Alaska Retirement Management Board

Agenda
April 22-23, 2010

Thursday, April 22, 2010			
I.	9:00 am	Call to Order	
II.		Roll Call	
III.		Public Meeting Notice	
IV.		Approval of Agenda	
V.		Public/Member Participation, Communications, and Appearances (Three Minute Limit)	Communications
VI.		Approval of Minutes: February 25-26, 2010	Minutes Feb2010 (draft)
VII.	9:15	Reports 1. Chair Report 2. Committee Reports 3. Director's Report A. Legislative Update B. HRAP Account Update *Annette Kreitzer, Commissioner, Dept of Administration* *Patrick Shier, Director, Div of Retirement & Benefits* *Teresa Kesey, Chief Financial Officer, DRB* 4. Treasury Division Report *Jerry Burnett, Deputy Commissioner, Dept of Revenue* 5. CIO Report, *Gary Bader, Chief Investment Officer*	DRB Report - FY 2011 HRA amounts Action-Custodial Contract Amendment CIO Report
	10:00-10:20	6. Fund Financial Report *Pamela Leary, State Comptroller, DOR, Treasury* *Teresa Kesey, Chief Financial Officer, DRB*	Fund Financials
	10:20	BREAK - 10 Minutes	
	10:30-10:50	7. Private Equity Tactical Plan *Zachary Hanna, State Investment Officer*	Private Equity Plan2010 - Staff Presentation
	10:55:11:25	8. Abbott Capital Management *Thad Gray and Tim Maloney*	Abbott-Presentation
	11:30-12:00	9. Pathway Capital Management *James Chambliss and Canyon Lew*	Pathway-Presentation
	12:00-1:15	LUNCH - 12:00 - 1:15 pm	
	1:15-1:45	10. Actuarial Valuation Review - FY09 Certification of Draft FY09 Actuarial Valuation PERS/TRS NGNMRS/JRS Roll Forward Analysis *Leslie Thompson, Gabriel Roeder Smith*	GRS-Audit2010DraftReportPERSTRS GRS-JRSNGNMRSAudit2010Draft
	1:45-2:15	11. Adopt Asset Allocation Resolution 2010-05: DB PERS/TRS/JRS PERS/TRS/JRS Retiree HealthTrusts Retiree Major Medical HRAP/ODD Resolution 2010-06: DB NGNMRS Resolution 2010-07: DC PERS/TRS Holding Account *Gary Bader, Chief Investment Officer* *Michael O'Leary, Callan Associates, Inc.*	Action-Asset Allocation

	2:15-3:15	12. Performance Measurement - 4th Quarter *Michael O'Leary, Callan Associates, Inc.*	Performance Measurement ExecsumPrelim123109. Deferred Comp 123109. Defined Contrib 123109.
	3:15	BREAK - 15 Minutes	
	3:30-4:00	13. Lord Abbett *Kristin Harper and Stacie Ikpe*	Lord Abbett-Presentation
	4:05-4:30	14. Rogge Global Partners *Ken Monaghan*	Rogge Presentation
		End of Meeting Day - Recess	
		Friday, April 23, 2010	
	9:00 am	Call to Order	
	9:00-9:15	15. Investment Action A. Resolution 2010-08 Delegation B. Contract Award *Gary Bader, Chief Investment Officer*	Investment Actions
	9:15-9:45	16. MacKay Shields *Jennifer Beatty and Greg Spencer*	MacKayShields Presentation
	9:45	*BREAK - 15Minutes*	
	10:00-11:30	17. T Rowe Price *Ned Notzon, Chris Dyer, Charles Shriver, Tony Luna and Bob Birch*	T Rowe Price Presentation
	11:30-11:45	Action: 2010 Target Fund Transition *Gary Bader, Chief Investment Officer*	Action - Target 2010 Fund
	11:45-1:00	LUNCH	
	1:00-2:30	18. FY09 Draft Actuarial Valuation Report: PERS/TRS NGNMRS/JRS Roll Forward Analysis *David Slishinsky, Michelle DeLange and Christopher Hulla*	Buck Presentation rpt063009-PERS DRAFT. rpt063009-TRS DRAFT ltr121191dhs.
	2:40-3:10	19. Update: national Health System Reform Legislation *Commissioner Annette Kreitzer and Director Pat Shier* *Department of Administration*	
		BREAK - 10 Minutes	
VIII.	3:25	Unfinished Business 1. Disclosure Report, *Judy Hall, Liaison Officer* 2. Meeting Schedule, *Judy Hall, Liaison Officer* 3. Legal Report, *Rob Johnson, Legal Counsel*	Disclosures041210 2010 Meeting Schedule
IX. X. XI. XII. XIII. XIV. XV.		New Business Other Matters to Properly Come Before the Board Public/Member Comments Investment Advisory Council Comments Trustee Comments Future Agenda Items Adjournment	

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

Alaska Retirement Management Board
P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-3749

March 16, 2010

RE: In response to your email dated February 26, 2010

Dear Ms. Verrelli,

Stable value investments (including the Stable Value and Interest Income funds) are designed to provide plan participants with stability of principal *and* earned interest, daily liquidity, and long-term returns similar to short and intermediate-term bonds without the volatility associated with those bonds.

The Alaska stable value investments are comprised of two components: First, the stable value strategies invest in wrap contracts that cover investment grade fixed income securities. The wrap contracts are issued by banks, insurance companies, or other financial institutions (currently Bank of America, Pacific Life, State Street Bank, Rabobank Nederland, and CDC Financial). The issuers of the wrap contracts provide for withdrawals from the contract at book value (i.e. principal plus accrued interest), regardless of the value of the underlying fixed income securities, in order to fund routine participant withdrawals from the stable value investment options. These Synthetic investment contracts (SICs) are less risky than the older Guaranteed Investment Contracts since Alaska holds title to the underlying bond assets.

The second component of the stable value investment is an investment grade fixed income portfolio managed to the Barclays Capital U.S. Intermediate Aggregate Index. Although many fixed income investments are considered relatively safe, no investment is without risk. To control risk in the underlying bond portfolios, the asset manager, T. Rowe Price Associates, Inc. ("T. Rowe"), employs strict risk controls and manages an investment grade bond portfolio diversified across fixed income sectors, credit quality, issuers, and other measures. Since T. Rowe is independent, there is no direct link between the assets in the bond portfolio and the wrap contract issuers. In addition, ARMB staff monitors the performance and characteristics of the bond portfolio, since this portfolio sets the worst-case-risk for the stable value investment options.

Currently, there is no subprime or derivative exposure in the bond portfolios underlying the SICs. As of December 31, 2009, the top ten underlying bond holdings for the Stable Value fund (the Interest Income fund is similar) were as follows:

Stable Value Fund - Top 10 Holdings (as of 12/31/09)

Security	Description	Percent of Portfolio
United States Treasury Notes	4% 15 Aug 2018	2.73%
United States Treasury Notes	4.25% 15 Nov 2014	2.68%
United States Treasury Notes	2.875% 30 Apr 2013	2.37%
United States Treasury Notes	3.125% 31 May 2013	2.21%
Federal Home Loan Mortgage Corporation - Mortgage Pass-Through	5% 01 Dec 2035	1.76%
Federal National Mortgage Association - Mortgage Pass-Through	5% 01 May 2035	1.75%
United States Treasury Notes	4.75% 15 Aug 2017	1.56%
United States Treasury Notes	2.75% 15 Feb 2019	1.48%
Federal National Mortgage Association - Mortgage Pass-Through	5.5% 01 Jun 2037	1.41%
Federal National Mortgage Association - Mortgage Pass-Through	5.5% 01 Apr 2036	1.39%

The Alaska Retirement Management Board is committed to providing an appropriate and low-cost suite of investment options across the risk-return spectrum. The Board regularly reviews the defined contribution plans. One of the newer investment options, a U.S. Treasury-only money market fund, would be considered lower on the risk/return spectrum than the stable value options. The Treasury Money Market Fund seeks 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. The Fund invests exclusively in direct obligations of the U.S. Treasury. For further information on this and other investment options as well as trading restrictions specific to the U.S Treasury money market and stable value options please refer to information available on the Division of Retirement and Benefits portion of the State's website at: http://doa.alaska.gov/drb/

Your email will be included in the board packet for trustee consideration. In the meantime, if you have further comments or questions, or if you have any specific ideas for the improvement of the systems, I would be happy to discuss, or forward them for trustee consideration, as well.

If you have any questions, please contact our office at (907) 465-4399.

Sincerely,

Ryan C. Bigelow
State Investment Officer

Cc: Gary Bader, Chief Investment Officer
Judy A. Hall, ARMB Liaison

Hall, Judith A (DOR)

To: Nancy Bell
Cc: Bigelow, Ryan C (DOR)
Subject: RE: New fund request

Hello David: Thanks for following up by e-mail regarding your interest in adding the ETF GLD to the list of options available for participants in the defined contribution plans. Your request will be included in the communication section of the next packet prepared for the trustees, and I have also shared your e-mail with the investment staff. Regards, Judy

Judy Hall, Liaison Officer
Alaska Retirement Management Board
PO Box 110405
Juneau, AK 99811
judy.hall2@alaska.gov
907 465-3749

From: Nancy Bell [redacted]
Sent: Monday, March 01, 2010 6:35 PM
To: Hall, Judith A (DOR)
Subject: New fund request

Nancy & Dave Bell
Gakona AK
[redacted]
Hi Judy, I spoke to you on the phone today concerning the wish for another fund option.
I am very interested in the ETF GLD. This is the exchange traded fund that invests in gold.
Please pass this on to the investment board.

Thanks, David B. Bell

David B. Bell
[redacted]
Gakona, AK 99586 [redacted]

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
MEETING

Location of Meeting
Egan Room, Centennial Hall
51 Egan Drive, Juneau, Alaska

MINUTES OF
February 25-26, 2010

Thursday, February 25

CALL TO ORDER

CHAIR GAIL SCHUBERT participated by teleconference so the vice chair assumed the chair duties for the entire meeting at the Juneau location. VICE CHAIR SAM TRIVETTE called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:00 a.m.

ROLL CALL

Eight ARMB trustees were present at roll call to form a quorum.

ARMB Board Members Present
Gail Schubert, *Chair* (by teleconference both days)
Sam Trivette, *Vice Chair*
Gayle Harbo, *Secretary*
Kristin Erchinger
Commissioner Annette Kreitzer
Martin Pihl
Tom Richards
Mike Williams

ARMB Board Members Absent
Commissioner Patrick Galvin (attended executive session during noon hour of February 25)

Investment Advisory Council Members Present
Dr. William Jennings
George Wilson

Consultants Present
Robert Johnson, outside legal counsel
Mike Barnhill, Assistant Attorney General
Michael O'Leary, Callan Associates, Inc.

Department of Revenue Staff Present
Jerry Burnett, Deputy Commissioner
Gary M. Bader, Chief Investment Officer
Pamela Leary, State Comptroller
Bob Mitchell, Senior State Investment Officer
Zachary Hanna, State Investment Officer
Steve Sikes, State Investment Officer
Scott Jones, Assistant State Comptroller
Steve Verschoor, State Investment Officer
Victor Djajalie, State Investment Officer
Beth Larson, Compliance Officer
Ryan Bigelow, State Investment Officer
Casey Colton, State Investment Officer
Jie Shao, Special Assistant in Commissioner's Office
Andy Wink, State Investment Officer
Nicholas Orr, State Investment Officer
Shane Carson, Assistant State Investment Officer
Judy Hall, Liaison Officer

Department of Administration Staff Present
Rachael Petro, Deputy Commissioner
Patrick Shier, Director, Division of Retirement and Benefits
Theresa Kesey, Chief Financial Officer

Invited Participants and Others Present
David Slishinsky, Buck Consultants, Inc. (by teleconference)
Doug Bratton and Caroline Cooley, Crestline Investors, Inc.
Dan Sullivan, Mariner Investment Group
David Batchelder and Frank Hurst, Relational Investors
Paula Pretlow and Victor Kohn, Capital Guardian
Pat Forgey, Juneau Empire
Cindy Spanyers, APEA/AFT
Chris Pace, ASEA/AFSCME
Jack Kreinheder, SOA Office of Budget and Management
John Alcantra, NEA-Alaska
Melody McDonald, RCM (by teleconference)

PUBLIC MEETING NOTICE

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

APPROVAL OF AGENDA

MR. BADER requested an executive session for legal communications at 11:40 a.m. on February 25, after which *#10. Investment Actions* would follow, if there was time before lunch. MS. HALL indicated that lunch would be catered because staff assumed that the amended agenda would keep trustees working through the lunch hour.

<u>MS. HARBO moved to approve the agenda as amended</u>. <u>MS. ERCHINGER seconded</u>. The amended agenda was approved without objection.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

There was no one listening by telephone or attending the meeting in person who wished to speak.

APPROVAL OF MINUTES - December 3-4, 2009

<u>MS. HARBO moved to approve the minutes of the December 3-4, 2009 meeting</u>. <u>MR. PIHL seconded</u>. Without objection, the minutes were approved as written.

REPORTS

1. Chair Report

CHAIR SCHUBERT had nothing to report.

2. Committee Reports

2(a). Audit Committee

Committee Chair MARTIN PIHL stated that the Audit Committee receives monthly reports from the compliance office in the Department of Revenue. The compliance reports are thorough, and there have been no significant findings. He complimented the compliance group on the program they have developed.

MR. PIHL reported that the committee met this morning with the compliance teams of both the Division of Retirement and Benefits (DRB) and the Treasury Division. The Treasury Division's report included a recap of activities for 2009 — all very well done, and their goals for 2010. DRB reported on the employer audit program, where the division has made much progress. The division is currently interviewing to fill a vacant auditor position, and implementing processes to get a target number of audits completed each year.

MR. PIHL requested approval of an amendment to the Charter of the Audit Committee, which the committee was recommending to the Board, per the handout that staff distributed at the meeting. He explained that the Audit Committee is not in the organization chart for the Department of Revenue, but the charter modification would clarify that, in the event of any significant findings by the Treasury Division compliance office, there would be a direct avenue of reporting to the Audit Committee representing the Alaska Retirement Management Board.

<u>As committee chair, MR. PIHL moved that the Alaska Retirement Management Board approve the addition of paragraph B on page 2 of the Charter of the Audit Committee as he described above</u>.
The motion was approved without objection.

