirty five percent (35%) of the total market value of the real estate separate account portfolio. Directly-owned properties will not be leveraged by the Separate Account Investment Manager. Property encumbered by debt at the time of purchase, if justified on a risk-return basis by the Separate Account Investment Manager, may be acquired subject to Chief Investment Officer approval. With authorization by the ARMB, the Chief Investment Officer may place leverage on a pool of existing core real estate assets held in ARMB's separate account portfolio in a manner consistent with the ARMB's Guidelines.

The total amount of fund level leverage, at the time of investment, will not exceed 35% for core commingled funds investing in a core equity diversified asset strategy. The total amount of fund level leverage, at the time of investment, will not exceed 65% for non-core commingled funds investing in a value add or opportunistic equity diversified asset strategy.

E. Lease Structure

Multi-tenant and single tenant properties will be considered. When acquiring single tenant properties, consideration will be given to avoid multiple single-tenant exposure to any firm if those single tenant properties constitute more than 10% of the portfolio. A staggered lease structure for commercial properties will be emphasized.

F. Separate Account Investment Manager Business Plan; Annual Strategic/Tactical Plan; Disposition/Exit Strategy

A Business Plan (including property operating budgets) will be completed by each manager for each asset under its management. The Business Plan will identify the current and anticipated competitive position for each property in order to set tactical and strategic objectives and will prescribe in appropriate detail a disposition and exit strategy respecting the particular investments. Part of this process is to evaluate the potential timing of dispositions. A property is considered for sale when it is believed that the equity in the existing investment can achieve a higher return in another real estate investment of similar risk. The Annual Strategic/Tactical Plan will describe the expectation of the manager with respect to acquisitions and dispositions.

G. Fee Structure

Involvement in any venture will be done on a fee basis that is competitive. The preferred method of calculating manager fees will be based upon a formula, which considers both 1) the cost basis of assets under management and 2) investment performance. All fee structures will be approved by ARMB. For core managers, the return-based portion of a fee will emphasize actual cash available for distribution to ARMB.

H. Single Asset Ownership Structure (Applies to Separate Accounts Only)

Provided that the goals of these guidelines are followed, ARMB may invest in separate, specific real estate assets. However, such investments will be undertaken in a fashion structured to limit ARMB's liability to the amount of its investment.

I. Reporting System

Staff and the Real Estate Consultant will develop and implement a comprehensive and responsive reporting and monitoring system for the entire portfolio, individual investments and individual managers. The reporting and monitoring system will endeavor to identify under-performing investments, controlled portfolio diversification deficiencies and inherent conflicts of interest, thereby facilitating active portfolio management. A cash-based internal rate of return (IRR) will be used when evaluating the long-term performance of an investment. Time- weighted returns will be used to measure comparative performance.

J. Distribution of Current Income

All separate account income will be distributed immediately to ARMB or its designee and not automatically reinvested in the account.

K. Lines of Responsibility

Well defined lines of responsibility and accountability will be required of all participants in ARMB's real estate investment program. Participants are identified as:

ARMB – The fiduciaries appointed by the Governor to represent the beneficiaries' interest which shall retain final authority over all real estate investment decisions.

Real Estate Committee – Comprised of at least three (3) members of ARMB who continually review the role and performance of real estate.

Staff – Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the Real Estate equity investment program's design, policy implementation and administration.

Real Estate Consultant – Professionals retained to support Staff and ARMB through the provision of expert real estate strategic planning, implementation and performance monitoring support.

Separate Account Investment Managers – Qualified entities who provide institutional real estate investment management services and maintain a discretionary relationship with ARMB subject to Staff's approval of Annual Business Plans and Annual Strategic/Tactical plans, prepared by Separate Account Investment Managers, and ARMB's approval of the Annual Investment Plan.

Commingled Fund Managers – Qualified entities who provide institutional real estate investment management services through open-end and closed-end real estate pools and other pooled/commingled vehicles.

III. CONFLICTS OF INTEREST

In real estate investment, separate and distinct from other asset classes, the Manager of a Separate Account or Commingled Fund may have direct or significant control over the operations of the assets. This inherent or potential conflict of interest if openly described and regulated may contribute to the lower volatility associated with the asset class, but it also creates a need for a higher oversight standard by the plan sponsor. Staff and ARMB will maintain this oversight in at least the following ways:

A. Property Valuation

The Separate Account Investment Manager will provide ARMB with annual appraisal valuations for all properties for which it has asset management responsibility as of the quarter ending March 31. Unless otherwise directed by ARMB, the appraisal will be prepared by a qualified independent third party entity in accordance with industry standards. Staff may waive the appraisal requirement for recent acquisitions or pending dispositions following a recommendation by the Separate Account Investment Manager that such appraisal would not be a cost effective exercise. For development assets, appraisals are to be conducted in the manner described above after substantial completion payment by ARMB is made. In addition, the Separate Account Investment Manager will mark each asset to market each quarter based on asset conditions and leasing, operations and capital market conditions for comparable properties in that market.

B. Property Management

The selection of on-site property management will generally be left to the discretion of the Separate Account Investment Manager. It is expected that the Separate Account Investment Manager will retain the highest caliber, market rate property management service either through a third party fee manager or the Separate Account Investment Manager's affiliated property management division. This business relationship will be periodically reviewed by Staff, the Real Estate Consultant and ARMB.

IV. INSURANCE COVERAGE

The Separate Account Investment Manager will obtain insurance for the physical properties and assets under its control. The coverage will be in such amounts and against such risks as, in the Separate Account Investment Manager's professional judgment, shall be in accordance with sound institutional practices applicable to such properties or assets in the specific geographic area. It is expected that such insurance will include, but not be limited to, casualty loss, including where deemed appropriate by the Separate Account Investment Manager, earthquake, flood and any other disaster-type insurance coverage; comprehensive general liability; and title insurance. Separate Account Investment Managers will provide proof of insurance to Staff annually.

V. UNRELATED BUSINESS INCOME TAX

Prior to entering into any transaction, the Manager will assess whether income generated from the property under consideration could qualify as unrelated business taxable income. If this risk exists, the Manager will provide ARMB with an opinion of counsel satisfactory to ARMB that the transaction will not generate unrelated business taxable income under the federal income tax law or any other tax provisions that could affect ARMB's tax-exempt status existing at the time. The Manager shall investigate as to whether ARMB shall be entitled to any property tax exemptions. Managers will provide letters of opinion on UBIT and property tax exemptions to Staff.

VI. ENVIRONMENTAL EVALUATIONS

As a standard procedure during the pre-acquisition analysis, the Separate Account Investment Manager will initiate a formal evaluation for each property through the selection of an environmental consultant. In carrying out the review, appropriate procedures based on standards of the locale and conditions known to exist in the locale shall be undertaken and such procedures should at a minimum include:

- Appointment of an environmental consultant with specific experience in testing and removal of asbestos and other environmental hazards.
- A site survey will be conducted to determine from the available evidence whether hazardous chemicals or environmentally dangerous materials exist or have existed on the subject property, including, at a minimum, a Phase I report.

ARMB may invest in properties, which contain asbestos and other toxic substances, only if the following conditions are met:

- The substance and potential risks are thoroughly disclosed.
- The property is not in violation of any federal, state or local law, ordinance, or regulation relating to the property's environmental condition.
- The estimated cost of the removal or containment programs will be reflected in the purchase assumptions.
- The substance can be properly contained or removed in accordance with the then current Environmental Protection Agency Standards.
- The leasing rollover pattern in the property will accommodate a removal program in the future.

Separate Account Investment Managers will provide the environmental evaluation reports to staff

VII. PROCEDURES FOR INVESTMENT

A. Delegation of Responsibilities

The real estate investment program will be implemented and monitored through the coordinated efforts of the ARMB; the Real Estate Committee; Staff; the Real Estate Consultant and; the qualified Manager(s). Delegation of responsibilities for each participant is described in the following sections: A summary of the delegation is attached:

1. ARMB

ARMB will retain final authority over all real estate investment strategy decisions except for Business Plan variances as set forth in the Guidelines Section VIII; approve the Guidelines, the Annual Investment Plan and any periodic revisions to these documents which ARMB deems to be appropriate and prudent for the investment of ARMB assets; retain qualified investment managers and real estate consultants; and set investment limits.

2. Real Estate Committee

Review and report the status of real estate portfolio annually to ARMB; participate in the selection of real estate consultants and investment managers; serve as ARMB's liaison with the Real Estate Consultant; recommend revisions to the Guidelines; review and recommend the Annual Investment Plan to Board for approval; and attend industry conferences at least every other year in order to keep abreast of industry trends.

3. Staff

Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the Separate Account Investment Managers and monitor diversification compliance on a quarterly basis. Staff will also coordinate the receipt and distribution of capital. Staff, in cooperation with the Real Estate Consultant, will periodically review the Separate Account Investment Managers' and portfolio's performance in relation to target returns; review and approve the Separate Account Investment Manager's Annual Business Plan and Annual Strategic/Tactical Plan; review and recommend investments in commingled vehicles; prepare and recommend an Annual Investment Plan; and recommend revisions to the Real Estate Investment Policy Procedures and Guidelines. Staff will also review and approve the detailed property operating budgets prior to the start of each fiscal year and revisions to the property operating budgets in accordance with Section VIII of these Guidelines.

4. Real Estate Consultant

In cooperation with Staff and as deemed appropriate by the Real Estate Committee and ARMB, the Real Estate Consultant will ensure program compliance; assist in the implementation of a multiple manager program; review all program documentation and management relationships; conduct manager searches when requested; provide performance measurement analysis of the portfolio; review the Annual Investment Plan as set forth in the Investment Procedures outlined below; and provide special project research pertaining to technical real estate issues.

The Real Estate Consultant will, as requested by ARMB, provide periodic reports for the real estate program including a performance evaluation of the total portfolio to include both ARMB's commingled fund investments and ARMB's separate account investments. The analysis will include both income and capital accounting; comparison to industry performance benchmarks (such as NCREIF); Manager reviews, and effects of "Pooled Leverage" on the real estate portfolio. The Real Estate Consultant will prepare a quarterly performance analysis report which will provide after-fee realized and unrealized gains/losses; monitor and report quarterly diversification compliance and the geographic concentration limits; time weighted returns including both current quarter returns and annualized returns since portfolio inception; and internal rates of return since inception based on actual cash flow from and to ARMB.

Additional responsibilities may include developing selection criteria in manager search efforts, coordinating/conducting manager searches, conducting manager reviews, and other special projects.

5. Managers

Separate Account Investment Managers will acquire and manage real estate investments on behalf of ARMB and in accordance with the then current and approved Annual Business, Annual Strategic/Tactical Plans, and the objectives set forth in the Annual Investment Plan and the Guidelines. Managers will prepare Annual Business (including property operating budgets) and Annual Strategic/Tactical Plans for Staff review and approval.

Commingled fund investment managers will acquire and manage real estate investments on behalf of ARMB and in accordance with the terms of any and all agreements between each respective Manager and ARMB.

B. Investment Procedure

Real estate investments, in compliance with ARMB's Policies, shall be acquired through the following process:

1. Separate Accounts:

Annually, Staff will prepare an Investment Plan after reviewing the Annual Business and Strategic/Tactical Plans of the Separate Account Investment Managers. This document will recommend, as appropriate, revisions to the ARMB Guidelines, additional allocations to existing managers, and revisions to the Annual Business and Strategic/Tactical Plans of each respective Separate Account Investment Manager. Any searches that may be recommended will be outlined. The Investment Plan will then be reviewed by the consultant and submitted, along with the Real Estate Committee's recommendations to ARMB for final approval. Staff and the Real Estate Consultant shall review the Separate Account Investment Manager's Annual Business Plans and Annual Strategic/Tactical Plans for consistency with the Annual Investment Plan. Staff will approve all Plans prepared by Separate Account Investment Managers.

Investments will be made on a discretionary basis by Separate Account Investment Managers in accordance with their approved Annual Business and Strategic/Tactical Plans. Separate Account Investment Managers must provide staff with copies of their internal "Investment Committee" reports for each asset purchased on ARMB's behalf.

2. Commingled Funds:

Investments in commingled funds will be recommended by Staff and the Real Estate Consultant on an individual fund basis in accordance with the Annual Investment Plan and the ARMB Guidelines.

VIII. DELEGATION OF AUTHORITY

ARMB shall delegate authority to Staff to approve the following:

- Each Separate Account Investment Manager's detailed property operating budgets for each fiscal year;
- Annual Business Plans and Annual Tactical/Strategic Plans prepared by ARMB's Separate Account Investment Managers;
- Revised property operating budgets and variances in approved Annual Business Plans for unanticipated, significant leasing activity; and
- Line item variances in approved capital expenditure budgets in amounts up to $300,000 with a cumulative fiscal year maximum of $3,000,000 per Separate Account Investment Manager for other capital expenditures not related to leasing activity (such as repairs for building damage or defects).

IX. CONFIDENTIALITY

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by Manager(s) or Consultant(s) which is reasonably designated by Manager(s) or Consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to Part II section I (Reporting System) of these Guidelines shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by Manager(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of Manager(s) or ARMB to manage, lease, market or sell such property or Assets.

X. REVISIONS

This document replaces and consolidates the policies, procedures, and guidelines as of September 19, 2013.This document is to be reviewed no less than annually and revised as appropriate.

XI. REAL ESTATE SEPARATE ACCOUNT INVESTMENT MANAGERS

The following investment managers acquire institutional-grade properties on a discretionary basis for the Alaska Retirement Management Board:

UBS Realty Investors LLC
Property type – Core/apartments, industrial, retail and office
Contact - Jeffrey G. Maguire
Managing Director
10 State House Square
Hartford, CT 06103-3604
Telephone: 860-616-9086
Fax: 860-616-9104
E-mail: jeffrey.maguire@ubs.com
Web site: www.ubs.com

Sentinel Realty Advisors Corp.
Property type – Core/apartments only
Contact – David Weiner
Managing Director
1251 Avenue of the Americas
New York, NY 10020
Telephone: 212-408-2913
Fax: 212-603-5961
E-mail: weiner@sentinelcorp.com
Web site: www. sentinelcorp.com

LaSalle Investment Management
Property type – Core/apartments, industrial, retail and office (includes Takeover Assets)
Attn: George Duke
Managing Director
100 East Pratt Street, 20th Floor
Baltimore, MD 21202
Telephone: (410) 878-4810
Facsimile: (410) 878-4910
E-mail: George.Duke@lasalle.com
Web site: www.lasalle.com

Cornerstone Real Estate Advisers LLC
Property type – Core/apartments, industrial, retail and office
Attn: Denise Stake
Portfolio Manager
One Financial Plaza, Suite 1700
Hartford, CT 06103-2604
Telephone: (860) 509-2311
Facsimile: (860) 509-2296
*Email:*dstake@Cornerstoneadvisers.com
Web site: www.cornerstoneadvisers.com

XII. REAL ESTATE COMMINGLED ACCOUNT INVESTMENT MANAGERS

UBS Realty Investors LLC
Contact: Thomas J. Anathan, Managing Director
10 State House Square
Hartford, CT 06103-3604
Telephone: 860-616-9128;
Facsimile: 860-616-9104
E-mail: thomas.anathan@ubs.com

J.P. Morgan Asset Management
Contact: Ann Cole, Managing Director Portfolio Manager; Kimberly Adams, Managing Director Portfolio Manager, Strategic Property Fund
270 Park Avenue, 7th Floor
New York, NY 10017
Telephone: (AC) 212-648-2152
Telephone: (KA) 312-732-6366
Facsimile: 917-464-7449
ann.e.cole@jpmorgan.com
kimberly.a.adams@jpmorgan.com

Clarion Partners
Contact: Doug Bowen
Managing Director
230 Park Avenue
New York, NY 10169
Telephone: 212-883-2506
Facsimile: 212-883-2806
E-mail:
doug.bowen@clarionpartners.com

Tishman Speyer Properties
Contact: Julie Lurie
45 Rockefeller Plaza, 7th Floor
New York, NY 10020
Telephone: 212-715-0329
Facsimile: 212-895-0129
E-mail: JRLurie@tishmanspeyer.com

Almanac Realty Investors, LLC
Contact: Matt Kaplan, Managing Partner
1140 Avenue of the Americas, 17th Floor
New York, NY 10036
Telephone: 212-403-3522
Facsimile: 212-403-3520
E-mail:
matthew.kaplan@almanacrealty.com

ColonyCapital, LLC
Contact: Andrea Nicholas
2450 Broadway, 6th Floor
Santa Monica, CA 90404
Telephone: 310-552-7191
Facsimile: 310-407-7391
E-mail: ANicholas@colonyinc.com

LaSalle Investment Management
Contact: Steve Bolen, President
100 East Pratt Street, 20th Floor
Baltimore, MD 21202
Telephone: 410-347-0660
Facsimile: 410-347-0612 fax
E-mail: steve.bolen@lasalle.com

Silverpeak Legacy Partners
Contact: Tanya M. Tarar-Oblak,
Managing Director
1330 Avenue of the Americas, Suite 1200
New York, NY 10019
Telephone: 212-716-2025
Facsimile: (646) 285-9271
E-mail: investorrelations@silverpeakre.com

Cornerstone Real Estate Advisers LLC
Contact: Patrick T. Kendall, Vice President
One Financial Plaza, Suite 1700
Hartford, CT 06103
Telephone: 310-234-2525
Facsimile: 949-852-9804
E-mail: pkendall@Cornerstoneadvisors.com

Coventry Real Estate Fund II, LLC
Contact: Peter Henkel
888 Seventh Avenue, 12th Floor
New York, NY 10019
Telephone: 212-699-4109
Facsimile: 212-699-4124
E-mail: phenkel@coventryadvisors.com

BlackRock, Inc.
Contact: Ted Koros, Managing Director
50 California Street, Suite 300
San Francisco, CA 94111
Telephone: 415-670-6210
Facsimile: 646-521-4982
E-mail: theodore.koros@blackrock.com

Lowe Hospitality Investment Partners, LLC
Contact: Bleecker P. Seaman, Executive VP
11777 San Vicente Boulevard, Suite 900
P.O. Box 49021
Los Angeles, CA 90049-6615
Telephone: 310-571-4263
Facsimile: 310-207-1132
bseaman@loweenterprises.com

Attachment 1

REAL ESTATE INVESTMENT POLICY and PROCEDURES - Delegation of Responsibilities Attachment						
	Frequency	**Separate Account Investment Managers**	**Consultant**	**Staff**	**Real Estate Committee**	**Board**
Real Estate Investment Policy, Procedures, and Guidelines			R	P&R	R	A
Review and Revise	Annually		R	R	R	A
Separate Account Investment **Manager Selection**	Periodically		G&R	G&R	G&R*	A
Request For Proposal (RFP)			P&R	P&R	R	A
Real Estate **Consultant Selection**	Tri-Annually			G&R	G&R*	A
Request For Proposal (RFP)				P&R	R	A
Commingled Fund Selection**	Periodically		R	R	R	A
Real Estate Investment Plan**	Annually		R	P&R	R	A
Separate Account Business Plan**	Annually	P	R	R&A	RT	
Detailed Property Operating Budget	Annually	P	R	R&A		
Separate Account Strategic/Tactical Plan**	Annually	P	R	R&A	RT	RT
Quarterly Performance	Quarterly		P	RT		RT
Portfolio/Property Diversification Compliance	Quarterly		M	M		
Geographic Concentration Limit	Quarterly		M	RT		

A = Approves   RT = Reported To   * Grade Semi-finalists only
G = Grade   M = Monitor   ** Investment Decision (Shaded)
P = Prepares
R = Recommends

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Farmland Investment Policies, Procedures, and Guidelines

Resolution 2014-02

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in farmland assets for the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System, including investments for those systems in the State of Alaska Retirement and Benefit Plans Trust; and

WHEREAS, the Board establishes and from time to time as necessary, modifies investment policies, procedures and guidelines for farmland;

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopt the Farmland Investment Policies, Procedures, and Guidelines, attached hereto and made a part hereof. This resolution repeals and replaces Resolution 2012-27

DATED at Juneau, Alaska this ___ day of February, 2014.

____
Chair

ATTEST:

____
Secretary

APPENDIX E

ALASKA RETIREMENT MANAGEMENT BOARD
FARMLAND INVESTMENT
POLICIES, PROCEDURES AND GUIDELINES

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ALASKA RETIREMENT MANAGEMENT BOARD
FARMLAND INVESTMENT
POLICIES, PROCEDURES AND GUIDELINES

I. INVESTMENT OBJECTIVES

A. Investments in Farmland and Other Farmland Related Assets

The Alaska Retirement Management Board (ARMB) will invest in Farmland with the goals of portfolio diversification and attaining the optimum return on the portfolio, consistent with the assumption of prudent risk and safety of principal. ARMB recognizes the need to use active investment management in order to obtain the highest attainable total investment return (measured as income plus appreciation) within ARMB's framework of prudence and managed risk.

ARMB will select Separate Account Investment Managers **(Managers)** who have the discretion to invest in Farmland, subject to ARMB's approval of an Annual Strategic/Tactical Plan and an Annual Investment Plan. In order for Farmland investments to be considered, the Manager must demonstrate that it is able to: add value through its Farmland knowledge, experience and strategy; underwrite the risks of the investment which is contemplated; and comply with the intent of the Farmland Investment Policies, Procedures and Guidelines **(Guidelines)**.

Single property and multi property strategies will be considered.

B. Asset Allocation

The ARMB allocation to Farmland investments shall be determined by the Board of Trustees and reviewed annually.

Farmland Investments will be allocated 80% to row crops and 20% to permanent crops, +/- ten (10%) percent.

Allocated capital to Managers will be defined as invested capital based on ARMB's cost.

C. Portfolio Return Objective

1. **Total Return**
   Over rolling 5 year periods, the equity Farmland investment portfolio is expected to generate a minimum total real rate of return (net of investment management fees) of 5% using a time-weighted rate of return calculation. The inflation index used to calculate the actual real rate of return is the CPI All Urban.

2. **Income Return**
   Income, which is defined as cash distributed to ARMB, is expected to produce 4.0% returns over rolling five-year periods with a minimum of 3.0% distributed income for individual properties after fees and projected capital expenditures.

3. **Minimum Going-In Yields**
   The investment manager's initial three-year period projection will equal or exceed 5.0% income before fees for the entire portfolio, but individual properties may have a projected current income as low as 4.0%.

II. PROGRAM RISK MANAGEMENT AND IMPLEMENTATION

The selection and management of assets in the Farmland portfolio of the ARMB will be guided by the principles of preserving investment capital, attaining the optimum return on the portfolio consistent with the assumption of prudent risk, generating current income, being sensitive to inflation, maintaining diversification of assets and diversification of management responsibility.

In Farmland investment, there is an inherent risk that the actual income and return of capital will vary from the amounts expected. The ARMB will manage the investment risk associated with Farmland in several ways**:**

A. Institutional Quality

All assets must be of institutional investment quality as evidenced by a precedent of institutional investment in similar properties; i.e., properties that have high percentage of Class I & II soils or other soil types appropriate for the production of the targeted commodity, adequate sources of water for irrigation (if applicable) at reasonable costs, located in well established agricultural regions.

"Eligible Properties" mean real property in which ownership in fee vests in ARMB or an ARMB Title Holding Entity. Subsurface, water or other property rights will be acquired and/or retained consistent with use of the property for Farmland, and the terms of acquisition shall include the most favorable rights and terms accorded to any other participant in any controlling or overriding master lease or utilization type agreement which might be applicable to the use of the property (for example, if the ARMB property is a portion of a larger agricultural unit). For purposes of this definition, real property includes any property treated as real property either by local law or state law or for federal income tax purposes.

Investments will be located in the United States of America. International investments are not permitted.

B. Diversification

The Farmland portfolio will be diversified as to crop type, property type and geographical location. Diversification reduces the impact on the portfolio of any one investment.

Diversification compliance will be monitored on a quarterly basis for compliance with ARMB's Guidelines by staff.

For purposes of calculating diversification compliance, the overall Farmland portfolio size will be considered the allocation to Farmland. Unless exceptional circumstances justify a deviation, the maximum percentage of the Farmland portfolio investment for each of the identified categories is as follows:

Controlled Investments:	100 %
(ARMB can liquidate within 180 days –targeted, not guaranteed))	
Non-Controlled Investments:	50%
(ARMB cannot liquidate within 180 days)	

Public Equity:	0 %
Public Debt:	0 %
Private Equity:	100 %
Private Debt:	0 %

Geographic:

ARMB will avoid over-concentration in areas of similar Farmland performance. The consultant will monitor ARMB's concentrations in this area. The consultant will report its conclusions regarding the acceptability of ARMB's concentration limits quarterly.

Properties Within the Same NCREIF Farmland Region	40%
Single Property Investment:* *(acquisition cost plus projected capital additions and improvements)*	15%
Single-Tenant/Sub-Tenant (any one firm):	15%
Crop Type (with a band of +/- 10%)	
Row Crop	80%
Permanent Crop	20%
Properties Producing the Same Commodity	30%

Exceptional circumstances justifying a deviation – When circumstances arise of a temporary nature, such as an unexpected re-valuation of assets, a transfer of assets among managers, or an event in which it would be in the fiduciary interest of the ARMB to do so, the limits set forth in paragraph II.B of ARMB Policies may be exceeded provided that ARMB concurs.

* Exception for high cost markets shall be approved annually by the ARMB through its Annual Investment Plan.

CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

C. Implementation Approach

The ARMB will implement an investment process for Farmland which will, over time, include a minimum of two (2) qualified investment managers who have been selected on a competitive basis. The ARMB will endeavor to allocate specific funds to qualified managers on a separate account basis. Selected managers will seek Farmland investment opportunities in privately-placed equity sectors. Investments will be made on a discretionary basis subject to ARMB Staff approval of the Annual Strategic/Tactical Plans prepared by Managers and Staff's approval of the Annual Investment Plan.

All allocation of funds to a manager (including additional investment with existing accounts) and investment strategy must be recommended to Staff and be accompanied by an investment report which, at a minimum, includes the following: market information; investment alternatives; fee structure and comparison to other alternatives; demonstration of compliance with the Guidelines and the then current Annual Investment Plan; historical performance of Manager (cash–based internal rates of return and industry standard); projected returns (income and appreciation); and positive and negative attributes of the investment strategy.

On a selective basis, a member of ARMB may visit the site of a Farmland investment for the purpose of rendering a report to ARMB supplementing reports provided by Staff or others**.**

D. Prudent Leverage

The total amount of leverage placed on the aggregate Separate Account assets will not exceed ten percent (10%) of the total market value of the Farmland separate account portfolio. Directly-owned properties will not be leveraged by the separate account investment manager unless, with approval from the Chief Investment Officer, the property was encumbered by debt at the time of purchase and leaving the debt in place can be justified on a risk-return basis. With authorization by the ARMB, the Chief Investment Officer may place leverage on a pool of existing core Farmland assets held in ARMB's separate account portfolio in a manner consistent with the ARMB's Guidelines.

E. Lease Structure

All leases must be of institutional investment quality with a precedent of institutional investment in similar properties; Leases will be structured with fixed cash rents, or participating rents calculated as a percentage of gross income. A lease structure incorporating both fixed cash rent and participating rent is also acceptable.

