



STATE OF ALASKA RETIREMENT AND BENEFITS PLANS

Invested Assets

June 30, 2010

(With Independent Auditors' Report Thereon)

STATE OF ALASKA RETIREMENT AND BENEFITS PLANS

Invested Assets

June 30, 2010

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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 State of Alaska's Retirement and Benefits Plans (the Plans) as of June 30, 2010 and of investment income (loss) and changes in invested assets of the Plans 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 Plans. The Schedules are not intended to present the financial status of the Plans.

In our opinion, the Schedules referred to above present fairly, in all material respects, the invested assets of the Plans as of June 30, 2010, 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 29, 2010

STATE OF ALASKA RETIREMENT AND BENEFITS PLANS
SCHEDULE OF INVESTED ASSETS
June 30, 2010

Investments (at Fair Value)	Pooled Investments	Participant Directed Investments	Total ARMB Assets
Cash and Cash Equivalents			
Short-term Fixed Income Pool	\$ 139,670,939	\$ 706,771	\$ 140,377,710
Total Cash and Cash Equivalents	<u>139,670,939</u>	<u>706,771</u>	<u>140,377,710</u>
Fixed Income Securities			
Retirement Fixed Income Pool	1,315,504,375	-	1,315,504,375
U.S. Treasury Fixed Income Pool	662,809,203	-	662,809,203
High Yield Pool	328,415,848	-	328,415,848
International Fixed Income Pool	199,964,997	-	199,964,997
Emerging Markets Debt Pool	102,362,260	-	102,362,260
Total Fixed Income	<u>2,609,056,683</u>	<u>-</u>	<u>2,609,056,683</u>
Broad Domestic Equity			
Large Cap Pool	3,021,447,470	-	3,021,447,470
Small Cap Pool	789,563,622	-	789,563,622
Convertible Bond Pool	52,835,525	-	52,835,525
Total Broad Domestic Equity	<u>3,863,846,617</u>	<u>-</u>	<u>3,863,846,617</u>
Global Equity Ex-U.S.			
International Equity Pool	2,036,633,033	-	2,036,633,033
Emerging Markets Equity Pool	779,393,883	-	779,393,883
Total Global Equity Ex-U.S.	<u>2,816,026,916</u>	<u>-</u>	<u>2,816,026,916</u>
Private Equity			
Private Equity Pool	1,290,433,673	-	1,290,433,673
Total Private Equity	<u>1,290,433,673</u>	<u>-</u>	<u>1,290,433,673</u>
Absolute Return			
Absolute Return Pool	670,591,738	-	670,591,738
Total Absolute Return	<u>670,591,738</u>	<u>-</u>	<u>670,591,738</u>
Real Assets			
Real Estate Pool	1,125,550,131	-	1,125,550,131
Real Estate Investment Trust Pool	52,262,377	-	52,262,377
Energy Pool	84,379,050	-	84,379,050
Farmland Pool	477,392,897	-	477,392,897
Farmland Water Pool	22,629,491	-	22,629,491
Timber Pool	165,952,242	-	165,952,242
Treasury Inflation Protected Securities Pool	79,921,770	-	79,921,770
Mortgages	-	-	-
Total Real Assets	<u>2,008,087,958</u>	<u>-</u>	<u>2,008,087,958</u>
Pooled Participant Directed Investment Funds			
T. Rowe Price			
Target 2010 Trust	-	159,337	159,337
Target 2015 Trust	-	657,654	657,654
Target 2020 Trust	-	931,286	931,286
Target 2025 Trust	-	1,158,576	1,158,576
Target 2030 Trust	-	1,222,426	1,222,426
Target 2035 Trust	-	1,467,241	1,467,241
Target 2040 Trust	-	2,298,845	2,298,845
Target 2045 Trust	-	2,448,260	2,448,260
Target 2050 Trust	-	2,818,008	2,818,008
Target 2055 Trust	-	327,841	327,841
Alaska Balanced Fund	-	202,832	202,832
Long-Term Balanced Fund	-	10,784,965	10,784,965
Alaska Money Market	-	5,800,526	5,800,526
Total Pooled Investment Funds	<u>-</u>	<u>30,277,797</u>	<u>30,277,797</u>
Collective Investment Funds			
State Street Global Advisors			
Money Market Fund	-	185,641	185,641
Long US Treasury Bond Index	-	30,173,185	30,173,185
Treasury Inflation Protected Securities Ind	-	172,996	172,996
World Government Bond Ex-US Index	-	211,279	211,279
S&P 500 Stock Index Fund	-	172,654	172,654
Russell 3000 Index	-	169,706	169,706
World Equity Ex-US Index	-	163,840	163,840
Real Estate Investment Trust Index	-	52,580	52,580
Global Balanced Fund	-	3,731,024	3,731,024
Barclays			
Daily Government/Corporate Bond Fund	-	5,281,740	5,281,740
Intermediate Bond Fund	-	241,885	241,885
Brandes Institutional			
International Equity Fund	-	38,354,063	38,354,063
Capital Guardian			
Global Balanced Fund	-	-	-
RCM			
Socially Responsible Fund	-	30,125,257	30,125,257
T. Rowe Price			
Small-Cap Fund	-	1,500,531	1,500,531
Total Collective Investment Funds	<u>-</u>	<u>110,536,381</u>	<u>110,536,381</u>
Total Invested Assets	<u>\$ 13,397,714,524</u>	<u>\$ 141,520,949</u>	<u>\$ 13,539,235,473</u>