3. Division of Retirement & Benefits Report

a. Membership Statistics / Buck Invoices
The quarterly and cumulative reports of activity in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) since introduction of PERS Tier IV and TRS Tier III were included in the meeting packet for the trustees' information.

b. Legislative Update
COMMISSIONER KREITZER addressed the State's actions regarding the loss of information given to PricewaterhouseCoopers (PwC) as part of the discovery for some review on the State's behalf in a lawsuit against Mercer. The information contained the names, social security numbers and dates of birth of current and former PERS and TRS members. The Alaska statute only requires notification to people that a breach of keeping this information secure has happened. Some people have questioned why the attorney general entered into a settlement with PwC. The answer is because Governor Parnell, the attorney general, and she felt very strongly about protecting the members whose identity information had been breached. There is no opportunity for individuals to sue until identify theft or fraud occurs, and the State did not want to stand by and see that happen. The State moved to do something to insure that the active and former plan members were protected. The State's settlement with PwC is at least on par or better than what other agencies in similar situations have done.

COMMISSIONER KREITZER said the Division of Retirement and Benefits (DRB) took about 7,200 calls from concerned members in the days after the press conference announcing the settlement terms, and staff worked on Saturday as well to respond to member calls. A letter to members went out February 12. The

Department of Administration regretted that it took so long to send the letter, but it had to wait for Equifax, one of the three major credit centers, to set up a call center. As of yesterday, 10,000 people have signed up for some kind of protection that was offered in the settlement.

COMMISSIONER KREITZER mentioned that one question asked of the department was why the State provided social security numbers and dates of birth to the auditor for the analysis the State hired them to do. Since HB65, the Alaska Personal Information Protection Act, passed, the Department of Administration has been working to eliminate the social security number as the employee identifier on documents and to replace it with an employee ID number. However, when an auditor or actuary has requested information, the Department of Administration has not been as aggressive as it needed to be, and has been providing what they asked for, believing that was what was necessary. That is no longer the case, and the department is now challenging whether the entities making requests for information actually need social security numbers and dates of birth as part of that information. The department is finding out that most times the entities do not need that personally identifying information. The department will continue that type of effort with all its contractors, as well as reviewing all the ways in which it uses social security numbers to see if there are further steps it can take to block those from even being considered in an information request.

COMMISSIONER KREITZER reported that the Department of Administration renegotiated a contract with Great-West (the third party administrator for the retirement plans) that resulted in fees going from 14.2 basis points to nine basis points, effective October 1, 2010. The estimated savings in dollars is about $1.5 million. The department is also renegotiating with Buck Consultants, the state's actuary, to reduce administrative expenses that are duplicated to some extent in separately negotiated contracts.

COMMISSIONER KREITZER stated that as of March 1 participants in the Deferred Compensation Plan will be able to enroll and make other changes on line. She mentioned the Pugh Report that talked about pension plans, and some columns that commented on the Pugh Report. Some articles have focused on the earnings, but they have not focused on the fact that some states have enhanced benefits without setting aside the money to pay for them in the future, or at least paying on the installment plan. Lastly, letters have gone out to former employees letting them know that they have until June 30, 2010 to re-employ and reinstate service in their former tier, per a provision of SB141. That information is also available at the state's web site.

MS. HARBO remarked that the Pugh Report commended Alaska for being one of the few states that sets aside money for future health insurance benefits.

MR. RICHARDS said he was contacted by a recipient of the State's letter regarding the PricewaterhouseCoopers loss of confidential information. He gathered the worry was about fraud on other ends, and he was not sure the State could provide coverage for that. He asked if it was possible to extend identity coverage beyond the two years provided in the settlement if a member felt they needed it. COMMISSIONER KREITZER indicated that she was not prepared to comment on that publicly, to prevent people who might misuse the information from knowing what the State was thinking. But she was willing to answer questions from trustees privately later.

MR. RICHARDS asked how the State intended to measure whether any personal information lost by PwC has been breached. He guessed that out of 77,000 members, somebody over the next two years would experience a breach of their identity.

COMMISSIONER KREITZER remarked that she was aware of three or four instances where members called the Department of Administration or the consumer advocate at the Department of Law to report concern that their identify had been breached. A tracing back to where the fraud may have occurred in each of those cases has indicated that it was not the type of fraud that would have resulted from the breach of security that occurred at PwC. The Department of Administration believes that members will report any fraud, and it will act on those reports. So far there is no known breach of the information lost at PwC.

MIKE BARNHILL, assistant attorney general in the Department of Law, stated that Law at this point is simply gathering reports from anyone who believes they have been a victim of identify theft. Law will be evaluating that information, which will be part of any future discussion about whether to extend identity protection beyond two years.

VICE CHAIR TRIVETTE requested that trustees be sent a copy of the information relating to the renegotiated fees with Great-West. He said he wanted to share the good news with the plan members, some of whom had been unhappy when the fees went up last year.

c. Division Director's Report

Director of the Division of Retirement and Benefits, PAT SHIER, reported that they had two qualified candidates for the position of Internal Auditor III and would be making a final selection in the next week or so.

MR. SHIER related how the division had to quickly set up a call center to respond to calls about the PricewaterhouseCoopers lost data matter. He thanked the DRB staff for working early and late and on weekends, the Department of Revenue for being open to helping with the phone logs, and the Department of Law for coordinating with DRB staff to get the job done.

Referring to Buck Consultants' November billing, MS. HARBO asked what the geographic difference study for PERS was. MR. SHIER said he would check and get back to the Board on that. *[Commissioner Kreitzer provided the explanation around 1:30 p.m., just after Buck's earnings assumption presentation.]*

MS. HARBO noted that Buck's work on the economic assumptions used by different public pension systems quoted NASRA (Nat. Assoc. of State Retirement Administrators) data in their reports. She thought Buck's charges of $4,059 for PERS and $4,059 for TRS seemed excessive, given that the NASRA data is readily available online. COMMISSIONER KREITZER indicated that she would investigate the charges and report back to the Board. *[At Commissioner Kreitzer's request, David Slishinsky answered this question during Buck Consultants' presentation.]*

4. Treasury Division Report

Deputy Commissioner JERRY BURNETT reported that HB 241 was in front of the House State Affairs Committee twice a couple of weeks ago, and Commissioner Galvin and he testified on the bill. HB 241 would have all the state retirement funds and the Alaska Permanent Fund divest of any investments in Iran. It appears that close to a billion dollars of investments are potentially affected by the legislation. The department did not take a position on HB 241, and the bill did not move out of committee.

MR. BURNETT stated that the House subcommittee closed out the budget with no changes to the governor's budget request. The governor's request, as amended, includes one new investment officer position in the Treasury Division. Two investment officer positions have become vacant in the last several months, and the chief investment officer is in the process of interviewing candidates.

5. Chief Investment Officer Report

Chief Investment Officer GARY BADER mentioned there was a list of items included in the meeting packet on which he invited any questions from trustees. He drew attention to communication inviting the ARMB to become a signatory to the Carbon Disclosure Project 2010 and said he had not heard from any trustees interested in this and so had not responded.

VICE CHAIR TRIVETTE commented that he did not see any benefit to the ARMB for joining the Carbon Disclosure Project. MR. BADER said he was unable to identify any benefit.

MR. BADER also mentioned letters from three investment managers responding to a question he asked them about the impact to the ARMB accounts if others were to divest of investments in companies that conduct business in Iran. His inquiry to investment managers had nothing to do with HB 241 on which Mr. Burnett reported earlier.

6. Fund Financial Report

State Comptroller PAMELA LEARY reviewed the ARMB financial reports for the first six months of the fiscal year ended December 31, 2009. The total invested assets for all the retirement systems increases by 12.70% over the six months. The investment income was also in the 12% range for that period. She pointed out that the defined benefit plans had net withdrawals and the other plans had net contributions.

MS. LEARY also reviewed the investment income and changes in invested assets by retirement fund for the month of December. The total invested assets increased by 0.77% for the month. However, preliminary numbers for January 2010 indicate a decrease in total invested assets of roughly 2.0%.

MS. LEARY presented statistics about the individual retirement trust funds, using the PERS system as the proxy because all the retirement plans had a similar picture for the month of December. The actual asset allocation categories were within target ranges, with fixed income slightly below the target, private equity slightly above its target, and domestic equity slightly above target.

MS. LEARY reviewed the changes in invested assets in the non-participant directed plans for the month. She draw attention to the new percentage columns on the report that showed at the total asset allocation level how much each category represented of the total assets, how much each manager represented of the total assets, and whether there was an increase or decrease in December. The December reports for the Supplemental Annuity Plan, the Deferred Compensation Plan, and the various defined contribution retirement trusts were also included in the package of financial statements.

Chief Financial Officer in the Division of Retirement and Benefits, THERESA KESEY, presented the December 31, 2009 supplement to the Treasury Division financial report. This report included the net contributions or withdrawals in each trust account for the month of December and for the six months of the fiscal year.

7. Buy-Write Strategy Analysis

[A copy of the Callan slides is on file at the ARMB office.]

MICHAEL O'LEARY, Executive Vice President of Callan Associates, Inc., presented a follow-up to the buy-write discussion the Board had at its December meeting in Anchorage. At that meeting, the Board voted to proceed with a manager search for a covered call equity investment manager. The Board also requested more explanation about the reasons for investing in a buy-write strategy and about what to expect from the various approaches. MR. O'LEARY said he intended to focus the presentation on the naive strategy of simply using the S&P 500 Index and having a covered-call type of buy-write program. Callan updated the data in the study that demonstrates the hypothetical performance of such a program and confirmed that historically the study suggests this type of an approach has produced equity-like returns at significantly lower volatility. But the pattern of return depends tremendously on the overall direction of the general markets.

MR. O'LEARY said one of the biggest risks that any plan sponsor has is when they decide on a strategy that makes good long-term sense, but along the way they get so uncomfortable when it does not look like it is working that they question why they got into it. So it is very important for the ARMB to pre-experience those bad times as well as the good times, and for trustees to ask themselves what they would have done in the midst of one of those periods where the buy-write strategy does not seem to be working.

MR. O'LEARY displayed a graph of the cumulative return of the buy-write strategy compared to the S&P 500 Index since 1988. The notable difference was in the mid to late 1990s where the buy-write program lagged behind the stock market, but it caught up again and got ahead of the index during the dot-com bust. Finally, the buy-write strategy return did not decline as much as the index did during the most recent market down turn, but the slope of the recovery has been sharper for the pure S&P 500. For the 21-1/4 years ended September 30, 2009, the compound return for the CBOE Buy-Write Index was 9.5%, and for the S&P 500 Index it was 9.0%. As a frame of reference, the Barclays Aggregate Index compound return for that period was 7.4%. For the 21-1/4 years since 1988, the annualized standard deviation of returns for the Buy-Write Index was 11.2%, significantly less than that of the S&P 500 Index (16.1%). The Sharpe ratio, a risk-adjusted measure of return, was superior for the buy-write strategy when compared to the S&P 500.

MR. O'LEARY also presented graphs of rolling five-year annualized returns and five-year rolling standard deviations for the buy-write strategy and the S&P 500. Over any five-year period the buy-write program had less volatility than the S&P 500 Index. Graphs of calendar-year returns demonstrated that in every calendar year period where the S&P 500 was down the buy-write strategy did better. Not surprisingly, every year when the S&P 500 was up a lot the buy-write strategy tended to lag. A look at returns in periods of rising and declining markets showed the same pattern.

MR. O'LEARY stressed the importance of a graph of Buy-Write Index returns and S&P 500 Index returns in rising and declining market periods, with the addition of a core equity style group for comparison. From April 1, 2003 to September 30, 2007, the buy-write strategy ranked in the 97th percentile compared to core equity managers. The strategy returned 11.17% while the S&P 500 annualized return was 16.04%. He asked how trustees would have felt if the ARMB had had a buy-write portfolio during that period: would they have accepted that the strategy lags in strongly rising markets and that the portfolio still made a nice absolute return, or would they have felt the Board made a mistake and want to end the buy-write program? He also reviewed comparative returns over other short-term periods to illustrate the buy-write strategy's underperformance or outperformance relative to the S&P 500 Index. For example, the buy-write strategy returns trailed for the first four years in the 5-1/2 years leading up to December 31, 2008, and then ended up cumulatively outperforming the S&P slightly by losing less in the market meltdown in 2008.

MR. O'LEARY said that the use of options, futures, and other instruments to try to better engineer the performance characteristics of a portfolio has grown greatly. The ARMB has a lot of exposure to managers that actively use these strategies within the absolute return pool. Some funds employ the portable alpha approach, and Crestline's presentation later would go into more detail on that. His understanding was that the ARMB was considering a straightforward buy-write program to try and achieve equity-like returns over the long term with lower volatility.

Callan identified a reasonable number of potential candidates that employ a buy-write strategy to provide core equity exposure. The majority of the managers have actively managed underlying portfolios — not the S&P 500, but they are using the same sort of approach in trying to add a little value in security selection. Their ability to do that depends on their skill and the time period. Callan found very few organizations that have institutional composites. Many variations of the buy-write approach are used in the mutual fund world for individual investors. Based on very preliminary conversations that Callan had with the likely list of candidates, MR. O'LEARY said he sensed their willingness to manage the strategy on a separate account basis for an institutional pool, should the Board decide to proceed.

Responding to the chair, MR. BADER stated that the Board had approved proceeding with a search at the last meeting, and staff had no action item regarding the buy-write strategy at this meeting.

MR. PIHL complimented Mr. O'Leary for what his consulting expertise brings to this Board.

MS. HARBO referred to slide 3 that showed the buy-write strategy performing well historically when everything else was underperforming. She thanked Mr. O'Leary for showing graphs of other time periods in the equity market because the buy-write strategy performance could also look bad depending upon the period. She echoed Mr. Pihl's appreciation for the presentation.

COMMISSIONER KREITZER requested a follow-up comment from Dr. Jennings, after his remarks on the buy-write strategy at the December meeting.

DR. JENNINGS stated that overall he remained on the fence, that the devil is in the details of the particular proposals the Board will see from candidate firms. He said he reviewed some academic articles that looked into buy-write strategies, and basically they got the same results that Callan presented, with slight differences. He found a few more exciting things in the last couple of months, but they are specifics to the details of different strategies. For example, there is another index that does written calls just a little bit out of the money that seemed to add value.