F. Manager Business Plan; Annual Strategic/Tactical Plan; Disposition/Exit Strategy

A Business Plan (including property operating budgets) will be completed by each manager for each asset under its management. The Business Plan will identify the current and anticipated competitive position for each property in order to set tactical and strategic objectives and will prescribe in appropriate detail a disposition and exit strategy respecting the particular investments. Part of this process is to evaluate the potential timing of dispositions. The Annual Strategic/Tactical Plan will describe the expectation of the manager with respect to acquisitions and dispositions.

G. Fee Structure

Involvement in any venture will be done on a fee basis that is competitive. The preferred method of calculating manager fees will be based upon a formula, which considers 1) the cost basis of assets under management and 2) market value of the assets under management. All fee structures will be approved by ARMB.

H. Single Asset Ownership Structure (Applies to Separate Accounts Only)

Provided that the goals of these guidelines are followed, ARMB may invest in separate, specific Farmland assets. However, such investments will be undertaken in a fashion structured to limit ARMB's liability to the amount of its investment.

I. Reporting System

Staff will develop and implement a comprehensive and responsive reporting and monitoring system for the entire portfolio, individual investments and individual managers. The reporting and monitoring system will endeavor to identify under-performing investments, control portfolio diversification deficiencies and inherent conflicts of interest, thereby facilitating active portfolio management. A cash-based internal rate of return (IRR) will be used when evaluating the long-term performance of an investment. Time- weighted returns will be used to measure comparative performance.

J. Distribution of Current Income

All separate account income less expenses and prudent operating reserves will be distributed to ARMB or its designee on a quarterly basis and not automatically reinvested in the Account.

K. Lines of Responsibility

Well defined lines of responsibility and accountability will be required of all participants in ARMB's Farmland investment program. Participants are identified as:

ARMB – The fiduciaries appointed by the Governor to represent the beneficiaries' interest which shall retain final authority over all Farmland investment decisions.

Staff – Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the Farmland equity investment program's design, policy implementation and administration.

Separate Account Managers – Qualified entities that provide institutional Farmland investment management services and maintain a discretionary relationship with ARMB subject to Staff's approval of Annual Business Plans and Annual Strategic/Tactical plans, prepared by Managers.

III. CONFLICTS OF INTEREST

In Farmland investment, separate and distinct from other asset classes, the Manager of a Separate Account or Commingled Fund may have direct or significant control over the operations of the assets. Additionally, Managers may now or in the future maintain or manage properties and provide discretionary or non-discretionary advisory services for a number of other accounts and clients, including accounts affiliated with the Manager. These inherent or potential conflicts of interest if openly described and regulated may contribute to the lower volatility associated with the asset class, but it also creates a need for a higher oversight standard by the plan sponsor. Staff and ARMB will maintain this oversight in at least the following ways:

A. Property Valuation

The following valuation procedures shall be applied to all farmland assets managed in separate accounts for the Alaska Retirement Management Board:

1) All assets shall be appraised at the time of acquisition.

2) All assets shall be appraised annually during the quarter ending March 31 unless the property was acquired during the preceding twelve months in which case, based on a recommendation from the advisor, staff may allow an appraisal update or waive the appraisal requirement if such appraisal would not be a cost effective exercise.

3) All property valuations shall be reviewed internally by advisors for the quarters ending in June, September, and December. If changes in market conditions, expected cash flows, or other factors suggest a property valuation has likely changed by more than 3% to 5% the advisor shall prepare a documented internal valuation and record the resulting value in the financial statements.

4) Appraisals will be prepared by a qualified independent third party entity in accordance with industry standards. Appraisers shall be selected by the advisor in a manner that achieves a high quality appraisal at a reasonable cost.

5) Advisor shall attempt to rotate appraisers on each property every three years.

B. Property Management

The selection of on-site property management will generally be left to the discretion of the Manager. It is expected that the Manager will retain the highest caliber, market rate property management service either through a third party fee manager or the Manager's affiliated property management division. This business relationship will be periodically reviewed by Staff and ARMB.

IV. INSURANCE COVERAGE

The Manager will obtain insurance for the physical properties and assets under its control. The coverage will be in such amounts and against such risks as, in the Manager's professional judgment, shall be in accordance with sound institutional practices applicable to such properties or assets in the specific geographic area. It is expected that such insurance will include, but not be limited to, casualty loss, including where deemed appropriate by the Manager, disaster-type insurance coverage; comprehensive general liability; and title insurance.

V. UNRELATED BUSINESS INCOME TAX

The Manager will provide ARMB with an opinion of counsel satisfactory to ARMB that the standard lease or subsequent revisions to the standard lease used to lease Account Property will not generate unrelated business taxable income under the federal income tax law or any other tax provisions that could affect ARMB's tax-exempt status existing at the time. The Manager shall investigate as to whether ARMB shall be entitled to any property tax exemptions.

VI. ENVIRONMENTAL EVALUATIONS

As a standard procedure during the pre-acquisition analysis, the Manager will initiate a formal evaluation for each property though the selection of an environmental consultant. In carrying out the review, appropriate procedures based on standards of the locale and conditions known to exist in the locale shall be undertaken and such procedures should at a minimum include:

- Appointment of an environmental consultant with specific experience in testing and removal of asbestos and other environmental hazards.
- A site survey will be conducted to determine from the available evidence whether hazardous chemicals or environmentally dangerous materials exist or have existed on the subject property, including, at a minimum, a Phase I report.

ARMB may invest in properties, which contain asbestos and other toxic substances, only if the following conditions are met:

- The substance and potential risks are thoroughly disclosed.
- The property is not in violation of any federal, state or local law, ordinance, or regulation relating to the property's environmental condition.
- The estimated cost of the removal or containment programs will be reflected in the purchase assumptions.
- The substance can be properly contained or removed in accordance with the then current Environmental Protection Agency Standards.
- The leasing rollover pattern in the property will accommodate a removal program in the future.

VII. PROCEDURES FOR INVESTMENT

A. Delegation of Responsibilities

The Farmland investment program will be implemented and monitored through the coordinated efforts of the ARMB; Staff and; the qualified Manager(s). Delegation of responsibilities for each participant is described in the following sections: A summary of the delegation is attached:

1. ARMB

ARMB will retain final authority over all Farmland investment strategy decisions except for Business Plan variances as set forth in the Guidelines Section VIII; approve the Guidelines, the Annual Investment Plan and any periodic revisions to these documents which ARMB deems to be appropriate and prudent for the investment of ARMB assets; retain qualified investment managers and Farmland consultants; and set investment limits.

2. Staff

Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the Managers and monitor diversification compliance on a quarterly basis. Staff will also coordinate the receipt and distribution of capital. Staff will periodically review the Managers' and portfolio's performance in relation to target returns; review and approve the Manager's Annual Business Plan and Annual Strategic/Tactical Plan; review and recommend an Annual Investment Plan; and recommend revisions to the Farmland Investment Policy Procedures and Guidelines. Staff will also review and approve the detailed property operating budgets prior to the start of each fiscal year and revisions to the property operating budgets in accordance with Section VIII of these Guidelines.

3. Managers

Separate account investment managers will acquire and manage Farmland investments on behalf of ARMB and in accordance with the then current and approved Annual Business, Annual Strategic/Tactical Plans, and the objectives set forth in the Annual Investment Plan and the Guidelines. Managers will prepare Annual Business (including property operating budgets) and Annual Strategic/Tactical Plans for Staff review and approval.

B. Investment Procedure

Farmland investments, in compliance with ARMB's Policies, shall be acquired through the following process:

Separate Accounts:

Annually, Staff will prepare an Investment Plan after reviewing the Annual Business and Strategic/Tactical Plans of the separate account investment managers. This document will recommend, as appropriate, revisions to the ARMB Guidelines, additional allocations to existing managers, and revisions to the Annual Business and Strategic/Tactical Plans of each respective separate account investment manager. Staff shall review the Manager's Annual Business Plans and Annual Strategic/Tactical Plans for consistency with the Annual Investment Plan. Staff will approve all Plans prepared by the Managers.

Investments will be made on a discretionary basis by separate account investment managers in accordance with their approved Annual Business and Strategic/Tactical Plans. Investments will be approved in accordance with Managers' standard internal investment approval process, which may involve levels of authority delegated to senior officers and/or one or more investment committees. Upon the request of ARMB, separate account investment managers will provide copies of their internal Investment Committee reports for each asset purchased.

VIII. <u>DELEGATION OF AUTHORITY</u>

ARMB shall delegate authority to Staff to approve the following:

- Each separate account Manager's detailed property operating budgets for each fiscal year;
- Annual Business Plans and Annual Tactical/Strategic Plans prepared by ARMB's separate account Managers;
- Revised property operating budgets and variances in approved Annual Business Plans for

unanticipated, significant leasing activity; and

- Line item variances in approved capital expenditure budgets in amounts up to $500,000 with a cumulative fiscal year maximum of $3,000,000 per Investment Manager for other capital expenditures not related to leasing activity (such as repairs for building damage or defects).

IX. CONFIDENTIALITY

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by Manager(s) or Consultant(s) which is reasonably designated by Manager(s) or Consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to Part II section I (Reporting System) of these Guidelines shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by Manager(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of Manager(s) or ARMB to manage, lease, market or sell such property or Assets.

X. REVISIONS

This document is to be reviewed no less than annually and revised as appropriate.

XI. FARMLAND SEPARATE ACCOUNT INVESTMENT MANAGERS

The following investment managers will acquire institutional-grade farmland properties on a discretionary basis for the Alaska Retirement Management Board:

Hancock Agricultural Investment Group Oliver Williams 99 High Street, 26th Floor Boston, MA 02110-2320 *Telephone*: 617-747-1645 *Fax*: 617-747-8645 *E-mail*: owilliams@hnrg.com *Web site*: www.haig.jhancock.com	**UBS AgriVest LLC** James B. McCandless 10 State House Square, 15th Floor Hartford, CT 06103-3604 *Telephone*: 860-616-9200 *Fax*: 860-616-9204 *E-mail*: james.mccandless@ubs.com *Web site*: www.ubs.com

~~**Hancock Agricultural Investment Group**~~

~~Oliver Williams~~
~~99 High Street, 26th Floor~~

~~Boston, MA 02110-2320~~
~~*Telephone*: 617-747-1645~~
~~*Fax*: 617-747-8645~~
~~*E-mail*: owilliams@hnrg.com~~
~~*Web site*: www.haig.jhancock.com~~

~~**UBS AgriVest LLC**~~

~~James B. McCandless~~
~~10 State House Square, 15th Floor~~
~~Hartford, CT 06103-3604~~
~~*Telephone*: 860-616-9200~~
~~*Fax*: 860-616-9204~~
~~*E-mail*: james.mccandless@ubs.com~~
~~*Web site*: www.ubs.com~~

Attachment 1

FARMLAND INVESTMENT POLICIES, PROCEDURES AND GUIDELINES - Delegation of Responsibilities "Attachment 1"					
	Frequency	**Separate Account Investment Managers**	**Consultant**	**Staff**	**Board**
Farmland Investment Policies Procedures and Guidelines Review and Revise	Annually			P, R	A
Separate Account Investment Manager Selection Request for Proposals (RFP)	Periodically		P, G, R	P, G, R	A
Farmland Investment Plan	Annually			P, R	A
Separate Account Business Plan and Strategic/Tactical Plan	Annually	P, R		A	
Quarterly Performance	Quarterly		P		
Portfolio/Property Diversification Compliance	Quarterly	P		M	
Geographic Concentration Limit	Quarterly	P		M	
A = Approve R = Recommend G = Grade M = Monitor P = Prepare					

APPENDIX E

ALASKA RETIREMENT MANAGEMENT BOARD
FARMLAND INVESTMENT
POLICIES, PROCEDURES AND GUIDELINES

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a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

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C. Implementation Approach

The ARMB will implement an investment process for Farmland which will, over time, include a minimum of two (2) qualified investment managers who have been selected on a competitive basis. The ARMB will endeavor to allocate specific funds to qualified managers on a separate account basis. Selected managers will seek Farmland investment opportunities in privately-placed equity sectors. Investments will be made on a discretionary basis subject to ARMB Staff approval of the Annual Strategic/Tactical Plans prepared by Managers and Staff's approval of the Annual Investment Plan.

All allocation of funds to a manager (including additional investment with existing accounts) and investment strategy must be recommended to Staff and be accompanied by an investment report which, at a minimum, includes the following: market information; investment alternatives; fee structure and comparison to other alternatives; demonstration of compliance with the Guidelines and the then current Annual Investment Plan; historical performance of Manager (cash–based internal rates of return and industry standard); projected returns (income and appreciation); and positive and negative attributes of the investment strategy.

On a selective basis, a member of ARMB may visit the site of a Farmland investment for the purpose of rendering a report to ARMB supplementing reports provided by Staff or others**.**

D. Prudent Leverage

The total amount of leverage placed on the aggregate Separate Account assets will not exceed ten percent (10%) of the total market value of the Farmland separate account portfolio. Directly-owned properties will not be leveraged by the separate account investment manager unless, with approval from the Chief Investment Officer, the property was encumbered by debt at the time of purchase and leaving the debt in place can be justified on a risk-return basis. With authorization by the ARMB, the Chief Investment Officer may place leverage on a pool of existing core Farmland assets held in ARMB's separate account portfolio in a manner consistent with the ARMB's Guidelines.

E. Lease Structure

All leases must be of institutional investment quality with a precedent of institutional investment in similar properties; Leases will be structured with fixed cash rents, or participating rents calculated as a percentage of gross income. A lease structure incorporating both fixed cash rent and participating rent is also acceptable.

F. Manager Business Plan; Annual Strategic/Tactical Plan; Disposition/Exit Strategy

A Business Plan (including property operating budgets) will be completed by each manager for each asset under its management. The Business Plan will identify the current and anticipated competitive position for each property in order to set tactical and strategic objectives and will prescribe in appropriate detail a disposition and exit strategy respecting the particular investments. Part of this process is to evaluate the potential timing of dispositions. The Annual Strategic/Tactical Plan will describe the expectation of the manager with respect to acquisitions and dispositions.

G. Fee Structure

Involvement in any venture will be done on a fee basis that is competitive. The preferred method of calculating manager fees will be based upon a formula, which considers 1) the cost basis of assets under management and 2) market value of the assets under management. All fee structures will be approved by ARMB.

H. Single Asset Ownership Structure (Applies to Separate Accounts Only)

Provided that the goals of these guidelines are followed, ARMB may invest in separate, specific Farmland assets. However, such investments will be undertaken in a fashion structured to limit ARMB's liability to the amount of its investment.

I. Reporting System

Staff will develop and implement a comprehensive and responsive reporting and monitoring system for the entire portfolio, individual investments and individual managers. The reporting and monitoring system will endeavor to identify under-performing investments, control portfolio diversification deficiencies and inherent conflicts of interest, thereby facilitating active portfolio management. A cash-based internal rate of return (IRR) will be used when evaluating the long-term performance of an investment. Time- weighted returns will be used to measure comparative performance.

J. Distribution of Current Income

All separate account income less expenses and prudent operating reserves will be distributed to ARMB or its designee on a quarterly basis and not automatically reinvested in the Account.

K. Lines of Responsibility

Well defined lines of responsibility and accountability will be required of all participants in ARMB's Farmland investment program. Participants are identified as:

ARMB – The fiduciaries appointed by the Governor to represent the beneficiaries' interest which shall retain final authority over all Farmland investment decisions.

Staff – Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the Farmland equity investment program's design, policy implementation and administration.

Separate Account Managers – Qualified entities that provide institutional Farmland investment management services and maintain a discretionary relationship with ARMB subject to Staff's approval of Annual Business Plans and Annual Strategic/Tactical plans, prepared by Managers.

III. <u>CONFLICTS OF INTEREST</u>

In Farmland investment, separate and distinct from other asset classes, the Manager of a Separate Account or Commingled Fund may have direct or significant control over the operations of the assets. Additionally, Managers may now or in the future maintain or manage properties and provide discretionary or non-discretionary advisory services for a number of other accounts and clients, including accounts affiliated with the Manager. These inherent or potential conflicts of interest if openly described and regulated may contribute to the lower volatility associated with the asset class, but it also creates a need for a higher oversight standard by the plan sponsor. Staff and ARMB will maintain this oversight in at least the following ways:

A. Property Valuation

The following valuation procedures shall be applied to all farmland assets managed in separate accounts for the Alaska Retirement Management Board:

1) All assets shall be appraised at the time of acquisition.

2) All assets shall be appraised annually during the quarter ending March 31 unless the property was acquired during the preceding twelve months in which case, based on a recommendation from the advisor, staff may allow an appraisal update or waive the appraisal requirement if such appraisal would not be a cost effective exercise.

3) All property valuations shall be reviewed internally by advisors for the quarters ending in June, September, and December. If changes in market conditions, expected cash flows, or other factors suggest a property valuation has likely changed by more than 3% to 5% the advisor shall prepare a documented internal valuation and record the resulting value in the financial statements.

4) Appraisals will be prepared by a qualified independent third party entity in accordance with industry standards. Appraisers shall be selected by the advisor in a manner that achieves a high quality appraisal at a reasonable cost.

5) Advisor shall attempt to rotate appraisers on each property every three years.

B. Property Management

The selection of on-site property management will generally be left to the discretion of the Manager. It is expected that the Manager will retain the highest caliber, market rate property management service either through a third party fee manager or the Manager's affiliated property management division. This business relationship will be periodically reviewed by Staff and ARMB.

IV. INSURANCE COVERAGE

The Manager will obtain insurance for the physical properties and assets under its control. The coverage will be in such amounts and against such risks as, in the Manager's professional judgment, shall be in accordance with sound institutional practices applicable to such properties or assets in the specific geographic area. It is expected that such insurance will include, but not be limited to, casualty loss, including where deemed appropriate by the Manager, disaster-type insurance coverage; comprehensive general liability; and title insurance.

V. UNRELATED BUSINESS INCOME TAX

The Manager will provide ARMB with an opinion of counsel satisfactory to ARMB that the standard lease or subsequent revisions to the standard lease used to lease Account Property will not generate unrelated business taxable income under the federal income tax law or any other tax provisions that could affect ARMB's tax-exempt status existing at the time. The Manager shall investigate as to whether ARMB shall be entitled to any property tax exemptions.

VI. ENVIRONMENTAL EVALUATIONS

As a standard procedure during the pre-acquisition analysis, the Manager will initiate a formal evaluation for each property though the selection of an environmental consultant. In carrying out the review, appropriate procedures based on standards of the locale and conditions known to exist in the locale shall be undertaken and such procedures should at a minimum include:

- Appointment of an environmental consultant with specific experience in testing and removal of asbestos and other environmental hazards.
- A site survey will be conducted to determine from the available evidence whether hazardous chemicals or environmentally dangerous materials exist or have existed on the subject property, including, at a minimum, a Phase I report.

ARMB may invest in properties, which contain asbestos and other toxic substances, only if the following conditions are met:

- The substance and potential risks are thoroughly disclosed.
- The property is not in violation of any federal, state or local law, ordinance, or regulation relating to the property's environmental condition.
- The estimated cost of the removal or containment programs will be reflected in the purchase assumptions.
- The substance can be properly contained or removed in accordance with the then current Environmental Protection Agency Standards.
- The leasing rollover pattern in the property will accommodate a removal program in the future.

VII. PROCEDURES FOR INVESTMENT

A. Delegation of Responsibilities

The Farmland investment program will be implemented and monitored through the coordinated efforts of the ARMB; Staff and; the qualified Manager(s). Delegation of responsibilities for each participant is described in the following sections: A summary of the delegation is attached:

1. ARMB

ARMB will retain final authority over all Farmland investment strategy decisions except for Business Plan variances as set forth in the Guidelines Section VIII; approve the Guidelines, the Annual Investment Plan and any periodic revisions to these documents which ARMB deems to be appropriate and prudent for the investment of ARMB assets; retain qualified investment managers and Farmland consultants; and set investment limits.

2. Staff

Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the Managers and monitor diversification compliance on a quarterly basis. Staff will also coordinate the receipt and distribution of capital. Staff will periodically review the Managers' and portfolio's performance in relation to target returns; review and approve the Manager's Annual Business Plan and Annual Strategic/Tactical Plan; review and recommend an Annual Investment Plan; and recommend revisions to the Farmland Investment Policy Procedures and Guidelines. Staff will also review and approve the detailed property operating budgets prior to the start of each fiscal year and revisions to the property operating budgets in accordance with Section VIII of these Guidelines.

3. Managers

Separate account investment managers will acquire and manage Farmland investments on behalf of ARMB and in accordance with the then current and approved Annual Business, Annual Strategic/Tactical Plans, and the objectives set forth in the Annual Investment Plan and the Guidelines. Managers will prepare Annual Business (including property operating budgets) and Annual Strategic/Tactical Plans for Staff review and approval.

B. Investment Procedure

Farmland investments, in compliance with ARMB's Policies, shall be acquired through the following process:

Separate Accounts:

Annually, Staff will prepare an Investment Plan after reviewing the Annual Business and Strategic/Tactical Plans of the separate account investment managers. This document will recommend, as appropriate, revisions to the ARMB Guidelines, additional allocations to existing managers, and revisions to the Annual Business and Strategic/Tactical Plans of each respective separate account investment manager. Staff shall review the Manager's Annual Business Plans and Annual Strategic/Tactical Plans for consistency with the Annual Investment Plan. Staff will approve all Plans prepared by the Managers.

Investments will be made on a discretionary basis by separate account investment managers in accordance with their approved Annual Business and Strategic/Tactical Plans. Investments will be approved in accordance with Managers' standard internal investment approval process, which may involve levels of authority delegated to senior officers and/or one or more investment committees. Upon the request of ARMB, separate account investment managers will provide copies of their internal Investment Committee reports for each asset purchased.

VIII. DELEGATION OF AUTHORITY

ARMB shall delegate authority to Staff to approve the following:

- Each separate account Manager's detailed property operating budgets for each fiscal year;
- Annual Business Plans and Annual Tactical/Strategic Plans prepared by ARMB's separate account Managers;
- Revised property operating budgets and variances in approved Annual Business Plans for

unanticipated, significant leasing activity; and

- Line item variances in approved capital expenditure budgets in amounts up to $500,000 with a cumulative fiscal year maximum of $3,000,000 per Investment Manager for other capital expenditures not related to leasing activity (such as repairs for building damage or defects).

IX. CONFIDENTIALITY

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by Manager(s) or Consultant(s) which is reasonably designated by Manager(s) or Consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to Part II section I (Reporting System) of these Guidelines shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by Manager(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of Manager(s) or ARMB to manage, lease, market or sell such property or Assets.

X. REVISIONS

This document is to be reviewed no less than annually and revised as appropriate.

XI. FARMLAND SEPARATE ACCOUNT INVESTMENT MANAGERS

The following investment managers will acquire institutional-grade farmland properties on a discretionary basis for the Alaska Retirement Management Board:

Hancock Agricultural Investment Group	**UBS AgriVest LLC**
Oliver Williams 99 High Street, 26th Floor Boston, MA 02110-2320 *Telephone*: 617-747-1645 *Fax*: 617-747-8645 *E-mail*: owilliams@hnrg.com *Web site*: www.haig.jhancock.com	James B. McCandless 10 State House Square, 15th Floor Hartford, CT 06103-3604 *Telephone*: 860-616-9200 *Fax*: 860-616-9204 *E-mail*: james.mccandless@ubs.com *Web site*: www.ubs.com

Attachment 1

FARMLAND INVESTMENT POLICIES, PROCEDURES AND GUIDELINES - Delegation of Responsibilities "Attachment 1"					
	Frequency	**Separate Account Investment Managers**	**Consultant**	**Staff**	**Board**
Farmland Investment Policies Procedures and Guidelines Review and Revise	Annually			P, R	A
Separate Account Investment Manager Selection Request for Proposals (RFP)	Periodically		P, G, R	P, G, R	A
Farmland Investment Plan	Annually			P, R	A
Separate Account Business Plan and Strategic/Tactical Plan	Annually	P, R		A	
Quarterly Performance	Quarterly		P		
Portfolio/Property Diversification Compliance	Quarterly	P		M	
Geographic Concentration Limit	Quarterly	P		M	
A = Approve R = Recommend G = Grade M = Monitor P = Prepare					

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Timberland Investment Policies, Procedures, and Guidelines

Resolution 2014-03

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in timberland assets for the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System, including investments for those systems in the State of Alaska Retirement and Benefit Plans Trust; and

WHEREAS, the Board establishes and from time to time as necessary, modifies investment policies, procedures and guidelines for timberland;

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopt the Timberland Investment Policies, Procedures, and Guidelines, attached hereto and made a part hereof. This resolution repeals and replaces Resolution 2012-28.

DATED at Juneau, Alaska this ___ day of February, 2014

____
Chair

ATTEST:

____
Secretary

Appendix C – Exhibit B

Timberland

ARMB Investment Guidelines

Section 1. Investment Objective

To develop a diversified portfolio of Timberland Investments with a focus on total return which will seek to produce a minimum 5% net real total rate or return over rolling five-year periods. Portfolio risk shall reflect, in each ARMB Timberland Advisor's (as defined in Section 2 below) judgment, the lowest expected risk profile required to achieve the return objectives. Each ARMB Timberland Advisor will place an emphasis on the preservation of capital and diversify the Timberland Investments to minimize risk. To the extent return objectives can be met, current income shall be given preference over appreciation.

Section 2. ARMB Timberland Advisor Selection

ARMB will select qualified investment managers who have the discretion to invest in Timberland ("ARMB Timberland Advisors). In order for entities to be considered, the entity must demonstrate that it is able to add value through its Timberland knowledge, experience and strategy; evaluate the risks of each Timberland Investment which is contemplated; and, comply with these ARMB Timberland Investment Guidelines (the "ARMB Investment Guidelines").

ARMB will implement an investment process for Timberland which will, over time, include a minimum of two (2) qualified ARMB Timberland Advisors who have been selected on a competitive basis. Each ARMB Timberland Advisor will provide services according to an agreed upon investment management agreement (contract) and the ARMB Investment Guidelines. ARMB will endeavor to allocate specific funds to each ARMB Timberland Advisor on a separate account basis (each a "Separate Account"). ARMB Timberland Advisors will invest funds on a discretionary basis in Timberland Investment opportunities to the extent of its specific allocation and Separate Account.

Compensation for investment management services will be done on a fee basis that is competitive. The preferred method of calculating ARMB Timberland Advisor fees will be based upon a formula, which considers 1) the cost basis of assets under management and 2) market value of the assets under management.

Section 3. Allocation

ARMB's allocation to Timberland Investments shall be determined by the Board of Trustees and reviewed annually.

CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

Section 4. Advisor Performance Benchmark

NCREIF Timberland Index

Section 5. Investment Constraints

(a) Each property underlying a Timberland Investment will be commercial timberland in accordance with the standards and customs of the region in which the property is located. Although commercial attributes vary significantly across regions and among forest types, generally, properties will be characterized by adequate timber stocking, sufficient productivity, established timber markets, and ready access.

(b) Location: Timberland Investments will be located inside the United States of America.