STATE OF ALASKA RETIREMENT AND BENEFITS PLANS
SCHEDULE OF INVESTMENT INCOME (LOSS) AND CHANGES IN INVESTED ASSETS
June 30, 2010

	Pooled Investments	Participant Directed Investments	Total Income (Loss)
Investment Income (Loss)			
Cash and Cash Equivalents			
Short-term Fixed Income Pool	\$ 1,362,849	\$ 10,883	\$ 1,373,732
Fixed Income Securities			
Retirement Fixed Income Pool	184,995,633	-	184,995,633
U.S. Treasury Fixed Income Pool	11,331,203	-	11,331,203
High Yield Pool	53,970,866	-	53,970,866
International Fixed Income Pool	10,883,701	-	10,883,701
Emerging Markets Debt Pool	7,039,272	-	7,039,272
Broad Domestic Equity			
Large Cap Pool	477,594,697	-	477,594,697
Small Cap Pool	161,316,769	-	161,316,769
Convertible Bond Pool	2,835,525	-	2,835,525
Global Equity Ex-U.S.			
International Equity Pool	164,862,287	-	164,862,287
Emerging Markets Equity Pool	129,732,446	-	129,732,446
Private Equity			
Private Equity Pool	203,496,472	-	203,496,472
Absolute Return			
Absolute Return Pool	38,120,119	-	38,120,119
Real Assets			
Real Estate Pool	(195,029,914)	-	(195,029,914)
Real Estate Investment Trust Pool	17,933,643	-	17,933,643
Energy Pool	10,308,490	-	10,308,490
Farmland Pool	24,503,012	-	24,503,012
Farmland Water Pool	2,281,408	-	2,281,408
Timber Pool	2,333,429	-	2,333,429
Treasury Inflation Protected Securities Pool	5,353,549	-	5,353,549
Mortgages	(2,115)	-	(2,115)
Pooled Participant Directed Investment Funds			
T. Rowe Price			
Alaska Money Market	-	(3,976)	(3,976)
Target 2010 Trust	-	(22,399)	(22,399)
Target 2015 Trust	-	(39,768)	(39,768)
Target 2020 Trust	-	(49,167)	(49,167)
Target 2025 Trust	-	(68,203)	(68,203)
Target 2030 Trust	-	(91,671)	(91,671)
Target 2035 Trust	-	(116,164)	(116,164)
Target 2040 Trust	-	(161,133)	(161,133)
Target 2045 Trust	-	(186,161)	(186,161)
Target 2050 Trust	-	(22,583)	(22,583)
Target 2055 Trust	-	9,926	9,926
Alaska Balanced Fund	-	505,549	505,549
Long-Term Balanced Fund	-	11,479	11,479
Collective Investment Funds			
State Street Global Advisors			
Money Market Fund	-	23	23
Long US Treasury Bond Index	-	4,083,757	4,083,757
Treasury Inflation Protected Securities Index	-	1,721	1,721
World Government Bond Ex-US Index	-	24,753	24,753
S&P 500 Stock Index Fund	-	(992)	(992)
Russell 3000 Index	-	10,727	10,727
World Equity Ex-US Index	-	9,686	9,686
Real Estate Investment Trust Index	-	(894)	(894)
Global Balanced Fund	-	234,140	234,140
Barclays			
Daily Government/Corporate Bond Fund	-	356,681	356,681
Intermediate Bond Fund	-	9,519	9,519
Brandes Institutional			
International Equity Fund	-	(714,425)	(714,425)
Capital Guardian			
Global Balanced Fund	-	141,166	141,166
RCM			
Socially Responsible Fund	-	(2,884,249)	(2,884,249)
T. Rowe Price			
Small-Cap Fund	-	4,067,517	4,067,517
Total Investment Income (Loss)	1,315,223,341	5,115,742	1,320,339,083
Total Invested Assets, Beginning of Year	12,387,329,902	77,452,126	12,464,782,028
Total Contributions	971,464,825	66,443,325	1,037,908,150
Total (Withdrawals)	(1,276,303,544)	(7,490,244)	(1,283,793,788)
Net Contributions (Withdrawals)	(304,838,719)	58,953,081	(245,885,638)
Total Invested Assets, End of Year	\$ 13,397,714,524	\$ 141,520,949	\$ 13,539,235,473

