



ALASKA RETIREMENT MANAGEMENT BOARD

Public Employees' Retirement System

Invested Assets

June 30, 2009

(With Independent Auditors' Report Thereon)

ALASKA RETIREMENT MANAGEMENT BOARD

Public Employees' Retirement System

Invested Assets

June 30, 2009

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Schedule of Invested Assets	2
Schedule of Investment Income (Loss) and Changes in Invested Assets	3
Notes to Schedules.....	4



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

Independent Auditors' Report

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

We have audited the accompanying schedules of invested assets of the Public Employees' Retirement System as of June 30, 2009 and of investment income (loss) and changes in invested assets of the Public Employees' Retirement System for the year then ended (Schedules). These Schedules are the responsibility of the Division of Treasury's management. Our responsibility is to express an opinion on these Schedules based on our audit.

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

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

In our opinion, the Schedules referred to above present fairly, in all material respects, the invested assets of the Public Employees' Retirement System as of June 30, 2009, and the investment income (loss) and changes in invested assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 9, 2009

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTED ASSETS

June 30, 2009

	Defined Benefit		Defined Contribution				Total Plan Assets
	Pension	Health	Health Reimbursement Arrangement	Occupational Death and Disability	Retiree Medical Plan	Participant Directed	
Investments (at Fair Value)							
Cash and Cash Equivalents							
Short-term Fixed Income Pool	\$ 30,990,798	\$ 6,448,455	\$ 117,112	\$ 22,115	\$ 29,897	\$ 442,597	\$ 38,050,974
Total Cash and Cash Equivalents	30,990,798	6,448,455	117,112	22,115	29,897	442,597	38,050,974
Fixed Income Securities							
Retirement Fixed Income Pool	580,396,346	418,412,199	2,056,107	339,041	581,818	-	1,001,785,511
High Yield Pool	110,534,245	78,600,563	287,516	47,241	81,305	-	189,550,870
International Fixed Income Pool	75,736,994	54,457,747	284,983	46,824	80,594	-	130,607,142
Emerging Debt Pool	38,374,985	27,372,465	63,041	10,359	17,828	-	65,838,678
Total Fixed Income Securities	805,042,570	578,842,974	2,691,647	443,465	761,545	-	1,387,782,201
Broad Domestic Equity							
Domestic Equity Pool	1,643,105,968	1,196,747,747	5,306,973	873,268	1,501,668	-	2,847,535,624
Total Broad Domestic Equity	1,643,105,968	1,196,747,747	5,306,973	873,268	1,501,668	-	2,847,535,624
Global Equity Ex-U.S.							
International Equity Pool	754,665,886	552,931,651	2,359,432	387,498	666,693	-	1,311,011,160
Emerging Markets Equity Pool	213,379,865	147,002,606	774,586	127,278	219,044	-	361,503,379
Total Global Equity Ex-U.S.	968,045,751	699,934,257	3,134,018	514,776	885,737	-	1,672,514,539
Private Equity							
Private Equity Pool	447,974,148	285,447,501	1,068,755	175,606	302,238	-	734,968,248
Total Private Equity	447,974,148	285,447,501	1,068,755	175,606	302,238	-	734,968,248
Absolute Return							