(c) Diversification and Concentration: Each ARMB Timberland Advisor will undertake to ensure that the Timberland Investments under its control are adequately diversified. While each ARMB Timberland Advisor will seek to invest across the primary timberland regions of the United States as defined by the National Council of Real Estate Investment Fiduciaries (NCREIF) Timberland Index, geographic diversification will ultimately depend on the availability of attractive investment opportunities, as well as potential diversification by species, age classes of trees and suitability for a variety of end products.

(d) Leverage: The total amount of leverage placed on the aggregate Separate Accounts allocated to all ARMB Timberland Advisors for investment will not exceed ten percent (10%) of the total market value of all such Timberland Investments at the time such leverage is incurred. The purchase or refinance of Timberland Investments with debt and borrowing against

Timberland Investments shall be permitted only with the prior consent of ARMB's Chief Investment Officer. The Advisor will not cause the Account to incur indebtedness without ARMB's prior consent.

(e) Allocation: Each ARMB Timberland Advisor may exceed its Separate Account Allocation by up to 5% for the purposes of capital expenditures on existing assets and/or the completion of an acquisition.

(f) Non-Routine Activity: Each ARMB Timberland Advisor will seek the prior approval of ARMB's Chief Investment Officer before entering into any arrangements which provide ancillary income activity from the Timberland which are not routinely associated with Timberland Investments. Examples include mining, wind farms, and utility infrastructure.

Section 6. ARMB Timberland Advisor Annual Portfolio Review

Annually, each ARMB Timberland Advisor will submit an annual portfolio review to ARMB staff ("Staff") which shall include an annual business plan addressing each Timberland Investment in the portfolio in its Separate Account and an annual portfolio level strategic plan. The objective of this effort is to facilitate Staff's monitoring of the Timberland Investments to ensure existing investments and future strategy are consistent with ARMB's objectives and to recognize any program changes, which may require ARMB approval, to facilitate the efficient operation of the investment program. Each ARMB Timberland Advisor will collaborate with Staff to identify the specific content of the business plan and strategic plan for the Timberland Investments in its Separate Account, but should consider the following:

Annual business plans will focus on past performance and future performance expectations for existing assets in the portfolio. Information should include performance analysis, hold/sell analysis, and investment budgets including explanations for future capital budget items.

Annual portfolio level strategic plans will focus on overall portfolio and market performance, portfolio diversification, market conditions, and strategy for acquisitions and disposition for the upcoming year. The strategic plan should also include any recommendations to improve the ARMB Investment Guidelines and/or ARMB's Timberland investment strategy.

Section 7. Ownership Structure

Timberland Investments will be owned in a structure designed to limit ARMB's liability to the amount of its capital commitment to such Timberland Investment and, where feasible, to recognize and preserve tax-exempt status.

Section 8. Reporting System

Staff will develop and implement a comprehensive and responsive reporting and monitoring system for all Timberland Investments and each ARMB Timberland Advisor. In order to facilitate active portfolio management, Staff will develop a reporting and monitoring system which will endeavor to identify under-performing investments, control portfolio diversification deficiencies and manage inherent conflicts of interest. A cash-based internal rate of return (IRR) will be used when evaluating the long-term performance of a Timberland Investment. Time-weighted returns will be used to measure comparative performance.

Section 9. Lines of Responsibility

The Timberland investment program will be implemented and monitored through the coordinated efforts of the ARMB, Staff, and the ARMB Timberland Advisors. A description of the program participants and their general responsibilities are as follows:

ARMB – The statutorily created board which is the fiduciary for the retirement trust funds, comprised of trustees appointed by the Governor to represent the beneficiaries' interest. ARMB hires qualified ARMB Timberland Advisors and consultants; approves the ARMB Investment Guidelines and revisions to them; and approves the Annual Investment Plan prepared by Staff.

Staff - Investment professionals on staff at the Department of Revenue assigned to ARMB Timberland Investments, who will assist in the Timberland investment program's design, policy implementation, and administration. Staff coordinates program and guidelines compliance among all participants and communicates the investment policies, objectives, and performance criteria to the ARMB Timberland Advisors; monitors diversification compliance on a quarterly basis; and coordinates the receipt and distribution of capital. Staff will review and approve each ARMB Timberland Advisor's annual business plan, including revisions to the investment budgets in accordance with Section 13 hereof, and annual portfolio level strategic plan. Staff will recommend, to ARMB, revisions to the Timberland Investment Guidelines as may be necessary from time to time.

Annually, Staff will prepare an Annual Investment Plan after reviewing the annual business and annual portfolio level strategic plan prepared by the ARMB Timberland Advisors. This document will recommend, as appropriate, revisions to the overall Timberland Investment strategy, revisions to the Timberland Investment Guidelines, and make recommendations for additional allocations to the ARMB Timberland Advisors as may be desirable.

ARMB Timberland Advisors – Qualified entities selected by ARMB that provide institutional Timberland investment management services to ARMB. ARMB Timberland Advisors will invest and manage the Timberland Investment portfolios in accordance with their contracts.

Section 10. Property Management

The selection of on-site property management will generally be left to the discretion of the applicable ARMB Timberland Advisor. It is expected the ARMB Timberland Advisor will retain the highly qualified, market rate property management service either through a third party fee manager or the ARMB Timberland Advisor's affiliated property management division. This business relationship will be periodically reviewed by Staff and ARMB.

Section 11. Insurance Coverage

Each ARMB Timberland Advisor shall obtain insurance coverage with respect to the Timberland and the Timberland Investments in such amounts and against such risks as, in such ARMB Timberland Advisor's professional judgment, are in accordance with sound institutional practices applicable to Timberland Investments.

Section 12. Environmental Evaluations

As part of the pre-acquisition analysis for all prospective new Timberland Investments, each ARMB Timberland Advisor shall conduct a Phase 1 Environmental Site Assessment to identify the presence or likely presence of hazardous substances or petroleum products under conditions that indicate an imminent, existing or past release, or a material threat of a release into structures, or into the ground, groundwater or surface water.

Section 13. Delegation of Authority

ARMB shall delegate authority to Staff to approve the following:

- Annual business plans and annual portfolio strategic plans prepared by the ARMB Timberland Advisors;
- Revised investment budgets and variances in approved annual business plans for unanticipated activity; and
- Line item variances in approved capital expenditure budgets in amounts up to $500,000 with a cumulative fiscal year maximum of $3,000,000 per Advisor.

Section 14. Confidentiality

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by ARMB Timberland Advisor(s) or consultant(s) which is reasonably designated by ARMB Timberland Advisor(s) or consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to the Agreement with ARMB Timberland Advisor(s) shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by ARMB Timberland Advisor(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of ARMB Timberland Advisor(s) or ARMB to manage, lease, market or sell such property or Assets.

Section 15. Unrelated Business Income Tax

Each ARMB Timberland Advisor will manage its respective Separate Account with a view toward minimizing the recognition of unrelated business taxable income ("UBTI") to the extent consistent with the Investment Objective set forth in Section 1 above. Each ARMB Timberland Advisor will consult with ARMB prior to entering into any transaction that could reasonably be expected to result in the recognition of significant amounts of UBTI.

Section 16. Revisions

The ARMB Investment Guidelines are to be reviewed no less than annually and revised as appropriate.

Section 17. ARMB Timberland Advisors

The following entities have been selected and appointed as ARMB Timberland Advisors to acquire Timberland properties on a discretionary basis for the Alaska Retirement Management Board:

Hancock Timber Resource Group	**Timberland Investment Resources, LLC**
99 High Street, 26th Floor	115 Perimeter Center Place, Suite 940
Boston, MA 02110-2320	Atlanta, GA 30346
Telephone: 617-747-1600	Telephone: 404-848-2000
Fax: 617-747-1516	Fax: 404-848-2006
www.hancocktimber.com	www.tirllc.com

Section 18. Definitions

(a) "Timber" means trees growing on Timberland, or trees which have been cut but not removed from Timberland.

(b) “Timberland” means real property which is to be planted with Timber or real property on which Timber is growing.

(c) “Timberland Investment” means, in general, all interests (including fee ownership, leasehold interests or management rights) in Timberland; timber deeds, timber cutting contracts and other rights, contracts or agreements relating to the ownership, cutting and/or use of Timber; options to acquire or sell Timber or Timberland or interests therein; mineral rights (including oil and gas rights), biomass or carbon credits attendant to the ownership of Timberland; and personal property, both tangible and intangible, directly associated or connected with the use of Timberland.

Appendix C – Exhibit B

Timberland

ARMB Investment Guidelines

Section 1. Investment Objective

To develop a diversified portfolio of Timberland Investments with a focus on total return which will seek to produce a minimum 5% net real total rate or return over rolling five-year periods. Portfolio risk shall reflect, in each ARMB Timberland Advisor's (as defined in Section 2 below) judgment, the lowest expected risk profile required to achieve the return objectives. Each ARMB Timberland Advisor will place an emphasis on the preservation of capital and diversify the Timberland Investments to minimize risk. To the extent return objectives can be met, current income shall be given preference over appreciation.

Section 2. ARMB Timberland Advisor Selection

ARMB will select qualified investment managers who have the discretion to invest in Timberland ("ARMB Timberland Advisors). In order for entities to be considered, the entity must demonstrate that it is able to add value through its Timberland knowledge, experience and strategy; evaluate the risks of each Timberland Investment which is contemplated; and, comply with these ARMB Timberland Investment Guidelines (the "ARMB Investment Guidelines").

ARMB will implement an investment process for Timberland which will, over time, include a minimum of two (2) qualified ARMB Timberland Advisors who have been selected on a competitive basis. Each ARMB Timberland Advisor will provide services according to an agreed upon investment management agreement (contract) and the ARMB Investment Guidelines. ARMB will endeavor to allocate specific funds to each ARMB Timberland Advisor on a separate account basis (each a "Separate Account"). ARMB Timberland Advisors will invest funds on a discretionary basis in Timberland Investment opportunities to the extent of its specific allocation and Separate Account.

Compensation for investment management services will be done on a fee basis that is competitive. The preferred method of calculating ARMB Timberland Advisor fees will be based upon a formula, which considers 1) the cost basis of assets under management and 2) market value of the assets under management.

Section 3. Allocation

ARMB's allocation to Timberland Investments shall be determined by the Board of Trustees and reviewed annually.

CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

Section 4. Advisor Performance Benchmark

NCREIF Timberland Index

Section 5. Investment Constraints

(a) Each property underlying a Timberland Investment will be commercial timberland in accordance with the standards and customs of the region in which the property is located. Although commercial attributes vary significantly across regions and among forest types, generally, properties will be characterized by adequate timber stocking, sufficient productivity, established timber markets, and ready access.

(b) Location: Timberland Investments will be located inside the United States of America.

(c) Diversification and Concentration: Each ARMB Timberland Advisor will undertake to ensure that the Timberland Investments under its control are adequately diversified. While each ARMB Timberland Advisor will seek to invest across the primary timberland regions of the United States as defined by the National Council of Real Estate Investment Fiduciaries (NCREIF) Timberland Index, geographic diversification will ultimately depend on the availability of attractive investment opportunities, as well as potential diversification by species, age classes of trees and suitability for a variety of end products.

(d) Leverage: The total amount of leverage placed on the aggregate Separate Accounts allocated to all ARMB Timberland Advisors for investment will not exceed ten percent (10%) of the total market value of all such Timberland Investments at the time such leverage is incurred. The purchase or refinance of Timberland Investments with debt and borrowing against Timberland Investments shall be permitted only with the prior consent of ARMB's Chief

Investment Officer. The Advisor will not cause the Account to incur indebtedness without ARMB's prior consent.

(e) Allocation: Each ARMB Timberland Advisor may exceed its Separate Account Allocation by up to 5% for the purposes of capital expenditures on existing assets and/or the completion of an acquisition.

(f) Non-Routine Activity: Each ARMB Timberland Advisor will seek the prior approval of ARMB's Chief Investment Officer before entering into any arrangements which provide ancillary income activity from the Timberland which are not routinely associated with Timberland Investments. Examples include mining, wind farms, and utility infrastructure.

Section 6. ARMB Timberland Advisor Annual Portfolio Review

Annually, each ARMB Timberland Advisor will submit an annual portfolio review to ARMB staff ("Staff") which shall include an annual business plan addressing each Timberland Investment in the portfolio in its Separate Account and an annual portfolio level strategic plan. The objective of this effort is to facilitate Staff's monitoring of the Timberland Investments to ensure existing investments and future strategy are consistent with ARMB's objectives and to recognize any program changes, which may require ARMB approval, to facilitate the efficient operation of the investment program. Each ARMB Timberland Advisor will collaborate with Staff to identify the specific content of the business plan and strategic plan for the Timberland Investments in its Separate Account, but should consider the following:

Annual business plans will focus on past performance and future performance expectations for existing assets in the portfolio. Information should include performance analysis, hold/sell analysis, and investment budgets including explanations for future capital budget items.

Annual portfolio level strategic plans will focus on overall portfolio and market performance, portfolio diversification, market conditions, and strategy for acquisitions and disposition for the upcoming year. The strategic plan should also include any recommendations to improve the ARMB Investment Guidelines and/or ARMB's Timberland investment strategy.

Section 7. Ownership Structure

Timberland Investments will be owned in a structure designed to limit ARMB's liability to the amount of its capital commitment to such Timberland Investment and, where feasible, to recognize and preserve tax-exempt status.

Section 8. Reporting System

Staff will develop and implement a comprehensive and responsive reporting and monitoring system for all Timberland Investments and each ARMB Timberland Advisor. In order to facilitate active portfolio management, Staff will develop a reporting and monitoring system which will endeavor to identify under-performing investments, control portfolio diversification deficiencies and manage inherent conflicts of interest. A cash-based internal rate of return

(IRR) will be used when evaluating the long-term performance of a Timberland Investment. Time-weighted returns will be used to measure comparative performance.

Section 9. Lines of Responsibility

The Timberland investment program will be implemented and monitored through the coordinated efforts of the ARMB, Staff, and the ARMB Timberland Advisors. A description of the program participants and their general responsibilities are as follows:

ARMB – The statutorily created board which is the fiduciary for the retirement trust funds, comprised of trustees appointed by the Governor to represent the beneficiaries' interest. ARMB hires qualified ARMB Timberland Advisors and consultants; approves the ARMB Investment Guidelines and revisions to them; and approves the Annual Investment Plan prepared by Staff.

Staff - Investment professionals on staff at the Department of Revenue assigned to ARMB Timberland Investments, who will assist in the Timberland investment program's design, policy implementation, and administration. Staff coordinates program and guidelines compliance among all participants and communicates the investment policies, objectives, and performance criteria to the ARMB Timberland Advisors; monitors diversification compliance on a quarterly basis; and coordinates the receipt and distribution of capital. Staff will review and approve each ARMB Timberland Advisor's annual business plan, including revisions to the investment budgets in accordance with Section 13 hereof, and annual portfolio level strategic plan. Staff will recommend, to ARMB, revisions to the Timberland Investment Guidelines as may be necessary from time to time.

Annually, Staff will prepare an Annual Investment Plan after reviewing the annual business and annual portfolio level strategic plan prepared by the ARMB Timberland Advisors. This document will recommend, as appropriate, revisions to the overall Timberland Investment strategy, revisions to the Timberland Investment Guidelines, and make recommendations for additional allocations to the ARMB Timberland Advisors as may be desirable.

ARMB Timberland Advisors – Qualified entities selected by ARMB that provide institutional Timberland investment management services to ARMB. ARMB Timberland Advisors will invest and manage the Timberland Investment portfolios in accordance with their contracts.

Section 10. Property Management

The selection of on-site property management will generally be left to the discretion of the applicable ARMB Timberland Advisor. It is expected the ARMB Timberland Advisor will retain the highly qualified, market rate property management service either through a third party fee manager or the ARMB Timberland Advisor's affiliated property management division. This business relationship will be periodically reviewed by Staff and ARMB.

Section 11. Insurance Coverage

Each ARMB Timberland Advisor shall obtain insurance coverage with respect to the Timberland and the Timberland Investments in such amounts and against such risks as, in such ARMB Timberland Advisor's professional judgment, are in accordance with sound institutional practices applicable to Timberland Investments.

Section 12. Environmental Evaluations

As part of the pre-acquisition analysis for all prospective new Timberland Investments, each ARMB Timberland Advisor shall conduct a Phase 1 Environmental Site Assessment to identify the presence or likely presence of hazardous substances or petroleum products under conditions that indicate an imminent, existing or past release, or a material threat of a release into structures, or into the ground, groundwater or surface water.

Section 13. Delegation of Authority

ARMB shall delegate authority to Staff to approve the following:

- Annual business plans and annual portfolio strategic plans prepared by the ARMB Timberland Advisors;
- Revised investment budgets and variances in approved annual business plans for unanticipated activity; and
- Line item variances in approved capital expenditure budgets in amounts up to $500,000 with a cumulative fiscal year maximum of $3,000,000 per Advisor.

Section 14. Confidentiality

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by ARMB Timberland Advisor(s) or consultant(s) which is reasonably designated by ARMB Timberland Advisor(s) or consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to the Agreement with ARMB Timberland Advisor(s) shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by ARMB Timberland Advisor(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of ARMB Timberland Advisor(s) or ARMB to manage, lease, market or sell such property or Assets.

Section 15. Unrelated Business Income Tax

Each ARMB Timberland Advisor will manage its respective Separate Account with a view toward minimizing the recognition of unrelated business taxable income ("UBTI") to the extent consistent with the Investment Objective set forth in Section 1 above. Each ARMB Timberland Advisor will consult with ARMB prior to entering into any transaction that could reasonably be expected to result in the recognition of significant amounts of UBTI.

Section 16. Revisions

The ARMB Investment Guidelines are to be reviewed no less than annually and revised as appropriate.

Section 17. ARMB Timberland Advisors

The following entities have been selected and appointed as ARMB Timberland Advisors to acquire Timberland properties on a discretionary basis for the Alaska Retirement Management Board:

Hancock Timber Resource Group	**Timberland Investment Resources, LLC**
99 High Street, 26th Floor	115 Perimeter Center Place, Suite 940
Boston, MA 02110-2320	Atlanta, GA 30346
Telephone: 617-747-1600	Telephone: 404-848-2000
Fax: 617-747-1516	Fax: 404-848-2006
www.hancocktimber.com	www.tirllc.com

Section 18. Definitions

(a) "Timber" means trees growing on Timberland, or trees which have been cut but not removed from Timberland.

(b) "Timberland" means real property which is to be planted with Timber or real property on which Timber is growing.

(c) "Timberland Investment" means, in general, all interests (including fee ownership, leasehold interests or management rights) in Timberland; timber deeds, timber cutting contracts and other rights, contracts or agreements relating to the ownership, cutting and/or use of Timber; options to acquire or sell Timber or Timberland or interests therein; mineral rights (including oil and gas rights), biomass or carbon credits attendant to the ownership of Timberland; and personal property, both tangible and intangible, directly associated or connected with the use of Timberland.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Infrastructure Investment Policies, Procedures, and Guidelines

Resolution 2014-04

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in real estate assets for the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System, including investments for those systems in the State of Alaska Retirement and Benefit Plans Trust; and

WHEREAS, the Board establishes and from time to time as necessary, modifies investment policies, procedures, and guidelines for infrastructure;

NOW THEREFORE, BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the Infrastructure Investment Policies, Procedures, and Guidelines, attached hereto and made a part hereof. This resolution repeals and replaces Resolution 2013-18

DATED at Juneau, Alaska this _____ day of February, 2014

____
Chair

ATTEST:

____
Secretary

Infrastructure

ARMB Investment Guidelines

In addition to the Infrastructure Guidelines, public infrastructure investments shall comply with ARMB's Investment Guidelines for Domestic and International Equities.

Section 1. Investment Objective

To develop a diversified portfolio of infrastructure investments with a focus on total return which will seek to produce a minimum 5% net real total rate of return over rolling five-year periods. Portfolio risk shall reflect the lowest expected risk profile required to achieve the return objectives. Each ARMB infrastructure advisor will place an emphasis on the preservation of capital and diversify the infrastructure investments to minimize risk. To the extent return objectives can be met, current income shall be given preference over appreciation.

Section 2. ARMB Infrastructure Advisor Selection

ARMB will select qualified investment managers who have the discretion to invest in infrastructure. In order for entities to be considered, the entity must demonstrate that it is able to add value through its infrastructure knowledge, experience and strategy; evaluate the risks of each infrastructure investment which is contemplated; and comply with these ARMB Infrastructure Investment Guidelines.

ARMB will implement an investment process for infrastructure which will, over time, include a minimum of two private investment and two public investment qualified investment advisors who have been selected on a competitive basis. Each ARMB infrastructure investment advisor will provide services according to an agreed upon investment management agreement (contract) and the ARMB Investment Guidelines. ARMB will endeavor to allocate specific funds to each ARMB infrastructure investment advisor. ARMB infrastructure advisors will invest funds on a discretionary basis in infrastructure investment opportunities to the extent of its specific allocation.

Compensation for investment management services will be done on a fee basis that is competitive. The preferred method of calculating ARMB infrastructure investment advisor fees will be based upon a formula, which considers 1) the cost basis of assets under management and 2) market value of the assets under management.

Section 3. Allocation

ARMB's allocation to infrastructure investments shall be determined by the Board of Trustees and reviewed annually.

~~The CIO may also exercise the following discretion pertaining to private infrastructure investments:~~

~~(a) Commit to investments up to $100 million with existing managers, and former managers in good standing;~~

~~(b) Commit to investments related to co-investment opportunities, up to $100 million, with existing managers; and,~~

~~(c) Commit to investments with new managers up to $75 million, with the concurrence of ARMB's investment consultant.~~

~~The CIO will provide prior notification to the chairs of the ARMB and Real Assets Committee seven days before committing to any infrastructure investments under this authority.~~ **CIO Discretionary Investment Authority** – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

Section 4. Performance Benchmark

The benchmark for the total infrastructure portfolio will be the S&P Global Infrastructure Index. Investment managers for public stock portfolios will be allowed to use their preferred infrastructure benchmark. Private investment advisors will be evaluated based on the income and total return objectives of their strategies.

Section 5. Investment Constraints

(a) Private infrastructure investment strategies shall be constrained by the partnership agreements and other agreements establishing the contractual arrangement with ARMB's infrastructure investment advisors.

(b) Location: No more than 10% of ARMB's infrastructure investments shall be located in emerging markets.

(c) Strategy: No more than 10% of ARMB's infrastructure investments shall be focused on development of infrastructure assets.

(d) Diversification and Concentration: Each ARMB infrastructure advisor shall ensure that the infrastructure investments under its control are adequately diversified in the context of its investment strategy.

(e) Leverage: The total amount of leverage utilized by private infrastructure managers shall not exceed 75% of the value of the asset as measured at the time the leverage is placed on the asset. Public infrastructure investment managers shall not use leverage.

Section 6. Ownership Structure

Private infrastructure investments will be owned in a structure designed to limit ARMB's liability to the amount of its investment and, where feasible, to recognize and preserve tax-exempt status.

Section 7. Reporting System

Staff will develop and implement a comprehensive and responsive reporting and monitoring system for each ARMB infrastructure advisor.

Section 8. Lines of Responsibility

The infrastructure investment program will be implemented and monitored through the coordinated efforts of the ARMB, staff, and the ARMB infrastructure advisors. A description of the program participants and their general responsibilities are as follows:

ARMB – The statutorily created board which is the fiduciary for the retirement trust funds, comprised of trustees appointed by the Governor to represent the beneficiaries' interest. ARMB hires qualified infrastructure investment advisors and consultants, approves the ARMB Investment Guidelines and revisions to them, and approves the Annual Investment Plan prepared by staff.

Staff - Investment professionals on staff at the Department of Revenue assigned to ARMB infrastructure investments, which will assist in the program's design, policy implementation, and administration. Staff will recommend revisions to the Infrastructure Investment Guidelines as may be necessary from time to time to ARMB.

Annually, staff will prepare an Annual Investment Plan. This document will recommend, as appropriate, revisions to the overall infrastructure investment strategy, revisions to the Infrastructure Investment Guidelines, and make recommendations for additional allocations as may be desirable.

ARMB Infrastructure Advisors – Qualified entities selected by ARMB that provide institutional infrastructure investment management services to ARMB. ARMB Infrastructure Advisors will invest and manage the portfolios in accordance with their contracts.

Section 9. Confidentiality

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by ARMB Infrastructure Advisor(s) or consultant(s) which is reasonably designated by ARMB Infrastructure Advisor(s) or consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to the Agreement with ARMB Infrastructure Advisor(s) shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by ARMB Infrastructure Advisor(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of ARMB Infrastructure Advisor(s) or ARMB to manage, lease, market or sell such property or assets.

Section 10. Revisions

The ARMB Investment Guidelines are to be reviewed no less than annually and revised as appropriate.

Section 11. ARMB Infrastructure Advisors

The following entities have been selected and appointed as ARMB Infrastructure Advisors to acquire infrastructure investments on a discretionary basis for the Alaska Retirement Management Board:

[completed once manager contracts have been executed]	

Infrastructure

ARMB Investment Guidelines

In addition to the Infrastructure Guidelines, public infrastructure investments shall comply with ARMB's Investment Guidelines for Domestic and International Equities.

Section 1. Investment Objective

To develop a diversified portfolio of infrastructure investments with a focus on total return which will seek to produce a minimum 5% net real total rate of return over rolling five-year periods. Portfolio risk shall reflect the lowest expected risk profile required to achieve the return objectives. Each ARMB infrastructure advisor will place an emphasis on the preservation of capital and diversify the infrastructure investments to minimize risk. To the extent return objectives can be met, current income shall be given preference over appreciation.

Section 2. ARMB Infrastructure Advisor Selection

ARMB will select qualified investment managers who have the discretion to invest in infrastructure. In order for entities to be considered, the entity must demonstrate that it is able to add value through its infrastructure knowledge, experience and strategy; evaluate the risks of each infrastructure investment which is contemplated; and comply with these ARMB Infrastructure Investment Guidelines.

ARMB will implement an investment process for infrastructure which will, over time, include a minimum of two private investment and two public investment qualified investment advisors who have been selected on a competitive basis. Each ARMB infrastructure investment advisor will provide services according to an agreed upon investment management agreement (contract) and the ARMB Investment Guidelines. ARMB will endeavor to allocate specific funds to each ARMB infrastructure investment advisor. ARMB infrastructure advisors will invest funds on a discretionary basis in infrastructure investment opportunities to the extent of its specific allocation.

Compensation for investment management services will be done on a fee basis that is competitive. The preferred method of calculating ARMB infrastructure investment advisor fees will be based upon a formula, which considers 1) the cost basis of assets under management and 2) market value of the assets under management.

Section 3. Allocation

ARMB's allocation to infrastructure investments shall be determined by the Board of Trustees and reviewed annually.

CIO Discretionary Investment Authority – The CIO shall have the following discretionary investment authority:

a) To increase or decrease existing separate account allocations and investments in open-end funds;

b) To commit to new investment funds up to $100 million for each fund; and,

c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chairs of ARMB and the Real Assets Committee before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

Section 4. Performance Benchmark

The benchmark for the total infrastructure portfolio will be the S&P Global Infrastructure Index. Investment managers for public stock portfolios will be allowed to use their preferred infrastructure benchmark. Private investment advisors will be evaluated based on the income and total return objectives of their strategies.