State of Alaska Retirement and Benefits Plans

Invested Assets

Notes to Schedules

June 30, 2010

(1) THE ACCOUNTING ENTITY

The Alaska Retirement Management Board (Board) is the investment oversight authority for the State of Alaska's Retirement and Benefits Plans (Plans). These Plans are made up of four systems: the Public Employees Retirement System (PERS), Teachers Retirement System (TRS), Judicial Retirement System (JRS), and National Guard Naval Militia Retirement Systems (MRS). The systems are comprised of a mix of individual Defined Benefit and Defined Contribution Retirement Plans. These Schedules are those of the four systems' invested assets and not the systems as a whole. Fiduciary responsibility for the Board's Invested Assets is 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 Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the Defined Contribution Retirement Participant Directed Pension Plan under the Board's fiduciary responsibility.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Large Cap Domestic Equity Pool, Small Cap Domestic Equity Pool, Convertible Bond 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 Participant Directed Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities 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 Board as well as other 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 plan participants and administrative and investment management expenses. Contributions, benefits paid and all expenses are recorded on a cash basis.

Pooled Investments

With the exception of the Short-term Fixed Income Pool, ownership in the various pools 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.

The Short-Term Fixed Income Pool maintains a share price of \$1. 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. 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.

State of Alaska Retirement and Benefits Plans

Invested Assets

Notes to Schedules

June 30, 2010

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

Valuation and Income Allocation (Cont.)

Fixed Income Investment Pools

With the exception of the Emerging Markets Debt Pool, 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. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the investment manager determine the allocation between permissible securities.

The Emerging Markets Debt Pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares which are valued on the last business day of each month by the investment manager.

Broad Domestic Equity, International Equity, and Real Estate Investment Trust (REIT) Pools

Domestic equity, international equity, and REIT securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the external manager determine the allocation between permissible securities.