DR. JENNINGS said he went through a thought exercise to try to persuade himself in favor of the buy-write strategy. The most persuasive thought exercise he could come up with was imagining if the ARMB equity portfolio was already in the buy-write strategy and if the Board would be as inclined to move toward traditional stocks. On occasion the ARMB would be gaining a lot of up side, but the slides from Callan showed half again as much risk on the buy-write side. So he wasn't sure, if the ARMB already owned buy-writes, if it would be that attracted to core equities. He found it telling on one of the five-year charts (1993-1998) that $1.00 turned into $2.30 for the Buy-Write Index versus $2.80 for the S&P 500 Index: that is a $15 million difference on a $100 million investment. That thinking was behind his comments at the December meeting, although he said at the time that buy-write was worth investigating further and seeing what the specific proposals are.

MR. WILSON inquired how fees and implementation impact the buy-write strategy. MR. O'LEARY said that would be a big issue if the Board were to proceed to the next step. Because there is not a large universe of institutional product, it is hard to tell. The information on similar mutual fund strategies showed that managers are combining active management of the underlying securities with the covered call writing. They looked to be within a range of typical expense ratios for mutual funds, which might allow one to expect comparable types of fees for separately managed institutional accounts. He added that he was interested in finding out the fees for a passive underlying portfolio with the add of the buy-write strategy; he presumed that it would be below typical active management fees but above pure passive fees.

Referring to the CBOE Buy-Write Index used in the Callan graphs, MR. WILSON asked if one could invest in buy-write passively. MR. O'LEARY said no, but the pattern of the return graphs would remain the same.

MR. RICHARDS asked if the Board would be looking for a new vendor to manage buy-write or would be considering a current manager. MR. O'LEARY indicated it could be either, but the only existing manager with that capability that was immediately evident in Callan's research was Eaton Vance.

MR. BADER drew attention to Callan's slide 5, which showed the long-term cumulative return for the buy-write strategy was 50 basis points higher than for the S&P 500 Index. If one assumed paying 50 basis points in management fees, the returns would be equivalent to the S&P 500 over the long term. The ARMB would still gain the advantage of less volatility and the advantage of better returns when everything else was declining, two attractive features of the buy-write strategy. If the goal was simply high returns, the ARMB could get great returns from investing in just emerging markets and private equity, but the

Board has to answer to its constituencies when there are large declines in the markets and in the retirement funds. Staff has been bringing solutions to the Board over the past year that will mitigate the harm that is done to the retirement funds in declining markets. While Callan used the Buy-Write Index as the fairest way to compare the buy-write strategy to the core domestic equity returns over time, staff was not eliminating the possibility of finding active approaches that were attractive.

8. Crestline Investors, Inc. - Absolute Return

DOUG BRATTON, Chief Investment Officer and founder of Crestline Investors, and CAROLINE COOLEY, the Senior Portfolio Manager, had been invited to make a presentation about the limited partnership mandate called the Blue Glacier Fund that they manage for the ARMB. *[A copy of the Crestline slides is on file at the ARMB office.]*

MR. BRATTON gave an update on the firm, touching on the nine senior investment professionals with long experience, their top-down active management, the rigorous risk management, the fact that 92% of their client base is institutional clients, and their stability in being in the hedge fund of fund business for 12 years (and longer in the hedge fund business). Crestline has been registered as an investment advisor with the SEC since 2002; they just had an audit by the SEC last year and received very positive marks. He showed a slide of the organizational chart and highlighted the number of new people added in 2009 in the client service and development group to meet the increased requirements of reporting to fund clients and to consultants. Accounting and technology have also been beefed up. In October 2009, Crestline acquired Northwater to establish Crestline Canada, Inc.

MR. BRATTON said Crestline has $5.2 billion of firm assets under management, and about $3.7 billion of the assets are directly related to hedge fund of funds. The firm received some mandates in recent days that will boost that to about $4.0 billion.

MR. O'LEARY made the observation that Crestline has a concentration of its hedge fund of fund assets in Alaska and asked for comment about the magnitude of that. MR. BRATTON replied that hedge fund of fund assets with Alaska clients are around the mid $900 million range out of the $4.0 billion total. That includes the Permanent Fund, the Alaska Retirement Management Board, and certain foundations and endowments. Crestline is trying to reduce that 25% concentration the right way by growing the firm over time.

MR. BRATTON spent a few minutes talking about Crestline's purchase of Northwater Capital Management Inc.'s hedge fund of fund and derivative businesses in October 2009. Six employees only out of 60 at Northwater came over to Crestline Canada — the president, the chief investment officer, and the head of the beta portfolio management group and his team. He said that Crestline has always been able to use their trading skills on overlay hedges in the underlying portfolio, but Northwater's relationships around the world will sharpen that focus and allow Crestline to help its clients better in the hedging process.

VICE CHAIR TRIVETTE asked if the acquisition had impacted Crestline's ability to provide services to the investment management staff in the Treasury Division. MR. BRATTON said it had not, that in advance of the acquisition Crestline had beefed up their ability to provide reporting and interactive services with clients.

MR. BRATTON mentioned that not only did Crestline add to their hedging capabilities, but they are helping some of their clients tactically adjust their asset allocation mixes using derivative markets instead of the cash markets, to hedge unwanted exposures at the fund of fund level and at the plan portfolio level, and to reduce some pension plan surplus volatility by using interest rate hedges. Today Crestline has about $1.6 billion in seven different beta exposure mandates, which are S&P 500 exposure as well as long-duration bond exposure. A significant portion of those are in portable alpha strategies. He said Mr. Bader had asked Crestline to describe an example of some of the portable alpha mandates for the Board's education.

MS. COOLEY went over an example of fund of hedge funds being used as a portable alpha on a return enhancement strategy for the S&P 500 Index. The beta is achieved through a derivative structure, and the cash is used to invest in an alpha-generating asset. The result is a return on the S&P 500 plus an enhancement on it. This strategy enables investors to separate the alpha and the beta decisions so the alpha source for the excess return the client is trying to get on the portfolio does not have to be tied to the beta itself or the policy asset mix. Active risk can easily be adjusted to be consistent with an investor's risk budget. Lastly, a portable alpha mandate can be customized so the client can choose what beta exposure they want and the source of alpha.

MR. O'LEARY remarked that portable alpha strategies make a lot of sense, but if the alpha-generating asset were down there would be collateral requirements to keep the derivative in place, and some people may not understand all the implications of this strategy. Some investors who used portable alpha strategies thought it worked just the way they expected and planned to stick with it, and some investors questioned why they got into it.

MS. COOLEY replied that people now know what can happen in a portable alpha strategy, while three years ago the idea that there was the chance for a margin call was all theoretical. Portable alpha is not a diversification strategy or risk-reducing strategy; it is a return-enhancement strategy, therefore, an investor has added risk to the beta portfolio. People can look at it and fully know the risk and that alpha can be negative, and the strategy may have a place in a portfolio anyway.

MR. O'LEARY stated that there are a number of different sources of alpha, some with more risk and some with less risk. MR. BRATTON added that some people are looking at the lower risk sources that may add 50 or 100 basis points of return with much lower volatility than the example that Ms. Cooley went through earlier.

MS. COOLEY next reviewed the performance of the Blue Glacier Fund, which in January 2010 had a market value of $228 million. Since inception in 2004, the fund is up 3.39%, while the HFRI Fund of Fund Conservative Index is up 2.14%. The fund's target of 3-month T-bills + 500 basis points had a return of 7.85% over that period. So the Blue Glacier Fund did not meet its target, but it handily beat the S&P 500 Index return of 1.10% for the period. The Blue Glacier Fund return stream has shown low exposure to the equity, fixed income, and commodity markets.

MS. COOLEY stated that transparency is important to the ARMB, and Crestline has moved over the past year to require all the funds that they invest in within the ARMB's fund to provide Crestline with one hundred percent transparency to the underlying positions in their portfolios. Crestline has always had enough transparency to understand the risks the managers were taking, but they have taken it up a notch to require the transparency to the underlying positions with every manager in the portfolio.

MS. COOLEY presented the current portfolio statistics for the Blue Glacier Fund, noting that it is very diversified among 16 hedge fund strategies and 44 different funds. Crestline is agnostic as to the hedge fund size and manager size, and they will choose the one that best suits the strategy they are looking for.

The best performing strategies in the portfolio in 2009 were structured products, multi-strategy, and equity long/short. Crestline was a bit early into the structured products strategy, and distressed asset-backed securities is a core piece of that. Multi-strategy managers had a good bounce-back after less-good performance in 2008. The equity long/short strategy has been consistently good for Crestline. There were two negative strategies last year, managed futures and volatility arbitrage, which tend to be more of hedging strategies and negatively correlated strategies to the rest of the portfolio. MS. COOLEY also showed the attribution analysis by strategy since the Blue Glacier Fund's inception in 2004. All but three of the strategies had positive performance, and the return sources have been quite varied over the time period.

MR. BRATTON talked about the current environment, one year out of the market crisis. He referred to Crestline's white paper in November 2008 that made predictions about how things would evolve, and he provided updated expectations, as follows:

- Closer to 25% of hedge funds were out of business by the end of 2009, so on the lower end of their 25% than 50% prediction.
- Credit did go away suddenly at the end of 2008. It has come back but is costly because the banks want return on their leverage.
- The hedge fund business model has had to change, and people are moving on to figure out a way to better match the liquidity in their portfolios, which is another positive out of

the crisis.

- Institutional pressure and reporting requirements resulted in things like one hundred percent transparency, which would never had had a chance before the crisis.
- Negotiating power shifted to the investor and is still there, but some of the top-performing funds have capacity limits again.
- Increased regulation and government oversight — now the government is going to require hedge funds to register with the SEC, and G-20 and other organizations are focused on systemic risk. That is a good thing because it increases the accountability of the underlying managers, and it increases the information that is available to investors.
- There has been a cataclysmic evolution of the industry that was forced by the market crisis, resulting in a more institutional group of hedge fund managers.

MR. BRATTON said they focus on what they used to call low volatility strategies before 2008 that over a long period of time have produced very consistent returns. He has been managing money for 22 years, and 2008 was the only time that Crestline had a negative year. That speaks to the dislocations that were visited upon the relative value arbitrage, absolute return, and event-driven strategies during the fourth quarter of 2008. Crestline expects these strategies to remain attractive for a longer time than they have in the past after a crisis. The positive market factors are: (1) the market relationships have come back but not all the way back to where they were; (2) hedge fund proprietary desk competition has been decreased because 25% of hedge funds went out of business, and banks that had big proprietary desks that were trading in the hedge fund world have pulled back their capital; and (3) the leverage in the system has been significantly reduced.

MR. BRATTON reviewed the strategy outlook for the ARMB's Blue Glacier Fund. He said this is a transitional macro environment, such that what happens in the U.S. economy and the world economy will somewhat determine market performance. Volatility is now down to historical bands. And there are a couple of dislocated asset classes, like commercial real estate. Credit spreads have come in, and the government financing programs have largely worked. The government jump-started the asset-backed markets, which are working fine now. The PPIP (Public-Private Investment Program) managers investing is putting a floor in for some of the other securities. Capital is returning to hedge funds: the first net inflows were in the fourth quarter of 2009. The yield curve is steep, which is good. The equity market is stretched, and correlation is high across asset classes. All those things create a choppy, unclear environment, which should be good for hedge funds. Other relative strategy factors are strong hedge funds reaching capacity limits, and the Wall Street proprietary desk is capital constrained.

Crestline has increased over time the equity market neutral strategies that are dependent upon the manager's skill level in picking stocks. Distressed corporate debt has been, and continues to be, good in the portfolio. Merger activity is increasing, so merger arbitrage will be positive for a while. Because of all the government interventions, government securities have created significant opportunities. Crestline has gotten out of municipals as the municipal and treasury bond relationship has come back in the house. It is a great time to do origination strategies, but managers have a lot of legacy problems in the portfolios, so Crestline has been reducing that strategy in the portfolio. Finally, they have increased investments and do not have the cash they did in the portfolio.

VICE CHAIR TRIVETTE asked if Mr. Bratton's list of what to expect for the future — such as more institutional hedge fund models, more investor negotiating power, and more regulation and government oversight — would increase Crestline's costs. MR. BRATTON replied that Crestline is already registered with the SEC and is already asking for significant increases in information requests and reporting requirements, so he did not expect the costs would change at the fund of fund level. However, he thought that registering with the SEC, having to have a compliance manual and operations manual, and the need for compliance staff would increase the costs for the underlying hedge funds. He expected a bifurcation of the hedge fund industry to those that become institutional and those that stay below the radar screen and concentrate on trying to make returns.

Responding to VICE CHAIR TRIVETTE, MS. COOLEY confirmed that Crestline is basically one hundred percent transparent now. Crestline put redemption requests in to two managers that would not provide transparency, one of which they were close to redeeming anyway for unrelated reasons. That leaves one manager that remains in other portfolios but not the ARMB's.

COMMISSIONER KREITZER stated that at the December meeting Board chair Gail Schubert had brought up the possibility of a second round of commercial loan failures. She asked about potential opportunities in distressed corporate debt.

MR. BRATTON said that Crestline has a portfolio that focuses specifically on distressed corporate debt, so they have insight into what is going on in that market. In 2008, good debt was getting thrown out with the bad debt, and Crestline was able to purchase really good securities at very depressed prices. Last year saw a major bounce-back, and Crestline's distressed debt portfolio was up about 50%. Now things are into process-driven, grind-it-out alpha opportunities where a company that files for Chapter 11 works through the situation and comes out the other end with value in the securities. That is a very good return-generating prospect that is expected to continue. What creates an opportunity set is the tremendous amount of debt that still has to be refinanced over the next three years — about $1.2 trillion of debt that was put in place over the leveraged buyout boom years of 2005-2007. The high yield market has been open and able to push out those maturities that have been coming due. But it is estimated that the run rate of the high yield market will need about $270 billion per year of refinancing to try to make a dent in that as they are coming due. And the high yield market actually closed two weeks ago (there has not been an issue in two weeks), and that could exacerbate the problem if it stays closed. The managers in distressed debt are looking at the supply set and saying that if this develops in the way they think it should, it should be a very good opportunity.