Section 5. Investment Constraints

(a) Private infrastructure investment strategies shall be constrained by the partnership agreements and other agreements establishing the contractual arrangement with ARMB's infrastructure investment advisors.

(b) Location: No more than 10% of ARMB's infrastructure investments shall be located in emerging markets.

(c) Strategy: No more than 10% of ARMB's infrastructure investments shall be focused on development of infrastructure assets.

(d) Diversification and Concentration: Each ARMB infrastructure advisor shall ensure that the infrastructure investments under its control are adequately diversified in the context of its investment strategy.

(e) Leverage: The total amount of leverage utilized by private infrastructure managers shall not exceed 75% of the value of the asset as measured at the time the leverage is placed on the asset. Public infrastructure investment managers shall not use leverage.

Section 6. Ownership Structure

Private infrastructure investments will be owned in a structure designed to limit ARMB's liability to the amount of its investment and, where feasible, to recognize and preserve tax-exempt status.

Section 7. Reporting System

Staff will develop and implement a comprehensive and responsive reporting and monitoring system for each ARMB infrastructure advisor.

Section 8. Lines of Responsibility

The infrastructure investment program will be implemented and monitored through the coordinated efforts of the ARMB, staff, and the ARMB infrastructure advisors. A description of the program participants and their general responsibilities are as follows:

ARMB – The statutorily created board which is the fiduciary for the retirement trust funds, comprised of trustees appointed by the Governor to represent the beneficiaries' interest. ARMB hires qualified infrastructure investment advisors and consultants, approves the ARMB Investment Guidelines and revisions to them, and approves the Annual Investment Plan prepared by staff.

Staff - Investment professionals on staff at the Department of Revenue assigned to ARMB infrastructure investments, which will assist in the program's design, policy implementation, and administration. Staff will recommend revisions to the Infrastructure Investment Guidelines as may be necessary from time to time to ARMB.

Annually, staff will prepare an Annual Investment Plan. This document will recommend, as appropriate, revisions to the overall infrastructure investment strategy, revisions to the Infrastructure Investment Guidelines, and make recommendations for additional allocations as may be desirable.

ARMB Infrastructure Advisors – Qualified entities selected by ARMB that provide institutional infrastructure investment management services to ARMB. ARMB Infrastructure Advisors will invest and manage the portfolios in accordance with their contracts.

Section 9. Confidentiality

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by ARMB Infrastructure Advisor(s) or consultant(s) which is reasonably designated by ARMB Infrastructure Advisor(s) or consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to the Agreement with ARMB Infrastructure Advisor(s) shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by ARMB Infrastructure Advisor(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of ARMB Infrastructure Advisor(s) or ARMB to manage, lease, market or sell such property or assets.

Section 10. Revisions

The ARMB Investment Guidelines are to be reviewed no less than annually and revised as appropriate.

Section 11. ARMB Infrastructure Advisors

The following entities have been selected and appointed as ARMB Infrastructure Advisors to acquire infrastructure investments on a discretionary basis for the Alaska Retirement Management Board:

[completed once manager contracts have been executed]	

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Private Equity Partnerships Portfolio Policies and Procedures

Resolution 2014-05

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in private equity assets for the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System, including investments for those systems in the State of Alaska Retirement and Benefit Plans Trust; and

WHEREAS, the Board establishes and from time to time as necessary, modifies investment policies, procedures, and guidelines and an investment plan for private equity;

NOW THEREFORE, BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the Private Equity Partnerships Portfolio Policies and Procedures, attached hereto and made a part hereof. This resolution repeals and replaces Resolution 2011-04.

DATED at Juneau, Alaska this _____ day of February, 2014.

____
Chair

ATTEST:

____
Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

PRIVATE EQUITY PARTNERSHIPS PORTFOLIO POLICIES AND PROCEDURES

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ALASKA RETIREMENT MANAGEMENT BOARD

PRIVATE EQUITY PARTNERSHIP PORTFOLIO POLICIES & PROCEDURES

I. INVESTMENT OBJECTIVES

A. INVESTMENTS IN PRIVATE EQUITY AND DEBT ASSETS

The Alaska Retirement Management Board ("ARMB") has determined that, over the long term, inclusion of private equity and debt investments (herein after referred to collectively as "private equity") would enhance the ARMB's expected portfolio investment characteristics. Specifically, as a result of the possibility of enhanced rates of return over publicly traded securities and returns that have low correlation with those associated with other major asset classes, the use of private equity investments tends to increase the portfolio's overall long-term expected real return, and reduce year to year portfolio volatility.

Private equity investments involve the purchase of unlisted, illiquid common and preferred stock, and to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. Investments in company private securities are made primarily through institutional blind pool limited partnership vehicles, further described in Section I.D. The private equity strategies to be pursued are further described in Section II.A.

The ARMB's investment policies are determined by the Board of Trustees. In general, ARMB's goal is to achieve the actuarial return at the minimum risk.

Private equity investments of the ARMB shall be made in a manner consistent with the fiduciary standards of the prudent expert rule: (1) for the sole interest of the ARMB's participants and their beneficiaries; and, (2) to safeguard and diversify the private equity portfolio. The selection and management of private equity assets will be guided to preserve investment capital and to maintain prudent diversification of assets and management responsibility. The diversification objective is required to manage overall market risk and the specific risks inherent in any single investment or management selection.

B. ASSET ALLOCATION

The ARMB commitment to private equity investments shall remain within the limits authorized by the Board of Trustees. The ~~target commitment is 7 % (within a range of 2% to 12%) of its portfolio (based on invested net asset value).~~ ARMB recognizes that it ~~will~~may be necessary to make capital commitments in excess of the target allocation in order to achieve and maintain ~~a 7% net asset value~~the allocation target.

An important implementation goal for ARMB is to spread out timing of new commitments so as to avoid an undue concentration of commitments in any one fiscal year. In order to efficiently build the ARMB's private equity portfolio, Staff has the flexibility to approve in writing a variance of up to ~~10~~50% beyond an investment manager's annual commitment target. Over the long-term it is expected that approximately equal amounts of new funding will be committed each year to garner the benefits of time diversification.

C. PORTFOLIO PERFORMANCE

The ARMB shall use the following rate of return tests to evaluate the performance of the private equity asset class:

1. Total Return (Realized and Unrealized Gain/Loss Plus Income)

Based on long-term expectations of publicly traded equities producing an overall average return of 9-11%, the private equity portfolio is expected to generate a minimum total rate of return that meets or exceeds the Russell 3000 Index plus 350 basis points. Performance will be measured on both an Internal Rate of Return (IRR) and a Time-Weighted Return basis, net of investment management fee, expenses and any incentive compensation. Any individual fund investment is expected to produce a return in excess of 13% IRR to contribute to the overall portfolio return expectations.

The primary investment strategies included in the allocation will provide the opportunity for long term capital gains.

The portfolio and individual investments will be benchmarked against the universe contained in the Thomson ONE database. Benchmarks are published for venture capital and buyout and subordinated debt funds. For restructuring funds and other special situation private investments, returns should be competitive with buyout and subordinated debt funds, with the return falling between the two. In any event, the 13% minimum hurdle rate will apply.

2. Risk

Private equity investments are expected to provide a higher level of return than many asset classes, but they also have a higher degree of risk. Private equity generally involves investments in the unlisted securities of private companies through closed-end partnerships. These investments are illiquid since there is no efficient resale market. Private equity also has high fees and the potential for the fees to overcome early investment returns resulting in a return j-curve, where early net returns are generally negative. There are portfolio transparency and valuation issues and the potential for high leverage in certain strategies. The asset class also has incomplete data and benchmarks and high return dispersion between managers.

In private equity investing there is the risk of sustaining a loss on any of the individual investments. It is the ARMB's expectation that, while specific investments may incur losses of all or part of capital invested, a diversified portfolio of holdings will produce a positive rate of return in the expected range set forth in Section I.C.1., above.

D. PROGRAM MANAGEMENT

The selection and management of assets in the private equity portfolio will be guided to generate a high level of risk adjusted return, provide a moderate amount of current income, and to maintain prudent diversification of assets and specific investments.

With private equity investments, there is an inherent risk that the actual return of capital, gains and income will vary from the amounts expected. The ARMB shall manage the investment risk associated with private equity investments in several ways:

1. Institutional Quality

All assets must be of institutional investment quality. Institutional quality will be defined as being of a quality whereby the investment would be considered acceptable by other prudent institutional investors (i.e. insurance company general accounts and separate accounts, commercial banks and savings institutions, public employee retirement systems, corporate employee benefit plans - domestic and foreign, and other tax-exempt institutions).

2. Diversification

The private equity portfolio shall be diversified as to investment strategy, timing of investment, size and life cycle of investment, industry sector, investment sponsor organization (i.e., general partner group), and geographical location. Diversification reduces the impact on the portfolio of any one investment or any single investment style to the extent that any adversity affecting any one particular area will not impact a disproportionate share of the total portfolio.

Investments will be made such that at full investment a maximum of 20% of the total private equity allocation can be invested at any point in time with any single, general partnership, entity or related organization. No single private equity investment strategy will comprise more than 60% of the allocation. It is also recognized that during the portfolio development and wind-down stages the full investment parameters may not, of necessity, be met. The ARMB is permitted to own up to 51% of any particular partnership subject to the partnership sponsor limitation above.

The scope and size of Alaska's program is such that significant investments in fewer, more concentrated partnership investments are preferred to smaller investments in more numerous partnerships. However, investing with the highest quality partnerships remains the top priority. While Alaska has not set a minimum dollar amount per partnership, the investment manager will be charged with deploying the capital efficiently, such that funding targets are achieved with a reasonably small number of partnership holdings. Average investment size will be monitored.

Long-term diversification targets among eligible investment strategies will be set forth in Section II.A. Eligible Investments, and reviewed annually or as necessary. Interim investment goals toward the implementation of the private equity program will be set forth in an annual *Tactical Plan* (Appendix A) as described herein.

3. Ownership Structure

Account and Investment Structure: The ARMB's ownership structure will comprise separate account relationships with one or more fiduciary investment managers and direct investments by the ARMB. The separate account investment managers will in turn make commitments to private equity limited partnerships, on ARMB's behalf, on a discretionary basis. The ARMB may also make partnership investments directly or through authority delegated to the CIO in section III.A.1 of this policy. All investments will be subject to portfolio diversification targets established in the *Policies and Procedures*, approval of an annual *Tactical Plan* by the ARMB, and with prior notification as to program compliance via an *Investment Disclosure Form* (Appendix B). Other commingled vehicles or separate account investments, which are not limited partnership units, may only be purchased by the investment manager, subject to a structural compliance review by the staff, wherein the ARMB must approve any such proposed investment.

Direct Co-Investments and Direct Investments: Certain investment managers offer direct placement services on their client's behalf. Suitable arrangements for co-investment and direct investment authorization may be incorporated in the investment management agreement. Co-investments and direct investments have not been approved by ARMB.

Direct co-investments entail providing additional funding to specific company investments being made by the limited partnerships to which ARMB has commitments. In specific instances the general partner will invite the limited partners to provide additional capital when an investment is of a size which exceeds the partnerships diversification parameters. Co-investments will only be allowed in the same class of security as the partnership investment. Direct investments entail investments in companies that are sourced by the investment manager organization.

4. Reporting System

There shall be a comprehensive reporting and monitoring system for the entire portfolio, investment manager(s) and individual investments. Situations of underperforming investments, portfolio diversification deficiencies from the *Policies & Procedures*, and conflicts of interest can then be identified, facilitating active portfolio management. Further definition of this reporting system is provided in Sections III.C.2.b. "Investment Management Ongoing Operations" and III.C.3. "Investment Management Portfolio Accounting and Financial Control."

5. <u>Distributions</u>

ARMB prefers to receive distributions from the partnership investments in the form of cash, whenever possible. Otherwise, any in-kind (i.e., security) distributions should be freely tradable and, whenever possible, in the form of unrestricted stock. ARMB prefers to receive the cash realization of any in-kind distribution as soon as practicable, given market conditions. The investment manager will be responsible for managing to cash any in-kind distributions. The investment manager shall have well-defined and clearly articulated procedures in place for ensuring the orderly liquidation of in-kind distributions and the timely settlement of any liquidation transactions. ARMB's staff will monitor the investment manager's performance of the distribution functions.

6. <u>Performance Measurement</u>

The investment manager will provide cash flow, valuation, and any other requested information to ARMB's Staff and general consultant quarterly, and ARMB's custodian bank on a monthly basis. Regarding valuations the investment manager will notify the Staff of any instances where the investment manager is using different carrying values from those reported by the general partner.

Performance will be calculated on both a time-weighted and dollar-weighted (internal rate of return or IRR) basis, with primary emphasis being placed on the internal rate of return. The rate of return calculations will be net of all partnership fees and expenses, but gross of investment manager fees and expenses. So that the performance numbers reported by the manager and the custodian bank are the same, the manager will be responsible for reviewing the custodian's figures as to timing, amount, value of in-kind securities at distribution and reported net asset value, and reconciling any discrepancies. Staff will calculate and report a private equity portfolio IRR at least annually as part of the private equity tactical plan.

In-kind Distributions: Partnerships will be valued on the distribution price of the in-kind security or other valuation method stipulated in the partnership agreement. Any change from distribution price to realized price of the in-kind distributions will then be monitored as a separate component of the total portfolio return.

Benchmarks: For IRR calculations, the Vintage Year methodology will be used for purposes of performance comparisons to the industry. For time-weighted returns, comparable publicly traded market indicators (such as small cap indices) will be employed.

7. Lines of Responsibility

Well-defined lines of responsibility and accountability will be required of all participants in ARMB's private equity investment program. Participants are identified as:

Board of Trustees -	The fiduciaries appointed by the Governor to represent the beneficiaries' interest, who retain final authority over all private equity investment decisions.
Staff -	Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the private equity investment program's design, implementation and administration.
Investment Manager(s) -	Qualified fiduciaries who provide institutional private equity investment management services and maintain a discretionary relationship with ARMB in implementing the private equity program. In separate account relationships the investment manager ("Manager") must be a Registered Investment Advisor under the Investment Company Act of 1940, registered with the Security and Exchange Commission.
Consultant -	Professionals retained to support ARMB through the provision of expert private equity and alternative investment program knowledge and technical support.

The responsibilities, with respect to the private equity portfolio, of the parties cited above are outlined in Section III.A.1-4. Unless otherwise stated, the remainder of the guidelines contained herein pertain to the limited partnership investments entered into by the ARMB.

E. CONFLICTS OF INTEREST

1. Manager Proprietary Products -- In private equity investing, unlike other asset classes, there may be situations wherein the investment manager may recommend its proprietary investment product(s) for investment. The investment managers do not have discretion to invest in their own proprietary products. If the ARMB is considering an investment manager's proprietary investment product(s), staff shall use the ARMB's private equity consultant to assist in analyzing the suitability of the investment(s).

2. Allocation of Investments Among Accounts -- There may be instances where the manager will need to allocate an investment opportunity among a number of clients or a competing product (i.e., fund-of-funds). Suitable protective covenants or processes for resolving conflicts in allocation among accounts will be incorporated in the investment management agreement.

3. Personal Investments -- The investment manager's employees are permitted to invest personally or otherwise have beneficial interest in investments held on behalf of clients such as ARMB, only upon the ARMB's first securing a full and appropriate allocation. Similarly, the investment manager's employees are permitted to sell an interest in investments that are also held by the ARMB only after the ARMB's holding has been first and fully liquidated. The investment manager will provide ARMB with its policies for personal investments by employees as an attachment to the Investment Management Agreement, and notify the Staff of any changes. In instances where the manager or its employees are securing an investment or beneficial interest, notice must be provided to ARMB at least five business days prior to the closings for either party.

4. Other Conflicts of Interest -- When and if other conflicts of interest become apparent, suitable protective covenants or processes for resolving conflicts will be incorporated into the investment management agreement.

II. INVESTMENT POLICIES

The private equity program will be guided by long-term target ranges to eligible investment strategies listed below. Each year the program will be further implemented and modified in accordance with an *Annual Tactical Plan* prepared by staff and the Investment Managers, reviewed by Staff and approved by the Board.

A. ELIGIBLE INVESTMENTS

The following private equity strategies and investment types will be considered eligible for the ARMB's portfolio. Long-term ranges are established for each strategy. Staff and the Consultant will seek to manage the allocations toward the mid-point of the ranges at full investment.

1. Venture Capital: Expected Range: 15% to 40%, Target: 25% – Investments in newer high growth companies typically addressing technology, life sciences and other specialty growth industries. Venture capital partnerships will be allocated into the following three categories and the manager will endeavor to select partnerships that represent the strategies in the appropriate amounts and diversity.

Early-Stage: Seed or start-up equity investments in private companies.

Later-Stage: Investments in more mature companies (e.g., with developed products, revenues, and potentially profits) to provide funding for growth and expansion.

Multi-Stage: Investments in venture capital companies at various stages of company development, including early-, late- and any other interim stages of development.

2. **Buyouts/Acquisition:** Expected Range: 30% to 60%, Target: 45% – Partnerships which provide funding to acquire majority or controlling interests in a business or product lines from either a public or private company. These partnerships are generally diversified by industry and other relevant measures. Buyout partnership cover company size ranges from very large to small-market.

3. **Special Situations:** Expected Range 20% to 40%, Target: 30% – Partnerships with private corporate finance investment strategies that do not fall under the prior two categories. The manager will seek to diversify the portfolio across various sub-strategies. Examples include:

Hybrid Partnerships: Funds that have broad strategy mandates and may invest materially in non-control investment structures or a variety of strategies that would preclude a simple venture capital or buyout categorization.

Industry Specific: Funds that target a specific industry (e.g., energy, financial services, media and communications, etc.). These funds may be considered as having greater industry specific risk than more diversified buyout funds.

Subordinated Debt: Partnerships that make debt-related investments in unsecured or junior obligations in financings. These generally take the form of subordinated debentures or preferred stock. They typically earn a current coupon or dividend and have warrants on common stock or conversion features.

Restructuring/Recovery: Investments made in distressed or poorly performing companies, with the intent of initiating a recovery via financial restructuring or the introduction of management expertise. Partnership investments may include debt and/or equity securities.

Other: There are private equity/corporate finance partnerships that pursue strategies different from those cited above which the manager may, in its discretion, seek to participate in.

Exposure to these strategies may be pursued through direct partnership investments, fund-of-one, and/or commingled fund-of-funds vehicles.

B. GEOGRAPHICAL LOCATION DIVERSIFICATION

Although the priority of the portfolio should be to achieve diversification by investment strategy, another measure of diversification is by geographical location. Over the long-term, the ARMB portfolio should seek portfolio diversification with regard to major regional areas both domestically (i.e., Northeast, Mid-Atlantic, Southeast, Midwest/Plains, Southwest/Rockies, West Coast, Pacific Northwest), and internationally (i.e., Europe, Pacific Basin, South and Latin America).

International private equity investments shall comprise 20-45% of the private equity investment allocation measured at the portfolio company level, and shall be diversified in the context of the total portfolio.

C. INDUSTRY SECTOR DIVERSIFICATION

The ARMB portfolio will seek to diversify by industry sector (i.e., Biotechnology, Computers, Financial Services, Healthcare, Medical, Media/Communications, Electronics, Software, Consumer/Retail, Basic Industry, Other, etc.) such that no one industry classification will represent more than 25% of the private equity portfolio.

The Staff will review the industry classification methodology employed by the investment manager and will adopt the methodology if it is deemed sufficient, or work with the investment manager to develop mutually satisfactory categories.

D. LIFE CYCLE DIVERSIFICATION

Commitments to partnership investments will be staged over time. It is ARMB's long-term goal to spread out investment timing such that new commitments will be made each fiscal year. This policy will have the effect of dollar cost averaging the ARMB’s portfolio over business cycles and helps insulate the portfolio from event risk. Capacity to make commitments will be allotted to the investment manager in accordance with the ARMB’s investment projection model, which will be updated as part of the *Annual Tactical Plan*, described here-in, or as necessary.

E. INVESTMENT SPONSOR (GENERAL PARTNERSHIP GROUP) DIVERSIFICATION

The ARMB portfolio will seek to diversify by issuer of limited partnership securities, and other specific investments sponsors. No more than 20% of the ARMB’s private equity portfolio net asset value will be invested with any one investment sponsor organization. Net asset value is defined as the carrying value of the investments reported by a partnership’s general partner in the quarterly financial statements.

It is ARMB’s intention to keep the total holdings of the portfolio to a reasonable number. Given the significant total dollar size of the ARMB’s private equity net asset value target, large concentrated investments in fewer partnerships, are preferred to smaller investments in more numerous partnership securities. However, the ARMB recognizes that investing with the highest quality partnerships remains the top priority and smaller investments in venture capital will be warranted.

III. PROCEDURES FOR INVESTMENT

A. GENERAL ALLOCATION OF RESPONSIBILITIES

The private equity partnerships program shall be implemented and monitored through the coordinated efforts of the Board of Trustees for the Alaska Retirement Management Board (the "Board"); the ARMB's Staff (the "Staff"); the qualified Investment Investment Manager(s) (the "Manager") and the Consultant ("Consultant"). Delegation of responsibilities for each participant is described in the following sections.

1. Board of Trustees

The Board of Trustees shall approve the investment policies and objectives which the Trustees judge to be appropriate and prudent to implement its strategic plan for the investment of ARMB's assets; review the performance criteria and policy guidelines for the measurement and evaluation of the investment managers of the ARMB's assets; review the Consultant and Staff's recommendations to retain a qualified investment manager(s) and set discretionary investment limits; supervise the investment of ARMB's assets to ensure that the ARMB's investments remain in accordance with the Board's strategic planning and the Alaska Retirement Management Board's Objectives and Policies and the Private Equity Partnerships Portfolio *Policies and Procedures* documents. The Board shall select and make ongoing retention decisions regarding all service providers including the investment manager.

The Board of Trustees will guide the execution of the program by review and approval of a long term target ranges for private equity strategies prepared by Staff, which will be updated and revised periodically as appropriate; and a short term *Annual Tactical Plan* prepared by the Investment Manager, reviewed by Staff, and approved by the Board which details goals and objectives for the next 12 months. The Board will monitor the program's progress and results through a performance measurement report prepared quarterly by the Investment Manager and reviewed by Staff.

Direct Investments by the ARMB in Private Equity Partnerships

The ARMB shall set an allocation target for direct investments in private equity partnerships as part of the Annual Tactical Plan. For direct investments, the ARMB delegates authority to the Chief Investment Officer ("CIO") to commit the annual allocation target to a number of direct investments or fund-of-fund investments with private equity partnerships as follows:

~~a. The CIO has the authority to engage the ARMB's private equity consultant to assist in the evaluation, due diligence, and negotiation of private equity partnership investments; and~~

a. ~~b.~~ The CIO has the authority to commit to private equity partnership investments ~~with new managers~~ of up to $~~50~~100 million per fund. An investment with a manager that is new to the ARMB's portfolio requires concurrence on the investment decision from the ARMB private equity consultant~~; and~~ or gatekeepers.

b. ~~c.~~ The CIO has the authority to ~~commit~~engage consultants and take other action as may be necessary to ~~private equity partnership~~ensure sufficient due diligence is performed on all investments ~~of up to $50 million per investment with existing private equity partnership managers and former private equity partnership managers in good standing; and~~under consideration.

c. ~~d.~~ With respect to the direct investment allocation target set by the ARMB annually, the CIO has the authority to commit up to an additional $~~50~~125 million over ~~and above this~~the target to accommodate specific investment opportunities or manage the ARMB's allocation to private equity.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will ~~notify the Chair of the ARMB seven (7) days~~provide prior notification to the ARMB Chair before committing to any ~~direct private equity partnership investment.~~investment under this authority. All discretionary CIO investment actions shall be reported to the Board. With respect to direct investments ~~made by the ARMB~~, Staff will assume the relevant investment manager responsibilities addressed in Section III.C of this document and the Consultant will review the performance of the direct investments.

2. Staff

The Staff will develop draft investment objectives and policy language for Board consideration. The Staff will guide the execution of the program by developing long-term target ranges for private equity strategies, which will be updated and revised periodically as appropriate. The Staff will oversee the Manager in preparing a short term *Annual Tactical Plan*, which detail goals and objectives for the next twelve months. The Staff will also review the Manager's quarterly portfolio reports, review the Manager's proposed *Investment Disclosure Forms* (Appendix B) for compliance with the strategic plan and conflicts of interest, and review the Manager's and the portfolio's performance in relation to assigned responsibilities.

The Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the investment manager(s). The Staff will coordinate the receipt and distribution of capital.

The Staff and Consultant will identify qualified investment investment manager(s) for implementation of private equity investment program, and will advise the Board of Trustees of any material changes in the manager organization(s).

3. Investment Manager(s)

The Investment Manager(s) shall acquire and manage, on a discretionary basis, private equity investments on behalf of Alaska and in accordance with the Investment Objectives as described in Section I of the ARMB's *Private Equity Policy and Procedures* document and the Investment Policies as described in Section II.

The choice of withholding discretion from the Managers for any investment vehicle that is not a limited partnership (or other limited liability entity), represents a policy decision that, among other things, is intended to protect the ARMB from liability beyond the invested capital.

The asset allocation executed by the Manager will be dictated by the target strategy ranges established in the *Policies and Procedures* and the *Annual Tactical Plans*.

4. Consultant

As approved by the Board, the Consultant shall advise on program development, conduct Investment Manager searches when requested; and provide independent, third party advice and information. The Consultant will also be available to be retained to conduct special project work when requested by the ARMB.

B. INVESTMENT PROCEDURE

Private equity investments in compliance with the ARMB's Policies (Section II) and the Investment Objectives (Section I) shall be acquired through the following process:

Eligible Investments and Target Ranges: As part of the *Policies and Procedures*, the Staff will prepare a long-term target capital allocation ranges for eligible private equity strategies (Section II.A.) after a review of investment criteria, performance expectations, and other relevant program requirements.

Annual Tactical Plan: Annually, Staff and the Investment Manager(s) will prepare a tactical plan which reviews the current status of the portfolio, recent historical and prospective market conditions, and proposes the steps to be taken over the next twelve month period to further implement the long-term strategic plan. The filing of ongoing

Annual Tactical Plans will occur on the quarter-end every 12 months following the quarter in which the original plan was filed. The *Annual Tactical Plan* will be reviewed by the Staff and approved by the Board. The outline of concepts to address in the *Annual Tactical Plan* is provided in Appendix A.

Specific Investments: The Investment Manager will identify and evaluate limited partnerships and, as appropriate, other investment vehicles that are in compliance with ARMB investment guidelines and current *Annual Tactical Plan*. The Investment Manager will be responsible for all aspects of evaluation and closing, subject to prior notice via an *Investment Disclosure Form*, an example of which is provided in Appendix B.

C. SPECIFIC INVESTMENT MANAGER RESPONSIBILITIES

1. Funding Procedures

The Investment Manager shall provide the ARMB, on a best efforts basis, with five (5) days notice of drawdowns. ARMB shall also be provided with documented wiring instructions in advance.