Emerging Markets Equity, Private Equity, Absolute Return, Real Estate, Energy, Farmland, Farmland Water, and Timber Pools

Income in these pools is credited to the net asset value of the pool daily and allocated to pool participants monthly on a pro rata basis.

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

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

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. Underlying assets are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

The energy related investments 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. Underlying assets are comprised of a limited partnership with an energy related venture capital operating company.

Real estate, farmland, farmland water property, and timber investments are valued quarterly by investment managers based on market conditions. Additionally, real estate, farmland, and timber investments are appraised annually by independent appraisers. Underlying assets in the pool are comprised of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments.

State of Alaska Retirement and Benefits Plans

Invested Assets

Notes to Schedules

June 30, 2010

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

Valuation and Income Allocation (Cont.)

Participant-Directed Investments

The Board contracts with an external investment manager who is given the authority to invest in a wholly owned pooled environment to accommodate thirteen participant-directed funds. Additionally, the Board Contracts with external managers who manage a mix of collective investment funds. 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.

Pooled Participant Directed 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. Underlying assets are comprised of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, money market instruments, and other 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.

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. Underlying assets are comprised of commingled investment funds, alongside other investors, through ownership of equity shares.

State of Alaska Retirement and Benefits Plans
Invested Assets
Notes to Schedules
June 30, 2010

(3) DEPOSIT AND INVESTMENT RISK

At June 30, 2010, the Board's Invested Assets included the following (in thousands):

	Fair Value								Total
	Fixed Income Pools								
	Short-term	Retirement	U.S.		International	Convertible	TIPS	Other	
		Treasury	High Yield						
Bridge Loans	\$ -	\$ -	\$ -	\$ 533	\$ -	\$ -	\$ -	\$ -	\$ 533
Commercial Paper	17,917	-	-	-	-	-	-	-	17,917
Convertible Bonds	-	-	-	1,728	-	-	-	-	1,728
Corporate Bonds	167,836	259,702	10,133	308,220	-	-	-	-	745,891
Deposits	(675)	-	-	-	209	-	-	32,288	31,822
Foreign Corporate Bonds	-	-	-	-	71,740	-	-	-	71,740
Foreign Government Bonds	-	-	-	-	124,622	-	-	-	124,622
Mortgage-backed	2,827	379,984	-	-	-	-	-	-	382,811
Mortgage-backed TBA	-	124,612	-	-	-	-	-	-	124,612
Mutual Funds	-	-	-	-	-	-	-	98,416	98,416
Other Asset-backed	78,763	3,827	-	529	-	-	-	-	83,119
Overnight Sweep Account (Imcs)	-	-	-	11,237	-	652	-	-	11,889
Short-term Investment Fund	-	-	-	-	926	-	-	15,203	16,129
U.S. Government Agency	23,818	7,167	-	-	-	-	-	-	30,985
U.S. Treasury Bills	43,603	-	-	-	-	-	-	-	43,603
U.S. Treasury Bills When-Issued	6,708	-	-	-	-	-	-	-	6,708
U.S. Treasury Bonds	-	72,954	57,285	-	-	-	-	-	130,239
U.S. Treasury Notes	-	207,031	486,796	-	-	-	-	-	693,827
U.S. Treasury Notes When-Issued	-	224,065	88,632	-	-	-	-	-	312,697
U.S. Treasury TIP Bonds	-	-	-	-	-	-	27,090	-	27,090
U.S. Treasury TIP Notes	-	-	-	-	-	-	51,535	-	51,535
Yankees:									
Corporate	4,700	-	-	-	-	-	-	-	4,700
Government	-	1,419	-	-	-	-	-	-	1,419
Fixed Income Pools:									
Equity	-	-	-	425	-	-	-	-	425
Warrants	-	-	-	26	-	-	-	-	26
Emerging Markets Debt Pool	-	-	-	-	-	-	-	102,362	102,362
Broad Domestic Equity Pools:									
Convertible Bonds	-	-	-	-	-	48,283	-	-	48,283
Equity	-	-	-	-	-	3,622	-	3,529,555	3,533,177
Limited Partnership	-	-	-	-	-	-	-	239,379	239,379
Treasury Bills	-	-	-	-	-	-	-	2,039	2,039
International Equity Pool:									
Convertible Bonds	-	-	-	-	-	-	-	1,545	1,545
Corporate Bonds	-	-	-	-	-	-	-	591	591
Equity	-	-	-	-	-	-	-	1,884,837	1,884,837
Rights	-	-	-	-	-	-	-	379	379
Warrants	-	-	-	-	-	-	-	2	2
Emerging Markets Equity Pool	-	-	-	-	-	-	-	779,394	779,394
Private Equity Pool:									
Limited Partnerships	-	-	-	-	-	-	-	1,290,381	1,290,381
Absolute Return Pool:									
Limited Partnerships	-	-	-	-	-	-	-	670,592	670,592
Real Estate Pool:									
Commingled Funds	-	-	-	-	-	-	-	226,547	226,547
Limited Partnerships	-	-	-	-	-	-	-	243,430	243,430
Real Estate	-	-	-	-	-	-	-	655,573	655,573
Real Estate Investment Trust Pool:									
Equity	-	-	-	-	-	-	-	52,008	52,008
Energy Pool:									
Limited Partnerships	-	-	-	-	-	-	-	84,379	84,379
Farmland Pool:									
Agricultural Holdings	-	-	-	-	-	-	-	477,393	477,393
Farmland Water Pool:									
Agricultural Holdings	-	-	-	-	-	-	-	22,629	22,629
Timber Pool:									
Timber Holdings	-	-	-	-	-	-	-	165,952	165,952
Participant Directed:									
Collective Investment Funds	-	-	-	-	-	-	-	110,536	110,536
Pooled Investment Funds	-	-	-	-	-	-	-	30,278	30,278
Net Other Assets (Liabilities)	(574)	(100,650)	(6,268)	5,718	2,468	279	600	1,493	(96,934)
Other Pool Ownership	(204,545)	135,393	26,231	-	-	-	697	42,224	-
Total Invested Assets	\$ 140,378	\$ 1,315,504	\$ 662,809	\$ 328,416	\$ 199,965	\$ 52,836	\$ 79,922	\$ 10,759,405	\$ 13,539,235