Absolute Return Pool	215,798,756	160,496,804	962,259	158,115	272,117	-	377,688,051
Total Absolute Return	215,798,756	160,496,804	962,259	158,115	272,117	-	377,688,051
Real Assets							
Real Estate Pool	598,895,995	311,913,516	1,088,916	178,923	307,940	-	912,385,290
Real Estate Investment Trust Pool	14,234,516	9,172,329	150,675	24,759	42,609	-	23,624,888
Energy Pool	32,438,496	21,117,513	157,616	25,898	44,570	-	53,784,093
Farmland Pool	191,614,146	125,676,369	154,154	25,341	43,594	-	317,513,604
Farmland Water Pool	10,549,042	-	-	-	-	-	10,549,042
Timber Pool	92,936,722	13,837,299	357,620	56,028	100,329	-	107,287,998
Treasury Inflation Protected Securities Pool	28,372,188	23,702,112	482,669	79,317	136,488	-	52,772,774
Total Real Assets	969,041,105	505,419,138	2,391,650	390,266	675,530	-	1,477,917,689
Common Trust Funds							
SSgA Domestic Equity	-	-	-	-	-	-	-
SSgA International Equity	-	-	-	-	-	-	-
SSgA Emerging Markets	-	-	-	-	-	-	-
SSgA Domestic Fixed Income	-	-	-	-	-	-	-
SSgA International Fixed Income	-	-	-	-	-	-	-
SSgA High Yield Bond Index	-	-	-	-	-	-	-
SSgA TIPS Index	-	-	-	-	-	-	-
Total Common Trust Funds	-	-	-	-	-	-	-
ERISA Commingled and Mutual Funds							
SSgA Domestic Equity	-	-	-	-	-	-	-
SSgA International Equity	-	-	-	-	-	-	-
SSgA Domestic Fixed Income	-	-	-	-	-	-	-
SSgA International Fixed Income	-	-	-	-	-	-	-
SSgA Real Estate	-	-	-	-	-	-	-
Lazard Emerging Markets Mutual Fund	-	-	-	-	-	-	-
Total ERISA Commingled and Mutual Funds	-	-	-	-	-	-	-
Pooled Investment Funds							
T. Rowe Price	-	-	-	-	-	160	160
Target 2010 Trust	-	-	-	-	-	-	-
Target 2015 Trust	-	-	-	-	-	-	-
Target 2020 Trust	-	-	-	-	-	2,839	2,839
Target 2025 Trust	-	-	-	-	-	65,545	65,545
Target 2035 Trust	-	-	-	-	-	575	575
Target 2040 Trust	-	-	-	-	-	49,495	49,495
Alaska Balanced Fund	-	-	-	-	-	56,425	56,425
Long-Term Balanced Fund	-	-	-	-	-	1,462,417	1,462,417
Alaska Money Market	-	-	-	-	-	760,951	760,951
Total Pooled Investment Funds	-	-	-	-	-	2,398,407	2,398,407
Collective Investment Funds							
State Street Global Advisors	-	-	-	-	-	71,047	71,047
Money Market Fund	-	-	-	-	-	-	-
S&P Stock Index Fund	-	-	-	-	-	19,694,382	19,694,382
Russell 3000 Index	-	-	-	-	-	46,248	46,248
Real Estate Investment Trust Index	-	-	-	-	-	32,993	32,993
World Equity Ex-US Index	-	-	-	-	-	62,122	62,122
Long US Treasury Bond Index	-	-	-	-	-	39,468	39,468
Treasury Inflation Protected Securities Index	-	-	-	-	-	56,880	56,880
World Government Bond Ex-US Index	-	-	-	-	-	25,546	25,546
Barclays	-	-	-	-	-	-	-
Daily Government/Corporate Bond Fund	-	-	-	-	-	1,800,406	1,800,406
Intermediate Bond Fund	-	-	-	-	-	85,682	85,682
Brandes Institutional	-	-	-	-	-	-	-
International Equity Fund	-	-	-	-	-	15,268,793	15,268,793
Capital Guardian	-	-	-	-	-	-	-
Global Balanced Fund	-	-	-	-	-	3,431,514	3,431,514
Sentinel	-	-	-	-	-	-	-
Sustainable Opportunities Fund	-	-	-	-	-	-	-
RCM	-	-	-	-	-	-	-
Socially Responsible Fund	-	-	-	-	-	299,110	299,110
T. Rowe Price	-	-	-	-	-	-	-
Small-Cap Fund	-	-	-	-	-	8,640,656	8,640,656
Total Collective Investment Funds	-	-	-	-	-	49,554,847	49,554,847
Total Invested Assets	\$ 5,079,999,096	\$ 3,433,336,876	\$ 15,672,414	\$ 2,577,611	\$ 4,428,732	\$ 52,395,851	\$ 8,588,410,580