2. Investment Management

Investment Managers are directly accountable for the following investment management responsibilities. This section designates certain investment responsibilities that the Investment Manager will perform or cause to be performed. Fees and expense reimbursements for these duties are outlined in the Manager's contract.

a. Investment Selection -- The Investment Manager will be responsible for evaluating investment opportunities and selecting, on a discretionary basis with fiduciary responsibility, private equity investments to be made on behalf of ARMB.

The screening and selection will be made with a view to maximize ARMB's risk adjusted rate of return, within the parameters and allocations of each private equity strategy as set by the Board of Trustees in the *Polices and Procedures*.

An *Annual Tactical Planning* process will be used in determining the number and types of investments within each strategy. The manager will also take into consideration relevant overall portfolio diversification considerations as set forth in the Objectives and Policies statement and Program Management (Section I.B.) of this document. The process will include, but not be limited to, the following services:

(1) *Annual Tactical Plan* preparation. This report outlines the steps the investment manager will take during the next fiscal year to further implement the ARMB's adopted strategic plan.

The *Annual Tactical Plan* will include a review of the current status of the portfolio, perceived investment environment, the types and number of partnerships to be sought and underlying rationale, and goals for other management responsibilities such as situations being monitored and adding value.

(2) Review and maintain a log of all opportunities available in the market over time, as well as investments directed to the manager by the ARMB.

(3) Screen and evaluate all opportunities to identify investments that will provide the most attractive risk and return characteristics and are a fit with the portfolios long-term and short-term objectives.

(4) Conduct full and proper due diligence fully documenting the process. Due diligence will be conducted to a standard of completeness attributable to a prudent expert. The Investment Manager will make available for review by the ARMB, or its agents, the Manager policies, procedures, and standards for conducting due diligence, and the due diligence documentation performed on any investment made on the ARMB's behalf. The ARMB recognizes that there may be instances where the Investment Manager possesses confidential information which for legal or other verifiable reasons cannot be disclosed to the ARMB. On-site visits at the General Partners' main office will be a mandatory part of investment due diligence. In certain rare circumstances, the Manager may satisfy the requirement for an on-site visit if the Manager has made a relevant visit to the General Partner's main office within one year of the commencement of investment due diligence. The minimum requirements of due diligence will include the quality and expertise of the General Partner (including relevant experience, reputation, deal flow, staff turnover, etc.), historical performance, structure of the Limited Partnership (including, but not limited to, the alignment of interest of the General Partner and the Limited Partners) and diversification by industry, geography, strategy, etc.

(5) The Investment Manager will submit an *Investment Disclosure Form* to Staff at least five (5) business days prior to making a commitment on ARMB's behalf.

(6) Negotiate investment terms and conditions, partnership agreements and other closing documents on ARMB's behalf, with a view to maximize returns, minimize expenses, safeguard the ARMB's assets, and secure investor rights; and make investments on the ARMB's behalf. The investment manager shall provide ARMB counsel the opportunity to review partnership agreements and related documents prior to their execution.

(7) The investment manager will be charged with deploying the capital efficiently, such that funding targets are achieved with a minimal number of partnership holdings. Due to the scope and size of ARMB's program significant, concentrated investments in fewer partnership investments are preferred to smaller investments in more numerous partnerships. The manager will include discussions of the number and size of planned investments in the periodic portfolio planning and reporting documents.

b. <u>Ongoing Operations</u> -- The Manager shall manage or cause to be managed, each investment made such as to enhance the ARMB's value in the investment. The Manager shall be responsible for conducting or supervising the following services with respect to each investment:

(1) Monitoring and Voting -- Maintaining close communication with the General Partners of the investments, maintaining an awareness of and documenting the progress and level of performance of each investment. This will include attendance at annual partnership meetings and, as appropriate, sitting on limited partner advisory boards. It will also involve voting on partnership and other portfolio securities matters on ARMB's behalf as need arises.

(2) Adding Value -- The Manager shall take all necessary or appropriate steps consistent with applicable capital and operating budgets to assure the ARMB's investment is managed to or above its anticipated performance level.

(3) Disbursement, Receipt and Cash Management -- Develop procedures for funding commitments on a timely basis and coordinating the receipt of cash distribution from the partnership investments, including a policy for the orderly liquidation of in-kind distributions (i.e., securities distributions) received from partnerships. The policy for liquidating in-kind distributions should include but not be limited to the Manager's process for deciding when to sell distributed shares and actions the Manager will take to ensure timely settlement of stock sales.

(4) Books and Records -- The Manager shall maintain books of account with correct entries of all receipts and expenditures incident to the management of the investment. These books, together with all records, correspondence, files and other documents, shall at all times be open to the inspection of the ARMB. The Manager shall maintain complete and accurate records of all transactions related to the managed investment, including receipts and all correspondence relating thereto on such forms as the ARMB's auditors may reasonably require and make such records available for inspection and copying by ARMB at all reasonable times. The Manager shall bear the costs associated with the retention of such records and if ARMB shall request copies of such records, the Manager shall bear the cost of duplicating and sending such records to the ARMB.

(5) On-Going Review -- The Manager shall keep itself informed of the overall market conditions relative to the managed investments and the managed investments' competitive position in the applicable investment strategies. The Manager will also be responsible for ensuring compliance with partnership agreements, attending to amendments, resolutions, voting proxies, and other investment related matters. All such activities will be undertaken with a view toward maximizing value to ARMB.

(6) Disposition Review -- The Manager shall review the managed investments with respect to continued timely return of capital, income and gains. The manager will be responsible for managing to cash any in-kind (i.e., security)

distributions received from the partnership investments.

(7) <u>Notice</u> -- The Manager shall notify the Staff as soon a practicable in writing of any investigation, examination or other proceeding involving the investments or investment sponsors commenced by any regulatory agency or of any action, suit or proceeding commenced against or by the Manager or an investment sponsor.

3. <u>Portfolio Accounting and Financial Control</u>

The Manager's accounting, reporting and financial control and administration system shall meet the following objectives:

a. <u>Financial Control</u> -- The Manager will provide control systems to protect assets, detect errors and insure the reliability of information generated by the accounting system.

c. <u>Investments' Financial Statements</u> -- On a quarterly basis, the Manager will receive from investee partnerships unaudited financial statements, and annually, audited financial statements.

d. <u>Accounting Policies</u> -- Accounting policies for ARMB are outlined below:

(1) <u>Current Value Reporting</u> -- Accounting data shall be computed using current values provided by the General Partners and Investment Sponsors of the investments. The Manager will make note of instances where performance presentation standards are not in compliance with Global Investment Performance Standards (GIPS®). The Manager will be held to a standard of reasonable care in verifying that the General Partners valuations reasonably reflect the underlying value of the investments. <u>The Manager will make special note of investments which may be materially and permanently impaired in relation to the General Partners carrying value, and will notify the Staff of such investments, as soon as practicable, and in no instance later than by incorporation in the next quarterly performance measurement report.</u>

4. <u>Reporting Requirements</u>

a. <u>Manager Quarterly Report</u> -- On a quarterly basis, within 45 days of quarter-end, the Manager(s) shall provide the Staff with a report on the portfolio which will address activities occurring during the quarter an updated list of holdings, cash flows, valuations, IRR, and any and all other items of which ARMB should be apprised.

b. <u>Custodian Bank Monthly Statement</u> -- On a monthly basis, the Manager(s) shall provide the Custodian a report of ARMB's account cash flows and valuations, and any other information reasonably requested.

c. Annual Tactical Plan -- Within 120 days of calendar year end, Staff, with input from the Investment Managers, shall prepare and submit an *Annual Tactical Plan* for approval of the Board. The *Annual Tactical Plan* shall cover the topics outlined in Appendix A and will include a review of the current status of the portfolio and outline the steps anticipated toward portfolio development over the course of the coming fiscal year.

d. Investment Disclosure Form -- At least five (5) business days prior to making a commitment on behalf of ARMB, the Manager will provide to the Staff an *Investment Disclosure* form. The investment disclosure form will be reviewed by the staff regarding an investments fit within the *Policies and Procedures*, *Annual Tactical Plan*, and any possible conflicts of interest.

   Any questions or discussion items with regard to an investment's fit within the portfolio structure can then be reviewed prior to the investment manager executing the subscription documents.

e. Other Information -- The Investment Manager will also provide any other reasonable information requested by the Staff, or the ARMB's Custodian Bank, or other agent of ARMB.

D. SPECIFIC CONSULTANT RESPONSIBILITIES

The Consultant will provide consultation on the initial development and ongoing review and recommendation of revisions to ARMB's Policies and Objectives, *Private Equity Policies and Procedures*, and assist with Investment Manager searches when requested by the ARMB. The Consultant will provide independent third party advice and information, and will also be available to be retained to perform special projects as requested by the Board.

Appendix A

ALASKA RETIREMENT MANAGEMENT BOARD
PRIVATE EQUITY
ANNUAL TACTICAL PLAN GUIDELINES

Tactical Plan: The Tactical Plan is a report which outlines the steps to be taken in the next 12 month period to further implement the private equity portfolio, and any other actions or considerations germane to the active management and success of the portfolio. It also documents the reasons for the particular courses of action to be taken, and importance of items under consideration.

The Staff reviews the Tactical Plan and recommends Board of Trustees approval of the finalized plan. All sections should be as brief as possible and should address the following issues with some flexibility with regard to format:

I. FUNDING LEVEL

Annual Tactical Plan Period: 1/1/xx through 12/31/xx

A. Funding Tables:

1. *Current Funding Position (As of x/xx/xx)*

Total Fund Market Value	$xx billion
% Target for Private Equity	7%
Total Private Equity Allocation	$xx million
Current Net Asset Value Deficit/(Surplus)	$(xx) million

2. *Projected Funding Position*[1]

Five Year Projected Market Value	$xx billion
% Target For Private Equity	$xx million
Total Private Equity Allocation	$xx million
Amount Available for Investment in Current Tactical Plan Period:	$xx million

3. *Analysis of Funding by Strategy*

II. DIVERSIFICATION

A. Strategy: (Commentary)

B. Industry Diversification: (Analysis and Commentary)

C. Geographic Diversification (Analysis and Commentary)

D. Stage of Investment: (Analysis and Commentary)

E. Current Portfolio Risk and Return: (Commentary)

III. MARKET CONDITIONS

A. Market Conditions: Discussion of Partnership Market.
   1. Past 12 months.
   2. Next 12 months.
   3. Conclusion.

IV. PROSPECTIVE INVESTMENT

A. Investment Objectives:

   1. Types: Strategies to receive the foremost attention or priority.
      a. Venture Capital
      b. Buyouts
      c. Special Situations

   2. Expected impact on the portfolio regarding:
      a. Return
      b. Risk
      c. Diversification

D. Dollar amount to be invested

E. Impact on the portfolio.

F. Diversification considerations: Strategy, Geographic, Industry, and any other relevant considerations.

V. MONITORING

A. Specific situations being monitored, underperforming investments.

B. Actions to be initiated or in progress with existing investments.

C. Other specific goals related to the monitoring of the ARMB's investments.

V. EXITING

A. Pending distributions or liquidations.

B. Any other relevant considerations relating to existing ARMB investments.

VI. OTHER

A. Other items relevant to the ARMB's portfolio.

SUMMARY

Investment Objectives: Summary of basic goals for the portfolio for the next 12 months.

APPENDIX:

Projected Funding Schedule and any other attachments the Investment Manager would like to submit.

ALASKA RETIREMENT MANAGEMENT BOARD
Prospective Private Equity Partnership Investment Disclosure Form

Please provide the following information in hard copy to the ARMB at least 5 business days prior to legally committing to any investment on behalf of the ARMB, as follows:

Mr./Ms. _______ ________, Title: Alaska Retirement Management Board, 333 Willoughby Avenue, 11th Floor, Juneau, AK 99811. Ph: 907-465-2350, Fax: 907-465-2394

1. General Information:

Name of Partnership: ____
GP/Investment Advisor: ____
Address: ____
____
Contact Person: ______________________ Title: ____________________
Phone: ______________________ Fax: ____________________

2. Investment Size:

Anticipated Total Partnership Size: $___________
Anticipated Commitment by the ARMB $___________
% ARMB Commitment of Total Partnership: __________%
# of other clients placed in investment ___________
Total Ownership of Advisor's Clients $___________ (excluding Alaska)

3. Proposed Category:

_____ VC Early
_____ VC Multi
_____ VC Late
_____ Buyouts - Large
_____ Buyouts - Small/Medium
_____ Buyouts - Industry Consolidation
_____ Special Situations - Hybrid
_____ Special Situations - Strategic Block
_____ Subordinated Debt
_____ Restructuring
_____ Project Finance/Other Cash Flow

4. Provide Brief Description of Investment Objective:

5. Description of Fit with the ARMB's Annual Tactical Plan:

6. Disclosure/Other Comments:

A. Please describe any prior investment history with the general partner group and of any existing holdings affiliated with the general partner group.
B. Are there any items associated with the investment of which the ARMB should be aware?
C. Are there any other comments the Investment Manager would like to mention?

8. Attachments:

A. Include Offering Memorandum and any other relevant materials.

ALASKA RETIREMENT MANAGEMENT BOARD

PRIVATE EQUITY PARTNERSHIPS PORTFOLIO POLICIES AND PROCEDURES

Revised 2/2014, Adopted by Resolution 2014-05

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ALASKA RETIREMENT MANAGEMENT BOARD

PRIVATE EQUITY PARTNERSHIP PORTFOLIO POLICIES & PROCEDURES

I. INVESTMENT OBJECTIVES

A. INVESTMENTS IN PRIVATE EQUITY AND DEBT ASSETS

The Alaska Retirement Management Board ("ARMB") has determined that, over the long term, inclusion of private equity and debt investments (herein after referred to collectively as "private equity") would enhance the ARMB's expected portfolio investment characteristics. Specifically, as a result of the possibility of enhanced rates of return over publicly traded securities and returns that have low correlation with those associated with other major asset classes, the use of private equity investments tends to increase the portfolio's overall long-term expected real return, and reduce year to year portfolio volatility.

Private equity investments involve the purchase of unlisted, illiquid common and preferred stock, and to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. Investments in company private securities are made primarily through institutional blind pool limited partnership vehicles, further described in Section I.D. The private equity strategies to be pursued are further described in Section II.A.

The ARMB's investment policies are determined by the Board of Trustees. In general, ARMB's goal is to achieve the actuarial return at the minimum risk.

Private equity investments of the ARMB shall be made in a manner consistent with the fiduciary standards of the prudent expert rule: (1) for the sole interest of the ARMB's participants and their beneficiaries; and, (2) to safeguard and diversify the private equity portfolio. The selection and management of private equity assets will be guided to preserve investment capital and to maintain prudent diversification of assets and management responsibility. The diversification objective is required to manage overall market risk and the specific risks inherent in any single investment or management selection.

B. ASSET ALLOCATION

The ARMB commitment to private equity investments shall remain within the limits authorized by the Board of Trustees. The ARMB recognizes that it may be necessary to make capital commitments in excess of the target allocation in order to achieve and maintain the allocation target.

An important implementation goal for ARMB is to spread out timing of new commitments so as to avoid an undue concentration of commitments in any one fiscal year. In order to efficiently build the ARMB's private equity portfolio, Staff has the flexibility to approve in writing a variance of up to 50% beyond an investment manager's annual commitment target. Over the long-term it is expected that approximately equal amounts of new funding will be committed each year to garner the benefits of time diversification.

C. PORTFOLIO PERFORMANCE

The ARMB shall use the following rate of return tests to evaluate the performance of the private equity asset class:

1. Total Return (Realized and Unrealized Gain/Loss Plus Income)

Based on long-term expectations of publicly traded equities producing an overall average return of 9-11%, the private equity portfolio is expected to generate a minimum total rate of return that meets or exceeds the Russell 3000 Index plus 350 basis points. Performance will be measured on both an Internal Rate of Return (IRR) and a Time-Weighted Return basis, net of investment management fee, expenses and any incentive compensation. Any individual fund investment is expected to produce a return in excess of 13% IRR to contribute to the overall portfolio return expectations.

The primary investment strategies included in the allocation will provide the opportunity for long term capital gains.

The portfolio and individual investments will be benchmarked against the universe contained in the Thomson ONE database. Benchmarks are published for venture capital and buyout and subordinated debt funds. For restructuring funds and other special situation private investments, returns should be competitive with buyout and subordinated debt funds, with the return falling between the two. In any event, the 13% minimum hurdle rate will apply.

2. Risk

Private equity investments are expected to provide a higher level of return than many asset classes, but they also have a higher degree of risk. Private equity generally involves investments in the unlisted securities of private companies through closed-end partnerships. These investments are illiquid since there is no efficient resale market. Private equity also has high fees and the potential for the fees to overcome early investment returns resulting in a return j-curve, where early net returns are generally negative. There are portfolio transparency and valuation issues and the potential for high leverage in certain strategies. The asset class also has incomplete data and benchmarks and high return dispersion between managers.

In private equity investing there is the risk of sustaining a loss on any of the individual investments. It is the ARMB's expectation that, while specific investments may incur losses of all or part of capital invested, a diversified portfolio of holdings will produce a positive rate of return in the expected range set forth in Section I.C.1., above.

D. PROGRAM MANAGEMENT

The selection and management of assets in the private equity portfolio will be guided to generate a high level of risk adjusted return, provide a moderate amount of current income, and to maintain prudent diversification of assets and specific investments.

With private equity investments, there is an inherent risk that the actual return of capital, gains and income will vary from the amounts expected. The ARMB shall manage the investment risk associated with private equity investments in several ways:

1. Institutional Quality

All assets must be of institutional investment quality. Institutional quality will be defined as being of a quality whereby the investment would be considered acceptable by other prudent institutional investors (i.e. insurance company general accounts and separate accounts, commercial banks and savings institutions, public employee retirement systems, corporate employee benefit plans - domestic and foreign, and other tax-exempt institutions).

2. Diversification

The private equity portfolio shall be diversified as to investment strategy, timing of investment, size and life cycle of investment, industry sector, investment sponsor organization (i.e., general partner group), and geographical location. Diversification reduces the impact on the portfolio of any one investment or any single investment style to the extent that any adversity affecting any one particular area will not impact a disproportionate share of the total portfolio.

Investments will be made such that at full investment a maximum of 20% of the total private equity allocation can be invested at any point in time with any single, general partnership, entity or related organization. No single private equity investment strategy will comprise more than 60% of the allocation. It is also recognized that during the portfolio development and wind-down stages the full investment parameters may not, of necessity, be met. The ARMB is permitted to own up to 51% of any particular partnership subject to the partnership sponsor limitation above.

The scope and size of Alaska's program is such that significant investments in fewer, more concentrated partnership investments are preferred to smaller investments in more numerous partnerships. However, investing with the highest quality partnerships remains the top priority. While Alaska has not set a minimum dollar amount per partnership, the investment manager will be charged with deploying the capital efficiently, such that funding targets are achieved with a reasonably small number of partnership holdings. Average investment size will be monitored.

Long-term diversification targets among eligible investment strategies will be set forth in Section II.A. Eligible Investments, and reviewed annually or as necessary. Interim investment goals toward the implementation of the private equity program will be set forth in an annual *Tactical Plan* (Appendix A) as described herein.

3. Ownership Structure

Account and Investment Structure: The ARMB's ownership structure will comprise separate account relationships with one or more fiduciary investment managers and direct investments by the ARMB. The separate account investment managers will in turn make commitments to private equity limited partnerships, on ARMB's behalf, on a discretionary basis. The ARMB may also make partnership investments directly or through authority delegated to the CIO in section III.A.1 of this policy. All investments will be subject to portfolio diversification targets established in the *Policies and Procedures*, approval of an annual *Tactical Plan* by the ARMB, and with prior notification as to program compliance via an *Investment Disclosure Form* (Appendix B). Other commingled vehicles or separate account investments, which are not limited partnership units, may only be purchased by the investment manager, subject to a structural compliance review by the staff, wherein the ARMB must approve any such proposed investment.

Direct Co-Investments and Direct Investments: Certain investment managers offer direct placement services on their client's behalf. Suitable arrangements for co-investment and direct investment authorization may be incorporated in the investment management agreement. Co-investments and direct investments have not been approved by ARMB.

Direct co-investments entail providing additional funding to specific company investments being made by the limited partnerships to which ARMB has commitments. In specific instances the general partner will invite the limited partners to provide additional capital when an investment is of a size which exceeds the partnerships diversification parameters. Co-investments will only be allowed in the same class of security as the partnership investment. Direct investments entail investments in companies that are sourced by the investment manager organization.

4. Reporting System

There shall be a comprehensive reporting and monitoring system for the entire portfolio, investment manager(s) and individual investments. Situations of underperforming investments, portfolio diversification deficiencies from the *Policies & Procedures*, and conflicts of interest can then be identified, facilitating active portfolio management. Further definition of this reporting system is provided in Sections III.C.2.b. "Investment Management Ongoing Operations" and III.C.3. "Investment Management Portfolio Accounting and Financial Control."

5. <u>Distributions</u>

ARMB prefers to receive distributions from the partnership investments in the form of cash, whenever possible. Otherwise, any in-kind (i.e., security) distributions should be freely tradable and, whenever possible, in the form of unrestricted stock. ARMB prefers to receive the cash realization of any in-kind distribution as soon as practicable, given market conditions. The investment manager will be responsible for managing to cash any in-kind distributions. The investment manager shall have well-defined and clearly articulated procedures in place for ensuring the orderly liquidation of in-kind distributions and the timely settlement of any liquidation transactions. ARMB's staff will monitor the investment manager's performance of the distribution functions.

6. <u>Performance Measurement</u>

The investment manager will provide cash flow, valuation, and any other requested information to ARMB's Staff and general consultant quarterly, and ARMB's custodian bank on a monthly basis. Regarding valuations the investment manager will notify the Staff of any instances where the investment manager is using different carrying values from those reported by the general partner.

Performance will be calculated on both a time-weighted and dollar-weighted (internal rate of return or IRR) basis, with primary emphasis being placed on the internal rate of return. The rate of return calculations will be net of all partnership fees and expenses, but gross of investment manager fees and expenses. So that the performance numbers reported by the manager and the custodian bank are the same, the manager will be responsible for reviewing the custodian's figures as to timing, amount, value of in-kind securities at distribution and reported net asset value, and reconciling any discrepancies. Staff will calculate and report a private equity portfolio IRR at least annually as part of the private equity tactical plan.

In-kind Distributions: Partnerships will be valued on the distribution price of the in-kind security or other valuation method stipulated in the partnership agreement. Any change from distribution price to realized price of the in-kind distributions will then be monitored as a separate component of the total portfolio return.

Benchmarks: For IRR calculations, the Vintage Year methodology will be used for purposes of performance comparisons to the industry. For time-weighted returns, comparable publicly traded market indicators (such as small cap indices) will be employed.

7. Lines of Responsibility

Well-defined lines of responsibility and accountability will be required of all participants in ARMB's private equity investment program. Participants are identified as:

Board of Trustees -	The fiduciaries appointed by the Governor to represent the beneficiaries' interest, who retain final authority over all private equity investment decisions.
Staff -	Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the private equity investment program's design, implementation and administration.
Investment Manager(s) -	Qualified fiduciaries who provide institutional private equity investment management services and maintain a discretionary relationship with ARMB in implementing the private equity program. In separate account relationships the investment manager ("Manager") must be a Registered Investment Advisor under the Investment Company Act of 1940, registered with the Security and Exchange Commission.
Consultant -	Professionals retained to support ARMB through the provision of expert private equity and alternative investment program knowledge and technical support.

The responsibilities, with respect to the private equity portfolio, of the parties cited above are outlined in Section III.A.1-4. Unless otherwise stated, the remainder of the guidelines contained herein pertain to the limited partnership investments entered into by the ARMB.

E. CONFLICTS OF INTEREST

1. Manager Proprietary Products -- In private equity investing, unlike other asset classes, there may be situations wherein the investment manager may recommend its proprietary investment product(s) for investment. The investment managers do not have discretion to invest in their own proprietary products. If the ARMB is considering an investment manager's proprietary investment product(s), staff shall use the ARMB's private equity consultant to assist in analyzing the suitability of the investment(s).

2. Allocation of Investments Among Accounts -- There may be instances where the manager will need to allocate an investment opportunity among a number of clients or a competing product (i.e., fund-of-funds). Suitable protective covenants or processes for resolving conflicts in allocation among accounts will be incorporated in the investment management agreement.

3. Personal Investments -- The investment manager's employees are permitted to invest personally or otherwise have beneficial interest in investments held on behalf of clients such as ARMB, only upon the ARMB's first securing a full and appropriate allocation. Similarly, the investment manager's employees are permitted to sell an interest in investments that are also held by the ARMB only after the ARMB's holding has been first and fully liquidated. The investment manager will provide ARMB with its policies for personal investments by employees as an attachment to the Investment Management Agreement, and notify the Staff of any changes. In instances where the manager or its employees are securing an investment or beneficial interest, notice must be provided to ARMB at least five business days prior to the closings for either party.

4. Other Conflicts of Interest -- When and if other conflicts of interest become apparent, suitable protective covenants or processes for resolving conflicts will be incorporated into the investment management agreement.

II. INVESTMENT POLICIES

The private equity program will be guided by long-term target ranges to eligible investment strategies listed below. Each year the program will be further implemented and modified in accordance with an *Annual Tactical Plan* prepared by staff and the Investment Managers, reviewed by Staff and approved by the Board.

A. ELIGIBLE INVESTMENTS

The following private equity strategies and investment types will be considered eligible for the ARMB's portfolio. Long-term ranges are established for each strategy. Staff and the Consultant will seek to manage the allocations toward the mid-point of the ranges at full investment.

1. **Venture Capital:** Expected Range: 15% to 40%, Target: 25% – Investments in newer high growth companies typically addressing technology, life sciences and other specialty growth industries. Venture capital partnerships will be allocated into the following three categories and the manager will endeavor to select partnerships that represent the strategies in the appropriate amounts and diversity.

   Early-Stage: Seed or start-up equity investments in private companies.

   Later-Stage: Investments in more mature companies (e.g., with developed products, revenues, and potentially profits) to provide funding for growth and expansion.

Multi-Stage: Investments in venture capital companies at various stages of company development, including early-, late- and any other interim stages of development.

2. **Buyouts/Acquisition:** Expected Range: 30% to 60%, Target: 45% – Partnerships which provide funding to acquire majority or controlling interests in a business or product lines from either a public or private company. These partnerships are generally diversified by industry and other relevant measures. Buyout partnership cover company size ranges from very large to small-market.

3. **Special Situations:** Expected Range 20% to 40%, Target: 30% – Partnerships with private corporate finance investment strategies that do not fall under the prior two categories. The manager will seek to diversify the portfolio across various sub-strategies. Examples include:

   Hybrid Partnerships: Funds that have broad strategy mandates and may invest materially in non-control investment structures or a variety of strategies that would preclude a simple venture capital or buyout categorization.

   Industry Specific: Funds that target a specific industry (e.g., energy, financial services, media and communications, etc.). These funds may be considered as having greater industry specific risk than more diversified buyout funds.

   Subordinated Debt: Partnerships that make debt-related investments in unsecured or junior obligations in financings. These generally take the form of subordinated debentures or preferred stock. They typically earn a current coupon or dividend and have warrants on common stock or conversion features.