State of Alaska Retirement and Benefits Plans

Invested Assets

Notes to Schedules

June 30, 2010

(3) 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, 2010, the expected average life of individual fixed rate securities ranged from one day to twenty-nine years and the expected average life of floating rate securities ranged from one day to nine and three-quarters 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, 2010, 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 Intermediate U.S. Treasury Fixed Income portfolio to $\pm 20\%$ of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2010, was 4.01 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, 2010, was 4.40 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, 2010, was 6.76 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 $\pm 20\%$ 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, 2010 was 8.99 years.

The Board does not have a policy to limit interest rate risk for the Convertible Bond portfolio.

State of Alaska Retirement and Benefits Plans
Invested Assets
Notes to Schedules
June 30, 2010

(3) **DEPOSIT AND INVESTMENT RISK (Cont.)**

Interest Rate Risk (Cont.)

At June 30, 2010, the effective duration of the Board's fixed income pools, by investment type, was as follows:

	Effective Duration (in years)				
	Retirement	U.S. Treasury	High Yield	International	TIPS
Corporate Bonds	6.19	4.13	4.24	-	-
Convertible Bonds	-	-	3.32	-	-
Foreign Corporate Bonds	-	-	-	6.80	-
Foreign Governments Bonds	-	-	-	6.01	-
Municiple Bonds	-	-	-	-	-
Mortgage-Backed	2.73	-	-	-	-
Mortgage-Backed TBA	2.97	-	-	-	-
Other Asset-Backed	3.57	-	2.92	-	-
U.S. Government Agency	6.73	-	-	-	-
U.S. Treasury Bonds	10.77	7.98	-	-	7.05
U.S. Treasury Notes	4.40	3.53	-	-	2.78
U.S. Treasury Notes When-Issued	3.52	4.83	-	-	-
Warrants	-	-	3.95	-	-
Yankees:					
Government	6.95	-	-	-	-
Portfolio Effective Duration	4.25	4.83	4.08	6.26	4.21