VICE CHAIR TRIVETTE referred to the performance summary for the ARMB's Blue Glacier Fund and noted the three indexes against which Crestline compared the fund returns - the conservative hedge fund of fund index, the target 3-month T-bill rate plus 500 basis points, and the S&P 500 Index. He asked if the Board should be talking about which index to best measure the Crestline absolute return portfolio against.

MR. BADER stated that at the end of 2003 and into 2004 the markets were doing well, and the Board wanted to convey to its absolute return managers at that time that it was looking for a conservative portfolio and wanted to get absolute returns during markets that were not soaring. In retrospect, the 3-month T-bill rate plus 500 basis points was, and remains, a pretty tall hill for managers to climb, but staff intends to keep the hill that tall.

Vice Chair Trivette called a scheduled break at 10:35 a.m., and the meeting came back to order at 10:45 a.m.

9. Mariner Investment Group - Absolute Return

DANIEL SULLIVAN, the partner from Mariner Investment Group who is responsible for the fund of fund business, made a presentation on the Arctic Bear Fund L.P. his firm manages for the Alaska retirement funds. *[A copy of Mariner's slides is on file at the ARMB office.]* He started with a company overview, saying they have $11 billion of affiliated and associated assets under management, with $2.1 billion of that being fund of hedge fund assets. They have had no turnover and no attrition in the people working in the fund of fund business, and two people were added in 2009, one of whom was very senior and joined the investment committee. They will be adding a third person in the risk function in the next couple weeks. Mariner has seven attorneys on staff, and three of them are former SEC enforcement attorneys, including the chief compliance officer.

MR. SULLIVAN said Mariner is unusual as a fund of funds because another branch of their business is direct hedge fund investing activity. The fund of funds that the ARMB's money is invested in is not invested in any Mariner hedge funds; those are separated and walled off. But as a result, Mariner has a larger infrastructure than many fund of funds would normally have; for example, they have 33 people in finance and back office. It helps the firm do operational due diligence. Being in the business has advantages because they see what is happening in the Mariner hedge funds and they see the risk in the marketplace in real time when investing clients' capital in other funds. There are 26 people dedicated to the fund of funds investment team, and the average experience in the group is 29 years. Sixteen Mariner partners and employees have a minimum of 15 years' experience working on Wall Street trading desks or at proprietary trading operations. That is important because a lot of the strategies that hedge funds use are actually strategies that were developed on Wall Street trading desks. It also gives them an edge in identifying talent in various hedge funds.

MR. SULLIVAN reviewed other key distinguishing characteristics of Mariner's fund of funds approach. One hundred percent of the hedge funds they invest with show them the actual underlying positions directly, so they can speak with managers specifically about what they are buying and selling and why. There are significant differences even within subcategories of hedge funds, and Mariner has the skill to know what they are looking at and to understand the risk in the portfolio. He came from the high yield business, and many of his partners came from the fixed income credit-related side of business, so that tends to be their focus and specialty. In this environment, that is valuable because there are a lot of opportunities in credit and distressed investment.

MR. SULLIVAN stated that 2008 was a difficult time in all the markets, and the Arctic Bear Fund lost money. However, the fund's performance was top quartile across the hedge fund industry. In part that was because at the end of 2007 Mariner took steps to remove strategies that were using leverage because they saw that leverage was going to be a problem. They also removed strategies from the fund that tended to have net long exposures to credit and net long exposures to equities. They felt it was important for managers to have flexibility to hedge their positions to take out some of the risk, and that helped Mariner to perform well in 2008. These moves also gave Mariner ample liquidity at a time when probably 30% of the fund of funds in the industry were not able to meet redemptions from their investors.

MR. SULLIVAN showed a graph of the Arctic Bear Fund performance against the S&P 500 Index and the HFRI Fund of Fund Conservative Index from November 2004 to November 2009. He pointed out that the volatility of the Arctic Bear Fund was lower than that of the conservative hedge fund index in most periods, while the fund's returns in all periods were higher that the conservative index. Further, the fund's volatility was much lower than the S&P 500 Index since its inception in November 2004, and the fund has had higher returns. So the Arctic Bear Fund has provided a bit of ballast in the ARMB's overall portfolio.

MR. SULLIVAN said the key to fund performance in 2009 was the directional strength in the markets (referred to as beta). There was a tremendous rebound in both the credit and equity markets. What drove returns was not the relative value between one stock or another, it was the fact that the rising tide caused all boats to rise. It was not a very discriminating market, because even some very low quality securities that should not have risen at all rose dramatically just because of the overall liquidity in the marketplace. Everything worked except for market neutral equity.

MR. SULLIVAN explained that the Arctic Bear Fund is diversified among 11 strategies and 33 underlying funds. He said the fund will provide more diversification in the next couple of years because some of the strategies like distressed debt, corporate bond arbitrage, and capital structure arbitrage exploit relative value, not directional moves in the equity or credit markets. Mariner believes that those strategies basically do not exist outside of hedge funds, and the ARMB's portfolio will pick up a benefit there that it will not have in the rest of the retirement fund portfolio.

MR. O'LEARY asked for comment on how radically the allocations to various strategies change. MR. SULLIVAN replied that their allocations to strategies, as well as to managers within the strategies, can change for different reasons. Mariner takes the view of what they think will happen over the next year and a half to two years and how they want to be positioned for that. They have made some significant changes in the last six months to take advantage of what they think is going to be a very ripe environment for event-driven investment. Despite the fact that markets have recovered, the economy is still struggling, and growth is going to be slow and uneven. Mariner believes the markets will not trend as strong and will be volatile. However, there will be a tremendous amount of restructuring activity — whether it is in bankruptcy or outside of bankruptcy — and refinancings. There will likely be increased merger activity, where good companies with very good balance sheets will acquire some weaker companies. Mariner probably has 50% or more of the overall portfolio, given all the strategies and what the underlying managers are doing, that is contemplating event-driven activity. This might cause a 25% turnover of the underlying funds in the Arctic Bear Fund over the course of a year to adjust.

MR. SULLIVAN reviewed the 2010 investment themes and strategy outlook, stressing that Mariner was not expecting a year of the same type of robust returns in all the rest of the markets. But the need to do refinancing of companies is still very dramatic. There will be a significant amount of bankruptcy and distressed debt, and that is an area where Mariner has great expertise. It is not just buying debt and being a net long holder; it is trading in the relative value and understanding that a company's capital structure has various types of debt and one part might be overvalued while another part is undervalued. The volatility that has already started has caused some real mispricings. The rest of the markets may not move, but the underlying hedge funds will find it a very rich environment. Credit spreads, which tightened very dramatically, may tighten a bit more but are probably fairly priced at this point. The return is not going to come from credit spreads or from the equity markets moving up; the return is going to come from relative value investing.

MR. SULLIVAN said Mariner's commingled flagship hedge fund of funds has been in business since 1994 and never had a down year until 2008. The ARMB has the Arctic Bear Fund in an absolute return category, yet despite less volatility and not declining as much as the S&P 500 Index, the fund return was not the target LIBOR + 400 basis points. In most normal times there are some strategies that hedge funds or funds of funds can rotate to, to take advantage of something that will work. But 2008 was a year where there was a correlation to 1; virtually every strategy went down, except for dedicated shorts. By comparison, even during the recessionary period of 2000 to 2002 hedge fund returns were able to provide some very good relative returns. Mariner believes the current environment is going to be one like 2000-2002, where the relative value is going to give hedge fund managers a lot of things to do. It will not just give better relative returns with lower risk, they also expect positive returns for the next several years.

MR. SULLIVAN described how the hedge fund industry had some unique problems in 2008. Some hedge funds were borrowing from Wall Street banks and using leverage. When the credit crisis happened, all that liquidity and financing got drawn back, so the hedge funds were forced to sell some of their positions. That caused a self-fulfilling prophesy of more selling causing prices to go lower, and as prices went lower the funds started to get redemptions. Some hedge funds were unable to meet their redemptions and so suspended redemptions to their end investors. On top of this, people were very concerned over the whole Madoff fraud problem.

MR. SULLIVAN showed a graph of the percentage of hedge funds that have lost money and that have to make it back before they can earn any incentive fees. At the end of 2009, 31.0% of the HFRI Fund Weighted Composite Index had not earned back the money lost, and a lot of those might still go out of business. All but one of the 33 hedge funds in the Arctic Bear Fund have earned the money back, which shows that they are some of the more successful funds that should prosper in this environment.

MR. O'LEARY asked how Mariner reacted to an organization that has a fund that is so far below its high water mark that they close that fund but then open another fund. He asked if Mariner would consider them as honorable people and potentially invest in that new fund.

MR. SULLIVAN said that situation is generally very troubling. There can be reasons beyond somebody's control, such as when the staff leaves because they think they are not going to earn any bonuses, and the manager has no choice but to close the fund down. But in many cases, the managers are closing funds in bad faith because they know they are not going to make any money and they want to reset the clock. Mariner has not invested with any manager like that. But there could be mitigating circumstances where a fund has new partners and new employees and there are reasons to have hope and invest in them. Separate from the fact that the behavior is troubling is that brand-new organizations have risk. He would prefer to see how a fund does after being shut down for 18 months and then re-opening because Mariner does not have to be the first investor to walk in the door. A fund has to have a culture that is cohesive and a new team that works well together — and that is not a given. So Mariner has not invested in those and there are reasons why it would be unlikely.

MR. BADER commented that just looking at the partners is sometimes not looking deeply enough, and that a lot of the dissatisfaction nationally seems to be the perception that people are chasing the hot buck.

MR. SULLIVAN said that was a great point. Mariner makes it a point to not just interview the elite people but to talk to the next generation separately, because it is important to see who is driving the organization. Sometimes it is the middle level of up and coming people who are going to be really important to any investment. People who have a talent for dissecting a company, for example, and are really passionate about what they do, those are good people to invest with. However, if a person is going to be personally opportunistic with their partners inside a firm, they are going to be opportunistic with respect to Mariner and its investors — and that is a problem. Mariner's investment process is unusual. The investment team does portfolio construction, manager selection, risk monitoring and assessment. A totally separate team of legal and compliance people does operational, infrastructure and routine due diligence. This second team has an absolute veto, which they exercised a few times in 2009, to say no to Mariner investing with a manager. Sometimes the investment team can see the reason not to invest, and sometimes it is the operational team that can see it. Whether it is the hedge fund industry or the long-only investing industry or any other business, there is no substitute for being in business with good, honorable people who are fair with their partners. Mariner will not invest with managers if it does not think they have those characteristics. There are some very successful hedge fund managers with which Mariner does not invest because they do not believe they have those characteristics. That may mean leaving some money on the table, but as the ARMB's fiduciary that is what Mariner is supposed to do. If the only way that Mariner could get good returns for ARMB was by cutting a corner and putting the ARMB in a relationship with a fund manager that the Board would not invest in directly itself if Mariner were not there, then Mariner would not be doing its job.

Returning to his comments about the hedge fund industry, MR. SULLIVAN stated that assets declined in 2008 and 2009, but those asset flows turned positive in the fourth quarter of 2009 and into 2010. Because of credit-related, distressed, event-driven activity, the sentiment is that the equity markets have come far and now maybe it is time for a pause. The outlook for hedge funds is some continued contraction in the industry, and some weaker players will go away, which is a good thing. That will leave an industry that is stronger. Some hedge fund managers that had been closed to new money for three to five years are willing to take some money now because there are some things to do. This is actually a better investing environment for Mariner because they have access to more good managers.

MR. SULLIVAN spoke briefly about protection against tail risk or the probability of another extreme market event. He also mentioned the anticipation that yields will be higher in two years and that inflation expectations have risen. He said Mariner does not expect the equity market to retest the lows, but there is still some potential for a spike in inflation or other problems like weakness in the currency, etc. The debt as a percentage of GDP is exceeding high, and the amount of excess liquidity that the Federal Reserve has put in the financial system is extraordinary and unprecedented. Fed Chairman Ben Bernanke has been testifying before Congress this week about the task of withdrawing that liquidity. On the one hand, there is not sufficient lending yet, so the Federal Reserve has to leave reserves with banks so they can extend credit to the economy. But if banks start extending too much credit, that would be a problem, and the Fed would have to withdraw the reserves from the system. Withdrawing such an unprecedented amount of liquidity from the system requires that the Fed get it just right. The implied volatility of out-of-the-money options in the options market in the last few months is much higher than at-the-money options. That implies that people are willing to pay higher premiums for the ability to buy or sell away from the current forecast. That represents a growing sentiment that there is a probability of a tail, that there is a need for some type of insurance. Mariner thinks that is because it is very hard to withdraw the excess liquidity exactly right — too fast will choke off the economy, and taking too long will run the risk of inflation. It is not just a U.S. issue; China is beginning to restrict its lending, and there are problems with Greece and Spain and the European Union, which makes it all the more complicated. So while Mariner's central expectation is for gradually recovering markets at a lower plane of growth, there is still the possibility of a tail event and having to decide how that factors in.

MR. BADER asked to take up item #15 on the agenda next, in order to make the best use of time before the executive session scheduled at 11:45 a.m.

10. U.S. Treasuries vs. Broad Domestic Bonds

MR. BADER informed the Board that staff had discussed this topic with the Investment Advisory Council members and Mr. O'Leary. He said 2008 was a challenging year for investment staff in terms of providing liquidity to the retirement systems. Mr. Bob Mitchell did some work on how the retirement fund might be able to provide more liquidity without giving up too much return.

Senior State Investment Officer BOB MITCHELL gave a presentation on U.S. treasuries as a compelling alternative to broad domestic bonds. *[A copy of the slide presentation is on file at the ARMB office.]* He said that historically the fixed income portfolio has been the source of liquidity to make monthly pension payments, and for rebalancing and other outflows. That activity was notably higher during 2008. Staff had started to do some work in this area prior to 2008, and in updating the numbers more recently they found that the conclusions including the data from 2008 were roughly similar to the conclusions they had reached previously.