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT INCOME (LOSS) AND CHANGES IN INVESTED ASSETS

June 30, 2009

	Defined Benefit		Defined Contribution				Total Income (Loss)
	Pension	Health	Health Reimbursement Arrangement	Occupational Death and Disability	Retiree Medical Plan	Participant Directed	
Investment Income (Loss)							
Cash and Cash Equivalents							
Short-term Fixed Income Pool	\$ 290,778	\$ 268,981	\$ 18,406	\$ 3,653	\$ 5,069	\$ 5,329	\$ 592,216
Fixed Income Securities							
Retirement Fixed Income Pool	24,458,008	2,084,356	74,759	12,200	21,340	-	26,650,663
High Yield Pool	(4,476,771)	1,832,618	11,012	1,801	3,130	-	(2,628,210)
International Fixed Income Pool	5,071,819	996,872	6,468	1,056	1,842	-	6,078,057
Emerging Debt Pool	(4,705,153)	281,339	2,337	381	667	-	(4,420,429)
Broad Domestic Equity							
Domestic Equity Pool	(923,248,547)	12,002,275	334,755	52,363	92,804	-	(910,766,350)
Global Equity Ex-U.S.							
International Equity Pool	(502,637,604)	21,939,139	249,149	41,996	73,273	-	(480,334,047)
Emerging Markets Equity Pool	(45,960,008)	(44,241)	125,317	15,347	35,789	-	(45,827,796)
Private Equity							
Private Equity Pool	(216,681,403)	(8,264,719)	(40,359)	(6,616)	(11,419)	-	(225,004,516)
Absolute Return							
Absolute Return Pool	(57,852,857)	4,141,915	27,483	4,511	7,774	-	(53,671,174)
Real Assets							
Real Estate Pool	(332,310,581)	(47,387,071)	(165,434)	(27,182)	(46,784)	-	(379,937,052)
Real Estate Investment Trust Pool	(22,725,538)	(252,407)	129	(126)	7	-	(22,977,935)
Energy Pool	(2,528,789)	102,643	(3,129)	(436)	(873)	-	(2,430,584)
Farmland Pool	23,683,839	170,430	11,188	1,776	3,167	-	23,870,400
Farmland Water Pool	28,498	-	-	-	-	-	28,498
Timber Pool	2,701,185	406,098	10,495	1,644	2,944	-	3,122,366
Treasury Inflation Protected Securities Pool	(888,312)	568,504	(10,529)	(997)	(3,826)	-	(335,160)
Common Trust Funds							
SSgA Domestic Equity	-	(58,960,803)	-	-	-	-	(58,960,803)
SSgA International Equity	-	(34,766,523)	-	-	-	-	(34,766,523)
SSgA Emerging Markets	-	(3,155,735)	-	-	-	-	(3,155,735)
SSgA Domestic Fixed Income	-	2,204,072	-	-	-	-	2,204,072
SSgA International Fixed Income	-	(35,042)	-	-	-	-	(35,042)
SSgA High Yield Bond Index	-	(1,269,547)	-	-	-	-	(1,269,547)
SSgA TIPS Index	-	(1,918,334)	-	-	-	-	(1,918,334)
ERISA Commingled and Mutual Funds							
SSgA Domestic Equity	-	-	(1,002,578)	(145,815)	(310,944)	-	(1,459,337)
SSgA International Equity	-	-	(702,855)	(112,011)	(216,679)	-	(1,031,545)
SSgA Domestic Fixed Income	-	-	55,874	8,369	16,344	-	80,587
SSgA International Fixed Income	-	-	(2,462)	(249)	(784)	-	(3,495)
SSgA Real Estate	-	-	(443,344)	(75,534)	(131,643)	-	(650,521)
Lazard Emerging Markets Mutual Fund	-	-	(131,342)	(45,181)	(38,505)	-	(215,028)
Pooled Investment Funds							
T. Rowe Price							
Target 2010 Trust	-	-	-	-	-	1	1
Target 2015 Trust	-	-	-	-	-	122	122
Target 2020 Trust	-	-	-	-	-	144	144
Target 2025 Trust	-	-	-	-	-	805	805
Target 2035 Trust	-	-	-	-	-	29	29
Target 2040 Trust	-	-	-	-	-	2,639	2,639
Alaska Balanced Fund	-	-	-	-	-	(48,201)	(48,201)
Long-Term Balanced Fund	-	-	-	-	-	(1,681)	(1,681)
Alaska Money Market	-	-	-	-	-	6,211	6,211
Collective Investment Funds							
State Street Global Advisors							
Money Market Fund	-	-	-	-	-	24	24
S&P 500 Index Fund	-	-	-	-	-	(248,703)	(248,703)
Russell 3000 Index Fund	-	-	-	-	-	5,865	5,865
Real Estate Investment Trust Index Fund	-	-	-	-	-	1,349	1,349
World Equity Ex-US Index Fund	-	-	-	-	-	7,977	7,977
Long US Treasury Bond Index Fund	-	-	-	-	-	(1,360)	(1,360)
Treasury Inflation Protected Securities Index Fund	-	-	-	-	-	2,480	2,480
World Government Bond Ex-US Index Fund	-	-	-	-	-	1,097	1,097
Barclays							
Daily Government/Corporate Bond Fund	-	-	-	-	-	59,135	59,135
Intermediate Bond Fund	-	-	-	-	-	1,655	1,655
Brandes Institutional							
International Equity Fund	-	-	-	-	-	(980,616)	(980,616)
Capital Guardian							
Global Balanced Fund	-	-	-	-	-	(527,237)	(527,237)
Sentinel							
Sustainable Opportunities Fund	-	-	-	-	-	(1,970,230)	(1,970,230)
RCM							
Socially Responsible Fund	-	-	-	-	-	(576,776)	(576,776)
T. Rowe Price							
Small-Cap Fund	-	-	-	-	-	(102,034)	(102,034)
Total Investment Income (Loss)	(2,057,781,436)	(109,055,180)	(1,574,660)	(269,050)	(497,307)	(4,361,976)	(2,173,539,609)
Total Invested Assets, Beginning of Year	10,424,034,727	353,729,076	7,509,385	1,094,264	2,310,330	24,758,328	10,813,436,110
Total Contributions	304,770,413	3,445,457,872	9,737,689	1,752,397	2,615,709	34,679,055	3,799,013,135
Total (Withdrawals)	(3,591,024,608)	(256,794,892)	-	-	-	(2,679,556)	(3,850,499,056)
Net Contributions (Withdrawals)	(3,286,254,195)	3,188,662,980	9,737,689	1,752,397	2,615,709	31,999,499	(51,485,921)
Total Invested Assets, End of Year	\$ 5,079,999,096	\$ 3,433,336,876	\$ 15,672,414	\$ 2,577,611	\$ 4,428,732	\$ 52,395,851	\$ 8,588,410,580