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 U.S. Aggregate Bond Index. At June 30, 2010, the duration of the government corporate debt, and mortgage-backed securities was 4.18 years and the duration of the Barclays Capital Aggregate Bond Index was 4.30 years.

The Board does not have a policy with respect to money market or other pooled investment funds to limit interest rate risk. The weighted average maturity of the money market portfolio was 0.15 years at June 30, 2010.

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June 30, 2010

(3) 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, 2010 the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 0.05 years, SSgA World Government Bond Ex-US Index: 6.95 years, SSgA Long US Treasury Bond Index: 13.75 years, SSgA TIPS Index: 8.06 years, Barclays Gov/Corp Bond Fund: 5.18 years, and the Barclays Intermediate Bond Fund: 3.62 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 rated by only 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.

Intermediate U.S. Treasury Fixed Income:

No more than 5% of the portfolio's assets may be invested in securities that are not full faith and credit obligations of the U.S. Government at the time of purchase.

No more than 10% of the portfolio's assets may be invested in securities that are not nominal, coupon-paying United States Treasury obligations at the time of purchase.

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.

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.

State of Alaska Retirement and Benefits Plans

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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.

Convertible Bond:

Non-rated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard and Poor's, Moody's or Fitch. Non-rated securities are limited to 35% of the total market value of the portfolio.

The weighted-average rating of the portfolio shall not fall below the Standard and Poor's equivalent of B.

Investments are limited to instruments with a credit rating above CCC- by Standard and Poor's and Caa3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard and Poor's and Caa3 by Moody's if such an investment is considered appropriate given the Board's investment objective.

In the case of a split rating by two or more of the rating agencies, the lower rating shall apply.

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.

State of Alaska Retirement and Benefits Plans

Invested Assets

Notes to Schedules

June 30, 2010

(3) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk (Cont.)

At June 30, 2010, the Board's 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):