   Restructuring/Recovery: Investments made in distressed or poorly performing companies, with the intent of initiating a recovery via financial restructuring or the introduction of management expertise. Partnership investments may include debt and/or equity securities.

   Other: There are private equity/corporate finance partnerships that pursue strategies different from those cited above which the manager may, in its discretion, seek to participate in.

Exposure to these strategies may be pursued through direct partnership investments, fund-of-one, and/or commingled fund-of-funds vehicles.

B. GEOGRAPHICAL LOCATION DIVERSIFICATION

Although the priority of the portfolio should be to achieve diversification by investment strategy, another measure of diversification is by geographical location. Over the long-term, the ARMB portfolio should seek portfolio diversification with regard to major regional areas both domestically (i.e., Northeast, Mid-Atlantic, Southeast, Midwest/Plains, Southwest/Rockies, West Coast, Pacific Northwest), and internationally (i.e., Europe, Pacific Basin, South and Latin America).

International private equity investments shall comprise 20-45% of the private equity investment allocation measured at the portfolio company level, and shall be diversified in the context of the total portfolio.

C. INDUSTRY SECTOR DIVERSIFICATION

The ARMB portfolio will seek to diversify by industry sector (i.e., Biotechnology, Computers, Financial Services, Healthcare, Medical, Media/Communications, Electronics, Software, Consumer/Retail, Basic Industry, Other, etc.) such that no one industry classification will represent more than 25% of the private equity portfolio.

The Staff will review the industry classification methodology employed by the investment manager and will adopt the methodology if it is deemed sufficient, or work with the investment manager to develop mutually satisfactory categories.

D. LIFE CYCLE DIVERSIFICATION

Commitments to partnership investments will be staged over time. It is ARMB's long-term goal to spread out investment timing such that new commitments will be made each fiscal year. This policy will have the effect of dollar cost averaging the ARMB’s portfolio over business cycles and helps insulate the portfolio from event risk. Capacity to make commitments will be allotted to the investment manager in accordance with the ARMB’s investment projection model, which will be updated as part of the *Annual Tactical Plan*, described here-in, or as necessary.

E. INVESTMENT SPONSOR (GENERAL PARTNERSHIP GROUP) DIVERSIFICATION

The ARMB portfolio will seek to diversify by issuer of limited partnership securities, and other specific investments sponsors. No more than 20% of the ARMB’s private equity portfolio net asset value will be invested with any one investment sponsor organization. Net asset value is defined as the carrying value of the investments reported by a partnership’s general partner in the quarterly financial statements.

It is ARMB’s intention to keep the total holdings of the portfolio to a reasonable number. Given the significant total dollar size of the ARMB’s private equity net asset value target, large concentrated investments in fewer partnerships, are preferred to smaller investments in more numerous partnership securities. However, the ARMB recognizes that investing with the highest quality partnerships remains the top priority and smaller investments in venture capital will be warranted.

III. PROCEDURES FOR INVESTMENT

A. GENERAL ALLOCATION OF RESPONSIBILITIES

The private equity partnerships program shall be implemented and monitored through the coordinated efforts of the Board of Trustees for the Alaska Retirement Management Board (the "Board"); the ARMB's Staff (the "Staff"); the qualified Investment Investment Manager(s) (the "Manager") and the Consultant ("Consultant"). Delegation of responsibilities for each participant is described in the following sections.

1. Board of Trustees

The Board of Trustees shall approve the investment policies and objectives which the Trustees judge to be appropriate and prudent to implement its strategic plan for the investment of ARMB's assets; review the performance criteria and policy guidelines for the measurement and evaluation of the investment managers of the ARMB's assets; review the Consultant and Staff's recommendations to retain a qualified investment manager(s) and set discretionary investment limits; supervise the investment of ARMB's assets to ensure that the ARMB's investments remain in accordance with the Board's strategic planning and the Alaska Retirement Management Board's Objectives and Policies and the Private Equity Partnerships Portfolio *Policies and Procedures* documents. The Board shall select and make ongoing retention decisions regarding all service providers including the investment manager.

The Board of Trustees will guide the execution of the program by review and approval of a long term target ranges for private equity strategies prepared by Staff, which will be updated and revised periodically as appropriate; and a short term *Annual Tactical Plan* prepared by the Investment Manager, reviewed by Staff, and approved by the Board which details goals and objectives for the next 12 months. The Board will monitor the program's progress and results through a performance measurement report prepared quarterly by the Investment Manager and reviewed by Staff.

Direct Investments by the ARMB in Private Equity Partnerships

The ARMB shall set an allocation target for direct investments in private equity partnerships as part of the Annual Tactical Plan. For direct investments, the ARMB delegates authority to the Chief Investment Officer ("CIO") to commit the annual allocation target to a number of direct investments or fund-of-fund investments with private equity partnerships as follows:

a. The CIO has the authority to commit to private equity partnership investments of up to $100 million per fund. An investment with a manager that is new to the ARMB's portfolio requires concurrence on the investment decision from the ARMB private equity consultant or gatekeepers.

b. The CIO has the authority to engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

c. With respect to the direct investment allocation target set by the ARMB annually, the CIO has the authority to commit up to an additional $125 million over the target to accommodate specific investment opportunities or manage the ARMB's allocation to private equity.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the ARMB Chair before committing to any investment under this authority. All discretionary CIO investment actions shall be reported to the Board. With respect to direct investments, Staff will assume the relevant investment manager responsibilities addressed in Section III.C of this document and the Consultant will review the performance of the direct investments.

2. Staff

The Staff will develop draft investment objectives and policy language for Board consideration. The Staff will guide the execution of the program by developing long-term target ranges for private equity strategies, which will be updated and revised periodically as appropriate. The Staff will oversee the Manager in preparing a short term *Annual Tactical Plan*, which detail goals and objectives for the next twelve months. The Staff will also review the Manager's quarterly portfolio reports, review the Manager's proposed *Investment Disclosure Forms* (Appendix B) for compliance with the strategic plan and conflicts of interest, and review the Manager's and the portfolio's performance in relation to assigned responsibilities.

The Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the investment manager(s). The Staff will coordinate the receipt and distribution of capital.

The Staff and Consultant will identify qualified investment investment manager(s) for implementation of private equity investment program, and will advise the Board of Trustees of any material changes in the manager organization(s).

3. Investment Manager(s)

The Investment Manager(s) shall acquire and manage, on a discretionary basis, private equity investments on behalf of Alaska and in accordance with the Investment Objectives as described in Section I of the ARMB's *Private Equity Policy and*

Procedures document and the Investment Policies as described in Section II.

The choice of withholding discretion from the Managers for any investment vehicle that is not a limited partnership (or other limited liability entity), represents a policy decision that, among other things, is intended to protect the ARMB from liability beyond the invested capital.

The asset allocation executed by the Manager will be dictated by the target strategy ranges established in the *Policies and Procedures* and the *Annual Tactical Plans*.

4. Consultant

As approved by the Board, the Consultant shall advise on program development, conduct Investment Manager searches when requested; and provide independent, third party advice and information. The Consultant will also be available to be retained to conduct special project work when requested by the ARMB.

B. INVESTMENT PROCEDURE

Private equity investments in compliance with the ARMB's Policies (Section II) and the Investment Objectives (Section I) shall be acquired through the following process:

Eligible Investments and Target Ranges: As part of the *Policies and Procedures*, the Staff will prepare a long-term target capital allocation ranges for eligible private equity strategies (Section II.A.) after a review of investment criteria, performance expectations, and other relevant program requirements.

Annual Tactical Plan: Annually, Staff and the Investment Manager(s) will prepare a tactical plan which reviews the current status of the portfolio, recent historical and prospective market conditions, and proposes the steps to be taken over the next twelve month period to further implement the long-term strategic plan. The filing of ongoing *Annual Tactical Plans* will occur on the quarter-end every 12 months following the quarter in which the original plan was filed. The *Annual Tactical Plan* will be reviewed by the Staff and approved by the Board. The outline of concepts to address in the *Annual Tactical Plan* is provided in Appendix A.

Specific Investments: The Investment Manager will identify and evaluate limited partnerships and, as appropriate, other investment vehicles that are in compliance with ARMB investment guidelines and current *Annual Tactical Plan*. The Investment Manager will be responsible for all aspects of evaluation and closing, subject to prior notice via an *Investment Disclosure Form*, an example of which is provided in Appendix B.

C. SPECIFIC INVESTMENT MANAGER RESPONSIBILITIES

1. Funding Procedures

The Investment Manager shall provide the ARMB, on a best efforts basis, with five (5) days notice of drawdowns. ARMB shall also be provided with documented wiring instructions in advance.

2. Investment Management

Investment Managers are directly accountable for the following investment management responsibilities. This section designates certain investment responsibilities that the Investment Manager will perform or cause to be performed. Fees and expense reimbursements for these duties are outlined in the Manager's contract.

a. Investment Selection -- The Investment Manager will be responsible for evaluating investment opportunities and selecting, on a discretionary basis with fiduciary responsibility, private equity investments to be made on behalf of ARMB.

The screening and selection will be made with a view to maximize ARMB's risk adjusted rate of return, within the parameters and allocations of each private equity strategy as set by the Board of Trustees in the *Polices and Procedures*.

An *Annual Tactical Planning* process will be used in determining the number and types of investments within each strategy. The manager will also take into consideration relevant overall portfolio diversification considerations as set forth in the Objectives and Policies statement and Program Management (Section I.B.) of this document. The process will include, but not be limited to, the following services:

(1) *Annual Tactical Plan* preparation. This report outlines the steps the investment manager will take during the next fiscal year to further implement the ARMB's adopted strategic plan.

The *Annual Tactical Plan* will include a review of the current status of the portfolio, perceived investment environment, the types and number of partnerships to be sought and underlying rationale, and goals for other management responsibilities such as situations being monitored and adding value.

(2) Review and maintain a log of all opportunities available in the market over time, as well as investments directed to the manager by the ARMB.

(3) Screen and evaluate all opportunities to identify investments that will provide

the most attractive risk and return characteristics and are a fit with the portfolios long-term and short-term objectives.

(4) Conduct full and proper due diligence fully documenting the process. Due diligence will be conducted to a standard of completeness attributable to a prudent expert. The Investment Manager will make available for review by the ARMB, or its agents, the Manager policies, procedures, and standards for conducting due diligence, and the due diligence documentation performed on any investment made on the ARMB's behalf. The ARMB recognizes that there may be instances where the Investment Manager possesses confidential information which for legal or other verifiable reasons cannot be disclosed to the ARMB. On-site visits at the General Partners' main office will be a mandatory part of investment due diligence. In certain rare circumstances, the Manager may satisfy the requirement for an on-site visit if the Manager has made a relevant visit to the General Partner's main office within one year of the commencement of investment due diligence. The minimum requirements of due diligence will include the quality and expertise of the General Partner (including relevant experience, reputation, deal flow, staff turnover, etc.), historical performance, structure of the Limited Partnership (including, but not limited to, the alignment of interest of the General Partner and the Limited Partners) and diversification by industry, geography, strategy, etc.

(5) The Investment Manager will submit an *Investment Disclosure Form* to Staff at least five (5) business days prior to making a commitment on ARMB's behalf.

(6) Negotiate investment terms and conditions, partnership agreements and other closing documents on ARMB's behalf, with a view to maximize returns, minimize expenses, safeguard the ARMB's assets, and secure investor rights; and make investments on the ARMB's behalf. The investment manager shall provide ARMB counsel the opportunity to review partnership agreements and related documents prior to their execution.

(7) The investment manager will be charged with deploying the capital efficiently, such that funding targets are achieved with a minimal number of partnership holdings. Due to the scope and size of ARMB's program significant, concentrated investments in fewer partnership investments are preferred to smaller investments in more numerous partnerships. The manager will include discussions of the number and size of planned investments in the periodic portfolio planning and reporting documents.

b. <u>Ongoing Operations</u> -- The Manager shall manage or cause to be managed, each investment made such as to enhance the ARMB's value in the investment. The Manager shall be responsible for conducting or supervising the following services with respect to each investment:

(1) <u>Monitoring and Voting</u> -- Maintaining close communication with the General

Partners of the investments, maintaining an awareness of and documenting the progress and level of performance of each investment. This will include attendance at annual partnership meetings and, as appropriate, sitting on limited partner advisory boards. It will also involve voting on partnership and other portfolio securities matters on ARMB's behalf as need arises.

(2) Adding Value -- The Manager shall take all necessary or appropriate steps consistent with applicable capital and operating budgets to assure the ARMB's investment is managed to or above its anticipated performance level.

(3) Disbursement, Receipt and Cash Management -- Develop procedures for funding commitments on a timely basis and coordinating the receipt of cash distribution from the partnership investments, including a policy for the orderly liquidation of in-kind distributions (i.e., securities distributions) received from partnerships. The policy for liquidating in-kind distributions should include but not be limited to the Manager's process for deciding when to sell distributed shares and actions the Manager will take to ensure timely settlement of stock sales.

(4) Books and Records -- The Manager shall maintain books of account with correct entries of all receipts and expenditures incident to the management of the investment. These books, together with all records, correspondence, files and other documents, shall at all times be open to the inspection of the ARMB. The Manager shall maintain complete and accurate records of all transactions related to the managed investment, including receipts and all correspondence relating thereto on such forms as the ARMB's auditors may reasonably require and make such records available for inspection and copying by ARMB at all reasonable times. The Manager shall bear the costs associated with the retention of such records and if ARMB shall request copies of such records, the Manager shall bear the cost of duplicating and sending such records to the ARMB.

(5) On-Going Review -- The Manager shall keep itself informed of the overall market conditions relative to the managed investments and the managed investments' competitive position in the applicable investment strategies. The Manager will also be responsible for ensuring compliance with partnership agreements, attending to amendments, resolutions, voting proxies, and other investment related matters. All such activities will be undertaken with a view toward maximizing value to ARMB.

(6) Disposition Review -- The Manager shall review the managed investments with respect to continued timely return of capital, income and gains. The manager will be responsible for managing to cash any in-kind (i.e., security) distributions received from the partnership investments.

(7) Notice -- The Manager shall notify the Staff as soon a practicable in writing of

any investigation, examination or other proceeding involving the investments or investment sponsors commenced by any regulatory agency or of any action, suit or proceeding commenced against or by the Manager or an investment sponsor.

3. Portfolio Accounting and Financial Control

The Manager's accounting, reporting and financial control and administration system shall meet the following objectives:

a. Financial Control -- The Manager will provide control systems to protect assets, detect errors and insure the reliability of information generated by the accounting system.

c. Investments' Financial Statements -- On a quarterly basis, the Manager will receive from investee partnerships unaudited financial statements, and annually, audited financial statements.

d. Accounting Policies -- Accounting policies for ARMB are outlined below:

(1) Current Value Reporting -- Accounting data shall be computed using current values provided by the General Partners and Investment Sponsors of the investments. The Manager will make note of instances where performance presentation standards are not in compliance with Global Investment Performance Standards (GIPS®). The Manager will be held to a standard of reasonable care in verifying that the General Partners valuations reasonably reflect the underlying value of the investments. The Manager will make special note of investments which may be materially and permanently impaired in relation to the General Partners carrying value, and will notify the Staff of such investments, as soon as practicable, and in no instance later than by incorporation in the next quarterly performance measurement report.

4. Reporting Requirements

a. Manager Quarterly Report -- On a quarterly basis, within 45 days of quarter-end, the Manager(s) shall provide the Staff with a report on the portfolio which will address activities occurring during the quarter an updated list of holdings, cash flows, valuations, IRR, and any and all other items of which ARMB should be apprised.

b. Custodian Bank Monthly Statement -- On a monthly basis, the Manager(s) shall provide the Custodian a report of ARMB's account cash flows and valuations, and any other information reasonably requested.

c. Annual Tactical Plan -- Within 120 days of calendar year end, Staff, with input from the Investment Managers, shall prepare and submit an *Annual Tactical Plan* for approval of the Board. The *Annual Tactical Plan* shall cover the topics outlined in Appendix A and will include a review of the current status of the portfolio and outline the steps anticipated toward portfolio development over the course of the coming fiscal year.

d. <u>Investment Disclosure Form</u> -- At least five (5) business days prior to making a commitment on behalf of ARMB, the Manager will provide to the Staff an *Investment Disclosure* form. The investment disclosure form will be reviewed by the staff regarding an investments fit within the *Policies and Procedures*, *Annual Tactical Plan*, and any possible conflicts of interest.

   Any questions or discussion items with regard to an investment's fit within the portfolio structure can then be reviewed prior to the investment manager executing the subscription documents.

e. <u>Other Information</u> -- The Investment Manager will also provide any other reasonable information requested by the Staff, or the ARMB's Custodian Bank, or other agent of ARMB.

D. SPECIFIC CONSULTANT RESPONSIBILITIES

The Consultant will provide consultation on the initial development and ongoing review and recommendation of revisions to ARMB's Policies and Objectives, *Private Equity Policies and Procedures*, and assist with Investment Manager searches when requested by the ARMB. The Consultant will provide independent third party advice and information, and will also be available to be retained to perform special projects as requested by the Board.

Appendix A

ALASKA RETIREMENT MANAGEMENT BOARD
PRIVATE EQUITY
ANNUAL TACTICAL PLAN GUIDELINES

Tactical Plan: The Tactical Plan is a report which outlines the steps to be taken in the next 12 month period to further implement the private equity portfolio, and any other actions or considerations germane to the active management and success of the portfolio. It also documents the reasons for the particular courses of action to be taken, and importance of items under consideration.

The Staff reviews the Tactical Plan and recommends Board of Trustees approval of the finalized plan. All sections should be as brief as possible and should address the following issues with some flexibility with regard to format:

I. FUNDING LEVEL

Annual Tactical Plan Period: 1/1/xx through 12/31/xx

A. Funding Tables:

1. *Current Funding Position (As of x/xx/xx)*

Total Fund Market Value	$xx billion
% Target for Private Equity	7%
Total Private Equity Allocation	$xx million
Current Net Asset Value Deficit/(Surplus)	$(xx) million

2. *Projected Funding Position*(1)

Five Year Projected Market Value	$xx billion
% Target For Private Equity	$xx million
Total Private Equity Allocation	$xx million
Amount Available for Investment in Current Tactical Plan Period:	$xx million

3. *Analysis of Funding by Strategy*

II. DIVERSIFICATION

A. Strategy: (Commentary)

B. Industry Diversification: (Analysis and Commentary)

C. Geographic Diversification (Analysis and Commentary)

D. Stage of Investment: (Analysis and Commentary)

E. Current Portfolio Risk and Return: (Commentary)

III. MARKET CONDITIONS

A. Market Conditions: Discussion of Partnership Market.
   1. Past 12 months.
   2. Next 12 months.
   3. Conclusion.

IV. PROSPECTIVE INVESTMENT

A. Investment Objectives:

   1. Types: Strategies to receive the foremost attention or priority.
      a. Venture Capital
      b. Buyouts
      c. Special Situations

   2. Expected impact on the portfolio regarding:
      a. Return
      b. Risk
      c. Diversification

D. Dollar amount to be invested

E. Impact on the portfolio.

F. Diversification considerations: Strategy, Geographic, Industry, and any other relevant considerations.

V. MONITORING

A. Specific situations being monitored, underperforming investments.

B. Actions to be initiated or in progress with existing investments.

C. Other specific goals related to the monitoring of the ARMB's investments.

V. EXITING

A. Pending distributions or liquidations.

B. Any other relevant considerations relating to existing ARMB investments.

VI. OTHER

A. Other items relevant to the ARMB's portfolio.

SUMMARY

Investment Objectives: Summary of basic goals for the portfolio for the next 12 months.

APPENDIX:

Projected Funding Schedule and any other attachments the Investment Manager would like to submit.

ALASKA RETIREMENT MANAGEMENT BOARD
Prospective Private Equity Partnership Investment Disclosure Form

Please provide the following information in hard copy to the ARMB at least 5 business days prior to legally committing to any investment on behalf of the ARMB, as follows:

Mr./Ms. _______ ________, Title: Alaska Retirement Management Board, 333 Willoughby Avenue, 11th Floor, Juneau, AK 99811. Ph: 907-465-2350, Fax: 907-465-2394

1. General Information:

Name of Partnership: ____
GP/Investment Advisor: ____
Address: ____
____
Contact Person: ______________________ Title: ____________________
Phone: ______________________ Fax: ____________________

2. Investment Size:

Anticipated Total Partnership Size: $___________
Anticipated Commitment by the ARMB $___________
% ARMB Commitment of Total Partnership: __________%
# of other clients placed in investment ___________
Total Ownership of Advisor's Clients $___________ (excluding Alaska)

3. Proposed Category:

_____ VC Early
_____ VC Multi
_____ VC Late
_____ Buyouts - Large
_____ Buyouts - Small/Medium
_____ Buyouts - Industry Consolidation
_____ Special Situations - Hybrid
_____ Special Situations - Strategic Block
_____ Subordinated Debt
_____ Restructuring
_____ Project Finance/Other Cash Flow

4. Provide Brief Description of Investment Objective:

5. Description of Fit with the ARMB's Annual Tactical Plan:

6. Disclosure/Other Comments:

A. Please describe any prior investment history with the general partner group and of any existing holdings affiliated with the general partner group.
B. Are there any items associated with the investment of which the ARMB should be aware?
C. Are there any other comments the Investment Manager would like to mention?

8. Attachments:

A. Include Offering Memorandum and any other relevant materials.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Authorization to Hire Everest Capital Frontier Market Mandate	ACTION:	X
DATE:	February 6, 2014	INFORMATION:	

BACKGROUND

Everest was founded in 1990 by Marko Dimitrijević. Everest currently has offices in Miami, Florida and Singapore managing $1.8 billion for institutional and individual investors globally. Everest employs 57 people including 26 investment, research, risk management and trading professionals. The investment team members average 19 years of industry experience and more than 11 years with Everest.

Everest's investment process combines top-down thematic and bottom-up fundamental inputs. Top-down factors include both macro as well as regional economic, political, and social factors. Bottom-up fundamental research includes analyzing industries, companies, and commodities. Everest employs both a traditional (long only) and long/short (long bias) frontier market equity strategy with flexibility to utilize leverage to invest opportunistically in currencies, commodities, and fixed income.

Everest presented an Overview of Frontier Markets at the 2013 ARMB Education Conference. During the December 2013 board meeting, ARMB authorized Callan to conduct due diligence on Everest.

STATUS:

Callan's due diligence concluded that Everest is well qualified and experienced to manage a frontier markets portfolio for ARMB. Everest's staff resources given their assets under management were also an important and appealing characteristic to meet ARMB's requirements. Furthermore, although Everest is relatively concentrated by country, Callan has concluded that their portfolios are well diversified by underlying securities.

RECOMMENDATION:

The Alaska Retirement Management Board hire Everest Capital LLC to manage a frontier markets portfolio with an initial funding of up to $100 million, subject to staff review and successful contract negotiations.

Attachment: Callan - Everest Capital LLC Introduction & Overview

Callan

Callan Associates Inc.
1660 Wynkoop Street
Suite 950
Denver, CO 80202

Main 303.861.1900
Fax 303.832.8230

www.callan.com

Everest Capital LLC
Introduction & Overview
January 2014

Summary & Overview

ARMB asked that Callan review Everest Capital LLC as a prospective manager for a discretionary “Frontier Manager” assignment within ARMB’s non-U.S. Equity allocation. The firm was founded in 1990 and now 23 years later has approximately $2 billion under management. The firm’s primary focus historically was on hedge fund type vehicles that focused on emerging and frontier markets. More recently (2011), the firm launched a “long-only” frontier market product. This was the primary focus of our analysis and evaluation.

In our opinion, the firm has the requisite skills, experience and depth to successfully manage frontier markets oriented products. Investing in such markets is, of course, inherently risky. By definition, the markets tend to have limited liquidity, high political and economic/legal risks. The risk characteristics are well recognized by Everest and are carefully evaluated by an experienced staff. It is instructive to note that the firm, from a business perspective, successfully coped with very challenging environments in emerging markets (1998 and 2008 as illustrations) and managed to survive and thrive in the post 2008 recovery.

Firm and product profiles (for both the long only and long/short products) are provided in a separate document. We also have separately provided the firm’s SEC Form ADV; equity country holding schedule for the long only portfolio since its inception and a spreadsheet that details individual security holdings with the long/short portfolio.

In the sections that follow, we provide additional information on topics that, in our opinion, warrant your careful consideration.

Separately managed or collective vehicle

If legal counsel finds the commingled vehicle governing documents acceptable, we counsel use of that vehicle. The primary driver of that recommendation is our belief that the commingled vehicle should be more cost effective and would reduce administrative and accounting complexity.

Fee Alternatives

The long only product offers two fee alternatives. One is a flat basis point oriented fee schedule. Sponsors whose portfolio exceeds $25 million may choose either (1) a 1.0% with a 10% incentive fee subject to a high water mark and index return hurdle based on the MSCI Frontier Markets Net TR Index or (2) the alternative fee choice of an asset based fee of 1.15% without an incentive fee.

The long/short fund fee has a pro forma 2% management fee and a 20% incentive fee subject to a historical high water mark.

These fees are in addition to brokerage and other fund expenses (such as custodial charges etc.). We should note that according to the Form ADV disclosures, the firm utilizes “soft dollar” credits so the use of such credits should be evaluated for their reasonableness.

Extensive use of swaps

Several factors such as limited individual security liquidity and foreign ownership limitations cause Everest to make extensive use of swap arrangements to gain desired individual security exposure. As of year-end 2011, equity swap instruments accounted for 49.36% of total equity exposure. Swap exposure constituted 51.75% of total equity exposure as of year-end 2012 and 49.36% as of September 2013.

Swap counterparties are all well-known and highly regarded entities. According to Everest, the counterparties used for swaps are: Credit Suisse; Goldman Sachs; HSBC; Bank of America Merrill Lynch and UBS.

Strategic Advisory Relationship

Everest Capital maintains a strategic advisory relationship with **RiceHadleyGates LLC.**, an international consulting firm with expertise in emerging markets. Everest believes their “access and insights to ongoing counsel on a broad range of political, policy, risk assessment and commercial regulatory matters in emerging markets is an important additive factor to their own research and experience.”

Conclusion

We believe that the firm is well qualified to manage a frontier market equity portfolio for ARMB. The firm has, in our opinion, the requisite experience and staff resources to meet your requirements. While concentrated by country orientation, portfolios are well diversified by underlying securities. Very importantly, the professional staff is substantial relative to the assets under management. The location of the firm’s two offices (Miami and Singapore) is advantageous both for trading flexibility and research coverage.

We have prepared Firm & Product profiles and will also send electronic copies of the firm’s ADV and portfolio composition exhibits.

My associates and I are available to discuss this material later this week or immediately after our Institute meeting next week (i.e. potentially Thursday or Friday either this week or next).

Michael J. O’Leary, CFA
Executive Vice President
January 22, 2014

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Callan Associates Inc. General Consulting Contract	ACTION:	X
DATE:	February 6, 2014	INFORMATION:	

BACKGROUND:

The Alaska Retirement Management Board (Board) has a consulting contract with Callan Associates Inc. (Callan) for general investment consulting services.