MR. MITCHELL stated that in recent years the Board has increased the allocation to illiquid asset classes in an attempt to achieve a more efficient portfolio and greater return for a given level of risk. The portfolio has migrated from one that was more liquid to one that is less liquid. Within the fixed income asset class liquidity has also declined as the Board has allocated mandates to high yield and emerging market bonds. The staff of the internally managed domestic fixed income portfolio felt the impact of that, particularly during the Fall of 2008. U.S. Treasuries provide more liquid exposure to the fixed income market and tend to perform better during times of financial distress, unlike almost everything else in the portfolio. For that reason, staff believes the ARMB should consider changing the mandate for the domestic fixed income portion of the portfolio from a broad investment-grade mandate to a U.S. Treasury mandate.

MR. MITCHELL visually illustrated with two pie charts how the ARMB asset allocation has migrated to less liquid asset classes. The total target allocations for private equity, real assets, and absolute return have increased from 7% to 28% since 2000. That largely came at the expense of fixed income, which fell from 35% to 20% of the total portfolio, with the internally managed domestic fixed income portion dropping from 30% to 16%. The public equity allocation declined from 58% to 52%.

MR. MITCHELL pointed out that staff can only rebalance what is liquid, which is primarily the fixed income and equity portions of the portfolio. So as the proportion of fixed income to equities has declined, the fixed income portfolio has become more sensitive to the volatility inherent in the public equity markets. As an illustration, in FY2000 a 20% drop in the public equity market would require liquidating 19% of the in-house fixed income portfolio to rebalance to target. A similar fall in equities today would require a 31% liquidation of the in-house fixed income portfolio to get that portion of the asset allocation back to its target. Of note is that the public equity markets fell an extreme 40%-50% during 2008.

MR. MITCHELL displayed a graph showing the monthly tally of the non-investment related cash flows in the domestic fixed income portfolio in the 18 months from January 2008 to June 2009. Four months at the end 2008 saw extreme financial stress in the markets and drops in the equity market, and there were consistent large outflows from the fixed income portfolio. During 2008 the in-house fixed income portfolio fell by about 50% due to outflows, and 30% was removed during the 4-month period at the end of 2008.

Treasury investment staff also manage a mandate for the State that is very similar to the ARMB domestic fixed income portfolio. For perspective, MR. MITCHELL explained that the State's fixed income portfolio had much lower liquidity requirements: about 11% of that portfolio was withdrawn during the 4-month period in 2008. Assuming the portfolios are the same (they are similar), the cost of liquidity would be the difference in returns between the two portfolios. The difference between the ARMB internally managed fixed income portfolio and the State portfolio was 169 basis points during that period. That stemmed from staff being essentially forced to sell securities from the ARMB portfolio at distressed prices into a market that was illiquid to come up with the cash needed to rebalance in the equity market or to make pension payments. This is hopefully an extreme example of the impact that providing liquidity has on the returns of the fixed income portfolio. It is magnified by the fact that the fixed income asset allocation has declined over time. While there are advantages to diversifying the overall retirement portfolio into less liquid asset classes, the cost in the fixed income portfolio has become increasingly noticeable.

MR. MITCHELL reviewed the returns and standard deviations for three parts of the bond market for different time periods ending September 30, 2009. His observations were that investing in the broad market over time provided a higher return, as measured by the Barclays Aggregate Index. Investing in the Treasury Index over a 30-year period provided a broadly consistent return, but that could be misleading because the Treasury Index has greater sensitivity to interest rates and benefited from the general decline in interest rates in recent decades. Staff believes the Intermediate Treasury Index more closely represents the performance of the broad market because the durations, or interest rate sensitivities, of the Intermediate Treasury Index and the Aggregate Index are more similar. The Intermediate Treasury Index is comprised of U.S. Treasuries that have maturities of one to ten years, whereas the overall Treasury Index includes maturities up to 30 years.

MR. MITCHELL said the Intermediate Treasury Index has returns that are close to that of the overall Treasury Index with notably less volatility. Despite the fact that Treasuries tend to underperform the Aggregate Index over time, in a broad portfolio they tend to outperform the broader bond market when equities underperform. Those periods of time coincide with times when there will be a need to liquidate fixed income to rebalance the overall portfolio. So there is a significant diversification benefit to using Treasuries only instead of using the Aggregate Index.

MR. MITCHELL described how staff tested their hypothesis of Treasuries having a return disadvantage but providing a diversification advantage by looking at a broad equity/bond portfolio over 30 years. He cautioned that staff's modeling assumed getting index returns, which would be difficult to achieve in an aggregate mandate if future periods of market volatility required selling securities at distressed valuations.

MR. MITCHELL said staff was recommending that the Board authorize staff to transition the internally managed domestic fixed income portfolio from the current Barclays Capital Aggregate Index mandate to a new mandate based on the Barclays Capital U.S. Treasury Intermediate Index.

VICE CHAIR TRIVETTE thanked staff for their research to come up with a solution to a problem that has been bothering the Board for a couple of years.

COMMISSIONER KREITZER asked Mr. Shier to briefly describe the problem for which Treasury investment staff was proposing a solution.

MR. SHIER stated that the Division of Retirement and Benefits monitors what its workload will be every year, and they know that as of last year there were 5,781 employees eligible to retire between PERS and TRS. About 1,500 to 1,600 employees will be added to the number of retirement-eligible employees for the next 10 or 12 years, after which the number begins to drop off sharply. So the cash needs, as well as the Division's ability to process retirements, will continue to be a significant issue of which to be aware.

MS. ERCHINGER inquired how, if at all, the proposed switch in fixed income mandates would impact the Treasury Division's investment staffing needs. MR. MITCHELL replied that they could fully utilize the existing staff with the Intermediate Treasury Index mandate. An analysis of where the economy is headed goes directly into this. He added that the CIO would be asking the Board to consider an investment policy for a new mandate that would include the opportunity to invest a small portion of the assets in non-U.S. government-guaranteed securities. The skill set of the investment team would be applicable for that portion of the portfolio as well.

MR. PIHL noted that staff has indicated they did an analysis based on the Board's asset allocation over time and came up with the same conclusion, and he thought that was very important.

MR. BADER reminded trustees that Mr. O'Leary would be reviewing Callan's capital market assumptions later in the meeting, and those capital market assumptions are the building blocks to an asset allocation that the Board will be asked to approve in April. In order to put together the possible asset allocation scenarios for the Board to consider, it would be useful to know today if the Barclays Aggregate Index or the Barclays Intermediate Treasury Index would be used as the standard for fixed income. He said staff has also prepared amended guidelines for a potential 5% allocation to fixed income securities that are not government guaranteed. Staff has been focused on reducing the risk the Board takes in its investments.

MR. O'LEARY said he understood the reasoning, logic and analysis behind staff's recommendation and he supported it.

MR. WILLIAMS said he assumed with the recommended change that the cost for staff management of the fixed income portfolio in-house would still be significantly better than what the ARMB would do if it went out and bought the Barclays Intermediate Treasury Index through some other mechanism.

MR. BADER agreed, saying that the marginal cost to making the fixed income mandate change would be zero. The staff is already managing a Treasury mandate for the ARMB now, although there is not a lot of money there. He did not anticipate the need for additional staff.

MR. MITCHELL clarified that there is an existing account managed against the Barclays Aggregate Index, and that would not change. Staff would be starting a new account managed against the Barclays Intermediate Treasury Index and making transfers to it as they liquidate assets. Callan will be able to capture the separate performance of both mandates. He anticipated that the vast majority of the fixed income under discussion would be liquidated fairly quickly, but there will be a tail that will take longer to sell in order to avoid selling securities at distressed levels. Over time staff's comments will focus on the new mandate, and the performance of the current account will remain and roll up into the performance of the fixed income portfolio.

<u>MS. HARBO moved that the Board authorize staff to transition the internally managed</u>

domestic fixed income account currently managed to the Barclays Capital Aggregate Index to a new mandate managed against the Barclays Capital U.S. Treasury Intermediate Index and approve Resolution 2010-03 which establishes investment guidelines for the new mandate. MS. ERCHINGER seconded.

Roll call vote:
Ayes: Erchinger, Harbo, Kreitzer, Pihl, Richards, Williams, Trivette
Nays: None

The motion passed unanimously, 7-0. *[Chair Schubert and Commissioner Galvin were absent for the vote.]*

EXECUTIVE SESSION

MR. WILLIAMS moved that the Board go into executive session to discuss legal matters with its attorneys. MS. HARBO seconded.

The motion carried unanimously, and the Board went into executive session at 11:45 a.m. All persons, except for ARMB trustees and staff members who were designated by Commissioner Kreitzer and Deputy Commissioner Burnett, were requested to leave the room. The teleconference was disconnected, and Chair Schubert called back in to the executive session using a separate access number.

The Board came out of executive session at 12:45 p.m. and did not make any report.

WORKING LUNCH

There was a short break while trustees and staff availed themselves of the lunch provided so they could continue taking up business during the lunch period. The meeting came back to order at 1:05 p.m.

REPORTS (Continued)

11. Update - Earnings Assumption Presentation by Buck Consultants

DAVID SLISHINSKY of Buck Consultants, Inc., the State's actuary, said Buck made a presentation on economic assumptions at the December meeting. The Board had then asked for more information about the investment return assumptions and inflation assumptions that other pension systems are using, and if there were any trends that would give the Board some additional information as it considered making changes to the return and inflation assumptions. *[A copy of the Buck slides is on file at the ARMB office.]*

Before he got started, MR. SLISHINSKY reported that their parent company, Affiliated Computer Services (ACS), had merged with Xerox Corporation. He said Buck Consultants would continue to provide its clients with the same level of service as in the past.

MR. SLISHINSKY noted that the NASRA Public Fund Survey data that Buck used was 2009 survey data that covered actuarial valuations that were performed through 2008. Buck compared the data from the 2009 survey to the survey done three years before. Buck also calculated the level of risk associated with the expected rates of return based on the asset allocation data in the NASRA survey. That way they could compare the ARMB investment return assumption against the return assumptions of other pension systems and do it on the basis of the risk that is being taken. The theory is that the greater the risk a system is willing to take in its asset allocation, the greater the long-term rate of return for taking that risk.

MR. SLISHINSKY reviewed the survey data for investment return assumptions based on 125 plans surveyed. One plan used a 6.0% return assumption, but most other plans are using rate of return assumptions between 7.0% and 8.5%. The return assumption that Buck uses for PERS and TRS is 8.25%. There are 16 plans that use a greater rate of return, but most plans use an expected rate of return that is less than 8.25%. Forty-three percent of plans use an 8.0% investment return assumption.

MR. SLISHINSKY reviewed the survey data for inflation assumptions, saying it ranged from 2.5% to 5.5%. But most of the inflation assumptions were between 3.0% and 4.0% inclusive. The average inflation assumption for the 125 plans surveyed was about 3.5%, and that matches the current inflation assumption used for PERS and TRS. Thirty-nine percent of plans had a lower inflation assumption than 3.5%, and 33% had a higher inflation assumption, so the Alaska plans are about average.

Addressing the trends in changing investment return or inflation assumptions since the 2006 NASRA survey, MR. SLISHINSKY stated that 12 plans changed their investment return assumption. Ten of those plans decreased their return assumption, and the average decrease was about 0.40%. Two plans actually increased their investment return assumption by 0.25%. There were 31 plans that changed their inflation assumption: 27 plans decreased that assumption by a bit more than half a percent, and four plans actually increased that assumption by an average of 0.43%. The trend is downward for both the investment return assumption and the inflation assumption.

MR. O'LEARY asked if Buck had any statistics on the importance of the inflation assumption and the investment return assumption, such that the plans that tended to have a high inflation assumption also tended to have a high investment return assumption. MR. SLISHINSKY said they could look at the data to see if there was a correlation. MR. O'LEARY said he presumed that there would be, but it would be interesting to confirm.

MR. SLISHINSKY said Buck looked at the data for the two economic assumptions independently, but they focused on the real rate of return assumption which takes inflation out of the equation, and he planned to present that information a few slides forward. Further, one could expect a high correlation between the real rate of return and the level of risk being taken, and Buck wanted to see if that was borne out with regard to the assumptions.

MR. SHIER told Mr. Slishinsky that a question came up earlier about a Buck Consultants billing statement that referred to the use of NASRA Public Fund Survey data, which someone thought was easily accessible. MR. SLISHINSKY responded that the information in the NASRA survey did not have the amount of risk calculated in the asset allocation information. In order for Buck to compare the assumptions that Alaska is making with other pension systems, and to show that relative to the amount of risk that is being taken in the portfolio, Buck used the pieces of data from the NASRA survey to calculate the standard deviations for each of the 125 public pension systems included in the survey. They then compiled that risk information and graphed it in order to present it to the Board today.

MR. SLISHINSKY next discussed the real rate of return assumption, which is the difference between the assumed investment rate of return and the inflation assumption. The 125 plans in the NASRA survey all had different asset allocation policies. The real rate of return assumptions ranged from 2.0% to 5.5%. Both PERS and TRS are at 4.75%, and there were 13 public pension plans that used a 4.75% real rate of return assumption. A fairly high number of plans, 68%, had a real rate of return assumption between 4.0% and 5.0%, and 28% of plans surveyed had a higher real rate of return assumption than Alaska plans. So PERS and TRS are on the higher end of the average, which was 4.41%. Lastly, 62% of plans surveyed had a lower real rate of return assumption. This gives the Board information about the risk differences in the pension plan portfolios: one could expect that a portfolio with more equities is taking on more risk and long term will have a greater rate of return.

MR. SLISHINSKY displayed the results of the risk versus expected nominal rate of return data for the 125 plans in the NASRA survey on a scatter diagram. He noted that the data subtracted out assumed expenses of 30 basis points that included investment management fees and administrative fees. All the plans were based on a 3.5% inflation assumption. Buck drew a regression line through the data points to show the trend or average for all the points. He pointed out that Alaska's plans are towards the upper end of the amount of risk and just slightly above the average for rate of return assumptions.

MR. O'LEARY asked if the "expected nominal rate of return" was the earnings (discount rate) assumption. MR. SLISHINSKY explained that it was not really an assumption; it was a calculation of the expected rate of return for each of the systems given their asset allocations from the survey data, Buck's 3.5% assumption for inflation, and the real rate of return assumptions Buck was using for each of the different asset classes. Plus, the calculation was net of expenses. He said a 3.5% inflation assumption was close to average from the survey results and was also the inflation assumption being used for PERS and

TRS.