Fixed Income Pools									
Investment Type	Rating	Short-term	Retirement	U.S. Treasury	High Yield	International	Convertible	TIPS	
		%	%	%	%	%	%	%	%
Bridge Loans	Not Rated	-	-	-	0.16	-	-	-	-
Commercial Paper	A-1	1.17	-	-	-	-	-	-	-
Commercial Paper	Not Rated	4.03	-	-	-	-	-	-	-
Convertible Bonds	AAA	-	-	-	-	-	152	-	-
Convertible Bonds	AA	-	-	-	-	-	2.22	-	-
Convertible Bonds	A	-	-	-	-	-	8.61	-	-
Convertible Bonds	BBB	-	-	-	-	-	14.31	-	-
Convertible Bonds	BB	-	-	-	-	-	19.80	-	-
Convertible Bonds	B	-	-	-	0.33	-	18.13	-	-
Convertible Bonds	CCC	-	-	-	-	-	4.51	-	-
Convertible Bonds	Not Rated	-	-	-	0.20	-	22.29	-	-
Corporate Bonds	AAA	41.70	0.10	0.77	-	-	-	-	-
Corporate Bonds	AA	1.88	2.64	-	-	-	-	-	-
Corporate Bonds	A	3.74	9.77	-	-	-	-	-	-
Corporate Bonds	BBB	-	6.85	0.75	3.67	-	-	-	-
Corporate Bonds	BB	-	-	-	33.72	-	-	-	-
Corporate Bonds	B	-	-	-	42.61	-	-	-	-
Corporate Bonds	CCC	-	-	-	9.69	-	-	-	-
Corporate Bonds	D	-	-	-	0.12	-	-	-	-
Corporate Bonds	Not Rated	1.35	0.39	-	4.04	-	-	-	-
Foreign Corporate Bonds	AAA	-	-	-	-	26.91	-	-	-
Foreign Corporate Bonds	AA	-	-	-	-	2.89	-	-	-
Foreign Corporate Bonds	A	-	-	-	-	4.91	-	-	-
Foreign Corporate Bonds	BBB	-	-	-	-	1.16	-	-	-
Foreign Government Bonds	AAA	-	-	-	-	13.30	-	-	-
Foreign Government Bonds	AA	-	-	-	-	18.67	-	-	-
Foreign Government Bonds	A	-	-	-	-	16.02	-	-	-
Foreign Government Bonds	NA	-	-	-	-	14.34	-	-	-
Mortgage-backed	AAA	0.79	27.48	-	-	-	-	-	-
Mortgage-backed	AA	-	0.64	-	-	-	-	-	-
Mortgage-backed	A	-	0.18	-	-	-	-	-	-
Mortgage-backed	Not Rated	0.03	0.58	-	-	-	-	-	-
Mortgage-backed TBA	Not Rated	-	9.47	-	-	-	-	-	-
Other Asset-backed	AAA	21.16	0.09	-	-	-	-	-	-
Other Asset-backed	AA	-	0.09	-	-	-	-	-	-
Other Asset-backed	BBB	-	0.11	-	-	-	-	-	-
Other Asset-backed	BB	-	-	-	0.16	-	-	-	-
Other Asset-backed	Not Rated	1.68	-	-	-	-	-	-	-
Overnight Sweep Account (Imcs)	Not Rated	-	-	-	3.42	-	123	-	-
Short Term Investment Fund	Not Rated	-	-	-	-	0.46	-	-	-
U.S. Government Agency	AAA	1.07	0.54	-	-	-	-	-	-
U.S. Government Agency	Not Rated	5.84	-	-	-	-	-	-	-
U.S. Treasury Bills	AAA	12.65	-	-	-	-	-	-	-
U.S. Treasury Bills When-Issued	AAA	1.95	-	-	-	-	-	-	-
U.S. Treasury Bonds	AAA	-	5.55	8.64	-	-	-	-	33.90
U.S. Treasury Notes	AAA	-	15.74	73.46	-	-	-	-	64.48
U.S. Treasury Notes When-Issued	AAA	-	17.03	13.37	-	-	-	-	-
Yankees:									
Government	BBB	-	0.11	-	-	-	-	-	-
Corporate	AAA	0.58	-	-	-	-	-	-	-
Corporate	AA	0.20	-	-	-	-	-	-	-
Corporate	Not Rated	0.58	-	-	-	-	-	-	-
No Credit Exposure		(0.40)	2.64	3.01	188	134	7.38	162	
		<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %

State of Alaska Retirement and Benefits Plans

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June 30, 2010

(3) 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, 2010, the Board's Invested Assets had the following uncollateralized and uninsured deposits:

	<u>Amount</u>
International Equity Pool	\$ 33,279,177
International Fixed Income Pool	209,434

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. 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 total investments in international fixed income, global equity ex-U.S and private equity to the following:

<u>Pension System</u>	<u>Fixed-Income</u>	<u>Global Equity Ex-U.S.</u>	<u>Private Equity Pool</u>
PERS	23%	26%	12%
TRS	23%	26%	12%
JRS	23%	26%	12%
MRS	-	20%	-

The Board has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. At June 30, 2010, the Board had exposure to foreign currency risk with the following deposits:

<u>Currency</u>	<u>Amount</u>	
	<u>International Fixed Income Pool</u>	<u>International Equity Pool</u>
Australian Dollar	\$ 182	\$ 67,233
Canadian Dollar	-	131,580
Danish Krone	-	14,367
Euro Currency	145,177	29,000,535
Hong Kong Dollar	-	185,905
Israeli Shekel	-	31,291
Japanese Yen	64,075	3,497,913
New Taiwan Dollar	-	2,003
New Zealand Dollar	-	2,912
Norwegian Krone	-	19,010
Pound Sterling	-	145,225
Singapore Dollar	-	70,899
South Korean Won	-	21
Swedish Krona	-	40,986
Swiss Franc	-	69,297
	<u>\$ 209,434</u>	<u>\$ 33,279,177</u>

State of Alaska Retirement and Benefits Plans

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June 30, 2010

(3) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk (Cont.)