STATUS:

The current consulting contract with Callan is effective through June 30, 2014; there are no further renewal options available.

RECOMMENDATION:

That the Board direct staff to issue an RFP for a general consultant in a time frame that will result in a general consultant contract being in place by July 1, 2014.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Investment Advisory Council Member Contract Expiration	ACTION:	X
		INFORMATION:	
DATE:	February 6, 2014		

BACKGROUND:

AS 37.10.270 provides that the Alaska Retirement Management Board (Board) may appoint an investment advisory council (IAC) composed of at least three and not more than five members. Members shall possess experience and expertise in financial investments and management of investment portfolios for public, corporate, or union pension benefit funds, foundations or endowments. Currently, three IAC members are under contract to provide advisory services to the board and its staff. Under the Alaska State Pension Investment Board (ASPIB), the three advisory positions were designated by areas of expertise: an academic advisor, an advisor with experience as trustee/manager of a public fund or endowment, and an advisor with experience as a portfolio manager. IAC members currently attend Board meetings, an annual manager review meeting, and the annual education conference.

STATUS:

Dr. William Jennings holds the seat designated for the academic advisor. Dr. Jennings has been an IAC member for ASPIB and the Board since 2003. The term of Dr. Jennings expires June 30, 2014.

RECOMMENDATION:

That the Board direct staff to advertise and solicit applications from Dr. Jennings and other persons interested in serving as the academic advisor on the Investment Advisory Council.

State of Alaska Retirement Systems

Review of Governor’s Funding Proposal
Presentation to the ARMB

February 7, 2014

buckconsultants

Introduction to Funding Policy

- A Funding Policy determines the pace and pattern of funding a Retirement System

- Typical approaches to employer/state funding of a pension system
  - **Actuarially Determined Contribution** – employer contribution is determined by an actuarial valuation each year based on the Normal Cost plus an amortization of the Unfunded Liability. The contribution will vary from year to year based on experience.
  - **Fixed Contribution Rate or Amount** - employer contribution rate is typically set in statute. Actuarial valuations determine the period for fully amortizing the unfunded liability. A maximum funding period is usually defined by the Funding Policy. When the funding period is exceeded, corrective action is taken to seek additional funding.

Introduction to Funding Policy
(continued)

- Typical approaches to employer/state funding of a pension system (continued)
  - **Fixed Contribution Rate with Additional Contributions –** employer contributions are made at the fixed rate defined in statutes. If the actuarially determined contribution rate exceeds the fixed rate, a non-contributing entity (state) pays an additional contribution to make up the shortfall.

Current Statutory Contribution Structure and ARMB Funding Policy

- Employers contribute to plans for DB and DCR members based on the DCR fixed rate and actuarially determined contribution adopted by the ARMB up to a capped rate under statutes for DB
  – PERS employer rate capped at 22% of total payroll
  – TRS employer rate capped at 12.56% of total payroll

- State makes additional contributions to PERS and TRS DB plans needed to meet the actuarially determined contribution rate adopted by the ARMB

- Actuarial funding adopted by ARMB determined by
  – Entry Age cost method to determine normal cost and liability
  – Actuarial value of assets using 5 year smoothing and 80% - 120% corridor around fair value of assets
  – Unfunded liability is amortized on a level dollar basis. Bases are determined each year since initialized in 2002 and each base is amortized over a closed 25 year period

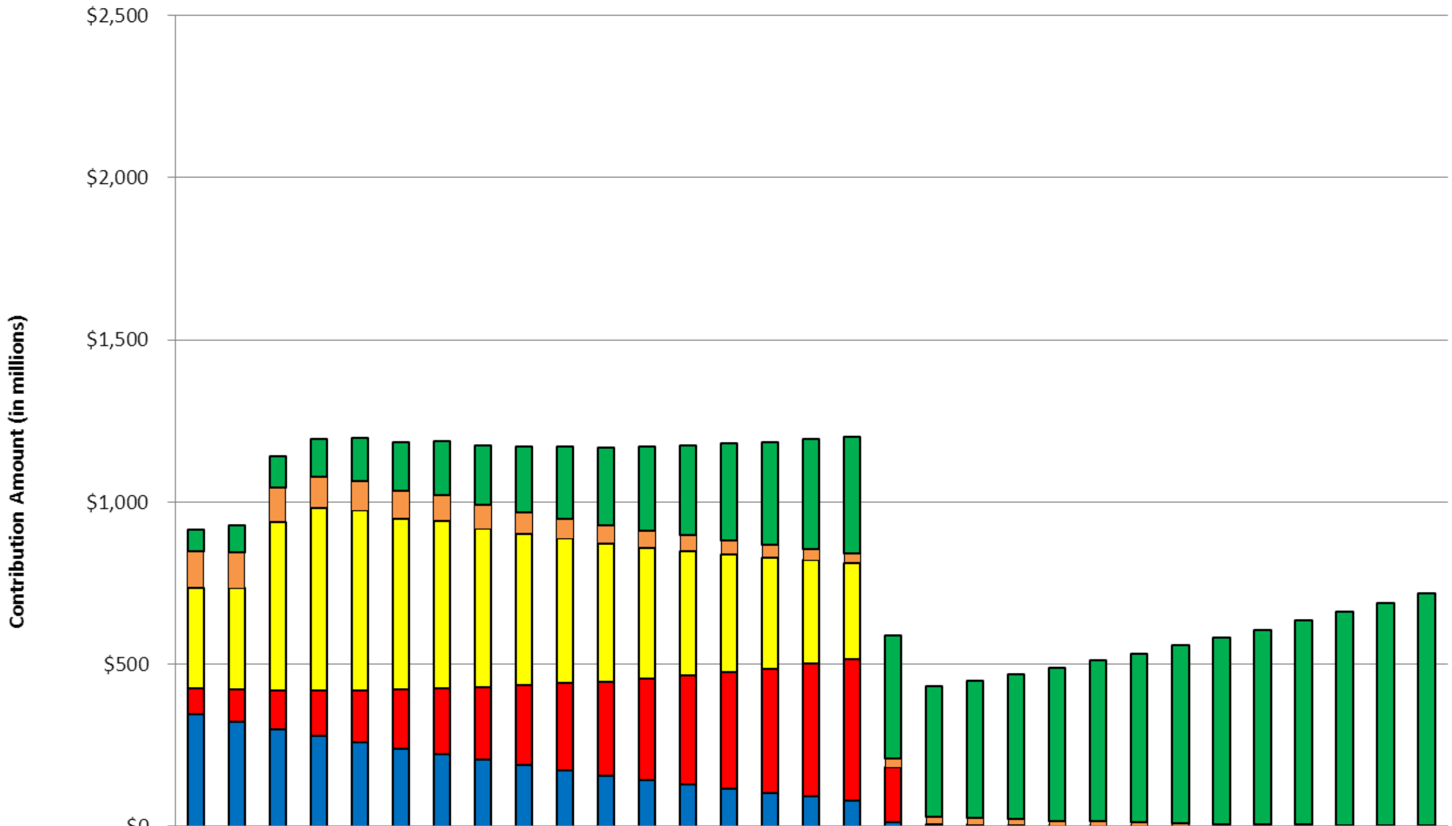
Governor's Proposal to Fund PERS and TRS

- Additional State funding changed to fixed amounts as follows
  - State will transfer $3.0 billion from the Constitutional Budget Reserve to PERS and TRS in FY15. Buck projections assume the transfer is allocated based on the unfunded liability
    - $1.9 billion allocated to PERS
    - $1.1 billion allocated to TRS
  - State will appropriate $500 million annually to PERS and TRS beginning in FY16 until the systems are fully funded. If all assumptions are exactly realized, Buck estimates PERS and TRS will become fully funded by July, 2036 with
    - $157 million allocated to PERS annually
    - $343 million allocated to TRS annually
- Future actuarial valuations will measure impact gains and losses have on the period to full funding. Actuarial losses will extend the funding period; actuarial gains will shorten the funding period

30 Year Projection Results

PERS – Current ARMB Funding Policy

Projected Contribution Amounts



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
DCR ER Contributions	67	83	99	115	132	149	167	185	203	221	240	259	278	298	318	339	359	380	402	424	447	472	496	522	548	574	601	629	658	687	718
DB EE Contributions	110	111	104	97	91	85	79	73	67	62	57	52	47	42	38	34	30	27	23	21	18	15	13	11	10	8	6	5	4	3	2
State Assistance	311	312	520	563	555	528	517	488	467	446	425	404	384	364	342	320	297	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DB ER Contributions on DCR Pay	81	100	120	140	160	181	202	224	246	268	290	313	337	360	384	409	434	168	0	0	0	0	0	0	0	0	0	0	0	0	0
DB ER Contributions on DB Pay	345	322	300	279	260	241	223	205	189	173	157	143	129	116	103	92	81	14	8	5	4	3	2	1	1	0	0	0	0	0	0

Fiscal Year Ending June 30

DB ER Contributions on DB Pay · DB ER Contributions on DCR Pay · State Assistance · DB EE Contributions · DCR ER Contributions

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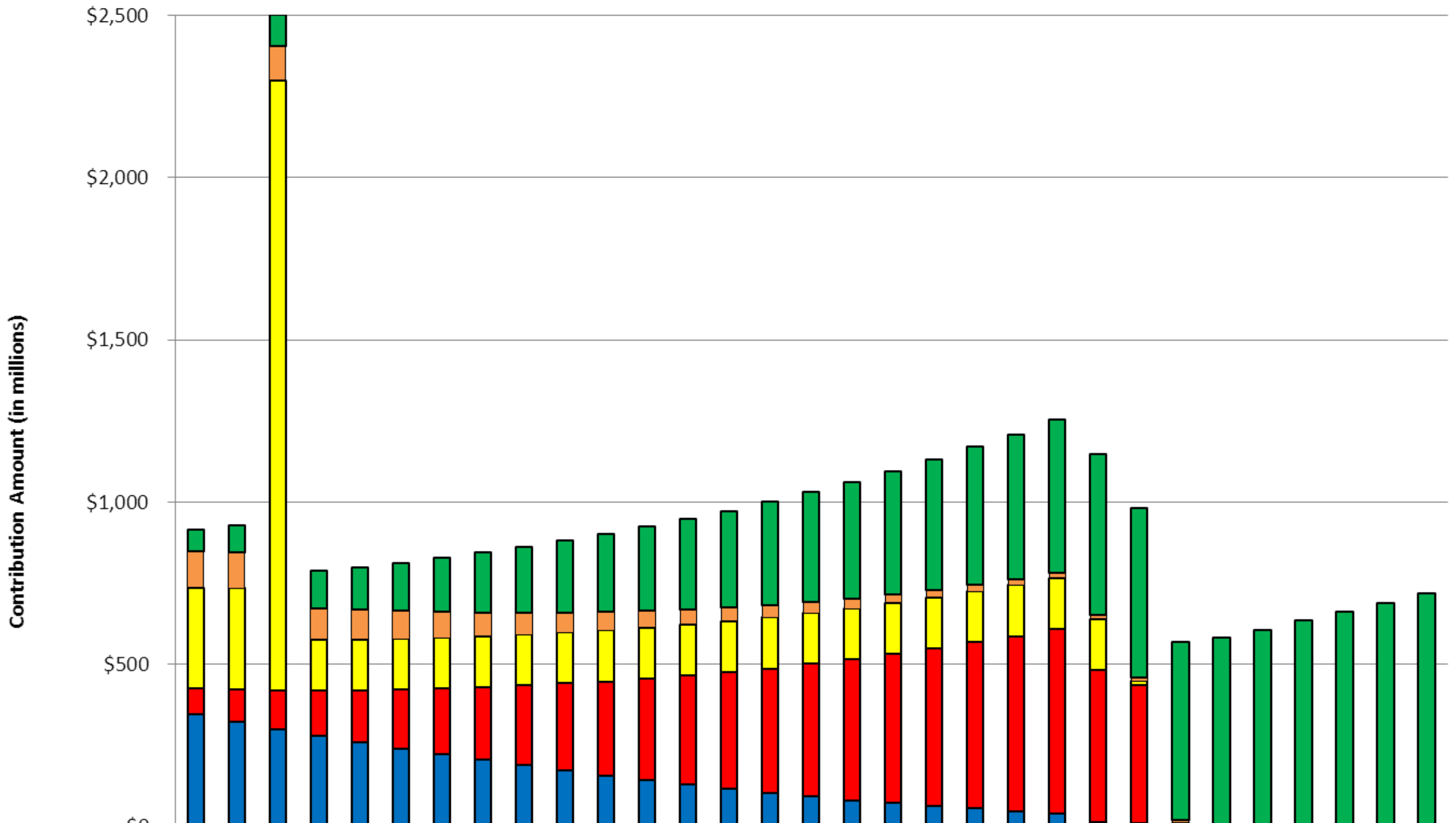
PERS – Governor’s Proposal

Projected Contribution Amounts



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
DCR ER Contributions	67	83	99	115	132	149	167	185	203	221	240	259	278	298	318
DB EE Contributions	110	111	104	97	91	85	79	73	67	62	57	52	47	42	38
State Assistance	311	312	1,881	157	157	157	157	157	157	157	157	157	157	157	157
DB ER Contributions on DCR Pay	81	100	120	140	160	181	202	224	246	268	290	313	337	360	384
DB ER Contributions on DB Pay	345	322	300	279	260	241	223	205	189	173	157	143	129	116	103

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
DCR ER Contributions	339	359	380	402	424	447	472	496	522	548	574	601	629	658	687	718
DB EE Contributions	34	30	27	23	21	18	15	13	11	10	8	6	5	4	3	2
State Assistance	157	157	157	157	157	157	157	157	13	0	0	0	0	0	0	0
DB ER Contributions on DCR Pay	409	434	460	486	513	540	570	469	426	11	0	0	0	0	0	0
DB ER Contributions on DB Pay	92	81	72	63	55	47	40	14	10	0	0	0	0	0	0	0

Fiscal Year Ending June 30

DB ER Contributions on DB Pay | DB ER Contributions on DCR Pay | State Assistance | DB EE Contributions | DCR ER Contributions

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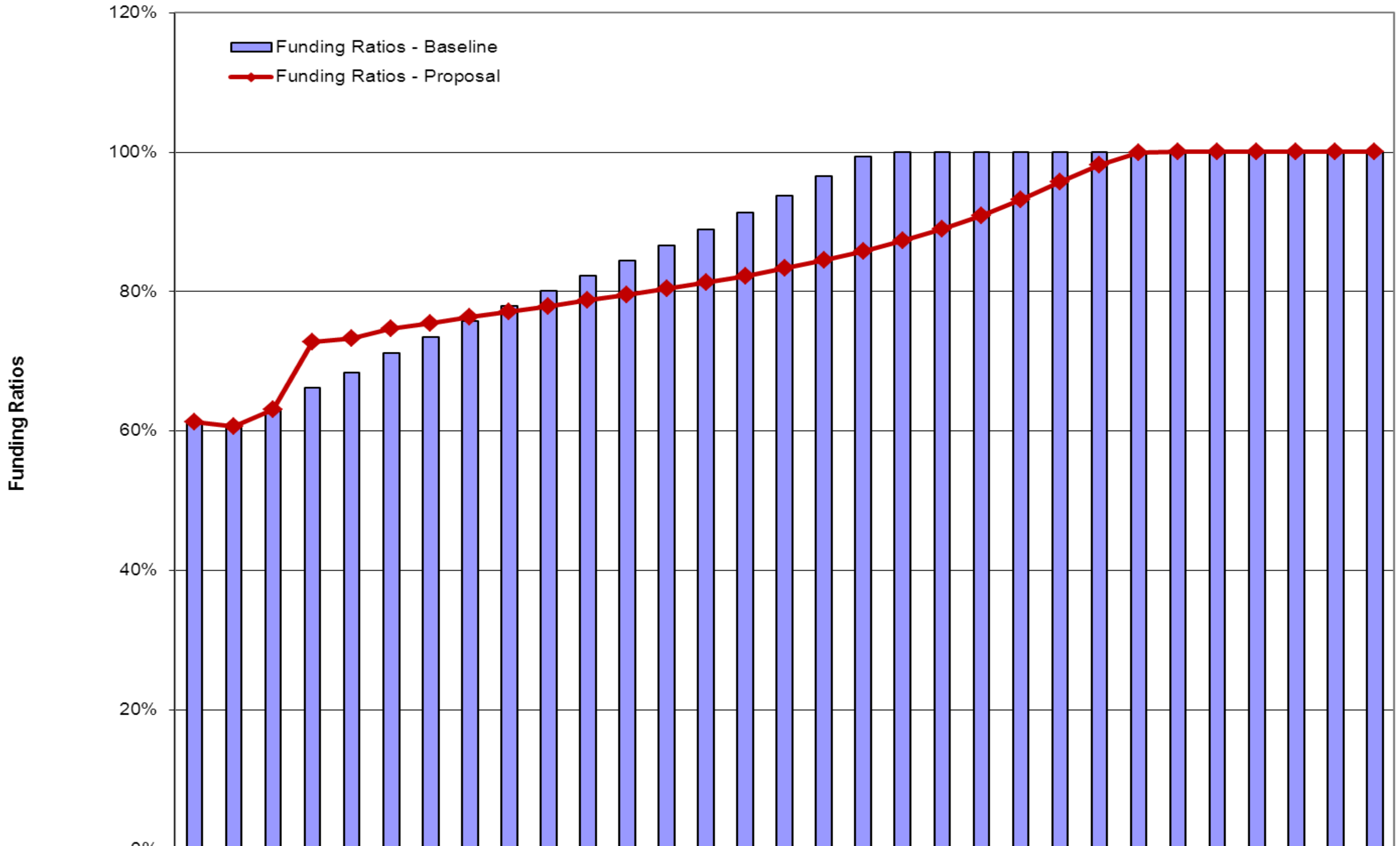
PERS – Funding Ratio Comparison



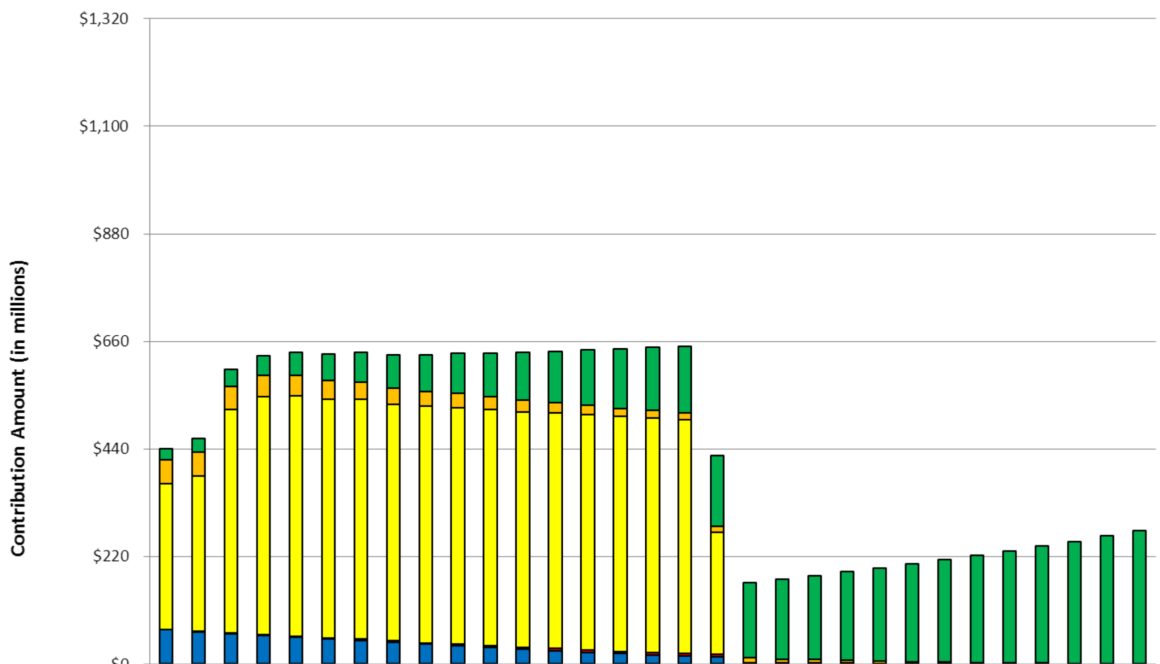
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Funding Ratios - Baseline	61%	61%	63%	66%	68%	71%	74%	76%	78%	80%	82%	84%	87%	89%	91%
Funding Ratios - Proposal	61%	61%	63%	73%	73%	75%	75%	76%	77%	78%	79%	80%	80%	81%	82%

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Funding Ratios - Baseline	94%	96%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Funding Ratios - Proposal	83%	85%	86%	87%	89%	91%	93%	96%	98%	100%	100%	100%	100%	100%	100%	100%

Fiscal Year Ending June 30

TRS – Current ARMB Funding Policy

Projected Contribution Amounts



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
DCR ER Contributions	23	29	35	41	47	54	61	68	75	82	90	97	105	113	121	129
DB EE Contributions	48	49	47	44	42	39	36	34	31	29	26	24	21	19	17	15
State Assistance	298	317	456	486	492	488	490	484	484	483	483	482	481	481	480	480
DB ER Contributions on DCR Pay	1	1	2	2	2	2	3	3	3	4	4	4	5	5	5	6
DB ER Contributions on DB Pay	70	66	62	58	55	51	48	44	40	37	33	30	27	24	21	18

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
DCR ER Contributions	137	146	154	163	172	181	190	199	209	219	229	239	250	261	272
DB EE Contributions	13	11	10	8	7	6	5	4	4	3	2	2	1	1	1
State Assistance	478	250	0	0	0	0	0	0	0	0	0	0	0	0	0
DB ER Contributions on DCR Pay	6	6	0	0	0	0	0	0	0	0	0	0	0	0	0
DB ER Contributions on DB Pay	16	14	3	2	2	2	1	1	1	0	0	0	0	0	0

Fiscal Year Ending June 30

DB ER Contributions on DB Pay | DB ER Contributions on DCR Pay | State Assistance | DB EE Contributions | DCR ER Contributions

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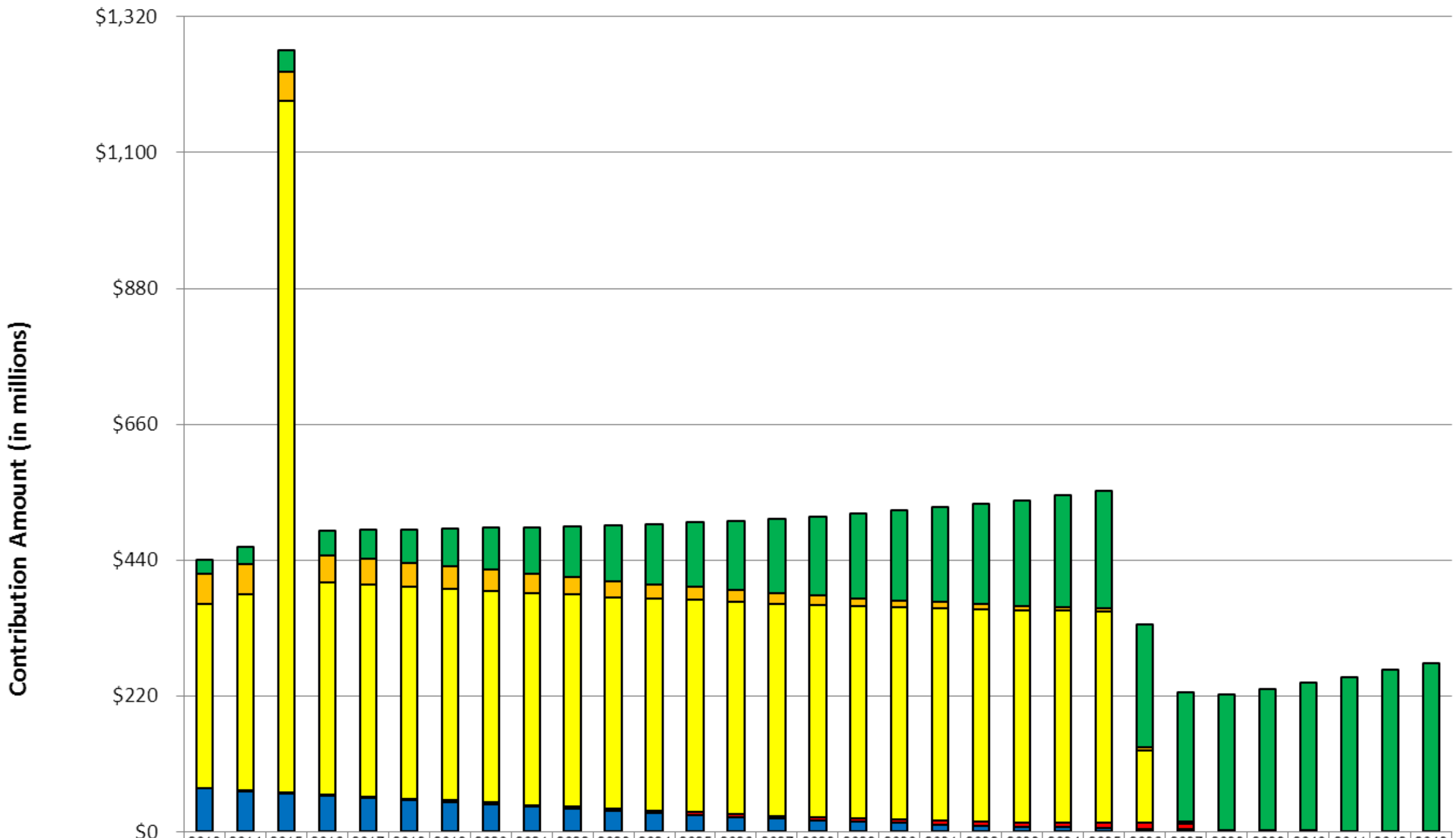
TRS – Governor’s Proposal

Projected Contribution Amounts



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
DCR ER Contributions	23	29	35	41	47	54	61	68	75	82	90	97	105	113	121	129	137	146	154	163	172	181	190	199	209	219	229	239	250	261	272
DB EE Contributions	48	49	47	44	42	39	36	34	31	29	26	24	21	19	17	15	13	11	10	8	7	6	5	4	4	3	2	2	1	1	1
State Assistance	298	317	1,119	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	343	118	0	0	0	0	0	0	0
DB ER Contributions on DCR Pay	1	1	2	2	2	2	3	3	3	4	4	4	5	5	5	6	6	6	7	7	7	8	8	9	9	0	0	0	0	0	0
DB ER Contributions on DB Pay	70	66	62	58	55	51	48	44	40	37	33	30	27	24	21	18	16	14	12	10	8	7	6	5	4	0	0	0	0	0	0

Fiscal Year Ending June 30

DB ER Contributions on DB Pay | DB ER Contributions on DCR Pay | State Assistance | DB EE Contributions | DCR ER Contributions