MR. SLISHINSKY next presented a scatter diagram of the results of the risk versus assumed real rate of return data for the 125 plans in the NASRA survey. He found the kind of variance for plans surprising, given the same amount of risk that they are taking. The PERS and TRS plans were at 4.75% assumed real rate of return, using 12.8% standard deviation as the level of risk. That falls a little above the regression line. The regression line is not meant to say that that is where the Alaska plans should be; it is just the average of all the plans in the survey.

When MR. O'LEARY questioned the plans in the 2.0% assumed real rate of return range on the scatter diagram, MR. SLISHINSKY said the setting of assumptions is an actuary's opinion. It should be the best guess of the actuary, given the asset allocation, and there is no one right answer. MR. O'LEARY wondered how plans with such an aggressive investment policy that the standard deviations were around 13.0% could have such a low real rate of return expectation (around 2.0%). MR. SLISHINSKY said he would certainly question it.

MR. SLISHINSKY added that he was surprised at the kind of dispersion he saw in the relationship between assumed real rate of return and standard deviation. Buck based the calculation on the NASRA survey data for the assumptions that pension plans are using, which is the difference between the assumed rate of return assumption and the assumed inflation assumption.

MR. O'LEARY commented that the plans might be saying that they really expect a much higher real rate of return but they wished to be very conservative in their funding, therefore, they were simultaneously using a very high inflation expectation. MR. SLISHINSKY agreed, saying that using a high inflation expectation in the actuarial valuation increases the value of the projected benefits — because the benefits are tied to salaries — and so it increases the liabilities. Thus it is conservative to use a high inflation assumption. Any plans below the regression line on the scatter diagram were more conservative.

MR. O'LEARY stated that Callan built its capital market assumptions on an inflation expectation of 2.75% as opposed to 3.5% used by Buck.

MR. SLISHINSKY made it clear that the scatter diagram of the results of the risk versus assumed real rate of return data for the 125 plans in the NASRA survey had inflation taken out. It was just comparing real rates of return with the level of risk. He had expected to see more of a grouping of the points along the regression line, similar to the previous scatter diagram showing risk versus expected nominal rate of return, but that was not the case.

VICE CHAIR TRIVETTE thanked Mr. Slishinsky for his presentation.

MR. BADER introduced Treasury Division staff present in the audience and indicated their areas of responsibility: Steve Verschoor (in the private equity area), Beth Larson (compliance officer), Ryan Bigelow (public equity), Casey Colton (fixed income), Victor Djajalie (fixed income), Jie Shao (special assistant in the commissioner's office), Andy Wink (real return), Shane Carson (public equity), and Nicholas Orr (fixed income).

COMMISSIONER KREITZER took the opportunity to respond to MS. HARBO's question earlier about a charge to PERS for Buck Consultants' work on the geographic difference study in November. She said that during the legislative interim she had made a presentation to the House Finance Committee on the geographic difference study; she knew one of the questions the committee might have would be the impact on the unfunded liability, and that was the request to Buck. She did not have the number from that study with her, but she promised to bring it tomorrow.

12. Capital Market Assumptions - Callan Associates

[A copy of the Callan slides for this presentation, which contain detailed charts and graphs, is on file at the ARMB office.]

MR. O'LEARY gave Callan's annual update of capital market assumptions, saying it is the first step in the process that leads to the Board's asset allocation decision at a subsequent meeting. The projections are Callan's defensible estimates for the long-term market outlook for each asset class, given the economic setting and given the starting levels of interest rates and stock prices. The number they pick is the mid-point of a range, rather than a specific number, and they define the range by a measure of volatility. For that reason, the actual return projection numbers for each asset class were almost guaranteed to be different from the eventual market outcome. Callan translates the long-run averages into an arithmetic expected return. They also presents geometric mean returns over different time periods, and he suggested that trustees focus on the geometric mean numbers. It is important to recognize that the world is constantly changing and to incorporate expectations of the impact of those changes on future results. Callan focuses on thinking about inflation and interest rates, as well as embedded expectations for taxes and profit growth. They spend more time debating the bond market expected returns than anything else because they presume that equity investments will have a premium to the bond market.

MR. O'LEARY stated that Callan prepares unconstrained optimizations where the model provides an array of portfolios that provide the highest return for a given level of risk. However, the Board by policy puts a cap on certain asset classes or puts a tilt in a certain direction. The biases embedded in the ARMB policy are a maximum of 5% in absolute return, a current maximum of 7% in private equity, and a more equitable balance between domestic and international equities than Callan's optimization would suggest. Many of Callan's other clients have moved in the direction of the last point as well, and the Investment Advisory Council members have been outspoken in their preference for that direction.

MR. O'LEARY said that all the return estimates this year looking ahead are lower than they were at the same time last year. The principal reasons for that are the substantial market returns in the past year on both the bond side and on the equity side. So all asset categories are less undervalued than they were at this time a year ago.

MR. O'LEARY said that Callan's optimization program does not have any proprietary insight into the financial outlook. They try to be sure that the conclusions make common sense and are reasonably consistent with what has actually happened over the long-run and that the conclusions also take into account where the markets and the economy are today.

MR. O'LEARY showed a chart of annual returns for several asset categories for the last six calendar years to illustrate what a difference one year's returns can make. He also mentioned the extremes of 2008's -37.0% return and the +26.5% return for 2009. He had another graph of the spread difference of the High Yield Index over comparable maturity Treasuries showing that it narrowed through most of the 2000 decade, then became impossibly wide during 2008 and has narrowed quite a bit since then. He mentioned that Mr. Sullivan of Mariner had offered his perspective earlier that looking forward credit spreads had basically narrowed so that the beta part (the big market movement part) of fixed income returns observed last year was basically gone.

Regarding the current economic environment, MR. O'LEARY said the length of the housing recession, now in its fourth year, is amazing. A recent measure of consumer confidence says that consumers are not confident. With 10% of them unemployed and 20% total under-employed, that is easy to understand. The better news is that growth returned in the second half of 2009, as measured by GDP. Callan does not believe that employment will revive until the second half of 2010 at the earliest. So the growth has been coming from an inventory cycle, that inventories had been exceptionally lean and are being replenished. It is important to understand that inventory cycles do not reflect final demand, and growth in final demand is needed for sustained growth. Growth has also come from fiscal and monetary stimulus. Historically, steep recessions have more often than not been followed by steep recoveries. A big exception — and Callan believes that unfortunately the exception applies this time — is that if the recession has been largely attributable to financial stress, then the shape of the recovery tends to be more gradual. That is likely in spades this time.

The provision of massive amounts of liquidity by governments around the world is ultimately going to be a very stimulating factor. In the short run, that is not terribly apparent because there has been such a reduction in liquidity in the private sector. The recession has been global, and even those countries or areas that did not have a contraction in 2008 had significantly slower growth than they had had immediately preceding 2008.

The consumer is 70% of the U.S. economy, and this has been the worst period for consumer spending since the early 1980s. This is not surprising, given the employment statistics and given the loss of wealth, much of it attributable to the decline in home prices but also in financial assets attributable to market weakness. This is a different era than when the typical retirement program was a defined benefit program; now it is more typically a defined contribution program.

Productivity has been going through the roof: some of it was technology related, but a lot of it was that given the contraction in the economy there was an easy ability to increase production without adding to employment.

Inflation concerns evaporated during 2008 when the people were worried about the capital markets even surviving. In mid-2008 inflation actually got up over 5% but, looking at treasury inflation protected securities (TIPS) at the end of 2008, some would have said that the implied inflation rate over ten years was zero percent. There are a lot of assumptions in getting to that conclusion, but it was saying that people were not worried about future inflation during the fourth quarter of 2008. Today, there is fairly wide-spread concern about what may happen with inflation looking ahead, but with so much excess capacity, very few, if any, expect a significant pick-up in inflation over the next one to three years.

The worry about future inflation is typically related to the size of deficits. It is very common and understandable and probably good that deficits increase during an economic recession. The presumption is that as the economy turns around revenue growth to governments will increase and may actually have years of surplus. The debate today is on what is called the normalized level of deficits as a percent of GDP. A mainstream view is that a 2% to 3% level of deficits is a sustainable level. And many would say that right now the longer-term structural deficits are in the 4%, 5% or 6% range, which most would view as unsustainable. Lastly, the amount of credit provided by the government is in almost unprecedented territory.

MR. O'LEARY showed a year-over-year graph of the changing consumer prices. The Consumer Price Index headline inflation at December 31, 2009 was 2.72% on a year-over-year change basis. There are other ways of calculating inflation changes, one of which would be to use an average, in which case it looks like there was no inflation in calendar 2009. Importantly, the CPIU core rate of inflation was even lower.

MR. O'LEARY said that from a policy making perspective inflation is one of the toughest issues that this Board and its peers have to deal with. Callan's economists say that inflation has to take off because of the magnitude of global monetary stimulus and the unprecedented fiscal stimulus. On the other hand, the economists also cite the low capacity utilization, plenty of unemployed people anxious to work at almost any compensation, and low interest rate levels. So the question is, barring something truly extraordinary in the geopolitical front, when will that inflation manifest itself? Very importantly, how will policymakers attempt to extricate themselves from the programs that may have been absolutely necessary to end the financial freefall?

MR. O'LEARY said Callan shares the fairly common view that if people err on the policy front they probably prefer to err by dealing with inflation rather than shutting off the economic recovery by acting too soon. The reason for that is they have a lot of experience dealing with inflation; they have not had much experience dealing with deflation. Policymakers do not want to be Japan, and they do not want to be the U.S. in the 1930s where trying to correct the deficit that existed then through tax increases resulted in a significant further decline in real activity in the mid-1930s.

Callan expects inflation pressures in the near term to remain modest and so they kept the inflation estimate at 2.75%. Some people at Callan could justify, with good reason, a lower number, but they all gravitated around the notion that inflation could average 2.75%. There will be below-average years and above-average years, and the below-average years are earlier in the process over the next five years than later in the process. Callan does not believe the economy will go into a deflationary period, but they acknowledge that there is always that risk.

On the optimistic side for the current economic environment, the credit markets are a lot better than they were a year ago. In fact, they may have gotten too good too quickly, because there still are a lot of fundamental problems, particularly in the commercial mortgage area. While people are not so worried about an individual country, like Greece, they are concerned about what it means for the financial institutions that own the paper and what it means for Euro-land. Hopefully the recession in the U.S. is over and the turn-around started in the middle of last year. But it will have been the longest and deepest recession since the 1930s. Callan expects low interest rates to persist.

MR. O'LEARY presented a graph of price-to-earnings ratios for the S&P 500 Index from 1954 to 2009 and described what was happening during different stock market cycles. He said that right now it is hard to make a case, on the basis of current earnings, that stocks are significantly overvalued or significantly undervalued. A year ago it was easy to make the case that stocks were significantly undervalued, if one could make the assumption that the world was not going to end.

MR. O'LEARY stated that Callan has always looked at the Barclays Capital Aggregate Index as the benchmark for bond returns. Income return is the primary source of total return to an investment grade bond portfolio. The yield to worst on the bond market at the end of 2009 was 3.75%. Callan believes that yield is a good naive projection of the return of the bond market over the next five years. Of course, it will be a little bit higher or a little bit lower than 3.75% because interest rates will change over the next five years. Also, there are securities in the index today that are going to mature in a couple of years that have very low yields because of the incredible steepness of the yield curve, and they will be replaced by things that are yielding more. Also, whoever is issuing debt will want to issue debt that is cheap from their perspective. He said a huge portion of Treasury debt (possibly 40%) has a maturity of less than two years. The 2-year yield today is roughly 85-90 basis points. No one thinks that two years from now 2-year paper will have a interest rate of under 1.0%. So the forecast is that the yield curve is going to be flatter than it is today. That change in the yield curve would not mean that you would necessarily lose money in bond investments, but you are also recognizing that there is a lot of stuff that is going to have to be issued, probably at interest rates that are higher than they are today.

MR. O'LEARY showed a graph of the U.S. Treasury yield curve at each year end since 2004. He pointed out that in 2008 everybody went to governments so Treasuries had a positive return and every other type of bond went in the tank. In 2009, Treasuries had a negative return and every other kind of bond had a positive return. So 2008 was panic-induced flight to quality, and 2009 was some greed back in the investor world. The key question is where do longer-term rates go, and what will the shape of the yield curve look like. When the federal government moves away from providing the extraordinary liquidity that it has provided over the last 18 months, Callan expects that short-term rates will have to move up. The Federal Reserve chairman has stated that the short-term Fed funds rate is going to stay low, presumably at least through this year.

Callan adopted 4.5% as its fixed income expectation over the next five years. They expect cash over the long term to average 3.0%, just 0.25% more than the inflation expectation. Historically, cash as measured by 90-day T-bills has had a slight premium to inflation. But there have been periods where the cash return was less than inflation and periods where it was significantly greater than inflation.

Last year Callan had a fairly high equity return estimate of 9.4%. This year the longer-term estimate is 8.5%, a 90-basis point reduction. Callan came up with a similar reduction for international equity.

The real estate long-term return estimate is 6.8%, which is lower than Callan had previously. Looking at it in an economic sense they could argue for the return estimate to be higher, but they took into consideration the starting value, and there may still be further contraction in that value estimate. Callan is not trying to communicate a real change in the relative attractiveness of real estate and other assets.

MR. O'LEARY presented a spreadsheet of the 2010 capital market expectations for return and risk by asset category (slide 33). He noted that a 5.75% real return estimate for broad domestic equity is below the long-run average that has been above 6.0%. Also of note is that the projected standard deviation of 17.30% for equity is greater than in 2009, and part of that is because the equity market is not as undervalued. As history, the standard deviation for the S&P 500 Index is probably around 15.0%. He also showed a matrix of correlation estimates for the 2010 capital market expectations and explained how to read it. He made the point that correlation estimates are deceptive because they change significantly: in the short run things can be very highly correlated and in the long run have comparatively low correlation numbers. Callan looks at as much correlation history as they can and then looks at the recent correlations, and they generally try to engineer their estimates to be somewhere between the two.