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(1) THE ACCOUNTING ENTITY

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

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

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

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Broad Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Timber Pool, Pooled Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, Treasury Inflation Protected Securities Pool, Real Estate Investment Trust Pool and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Valuation

Defined Benefit Pension, Defined Benefit Health Care, Occupational Death and Disability, Retiree Medical and Health Reimbursement Arrangement Investments

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

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

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

Valuation (Cont.)

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

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

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

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

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

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

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

ERISA Commingled and Mutual Funds were valued daily. Equity investments for which market quotations were readily available were valued at the last reported sale price or official close for certain markets on their principal exchange on valuation date. If no sales were reported for that day, investments were valued at the more recent of the last published sale price or the mean between the last reported bid and ask prices, or at the fair value determined by the Trustee. These funds were liquidated during Fiscal Year 2009.

Defined Contribution Retirement Participant-Directed Pension Investments

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

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

Income Allocation

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

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

Income Allocation (Cont.)

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

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

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

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

(3) INVESTMENTS

Both Defined Benefit and Defined Contribution PERS invested assets participate in the State's internally managed short-term fixed income pool.

Short-term Fixed Income Pool

PERS Invested Assets include participation in the State's internally managed Short-term Fixed Income Pool which was established March 15, 1993 with a start up and maintained share price of \$1. Treasury staff determines the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At June 30, 2009 PERS Invested Assets included a 1.02% direct ownership in this pool, and a 2.25% indirect ownership through ownership by other investment pools which invest in the Short-term Fixed Income Pool.

Investments available to all plans with the exception of the Defined Contribution Participant Directed Plan:

Alaska Retirement Fixed Income Pool

PERS Invested Assets include participation in the Board's internally managed Alaska Retirement Fixed Income Pool which was established March 1, 1996, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,163. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 69.24% ownership in the Alaska Retirement Fixed Income Pool.

High Yield Pool

PERS Invested Assets include participation in the Board's externally managed High Yield Pool which was established April 15, 2005, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,156. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 69.07% ownership in the High Yield Pool.

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(3) INVESTMENTS (Cont.)

International Fixed Income Pool

PERS Invested Assets include participation in the Board's externally managed International Fixed Income Pool which was established March 3, 1997, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,333. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 69.07% ownership in the International Fixed Income Pool.

Emerging Markets Debt Pool

PERS Invested Assets include participation in the Board's externally managed Emerging Markets Debt Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009 was \$936. The pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 69.07% ownership in the Emerging Markets Debt Pool.

Domestic Equity

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

Large Cap Domestic Equity Pool

PERS Invested Assets include participation in the Board's externally managed Large Cap Domestic Equity Pool which was established July 1, 2004, with a startup share price of \$1,000. The share price at June 30, 2009 was \$870. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.78% ownership in the Large Cap Domestic Equity Pool.

Small Cap Domestic Equity Pool

PERS Invested Assets include participation in the Board's externally managed Small Cap Domestic Equity Pool which was established July 1, 2004, with a startup share price of \$1,000. The share price at June 30, 2009 was \$844. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.92% ownership in the Small Cap Domestic Equity Pool.