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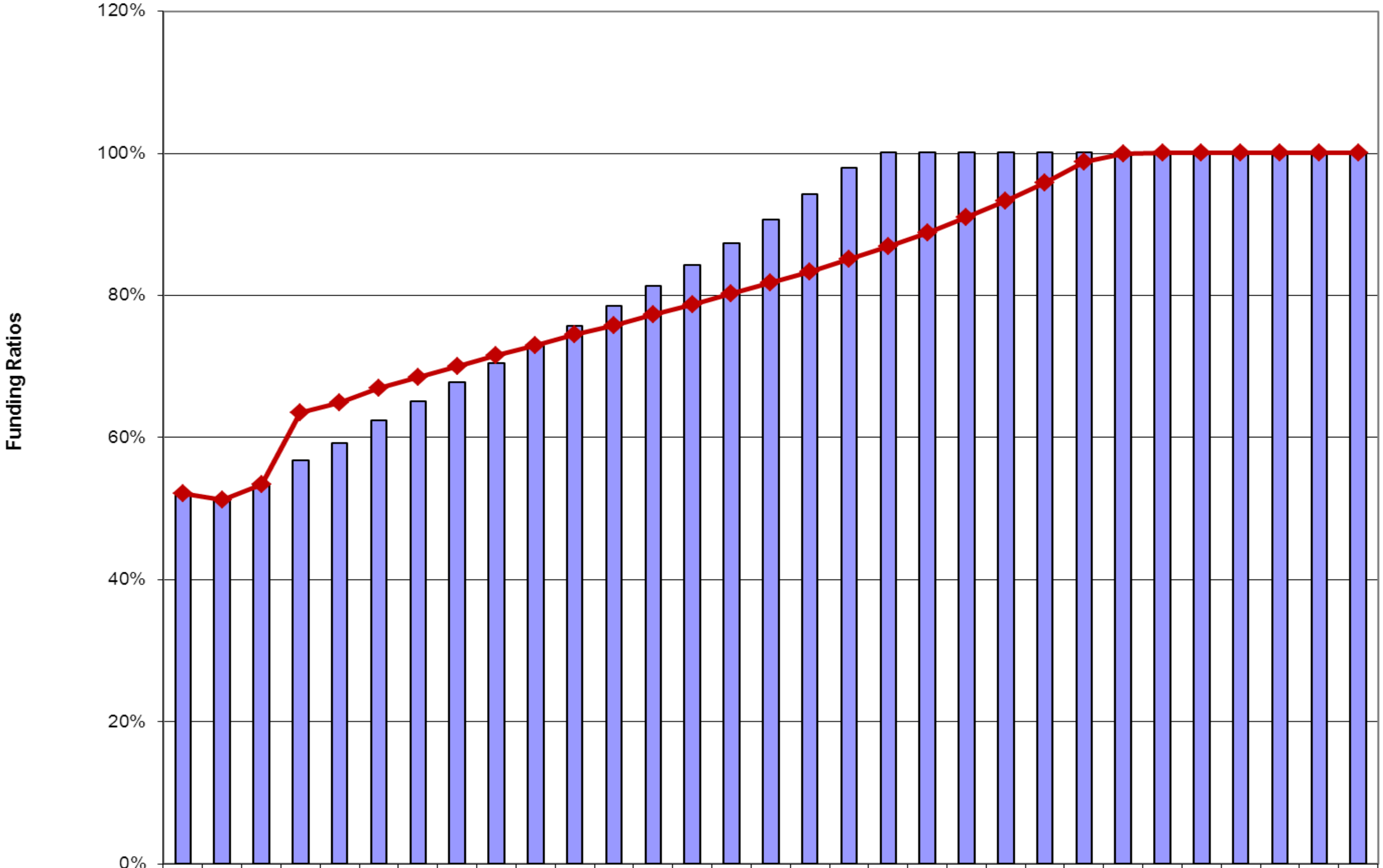
TRS – Funding Ratio Comparison



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Funding Ratios - Baseline	52%	51%	53%	57%	59%	62%	65%	68%	70%	73%	76%	78%	81%	84%	87%	91%	94%	98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Funding Ratios - Proposal	52%	51%	53%	63%	65%	67%	69%	70%	72%	73%	74%	76%	77%	79%	80%	82%	83%	85%	87%	89%	91%	93%	96%	99%	100%	100%	100%	100%	100%	100%	100%

Fiscal Year Ending June 30

buckconsultants

Appendix

PERS – Current ARMB Funding Policy

State of Alaska PERS

Financial Projections (in Thousands)

Investment ROR: 12.50% in FY13, 8% thereafter

	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months							Recognized	Ending
Fiscal Year End	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Investment Earnings	Asset Gain/(Loss)	Actuarial Assets
--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------
2013	$11,832,030	$19,292,361	61.3%	($7,460,331)	32.83%	$426,731	$310,528	$118,879	$856,138	$973,954	$1,399,035	($924,132)	$12,189,117
2014	12,189,117	20,109,112	60.6%	(7,919,995)	32.01%	422,343	312,473	120,633	855,449	1,056,528	994,291	195,922	13,178,251
2015	13,178,251	20,885,260	63.1%	(7,707,009)	39.85%	419,865	519,676	114,150	1,053,691	1,140,515	1,061,950	162,400	14,315,777
2016	14,315,777	21,614,302	66.2%	(7,298,525)	40.44%	418,974	563,210	107,781	1,089,965	1,225,841	1,137,751	(76,850)	15,240,802
2017	15,240,802	22,291,137	68.4%	(7,050,335)	38.86%	419,623	555,103	101,655	1,076,381	1,305,131	1,213,993	100,740	16,326,785
2018	16,326,785	22,919,638	71.2%	(6,592,853)	36.59%	421,668	528,170	95,970	1,045,808	1,380,741	1,288,394	0	17,280,246
2019	17,280,246	23,501,895	73.5%	(6,221,649)	35.00%	425,077	517,221	90,469	1,032,767	1,456,528	1,360,934	0	18,217,419
2020	18,217,419	24,035,658	75.8%	(5,818,239)	32.84%	429,205	487,881	85,274	1,002,360	1,537,884	1,431,251	0	19,113,146
2021	19,113,146	24,512,466	78.0%	(5,399,320)	31.10%	434,392	466,935	80,182	981,509	1,621,417	1,498,536	0	19,971,774
2022	19,971,774	24,925,074	80.1%	(4,953,300)	29.45%	440,335	445,553	75,193	961,081	1,698,588	1,563,139	0	20,797,406
2023	20,797,406	25,278,587	82.3%	(4,481,181)	27.91%	447,292	424,549	56,540	928,381	1,771,109	1,624,820	0	21,579,498
2024	21,579,498	25,570,418	84.4%	(3,990,920)	26.47%	455,655	404,298	51,656	911,609	1,835,920	1,683,971	0	22,339,158
2025	22,339,158	25,795,109	86.6%	(3,455,951)	25.12%	465,089	383,915	46,641	895,645	1,924,239	1,740,357	0	23,050,921
2026	23,050,921	25,934,450	88.9%	(2,883,529)	23.87%	475,818	363,879	42,214	881,911	1,991,781	1,793,885	0	23,734,936
2027	23,734,936	26,004,608	91.3%	(2,269,672)	22.66%	487,669	342,312	38,093	868,074	2,062,704	1,845,044	0	24,385,350
2028	24,385,350	25,997,577	93.8%	(1,612,227)	21.52%	500,820	320,269	33,958	855,047	2,123,648	1,893,972	0	25,010,721
2029	25,010,721	25,917,989	96.5%	(907,268)	20.42%	515,334	296,545	30,217	842,096	2,177,117	1,941,217	0	25,616,917
2030	25,616,917	25,769,017	99.4%	(152,100)	4.39%	181,909	0	26,520	208,429	2,226,897	1,962,735	0	25,561,184
2031	25,561,184	25,549,181	100.0%	12,003	0.18%	7,777	0	23,332	31,109	2,303,286	1,948,068	0	25,237,075
2032	25,237,075	25,227,017	100.0%	10,058	0.12%	5,408	0	20,730	26,138	2,351,333	1,919,899	0	24,831,779
2033	24,831,779	24,821,687	100.0%	10,092	0.09%	4,232	0	17,870	22,102	2,374,058	1,886,350	0	24,366,173
2034	24,366,173	24,357,984	100.0%	8,189	0.07%	3,441	0	15,238	18,679	2,405,178	1,847,642	0	23,827,316
2035	23,827,316	23,817,428	100.0%	9,888	0.04%	2,054	0	13,352	15,406	2,427,129	1,803,471	0	23,219,064
2036	23,219,064	23,210,536	100.0%	8,528	0.02%	1,073	0	11,263	12,336	2,461,663	1,753,220	0	22,522,957
2037	22,522,957	22,515,424	100.0%	7,533	0.01%	560	0	9,520	10,080	2,462,456	1,697,409	0	21,767,990
2038	21,767,990	21,761,882	100.0%	6,108	0.00%	0	0	7,601	7,601	2,440,642	1,637,843	0	20,972,792
2039	20,972,792	20,968,326	100.0%	4,466	0.00%	0	0	6,104	6,104	2,415,802	1,575,226	0	20,138,320
2040	20,138,320	20,135,179	100.0%	3,141	0.00%	0	0	5,095	5,095	2,423,877	1,508,085	0	19,227,623
2041	19,227,623	19,225,406	100.0%	2,217	0.00%	0	0	3,987	3,987	2,364,529	1,437,712	0	18,304,793
2042	18,304,793	18,303,380	100.0%	1,413	0.00%	0	0	2,773	2,773	2,308,626	1,366,218	0	17,365,158
2043	17,365,158	17,364,761	100.0%	397	0.00%	0	0	2,169	2,169	2,249,003	1,293,561	0	16,411,885
						$7,812,344	$ 7,242,517	$1,455,059	$16,509,920				

buckconsultants

PERS – Governor's Proposal

State of Alaska PERS

Financial Projections (in Thousands)

Investment ROR: 12.50% in FY13, 8% thereafter

	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months								
Fiscal Year End	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Investment Earnings	Recognized Asset Gain/(Loss)	Ending Actuarial Assets
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2013	$11,832,030	$19,292,361	61.3%	($7,460,331)	32.83%	$426,731	$310,528	$118,879	$856,138	$973,954	$1,399,035	($924,132)	$12,189,117
2014	12,189,117	20,109,112	60.6%	(7,919,995)	32.31%	422,343	312,473	120,633	855,449	1,056,528	994,291	195,922	13,178,251
2015	13,178,251	20,885,260	63.1%	(7,707,009)	112.44%	419,865	1,881,370	114,150	2,415,385	1,140,515	1,115,370	162,400	15,730,891
2016	15,730,891	21,614,302	72.8%	(5,883,411)	43.28%	418,974	157,000	107,781	683,755	1,225,841	1,235,024	(76,850)	16,346,979
2017	16,346,979	22,291,137	73.3%	(5,944,158)	41.28%	419,623	157,000	101,655	678,278	1,305,131	1,286,869	100,740	17,107,735
2018	17,107,735	22,919,638	74.6%	(5,811,903)	33.82%	421,668	157,000	95,970	674,638	1,380,741	1,336,309	0	17,737,941
2019	17,737,941	23,501,895	75.5%	(5,763,954)	32.91%	425,077	157,000	90,469	672,546	1,456,528	1,383,418	0	18,337,377
2020	18,337,377	24,035,658	76.3%	(5,698,281)	31.47%	429,205	157,000	85,274	671,479	1,537,884	1,427,867	0	18,898,839
2021	18,898,839	24,512,466	77.1%	(5,613,627)	30.37%	434,392	157,000	80,182	671,574	1,621,417	1,469,232	0	19,418,228
2022	19,418,228	24,925,074	77.9%	(5,506,846)	29.33%	440,335	157,000	75,193	672,528	1,698,588	1,507,536	0	19,899,704
2023	19,899,704	25,278,587	78.7%	(5,378,883)	28.32%	447,292	157,000	56,540	660,832	1,771,109	1,542,508	0	20,331,935
2024	20,331,935	25,570,418	79.5%	(5,238,483)	27.35%	455,655	157,000	51,656	664,311	1,835,920	1,574,464	0	20,734,790
2025	20,734,790	25,795,109	80.4%	(5,060,319)	26.42%	465,089	157,000	46,641	668,730	1,924,239	1,603,106	0	21,082,387
2026	21,082,387	25,934,450	81.3%	(4,852,063)	25.53%	475,818	157,000	42,214	675,032	1,991,781	1,628,286	0	21,393,924
2027	21,393,924	26,004,608	82.3%	(4,610,684)	24.65%	487,669	157,000	38,093	682,762	2,062,704	1,650,493	0	21,664,475
2028	21,664,475	25,997,577	83.3%	(4,333,102)	23.78%	500,820	157,000	33,958	691,778	2,123,648	1,669,897	0	21,902,502
2029	21,902,502	25,917,989	84.5%	(4,015,487)	22.93%	515,334	157,000	30,217	702,551	2,177,117	1,687,085	0	22,115,021
2030	22,115,021	25,769,017	85.8%	(3,653,996)	22.10%	531,126	157,000	26,520	714,646	2,226,897	1,702,442	0	22,305,212
2031	22,305,212	25,549,181	87.3%	(3,243,969)	21.28%	548,390	157,000	23,332	728,722	2,303,286	1,714,958	0	22,445,606
2032	22,445,606	25,227,017	89.0%	(2,781,411)	20.49%	567,044	157,000	20,730	744,774	2,351,333	1,724,774	0	22,563,821
2033	22,563,821	24,821,687	90.9%	(2,257,866)	19.70%	587,220	157,000	17,870	762,090	2,374,058	1,733,943	0	22,685,796
2034	22,685,796	24,357,984	93.1%	(1,672,188)	18.88%	609,685	157,000	15,238	781,923	2,405,178	1,743,154	0	22,805,695
2035	22,805,695	23,817,428	95.8%	(1,011,733)	12.48%	483,755	157,000	13,352	654,107	2,427,129	1,746,798	0	22,779,471
2036	22,779,471	23,210,536	98.1%	(431,065)	8.37%	436,034	13,000	11,263	460,297	2,461,663	1,735,626	0	22,513,731
2037	22,513,731	22,515,424	100.0%	(1,693)	0.20%	11,200	0	9,520	20,720	2,462,456	1,697,089	0	21,769,084
2038	21,769,084	21,761,882	100.0%	7,202	0.00%	0	0	7,601	7,601	2,440,642	1,637,931	0	20,973,974
2039	20,973,974	20,968,326	100.0%	5,648	0.00%	0	0	6,104	6,104	2,415,802	1,575,321	0	20,139,597
2040	20,139,597	20,135,179	100.0%	4,418	0.00%	0	0	5,095	5,095	2,423,877	1,508,187	0	19,229,002
2041	19,229,002	19,225,406	100.0%	3,596	0.00%	0	0	3,987	3,987	2,364,529	1,437,822	0	18,306,282
2042	18,306,282	18,303,380	100.0%	2,902	0.00%	0	0	2,773	2,773	2,308,626	1,366,337	0	17,366,766
2043	17,366,766	17,364,761	100.0%	2,005	0.00%	0	0	2,169	2,169	2,249,003	1,293,690	0	16,413,622
						$ 11,380,344	$5,657,371	$1,455,059	$18,492,774				

TRS – Current ARMB Funding Policy

State of Alaska TRS

Financial Projections (in Thousands)

Investment ROR: 12.50% in FY13, 8% thereafter

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year): Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Flow Amounts During Following 12 Months: Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Investment Earnings	Recognized Asset Gain/(Loss)	Ending Actuarial Assets
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2013	$4,869,154	$9,346,444	52.1%	($4,477,290)	49.56%	$70,604	$298,101	$53,263	$421,968	$525,672	$570,927	($393,887)	$4,942,490
2014	4,942,490	9,651,582	51.2%	(4,709,092)	50.10%	67,056	316,847	54,446	438,349	556,844	402,046	90,090	5,316,131
2015	5,316,131	9,944,626	53.5%	(4,628,495)	66.31%	63,594	455,904	52,102	571,600	586,966	428,675	72,872	5,802,312
2016	5,802,312	10,223,597	56.8%	(4,421,285)	67.76%	60,182	485,905	49,736	595,823	618,454	461,350	(29,854)	6,211,177
2017	6,211,177	10,485,997	59.2%	(4,274,820)	66.16%	56,857	492,448	47,420	596,725	648,576	495,200	43,566	6,698,092
2018	6,698,092	10,731,508	62.4%	(4,033,416)	63.28%	53,492	488,074	45,199	586,765	675,904	529,114	0	7,138,067
2019	7,138,067	10,963,107	65.1%	(3,825,040)	61.18%	50,127	489,890	42,905	582,922	705,092	562,919	0	7,578,816
2020	7,578,816	11,177,357	67.8%	(3,598,541)	58.30%	46,741	484,378	40,631	571,750	739,563	596,273	0	8,007,276
2021	8,007,276	11,367,833	70.4%	(3,360,557)	56.00%	43,341	483,595	38,284	565,220	771,294	628,943	0	8,430,145
2022	8,430,145	11,533,410	73.1%	(3,103,265)	53.73%	40,113	482,885	35,978	558,976	799,992	661,306	0	8,850,435
2023	8,850,435	11,678,589	75.8%	(2,828,154)	51.55%	37,146	482,733	26,120	545,999	825,117	693,351	0	9,264,668
2024	9,264,668	11,804,774	78.5%	(2,540,106)	49.38%	34,243	482,225	23,847	540,315	847,540	725,312	0	9,682,755
2025	9,682,755	11,906,243	81.3%	(2,223,488)	47.26%	31,420	481,478	21,488	534,386	877,945	757,232	0	10,096,428
2026	10,096,428	11,978,919	84.3%	(1,882,491)	45.26%	28,735	481,273	19,269	529,277	915,165	788,541	0	10,499,081
2027	10,499,081	12,014,999	87.4%	(1,515,918)	43.27%	26,156	480,405	17,092	523,653	942,377	819,374	0	10,899,731
2028	10,899,731	12,019,893	90.7%	(1,120,162)	41.35%	23,808	479,517	14,972	518,297	965,075	850,250	0	11,303,203
2029	11,303,203	11,999,271	94.2%	(696,068)	39.47%	21,748	478,207	13,047	513,002	988,765	881,311	0	11,708,751
2030	11,708,751	11,947,250	98.0%	(238,499)	20.47%	19,918	249,950	11,338	281,206	1,015,267	903,533	0	11,878,223
2031	11,878,223	11,862,365	100.1%	15,858	0.24%	3,296	0	9,749	13,045	1,052,765	904,975	0	11,743,478
2032	11,743,478	11,727,157	100.1%	16,321	0.17%	2,433	0	8,442	10,875	1,071,218	893,325	0	11,576,460
2033	11,576,460	11,561,467	100.1%	14,993	0.13%	1,939	0	7,161	9,100	1,076,092	879,686	0	11,389,154
2034	11,389,154	11,375,441	100.1%	13,713	0.10%	1,556	0	6,069	7,625	1,087,071	864,176	0	11,173,884
2035	11,173,884	11,161,401	100.1%	12,483	0.07%	1,136	0	5,031	6,167	1,110,566	845,897	0	10,915,382
2036	10,915,382	10,904,315	100.1%	11,067	0.05%	846	0	4,231	5,077	1,108,805	825,250	0	10,636,904
2037	10,636,904	10,627,228	100.1%	9,676	0.03%	529	0	3,530	4,059	1,104,345	803,121	0	10,339,739
2038	10,339,739	10,331,515	100.1%	8,224	0.02%	368	0	2,945	3,313	1,098,370	779,573	0	10,024,255
2039	10,024,255	10,017,472	100.1%	6,783	0.02%	384	0	2,303	2,687	1,092,046	754,579	0	9,689,475
2040	9,689,475	9,684,161	100.1%	5,314	0.02%	400	0	1,801	2,201	1,079,552	728,309	0	9,340,433
2041	9,340,433	9,336,574	100.0%	3,859	0.01%	209	0	1,460	1,669	1,066,437	700,923	0	8,976,588
2042	8,976,588	8,974,342	100.0%	2,246	0.01%	217	0	1,087	1,304	1,048,163	672,579	0	8,602,308
2043	8,602,308	8,601,721	100.0%	587	0.00%	0	0	907	907	1,020,993	643,778	0	8,226,000
						$ 788,594	$ 8,093,815	$ 661,853	$ 9,544,262				

TRS – Governor's Proposal

State of Alaska TRS

Financial Projections (in Thousands)

Investment ROR: 12.50% in FY13, 8% thereafter

	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months							Recognized	Ending
Fiscal Year End	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Investment Earnings	Asset Gain/(Loss)	Actuarial Assets
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2013	$4,869,154	$9,346,444	52.1%	($4,477,290)	49.56%	$70,604	$298,101	$53,263	$421,968	$525,672	$570,927	($393,887)	$4,942,490
2014	4,942,490	9,651,582	51.2%	(4,709,092)	50.34%	67,056	316,847	54,446	438,349	556,844	402,046	90,090	5,316,131
2015	5,316,131	9,944,626	53.5%	(4,628,495)	150.90%	63,594	1,118,630	52,102	1,234,326	586,966	454,674	72,872	6,491,037
2016	6,491,037	10,223,597	63.5%	(3,732,560)	50.03%	60,182	343,000	49,736	452,918	618,454	510,841	(29,854)	6,806,488
2017	6,806,488	10,485,997	64.9%	(3,679,509)	48.16%	56,857	343,000	47,420	447,277	648,576	536,962	43,566	7,185,717
2018	7,185,717	10,731,508	67.0%	(3,545,791)	46.33%	53,492	343,000	45,199	441,691	675,904	562,433	0	7,513,937
2019	7,513,937	10,963,107	68.5%	(3,449,170)	44.54%	50,127	343,000	42,905	436,032	705,092	587,226	0	7,832,103
2020	7,832,103	11,177,357	70.1%	(3,345,254)	42.78%	46,741	343,000	40,631	430,372	739,563	610,990	0	8,133,902
2021	8,133,902	11,367,833	71.6%	(3,233,931)	41.06%	43,341	343,000	38,284	424,625	771,294	633,557	0	8,420,790
2022	8,420,790	11,533,410	73.0%	(3,112,620)	39.36%	40,113	343,000	35,978	419,091	799,992	655,070	0	8,694,959
2023	8,694,959	11,678,589	74.5%	(2,983,630)	37.69%	37,146	343,000	26,120	406,266	825,117	675,431	0	8,951,539
2024	8,951,539	11,804,774	75.8%	(2,853,235)	36.07%	34,243	343,000	23,847	401,090	847,540	694,799	0	9,199,888
2025	9,199,888	11,906,243	77.3%	(2,706,355)	34.50%	31,420	343,000	21,488	395,908	877,945	713,170	0	9,431,021
2026	9,431,021	11,978,919	78.7%	(2,547,898)	32.99%	28,735	343,000	19,269	391,004	915,165	729,884	0	9,636,744
2027	9,636,744	12,014,999	80.2%	(2,378,255)	31.53%	26,156	343,000	17,092	386,248	942,377	744,997	0	9,825,612
2028	9,825,612	12,019,893	81.7%	(2,194,281)	30.13%	23,808	343,000	14,972	381,780	965,075	758,964	0	10,001,281
2029	10,001,281	11,999,271	83.3%	(1,997,990)	28.80%	21,748	343,000	13,047	377,795	988,765	771,853	0	10,162,164
2030	10,162,164	11,947,250	85.1%	(1,785,086)	27.53%	19,918	343,000	11,338	374,256	1,015,267	783,457	0	10,304,610
2031	10,304,610	11,862,365	86.9%	(1,557,755)	26.32%	18,342	343,000	9,749	371,091	1,052,765	793,132	0	10,416,068
2032	10,416,068	11,727,157	88.8%	(1,311,089)	25.16%	16,962	343,000	8,442	368,404	1,071,218	801,158	0	10,514,412
2033	10,514,412	11,561,467	90.9%	(1,047,055)	24.05%	15,796	343,000	7,161	365,957	1,076,092	808,722	0	10,612,999
2034	10,612,999	11,375,441	93.3%	(762,442)	23.00%	14,836	343,000	6,069	363,905	1,087,071	816,061	0	10,705,894
2035	10,705,894	11,161,401	95.9%	(455,507)	22.00%	14,047	343,000	5,031	362,078	1,110,566	822,421	0	10,779,827
2036	10,779,827	10,904,315	98.9%	(124,488)	7.77%	13,438	118,000	4,231	135,669	1,108,805	819,528	0	10,626,219
2037	10,626,219	10,627,228	100.0%	(1,009)	0.74%	12,979	0	3,530	16,509	1,104,345	802,755	0	10,341,138
2038	10,341,138	10,331,515	100.1%	9,623	0.02%	368	0	2,945	3,313	1,098,370	779,685	0	10,025,766
2039	10,025,766	10,017,472	100.1%	8,294	0.02%	384	0	2,303	2,687	1,092,046	754,700	0	9,691,107
2040	9,691,107	9,684,161	100.1%	6,946	0.02%	400	0	1,801	2,201	1,079,552	728,440	0	9,342,196
2041	9,342,196	9,336,574	100.1%	5,622	0.01%	209	0	1,460	1,669	1,066,437	701,064	0	8,978,492
2042	8,978,492	8,974,342	100.0%	4,150	0.01%	217	0	1,087	1,304	1,048,163	672,732	0	8,604,365
2043	8,604,365	8,601,721	100.0%	2,644	0.00%	0	0	907	907	1,020,993	643,943	0	8,228,222
						$ 883,259	$8,711,578	$ 661,853	$ 10,256,690				

Questions?

ALASKA RETIREMENT MANAGEMENT BOARD
M E M O R A N D U M

To: ARMB Trustees
From: Judy Hall
Date: January 24, 2014
Subject: Financial Disclosures

As required by AS 37.10.230 and Alaska Retirement Management Board policy relating to investment conduct and reporting, trustees and staff must disclose certain financial interests. We are hereby submitting to you a list of disclosures for individual transactions made by trustees and staff.

Name	Position Title	Disclosure Type	Disclosure Date
Gary Bader	Chief Investment Officer	Equities	1/13/14
Martin Pihl	Trustee	Manager	12/12/13

Alaska Retirement Management Board
2014 Meeting Calendar

February 5 – Wednesday	Committee Meetings: Audit Legislative
February 6-7 Thursday-Friday Juneau	*Review Capital Market Assumptions *Manager Presentations
April 23 – Wednesday	Committee Meetings: Legislative
April 24-25 Thursday-Friday Anchorage	*Adopt Asset Allocation *Performance Measurement – 4th Quarter *Buck Consulting Actuary Report *GRS Actuary Certification *Review Private Equity Annual Plan *Manager Presentations
June 25 – Wednesday	Committee Meetings: Audit
June 26-27 Thursday-Friday Anchorage	*Final Actuary Report/Adopt Valuation/Contribution Rates *Performance Measurement – 1st Quarter *Manager Presentations
September 17 – Wednesday	Committee Meetings: Audit Budget Legislative Real Assets Salary Review
September 18-19 Thursday-Friday Fairbanks	*Audit Results/Assets – KPMG *Approve Budget *Performance Measurement – 2nd Quarter *Real Estate Annual Plan *Real Estate Evaluation – Townsend Group *Manager Presentations
October ___	Education Conference
October ___	Audit Committee
December 3 – Wednesday	Committee Meetings: Audit Legislative
December 4-5 Thursday-Friday Anchorage	Audit Report - KPMG Performance Measurement – 3rd Quarter Manager Review (Questionnaire) Private Equity Review *Manager Presentations