MR. O'LEARY said Callan used ten major asset classes in the unconstrained optimization process to come up with efficient asset mix alternatives. He reminded trustees that all the return and standard deviation numbers are gross estimates, and the degree of precision suggested by going to the second decimal point merely helps differentiate one policy from another. The current ARMB asset allocation policy, using the 2010 projections, has a lower 5-year expected return than last year — 8.15% versus 9.04%, and the volatility is a little higher than last year — 13.5% versus 12.85%. The lower return estimate reflects the reduction in expected return, and the volatility is up, so the policy may need some tweaking.

MR. O'LEARY explained that the unconstrained optimization does not include some of the unique features in the ARMB's current policy. Each year Callan develops custom estimates for the real assets and for a composite of the fixed income. For example, the Board's earlier action to change to managing the internally managed fixed income portfolio against the Barclays U.S. Treasury Intermediate Index instead of the Aggregate Index means the expected return will be lower, but the correlation will probably also be lower and will provide more of a diversification benefit. Callan will be working with the Investment Advisory Council and staff to evaluate changes in allocations for real assets and fixed income. They will also be evaluating the existing limits on the constrained asset classes private equity and absolute return. Comparing this year's unconstrained optimization with last year's, Callan did not find any real big differences.

MR. O'LEARY encouraged trustees to submit any requests for things they would like to look at so Callan could get preliminary work done in advance of the meeting where the Board will adopt its annual asset allocation policy.

VICE CHAIR TRIVETTE said he assumed Callan and staff would be looking at where the buy-write strategy and commodities would fit into the asset allocation, assuming the Board decided to move forward with commodities. MR. O'LEARY said yes, that commodities, if approved, would become a very small part of the real return category.

MR. BADER recalled Commissioner Kreitzer's report in the morning about the growing number of people who will be retiring in coming years that will increase the demand for liquidity from the investment programs. While everyone is acknowledging liquidity, the ARMB policy has a number of illiquid asset classes. He wondered to what degree, and when, the need for liquidity should start to be factored into the asset allocation policy.

MR. O'LEARY said that if a retirement plan were close to fully funded and net cash outflows exceeded 5.0% of the value of assets, he would say that it ought to be evolving toward a more conservative investment policy. The Alaska retirement plans are significantly underfunded, and the expected contributions significantly offset the cash disbursements. Given the magnitude of those expected contributions, he did not think the Alaska plans would satisfy the 5.0% net cash number in the foreseeable future. However, if for some reason those contributions were not made, then the Alaska plans would be in that position fairly quickly. His counsel would be to not increase the illiquid portion of the portfolio in aggregate. The illiquid portion is real estate, farmland, timber, energy, and private equity.

MR. BADER commented that each year the Callan capital market assumptions typically call for an increase or decrease in public equity or fixed income, and there is a cost in changing that, even for indexing. He asked how to factor in the cost of changing the asset allocation.

MR. O'LEARY said he thought development of the recommendation should explicitly consider whether it was worth the expense [to make changes]. Also, other than a desire to have performance closely parallel a target index, there is nothing that requires that it be implemented immediately. If that were a big enough concern, he would propose having an interim target on the way to the longer-term target. That is very common when first entering an asset class like private real estate or private equity, where the portfolio evolves to the target.

Contemplating a scenario where there might be less domestic equity in a new policy, MR. BADER said that as long as the actual allocation was within the bands around the target, the retirement funds could get to the target as staff raised capital necessary for benefit disbursements.

MR. O'LEARY agreed, saying a standard recommendation is that any external cash flows should be used as an opportunity to move toward the targets so there are one-way transaction costs. In practice that may be difficult to implement because it affects more [equity] portfolios, but it can be done by planning three months ahead, for example, to replenish the cash.

MR. PIHL asked if the Board would need to widen the bands around the asset allocation targets. MR. O'LEARY said he did not think so, although it depended on what was ultimately recommended as a policy. Typically, the narrower the bands, the more benefit there is from the forced rebalancing. Last year, the ARMB portfolio was helped by the discipline of moving money to equities as the value of equities plummeted. The portfolio was not able to get all the way back to target because of the denominator effects of the illiquid investments. So there should be sufficient leeway in the bands, which he thought the ARMB policy has, but staff and the advisors would review that.

MR. PIHL inquired if there could be short-term bands and longer-term bands around the asset allocations. MR. O'LEARY responded that he did not want to make things too complex, that a reasonable buffer in cash provides a great deal of operating flexibility. He added that part of the problem is the lumpiness of the extraordinary contributions. Maybe a good way to deal with that would be to earmark a portion of those contributions as cash to accommodate that.

MR. RICHARDS expressed his understanding that the liquidity problem would continue until the last check was paid out to the last remaining participant in the defined benefit retirement trust accounts.

MR. O'LEARY agreed and asked for IAC comments on the capital market assumptions, etc.

DR. JENNINGS spoke first on the rebalancing discussion, saying that generally the asset allocation policy recommendations are 1% and 2% changes from the prior year, which is smaller than the bands around the target allocations. So the consensus opinion just expressed that the bands are generally wide enough is probably appropriate. When the market was declining, staff and the IAC discussed whether to force rebalancing. Transaction costs had gone up, and higher transaction costs would lead to wider bands, so that was when the bands were suspended. He thought the overall rebalancing ranges approach that the Board has taken in the past has been appropriate.

Regarding the capital market assumptions presentation, DR. JENNINGS said he would characterize the inflation projection as higher than other ones he has seen but probably more consistent with his level of pessimism about that. The ARMB has an actuarial 30-year horizon inflation assumption to keep in mind as well. As far as the equity risk premium over bonds, he said he might have layered in a little bit more conservatism this year versus what was done last year. However, it was within the main bands of other assumptions he has seen and ones he holds himself. He said he has heard presentations by consultants where they try to focus on how correlations might have changed. But everything went off the cliff together, and there are some academic studies that point out that the return assumptions are about 20 times as important as the correlations. So the fact that the correlations have not changed that much over time is not a source of concern to him.

MR. WILSON said he would defer to staff on the bands around the target asset allocation because they have the best feel for it in working with the bands on a day-to-day and month-to-month basis. His impression over four years on the IAC is that the bands have worked, and he would not advise changing them unless he got feelings otherwise.

Regarding the capital market projections, MR. WILSON said he agreed with Mr. O'Leary's opening statement that he could be certain the projections would all be wrong. The investment business tends to get quite technical, but it really comes down to another O'Leary statement over the years about the decision to be an owner or a lender, to be in either the stock market or the bond market. That is the fundamental decision, and he repeats that to many people. With interest rates so low, it is hard to imagine that equities will not do better than credit over the next 10 to 15 years. That is how the Massachusetts fund is betting and how he is managing his personal money, so that principle guides his overall thinking. The ARMB has to layer in the retirement plans' liquidity needs, which is a unique feature, but it is hard to imagine that taking some risk over the next 10 or 15 years will not pay off.

MR. PIHL commented that banks are supposedly awash in deposits and should be lending money. MR. O'LEARY said the banks earn enough on the money they have to more than pay for the cost of obtaining the money. Banks are dealing with a regulatory challenge: on the one hand they want to pass bank examinations, and on the other hand they do not want to explain in Washington, D.C. why they need assistance. Some participants in the economy are getting two different messages from the government: it wants banks to be more conservative in their investment process and to have more capital, and it wants banks to lend to companies who probably have scary balance sheets. It is a time of great uncertainty for businesses, and banks are looking at the probability that a loan will add to their profits. He said there are a lot of small banks in Colorado, which is still a fairly rural state, that are in deep trouble because their primary loan types are to farmers and developers, etc. The number of banks failing nationally is still going up.

VICE CHAIR TRIVETTE called a scheduled break from 2:55 p.m. to 3:06 p.m.

13. Relational Investors LLC - Large Cap Equity

MR. BADER introduced DAVID BATCHELDER and FRANK HURST from Relational Investors to give a report on the large cap equity account they have managed for the Alaska Retirement Management Board since May 2005. *[A copy of Relational's presentation slides is on file at the ARMB office.]*

MR. BATCHELDER spent a few minutes talking about the firm founded in 1996 and with $6.1 billion currently under management. Relational concentrates its investments in about 12 stocks, and they are the largest and most experienced activist investor in the U.S. They focus on mature companies with strong cash flows and strong franchises but that have lost their way and are undervalued in the marketplace. Examples are Prudential, Waste Management, Mattel, and Home Depot.

MR. BATCHELDER stated that he is on the board of Home Depot, and he used it as a detailed example of what Relational does and how they do it. He reviewed Home Depot's rise as a strong retail franchise and the diversification effort into other businesses to achieve growth that failed and dragged down the earnings per share of the stores. When

Relational invested in Home Depot stock in 2006 they took a seat on the board and worked with the company to review and change certain strategies - like improving the supply distribution system, causing the company to sell its non-core assets and refocus back on the core store business, and changing the compensation of store management to performance-based. These actions revitalized the employees to provide better customer service. Home Depot has a lot of margin improvement to come over the next two or three years from the operational changes being made.

MR. BATCHELDER explained how Relational's strength is not just their ownership of shares in a company but also the ownership of a dissatisfied institutional shareholders base that wants change to occur at a company. Relational has a trusted reputation in the institutional community that they will not use the power given to them to do anything other than sell their stock on the open market after a company is fixed and they move on to another company to try and fix it. He also explained how Relational can effect change with just one director on a company's board through being the best-informed director. Relational has a team of three analysts go through each meeting packet and prepare him for the board meeting. They keep track of prior meeting material and follow changing projections in 3-year plans, which is hard for an individual board member to do. Other board members begin relying on the director from Relational and make requests for detailed analysis by Relational's team. The other directors quickly understand that Relational's agenda is the same as theirs, which is for the company to perform well.

MR. BATCHELDER stated that Relational is in these big companies for three to five years because it takes a long time to fix them. Since 1996 they have had 78 of these projects, but they have only had to go on the board 11 times. For example, they recently announced an agreement with Genzyme where they have the right to go on the board if they want to. Relational has found in many cases that having the right to go on the board is as powerful and generates quicker action than actually going on the board. They have found on compensation and capital allocation issues that they need to get on the board and get those fixed; on operational issues they can step back and be patient while the company is fixing the issues that dominate the value of the company in the short term.

MR. BATCHELDER said that since the firm's inception in 1996 these activities have lead to outperformance of about 4.0% annually in the portfolio.

MR. O'LEARY made reference to Relational's use of the S&P 500 Total Return Index internal rate of return and the time-weighted return as comparisons, and said that in this type of investment the inclusion of the effect of timing is an appropriate measure.

MR. BATCHELDER said that with such a small number of stocks in the portfolio it is easy for Relational to measure what drove the performance since inception, and he had a graph to show that. He said that in the marketplace adjustments of 2008 Relational was caught with two stocks that hurt the portfolio fairly seriously. Those were Sovereign and Sprint

Nextel. Sprint needed to deleverage, but by the time Relational got on the board to get that done the financing markets had moved away and they were unable to get the company deleveraged in time. Sovereign was a financial institution that was on the fringe of viability in the same time period.

MR. BATCHELDER stated that since 1996 Relational has engaged 49 companies on what they call a serious engagement. They have had investments in a total of 74 companies, but sometimes they begin to buy a stock and it moves away from them in price, and so they never really get engaged with the company. Or sometimes through further due diligence they decide it is not a situation they want to work on. Over time Relational has found that in the period prior to their engagement the companies have had serious underperformance on five-, three-, and one-year metrics. During the period of time in which Relational has engaged the companies, they have outperformed the market by 16%. Interestingly, after Relational leaves and sells its shares, the companies continue to outperform. They also found that it is in the middle third of their engagement in companies, when Relational is doing the heavy lifting, that the companies outperform the most, but they do continue to outperform in the last third of Relational's investment as well. Relational has learned that they need to minimize the amount of investment that they put in the first third of their activities, and they no longer believe that they need to be a top-ten shareholder to have enough influence.

Referring to the 2009 market environment, MR. BATCHELDER said he felt that Relational did fairly good, given that they have a concentrated investment in stocks that are under-leveraged and heavily focused on cash flow generation. When the junk rally began the value stocks could not keep up. Their primary underperformer in 2009 was Genzyme. That was not due to a leverage issue, it was an operational issue where some of the drugs for genetic diseases that Genzyme produces had a virus and that caused them to have to reset their plants. Relational believes those issues were caused by Genzyme's desire to seek diversification, and Relational wants them to stick to their core business of providing very expensive, life-saving drugs to a small population. The second big underperformer in 2009 was Unum Group, a disability insurer, and Relational has a lot of confidence in that company. Intuit is where Relational just went on the board in January, so that will be a three- to five-year project.

MR. BATCHELDER said they are positioning the portfolio in companies with low financial leverage and strong defensible cash flows. To make sure they do no end up with Sprints or Sovereigns in the portfolio again they have adopted a macro risk overlay to address credit risk and consumer risk, etc. to avoid too much concentration of risk in any one area. They have also determined that the faster they can get through the first third of a company engagement the more they can minimize the risk of stalled or failed engagement projects. The portfolio is diversified among most, but not all, sectors. It is diversified on broad macro factors and by early, mid, and late investment stages of projects. He said they are making a difference in the companies in the portfolio, and they are confident in the positioning of the portfolio for 2010.

MR. PIHL observed that, according to the slide showing the portfolio holdings, Home Depot was way in the red. MR. BATCHELDER conceded that the stock has a long way to go, but it has performed very well so far in 2010. Relational is confident that Home Depot will be an early mover as the economy starts to return and the number of building permits increases. Home Depot is not really in new housing but focuses on do-it-yourself repairs, where a lot of people still use subcontractors. There is a lot of expense leverage on the up side as these companies start to recover. MR. HURST added that Home Depot has been a positive contributor to the portfolio because it was not down as far as the market was down since 2007.

MR. RICHARDS commented that Unum Group is in the mid to late investment stage but is still negative. MR. BATCHELDER said Unum fell with the big insurance companies, however, it is very well capitalized. Relational is working with them now on what they are going to do with the rest of the capital: they could substantially increase the dividend and repurchase shares with the liquidity.

MR. RICHARDS also questioned the code names of two stocks in the portfolio. MR. BADER said the public knowledge of these companies could possibly have an adverse effect on the manager building the portfolio. MR. BATCHELDER explained that Relational has the ability with the SEC to keep positions confidential as they are accumulating the stock of a company. The value investors will front-run Relational if they know what they are getting ready to invest in. That confidentiality usually lasts about 90 days.