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(3) INVESTMENTS (Cont.)

International Equity Pool

PERS Invested Assets include participation in the Board's externally managed International Equity Pool which was established January 1, 1992, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,703. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.65% ownership in the International Equity Pool.

Emerging Markets Equity Pool

PERS Invested Assets include participation in the Board's externally managed Emerging Markets Equity Pool which was established May 2, 1994, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,822. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.90% ownership in the Emerging Markets Equity Pool.

Private Equity Pool

PERS Invested Assets include participation in the Board's externally managed Private Equity Pool which was established April 24, 1998, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,913. Underlying assets in the pool are comprised of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.08% ownership in the Private Equity Pool.

Absolute Return Pool

PERS Invested Assets include participation in the Board's externally managed Absolute Return Pool which was established October 31, 2004, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,108. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.87% ownership in the Absolute Return Pool.

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(3) INVESTMENTS (Cont.)

Real Estate Equities

Real Estate Equities are comprised of two pools, Pool A and Pool B.

Real Estate Pool A

PERS Invested Assets include participation in the Board's externally managed Real Estate Pool A which was established June 27, 1997, with a startup share price of \$1,000. The share price at June 30, 2009, was \$2,286. Underlying assets in the pool are comprised of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.87% ownership in Real Estate Pool A.

Real Estate Pool B

PERS Invested Assets include participation in the Board's externally managed Real Estate Pool B which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009, was \$937. Underlying assets in the pool are comprised of one commingled account. The manager independently determines permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.62% ownership in Real Estate Pool B.

Real Estate Investment Trust (REIT) Pool

PERS Invested Assets include participation in the Board's internally managed REIT Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009, was \$503. Underlying assets in the pool are comprised of real estate investment trust holdings. Treasury staff determines the permissible real estate investment trusts to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.82% ownership in the REIT Pool.

Energy Pool

PERS Invested Assets include participation in the Board's externally managed Energy Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009, was \$966. Underlying assets in the pool are comprised of a limited partnership with an energy related venture capital operating company. Treasury staff determines the permissible partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.48% ownership in the Energy Pool.

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(3) INVESTMENTS (Cont.)

Farmland Pool

PERS Invested Assets include participation in the Board's externally managed Farmland Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,082. Underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 70.43% ownership in the Farmland Pool.

Farmland Water Pool

PERS Invested Assets include participation in the Board's externally managed Farmland Water Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,002. Underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities which own farmland that has federal waterway on the properties. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 50.00% ownership in the Farmland Water Pool.

Timber Pool

PERS Invested Assets include participation in the Board's externally managed Timber Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,029. Underlying assets in the pool are comprised of investments through limited partnership interests in two timber entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 68.94% ownership in the Timber Pool.

Treasury Inflation Protected Securities (TIPS) Pool

PERS Invested Assets include participation in the Board's internally managed TIPS pool which was established May 24, 2006 with a startup price of \$1,000. The share price at June 30, 2009 was \$1,191. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 PERS Invested Assets included a 70.77% ownership in the TIPS Pool.

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(3) INVESTMENTS (Cont.)

Domestic Equity

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

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

SSgA International Equity

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

SSgA Emerging Markets

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

SSgA Domestic Fixed Income

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

SSgA International Fixed Income

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

SSgA High Yield Bond Index

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

SSgA TIPS

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

During Fiscal Year 2009 the Board contracted with external managers who managed a mix of ERISA and Mutual Funds for the Defined Contribution Health and Occupational Death and Disability Plans. ERISA and Mutual Fund investments were liquidated during Fiscal Year 2009 and monies were invested in the ARMB's existing investment pools.

Public Employees' Retirement System Invested Assets

Notes to Schedules June 30, 2009

(3) INVESTMENTS (Cont.)

Domestic Equity

Domestic Equity was comprised of two externally managed ERISA Funds.

SSgA Domestic Large Cap

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

SSgA Domestic Small Cap

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

SSgA International Equity

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

SSgA Domestic Fixed Income

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

SSgA International Fixed Income

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

SSgA Real Estate

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

Lazard Emerging Markets Mutual Fund

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

Investments available to the Defined Contribution Participant-Directed Plan

Pooled Investment Funds

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(3) INVESTMENTS (Cont.)