At June 30, 2010, the Board 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	\$ 28,666,109	\$ -	\$ 41,569,669	\$ -
Brazilian Real	-	-	3,148,164	-
Canadian Dollar	-	-	58,165,424	-
Danish Krone	-	-	17,072,515	-
Euro Currency	39,258,175	12,152,535	586,384,580	127,061,382
Hong Kong Dollar	-	-	44,505,712	-
Indonesian Rupiah	-	-	2,789,305	-
Israeli Shekel	-	-	682,236	-
Japanese Yen	22,727,912	59,587,765	448,097,607	-
Malaysian Ringgit	-	-	2,627,027	-
New Taiwan Dollar	-	-	7,418,733	-
New Zealand Dollar	-	-	1,745,716	-
Norwegian Krone	-	-	9,721,900	-
Polish Zloty	7,383,515	-	-	-
Pound Sterling	26,585,992	-	336,713,159	19,212,937
Singapore Dollar	-	-	10,347,823	-
South African Rand	-	-	1,049,568	-
South Korean Won	-	-	32,072,594	-
Swedish Krona	-	-	33,777,447	-
Swiss Franc	-	-	131,671,989	-
Turkish Lira	-	-	5,889,093	-
	<u>\$ 124,621,703</u>	<u>\$ 71,740,300</u>	<u>\$ 1,775,450,261</u>	<u>\$ 146,274,319</u>

At June 30, 2010, the Board 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, Intermediate U.S. Treasury Fixed Income, High Yield, International Fixed Income and Convertible Bond 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, 2010, the Board's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

State of Alaska Retirement and Benefits Plans

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June 30, 2010

(4) FOREIGN EXCHANGE, DERIVATIVE, AND COUNTERPARTY CREDIT RISK

The Board is exposed to credit risk on investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies.

On June 30, 2010 the Board had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Rights	Investment Revenue	607,622	Common Stock	378,911	1,192,606
Warrants	Investment Revenue	(114,698)	Common Stock	27,446	10,237
Index Futures Long	Investment Revenue	4,579,526	Futures	(1,435,919)	27,000
FX Forwards	Investment Revenue	3,167,248	Long Term Instruments	607,457	-
TBA Transactions Long	Investment Revenue	13,234,959	Long Term Instruments	1,490,981	118,460,000
Grand Totals		\$21,474,657		\$1,068,878	

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. 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.

At June 30, 2010 the Board had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Credit Suisse London Branch (GFX)	13.24%	A+	AA-	Aa1
Mellon Bank	86.76%	AA-	AA-	Aa2

Maximum amount of loss Alaska ARMB would face in case of default of all counterparties i.e. aggregated (positive) fair value of OTC positions as of June 30, 2010

Effect of collateral reducing maximum exposure

Liabilities subject to netting arrangements reducing exposure

Resulting net exposure

1,264,210

-

-

\$ 1,264,210

(5) 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, 2010, the Board's unfunded commitment totaled \$36,500,000. 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, 2010 the Board's unfunded commitment totaled \$811,499,108. These commitments are estimated to be paid through 2020.

State of Alaska Retirement and Benefits Plans

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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, 2010, the Board's unfunded commitment totaled \$42,205,727 to be paid through the year 2017.

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, 2010, the Board's unfunded commitment totaled \$179,303,517 to be paid through the year 2019.