T. Rowe Alaska Target 2010 Fund

The purpose of this fund is to provide a diverse mix of stocks, bonds, and cash for long-term investors. The Trust starts with a more aggressive risk/return potential and gradually becomes more conservative as the target retirement date approaches. The allocation is actively managed for approximately 30 years after the target retirement date before arriving at the final allocation of 20% stocks, and 80% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Alaska Target 2010 – 2040 Trusts

The purpose of these trust funds is to provide a diverse mix of stocks, bonds, and cash for long-term investors. The Trusts start with a more aggressive risk/return potential and gradually become more conservative as the target retirement date approaches. The allocation is actively managed for approximately 30 years after the target retirement date before arriving at the final allocation of 20% stocks, and 80% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Alaska Balanced Trust

The purpose of this trust fund is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for long-term investors. The actual allocation is actively managed around a target allocation of 40% stocks and 60% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Long-Term Balanced Trust

The purpose of this trust fund is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for long-term investors. The actual allocation is actively managed around a target allocation of 60% stocks and 40% bond and short-term fixed income investments. Underlying investments are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, and money market instruments.

T. Rowe Alaska Money Market Trust

Underlying assets are comprised of cash equivalent instruments with maturities of less than one year which include commercial paper, banker acceptances, certificates of deposit with ratings of A1/P1 or better as well as, obligations of the US Government and its agencies, and repurchase agreements collateralized by US Treasury Instruments. The goal is to maintain a \$1.00 unit price with a low risk tolerance.

Collective Investment Funds

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

SSGA Money Market Fund

The purpose of this fund is to provide a high level of current income consistent with preserving principal and liquidity, and the maintenance of a stable \$1.00 per share net asset value.

SSGA S&P 500 Index Fund

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

3) INVESTMENTS (Cont.)

SSGA Russell 3000 Index Fund

The purpose of this fund is to provide income and capital appreciation that matches the total return of the Russell 3000® Index.

SSGA Real Estate Investment Trust (REIT) Index Fund

The purpose of this fund is to provide income and capital appreciation that matches the total return of the Dow Jones Wilshire REIT Index.

SSGA World Equity Ex-US Index Fund

The purpose of this fund is to provide income and capital appreciation and to replicate the returns of the MSCI ACWI Ex-US Index.

SSGA Long US Treasury Bond Index Fund

The purpose of this fund is to provide income and capital appreciation and to replicate the returns and characteristics of the Barclays Capital Long Treasury Bond Index.

SSGA Treasury Inflation Protected Securities Index Fund

The purpose of this fund is to provide income and to replicate the returns and characteristics of the Barclays Capital Inflation Notes Index.

SSGA World Government Bond Ex-US Index Fund

The purpose of this fund is to provide income and to replicate the total rate of return of the Citigroup World Government Bond Ex-US Index.

Barclays Daily Government/Corporate Bond Fund

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

Barclays Intermediate Bond Fund

The purpose of this fund is to match or exceed the return of the Barclays Capital Intermediate Bond Index.

Brandes Institutional International Equity Fund

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

Capital Guardian Global Balanced Fund

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

Sentinel Sustainable Opportunities Fund

The purpose of this fund was to invest primarily in U.S. large cap growth stocks, with an emphasis on those that are managed in a socially responsible manner. This fund was replaced during fiscal year 2009 by the RCM Socially Responsible Fund.

Public Employees' Retirement System Invested Assets

Notes to Schedules June 30, 2009

3) INVESTMENTS (Cont.)

RCM Socially Responsible Fund

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

T. Rowe Small Cap Fund

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

Public Employees' Retirement System Invested Assets

Notes to Schedules June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK

At June 30, 2009, PERS Invested Assets included the following:

	Fair Value (in thousands)						
	Fixed Income Pools						
	Short-term	Retirement	High Yield	International	TIPS	Other	Total
Deposits	\$ 372	\$ (54)	\$ -	\$ 712	\$ -	\$ 7,134	\$ 8,164
Short-term Investment Fund	-	-	10,888	670	-	17,224	28,782
Commercial Paper	7,463	-	-	-	-	-	7,463
Bridge Loans	-	-	5,193	-	-	-	5,193
U.S. Treasury Bills	42,107	-	-	-	-	-	42,107
U.S. Treasury Notes	-	168,541	-	-	36,261	-	204,802
U.S. Treasury Bonds	-	14,197	-	-	15,845	-	30,042
U.S. Government Agency	3,265	20,154	-	-	-	-	23,419
Foreign Government Bonds	-	-	-	80,451	-	-	80,451
Mortgage-backed	4,697	509,180	-	-	22	-	513,899
Other Asset-backed	14,869	7,166	1,317	-	-	-	23,352
Corporate Bonds	40,197	199,736	153,602	47,000	53	-	440,588
Convertible Bonds	-	-	775	-	-	-	775
Yankees:							
Government	-	11,648	-	-	-	-	11,648
Corporate	8,653	45,183	13,126	-	-	-	66,962
Fixed Income Pools:							
Equity	-	-	246	-	-	-	246
Emerging Markets Debt Pool	-	-	-	-	-	65,839	65,839
Domestic Equity Pool:							
Limited Partnerships	-	-	-	-	-	147,502	147,502
Treasury Bills	-	-	-	-	-	2,430	2,430
Equity	-	-	-	-	-	2,661,319	2,661,319
International Equity Pool:							
Convertible Bonds	-	-	-	-	-	823	823
Equity	-	-	-	-	-	1,260,756	1,260,756
Emerging Markets Equity Pool	-	-	-	-	-	361,503	361,503
Private Equity Pool:							
Limited Partnerships	-	-	-	-	-	734,718	734,718
Absolute Return Pool:							
Limited Partnerships	-	-	-	-	-	377,688	377,688
Real Estate Pool:							
Real Estate	-	-	-	-	-	525,963	525,963
Commingled Funds	-	-	-	-	-	197,957	197,957
Limited Partnerships	-	-	-	-	-	188,466	188,466
Real Estate Investment Trust Pool:							
Equity	-	-	-	-	-	23,421	23,421
Energy Pool:							
Limited Partnerships	-	-	-	-	-	53,784	53,784
Farmland Pool:							
Agricultural Holdings	-	-	-	-	-	317,514	317,514
Farmland Water Pool:							
Agricultural Holdings	-	-	-	-	-	10,549	10,549
Timber Pool:							
Timber Holdings	-	-	-	-	-	107,288	107,288
Participant Directed:							
Pooled Investment Funds	-	-	-	-	-	2,398	2,398
Collective Investment Funds	-	-	-	-	-	49,555	49,555
Mutual Funds	-	-	-	-	-	22,190	22,190
Net Other Assets (Liabilities)	(105)	(21,832)	4,404	1,774	525	4,089	(11,145)
Other Pool Ownership	(83,467)	47,867	-	-	67	35,533	-
Total Invested Assets	\$ 38,051	\$ 1,001,786	\$ 189,551	\$ 130,607	\$ 52,773	\$ 7,175,643	\$ 8,588,411

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Interest Rate Risk

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

Short-term Fixed Income Pool

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

Other Defined Benefit Fixed Income Pools

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

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

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield portfolio to $\pm 20\%$ of the Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2009, was 4.24 years.

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

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Interest Rate Risk (Cont.)

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

	Effective Duration (in years)			
	Retirement	International	High Yield	TIPS
Corporate Bonds	4.96	6.72	4.04	-
Convertible Bonds	-	-	1.45	-
Equity	-	-	3.64	-
Foreign Government Bonds	-	6.23	-	-
Mortgage-Backed	3.50	-	-	0.10
Other Asset-Backed	1.72	-	3.47	-
U.S. Treasury Bonds	14.18	-	-	9.57
U.S. Treasury Notes	4.95	-	-	3.11
US. Government and Agency Securities	5.48	-	-	-
Yankees:				
Corporate	4.48	-	4.12	-
Government	10.52	-	-	-
Portfolio Effective Duration	4.16	6.34	3.68	5.06

The Board did not have a policy to limit interest rate risk for Common Trust Funds, ERISA Commingled Funds, or Mutual Funds.

Defined Contribution Pooled Investment Funds

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

For government, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital Aggregate Bond Index. At June 30, 2009, the duration of the government corporate debt, and mortgage-backed securities was 4.29 years and the duration of the Barclays Capital Aggregate Bond Index was 4.30 years.

The weighted average maturity of the money market portfolio was sixty-one days at June 30, 2009.

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Interest Rate Risk (Cont.)

Defined Contribution Collective Investment Funds

The Board does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2009 the modified duration of collective investment funds that consisted solely of debt securities were as follows – T. Rowe Alaska Money Market Trust: 0.17 years, SSgA World Government Bond Ex-US Index: 6.64 years, SSgA Long US Treasury Bond Index: 11.97 years, SSgA TIPS Index: 7.97 years, Barclays Gov/Corp Bond Fund: 5.04 years, and the Barclays Intermediate Bond Fund: 3.50 years.

Credit Risk

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

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

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

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

Retirement Fixed Income:

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

Corporate debt securities must be investment grade.

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

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

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

High Yield:

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

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

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

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

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

International Fixed Income:

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

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules
June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk (Cont.)

TIPS:

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

Corporate debt securities must be investment grade.

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

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

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

Domestic Equity, International Equity and Emerging Markets Separate Accounts:

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

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

The Board does not have a policy to limit the concentration of credit risk for the Collective Investment Funds. Nor did the Board have a policy to limit the concentration of credit risk for the Common Trust Funds, ERISA Commingled Funds or Mutual Funds.

Public Employees' Retirement System Invested Assets

Notes to Schedules June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk (Cont.)

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

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Custodial Credit Risk – Deposits

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

	<u>Amount</u>
International Fixed Income Pool	\$ 712,149
International Equity Pool	5,464,248

Foreign Currency Risk

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

The Board's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citigroup Non-USD World Government Bond Index and Mexico. In addition, the Board's asset allocation policy permits PERS to hold up to twenty-one percent of total investments in international fixed income.

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

The Board has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. Nor did the Board have a policy regarding foreign currency risk in the Common Trust Funds, Collective Investment Funds, ERISA Commingled or Mutual Funds.

Public Employees' Retirement System Invested Assets

Notes to Schedules June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk (Cont.)

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

Currency	Amount	
	International Fixed Income Pool	International Equity Pool
Australian Dollar	\$ -	\$ 42,174
Canadian Dollar	-	25,237
Danish Krone	-	648,153
Euro	208,042	2,784,561
Hong Kong Dollar	-	73,517
Japanese Yen	232,551	1,535,724
Mexican Peso	244,746	-
New Taiwan Dollar	-	29,004
New Zealand Dollar	-	15,838
Norwegian Krone	-	47,858
Pound Sterling	26,810	250,757
Singapore Dollar	-	383
South Korean Won	-	3
Swedish Krona	-	7,669
Swiss Franc	-	331
Yuan Renminbi	-	3,039
	<u>\$ 712,149</u>	<u>\$ 5,464,248</u>

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk (Cont.)

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

Currency	Amount			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
	Foreign Government	Corporate	Equity	Limited Partnerships
Australian Dollar	\$ 10,246,902	\$ -	\$ 20,057,810	\$ -
Brazilian Real	-	-	8,014,732	-
Canadian Dollar	-	-	21,346,325	-
Danish Krone	-	-	9,420,857	-
Euro	36,211,730	6,707,864	424,380,322	85,579,201
Hong Kong Dollar	-	-	45,429,279	-
Indonesian Rupiah	-	-	702,663	-
Japanese Yen	767,499	40,292,332	302,695,779	-
Mexican Peso	5,830,871	-	702,828	-
New Taiwan Dollar	-	-	7,501,574	-
New Zealand Dollar	-	-	1,473,633	-
Norwegian Krone	-	-	3,087,464	-
Polish Zloty	9,885,997	-	-	-
Pound Sterling	17,498,202	-	218,047,959	14,216,979
Singapore Dollar	-	-	9,100,900	-
South African Rand	-	-	2,632,404	-
South Korean Won	-	-	4,189,952	-
Swedish Krona	-	-	17,018,382	-
Swiss Franc	-	-	92,363,713	-
	<u>\$ 80,441,201</u>	<u>\$ 47,000,196</u>	<u>\$ 1,188,166,576</u>	<u>\$ 99,796,180</u>

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

Concentration of Credit Risk

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

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

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

Public Employees' Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

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

The International Fixed Income and International Equity Pool's investment income includes the following at June 30, 2009:

Net Realized (Loss) on Foreign currency	\$	(9,213,828)
Net Unrealized Gain on Foreign currency		59,299
Net Realized Gain on Foreign Exchange Contracts		4,626,858

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. At June 30, the International Equity Pool had one foreign currency forward contract which matured in 22 days. PERS had net unrealized gains with respect to forward contracts, calculated using forward rates at June 30, 2009 as follows:

Contract Sales	\$	2,225,188
Less: Fair Value		<u>2,208,048</u>
Net Unrealized Gains on Contracts	\$	<u><u>17,140</u></u>

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

(6) COMMITMENTS AND CONTINGENCIES

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2009, PERS Invested Asset's share of the unfunded commitment totaled \$32,445,432. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2009, PERS Invested Asset's share of these unfunded commitments totaled \$604,481,979. These commitments are estimated to be paid through 2019.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2009, PERS Invested Asset's share of this unfunded commitment totaled \$35,434,800 to be paid through the year 2018.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2009, PERS Invested Asset's share of these unfunded commitments totaled \$157,951,511 to be paid through the year 2018.