VICE CHAIR TRIVETTE thanked the gentlemen from Relational for their presentation.

14. Commodities

[A copy of the Callan Associates slide presentation is on file at the ARMB office.]

MR. O'LEARY gave a presentation on the possible addition of commodities as a subcategory in the Board's long-term asset allocation policy. He said the ARMB has a significant real return allocation that includes commercial real estate, farmland, timber, TCW energy fund, and TIPS. Other public plans are nowhere near as far along in the real return subcategory as the ARMB is. He said that core commercial real estate is a wonderful real return asset, and, despite some pain and suffering, he counseled that it is the largest area of investment opportunity. There are always lessons to be learned on how to access commercial real estate, but it is an integral and significant part of the ARMB's real return portfolio.

MR. O'LEARY said the question for the Board is whether the retirement fund portfolio needs yet another little sliver of the real return portfolio. There is probably not a right or wrong answer, but he intended to describe the potential benefits. He said the first part of the presentation would be general, using a "clean sheet" approach. The second part of the presentation was more customized to the ARMB's situation.

A real return portfolio provides an attractive rate of return by itself and is not dependent upon inflation to be a productive part of the portfolio. But it also provides as a secondary benefit better performance characteristics in an inflationary environment than the rest of the portfolio. It is logical to think that this segment of the portfolio would face a headwind in a deflationary environment.

MR. O'LEARY said that Greg Allen, Callan's president and CEO, put together an illustrative target asset allocation with 15% in real assets. He explained how the funding source for real assets depends on the composition of the real return portfolio. Energy stocks or commodities pull from equities, and the funding source for TIPS would likely be fixed income. NCREIF Index type of real estate has always been in between fixed income and equities, while more aggressive real estate strategies look and feel a lot more like private equity. If liquidity is important to a plan, it could look to securitized real estate (REITs), energy stocks, and other natural resources stocks. It is important to understand that publicly traded, equity-oriented instruments will perform a lot like equities generally.

MR. O'LEARY reviewed data on when the indices for major asset classes were created, along with when the U.S. experienced high inflationary periods. He showed a table of Callan's expected correlation of each real asset category with inflation. He mentioned that the correlation of farmland with inflation was probably higher than shown, but the index data on farmland is so limited that it is probably better to be conservative than overly optimistic about the correlation. Commodities, TIPS, and real estate have the highest correlations with inflation and appear to provide the most effective short-term hedges. The asset classes with inverse correlations with inflation are broad domestic equity, international stocks, fixed income, and long Treasuries.

MR. O'LEARY presented a graph of commodities versus inflation since 1970 and stated that commodities had a positive real return in 73% of the rolling 3-year periods. The nature of commodities is that there is a lot of volatility. The same graph of TIPS versus inflation since 1970 showed a small positive real return in 89% of the rolling 3-year periods at a lot less volatility. Real estate has very low observed volatility, and in 82% of the periods the NCREIF Index generated a positive real return.

MR. O'LEARY displayed a chart of TIPS and commodities returns over almost 40 years to show how important rebalancing is to potentially add value over time from low-correlation, high-volatility assets. Commodities are incredibly volatile, and it is best to have somewhere to put money when things get out of whack. The message is that a simple mix of 80% TIPS and 20% commodities would have outperformed both TIPS and commodities by over 40 basis points with less risk than either. The weakness in the analysis is that the commodity index was dominated by energy in the past, and much of the history for the TIPS index is a theoretical index. Another graph illustrated that a blend of TIPS and commodities had a higher correlation with CPI than either of the two components separately. TIPS also provide a nice offset to the illiquidity of direct real estate. If a plan was worried about inflation and also wanted to try for a higher return with a more complex real return portfolio, it could add categories like timber, farmland, and infrastructure.

MR. O'LEARY stated that a large investor with 15% or 16% in a real return portfolio that is sliced into a lot of small pieces would have to question if it was worth spending the resources to monitor it, make changes, and manage the cash flow.

Callan's conclusions are that a wide variety of investments are being represented as inflation hedges, but there are no perfect inflation-hedging assets. This Board already understands that a big part of the portfolio should be invested in inflation hedges because undoubtedly inflation will be a problem. Also, that TIPS and commodities in reasonable proportions do provide some benefit against particularly sudden inflationary spikes. The bottom line is that if 15%-20% of the portfolio is invested in real assets and there is a sudden rise in inflation, 80% of the portfolio's assets will not be offering much, if any, protection against inflation in that period.

MR. O'LEARY next covered implementation choices for investing in commodities. The major implementation strategies are:

(1) Natural resource stock portfolios by buying sector funds or hiring an active manager with special expertise. A slightly different approach would be an active manager that had broad flexibility and that could theoretically own some commodities the way the long-only commodity strategies would work, but they also might own some TIPS or some natural resources stocks.
(2) Passive index approaches. Exposure typically would be through the use of futures, options or swaps, which involves taking counterparty risk. The most common type of index for commodity type swaps, which gained a lot of popularity pre-meltdown, was the AIG Commodity Index. This did not mean that AIG was the counterparty to the swap, but it may well have meant that in some cases.
(3) Long-only commodity strategies.
(4) Commodity trading strategies, which tend to employ a lot of leverage and have a lot of transactions. The institutional products tend to be unlevered and long-only.

MR. O'LEARY said that given his understanding that the ARMB would have a comparatively small allocation to commodities, the way to get the most bang for the buck would be more in the pure commodity plays, as opposed to the natural resources stock portfolios. Callan's counsel was that the most cost-effective strategies were #2 or #3 above. The ARMB has some exposure to commodities trading strategies in the absolute return portfolio. Crestline's presentation earlier indicated that the biggest contributor to their since-inception return was commodity trading, but it is a very small part of their total portfolio.

MR. O'LEARY briefly described the differences among the four major commodity indices. He then presented the longer-term return expectation for commodities of 4.4%, which he said was essentially a bond-like expectation. However, the volatility was very high. Commodities are clearly a very good short-term inflation hedge and a good long-term inflation hedge. Commodities provide excellent diversification benefits and strong liquidity. There is limited availability of the product, and when dealing with something other than the physical commodities there is always the potential for a regulatory issue. Because commodities are very liquid, the fees and expenses are comparatively moderate.

MR. O'LEARY stated that TIPS have a lower longer-term expected return than commodities and much lower risk. TIPS have bond-like volatility, but since they are longer duration, they have greater than broad bond market volatility. The correlation of TIPS with CPI is high, and they are a very good short-term inflation hedge and a good long-term inflation hedge. They also provide a flight-to-quality hedge because they are a Treasury obligation. Liquidity is good compared to other real assets. The opportunity to add meaningful value is low. Active managers attempt to add value in TIPS by sometimes not owning TIPS when they find the nominal bonds offer better protection. Depending upon the mandate, the manager may even invest in global-linked bonds that in some cases are non-government backed. The fees and expenses for a TIPS portfolio should be very low.

MR. O'LEARY said that the expected risk for commercial real estate is 16.1%, although the observed volatility has been lower than the bond market. The correlation with inflation seems to be fairly good, and Callan believes it might be the best long-term inflation hedge. The liquidity is poor. There is a lot of real estate for sale and plenty of people willing to manage real estate assets. The opportunity for positive returns are good, but the fees are high.

In conclusion, MR. O'LEARY stated that the Board already has a meaningful real return commitment that is well-diversified. Callan believes that adding a little commodity slice would be helpful, but it requires resources to manage it day to day. Staff is clearly in the best position to determine whether that can be done efficiently or if would detract from a more productive utilization of staff resources. If the Board were to decide to proceed with commodities, it could be done on a largely passive basis or on an active basis. He felt that because of the volatility and because of the possibility of changes in the rules of the game, he would lean toward the active, if he could only choose one approach. He suggested pursuing alternatives in both camps, and if they got all the way through the process to the Board, the Board could then decide which way it wanted to go or select a combination of active and passive. The last point was that a publicly traded natural resources equity portfolio was not the way to provide meaningful benefit to the ARMB's existing portfolio, although it was a viable alternative.

MR. WILSON commented that he has always been struck by the headline risk of commodities for a public pension plan, which was something that Mr. O'Leary's presentation did not address. Having seen pension assets as a topic in the local newspaper in the last couple days, he thought headline risk was something important to keep in mind, especially since the presentation material rated commodities as relatively low expected return and extremely high volatility. People will zero in on the periods when a strategy does not work, and there is something about commodities that make people think about commodities speculation and "what were you thinking when you did that." So he urged the trustees to think about the headline risk as they considered this strategy.

DR. JENNINGS stated that commodities are one area where he could see potential for active management because things can happen with commodities where relationships get out of whack. He did not mean the full-up commodity trading advisors or speculators, but something where judgment is applied. At the same time, the rebalancing slide that Mr. O'Leary showed probably requires there to be some index component to it as well. This would be a case where both passive and active could fit in with whatever the final approach is.

Action Memorandum from Staff:
MR. BADER drew attention to the table of ARMB real assets investments in a memorandum in the meeting packet that staff provided to remind trustees of the percentage of the total ARMB portfolio invested in each asset category, along with the dollar amounts. He said the Board has heard two presentations about commodities, and he would like a decision on whether to go any further. He pointed out that all the assets in the real assets allocation are illiquid, except for the allocation to TIPS. The Board talked earlier in this meeting about the need for liquidity, so it came to the question of whether the ARMB could maintain the current asset allocation and become more illiquid. He submitted that the ARMB would be better off becoming more liquid. The rebalancing between commodities and TIPS with whatever strategy is used presents an opportunity for incremental return, as well as having the diversification.

MR. BADER said staff's recommendation was to engage in a manager search for one or more commodities investment managers and, after review by Callan and staff, that manager presentations be made to the Board.

VICE CHAIR TRIVETTE asked if staff intended to rebalance TIPS and commodities every quarter, if the Board decided to proceed with a commodities component in the portfolio. MR. BADER stated that staff intended to try and replicate the work the Callan did to come up with what would be an optimal rebalancing schedule, given the resources available and given the incremental return that they believe is possible. Staff believes that the volatility of commodities presents a very attractive opportunity to get incremental gain from rebalancing.

VICE CHAIR TRIVETTE inquired if Mr. Bader envisioned any problem with not having the staff to monitor the asset category and manage the cash flow. MR. BADER said he did not see a problem because he thought it likely that the new asset allocation policy the Board would adopt in April would have the same percentage of the ARMB portfolio in real assets. So any allocation to commodities would result in a reduction to another asset category within the real assets allocation.

MR. RICHARDS said he thought commodities was a zero-sum game, so he wondered if the use of an investment manager would lend to the liquidity. MR. BADER replied that the two manager presentations to the Board, while they do not represent a long history in this field, indicate that those managers have had positive returns. He added that there are hedgers in the commodities field who are not out to necessarily make a profit in the commodity that they invest in: they are trying to lock in their profit margins. He said it was a fair question to ask the managers who will make presentations to the Board.

MS. ERCHINGER asked at what point managing so many different strategies with the goal of diversification and for incremental benefits, and now inflation protection in the current environment, would become ineffective, given the number of staff available to do the job.

MR. BADER said there is a decreasing marginal return from diversification. He added that if the Board would not like to proceed with commodities there are other ideas that staff finds more attractive. But the ARMB holds education conferences where people are brought in to explain different strategies, so he thought it important to bring those before the Board to get a thumbs up or thumbs down. He said he was not heavily invested in commodities, although he was recommending it, and it would be fine if the Board said it wanted to put its apples in another basket.

MS. ERCHINGER stated that commodities sounded interesting and compelling, but the Board has to rely on the CIO to say at what point adding new strategies overwhelms staff's ability to be as effective as they can be.

MR. BADER said staff was looking for authority to proceed, but staff was also looking at alternative approaches to getting the same benefit in the portfolio. The Board has already approved looking at the buy-write strategy, and moving forward with commodities would be in line after the board has made a decision on buy-write.

<u>MS. HARBO moved that the ARMB authorize the chief investment officer and Callan Associates to conduct a search for one or more commodities investment managers, including both passive and active investment strategies</u>. <u>MR. PIHL seconded</u>.

MS. HARBO said that having more asset classes that provide liquidity was the important thing.

CHAIR SCHUBERT indicated she was very supportive of the motion.

<u>Roll call vote</u>
Ayes: Erchinger, Harbo, Pihl, Richards, Williams, Schubert, Trivette
Nays: None

The motion carried unanimously, 7-0. *[Commissioner Galvin and Commissioner Kreitzer were absent for the vote.]*

15. Investment Actions

15(a). Convertible Bond Investment Guidelines - Resolution 2010-01

MR. BADER informed the Board that staff successfully negotiated a contract with Advent Capital Management to manage a convertible bond portfolio, and funded the portfolio with $50 million on November 2, 2009. Staff created a convertible bond pool with different investment guidelines within the domestic equity pool. Unfortunately, the convertible bond investment guidelines the Board adopted do not allow for the investment manager to hold cash in the portfolio, and a fixed income manager should be permitted to invest in cash. This oversight was discovered in a compliance test. Staff proposed a change to the guidelines to fix that.

<u>MR. PIHL moved that the ARMB approve Resolution 2010-01, adopting the convertible bond guidelines as written *[in the meeting packet]*</u>. <u>MS. HARBO seconded</u>.

On a roll call vote, the motion passed unanimously, 7-0. *[Commissioner Galvin and Commissioner Kreitzer were absent for the vote.]*

15(b). Equity Investment Guidelines - Resolution 2010-02

MR. BADER stated that the investment guidelines set forth permissible equity investments, including equity and equity-related securities listed on recognized exchanges. However, the portfolio occasionally may receive some delisted and/or deregistered equity investments through some corporate action, such as a bankruptcy or conversion. Sometimes these securities may have little or no value, and the cost of selling them may be more than the value of the investment. At the same time, those investments may have a call value that could mature. When the Board adopted the particular guideline it was to keep managers from buying securities that staff did not know anything about. But the guideline is problematic for the compliance and accounting staff in the type of situation he just described, and the portfolio staff do not want to get rid of the securities that are simply in the portfolio as a result of corporate actions. Staff recommended amending the equity investment guidelines so that securities that are delisted and/or deregistered or owned as a result of a corporate action and not a direct purchase, and that are held at a value deemed to be de minimus, can be held in the portfolio.

MR. PIHL moved that the ARMB approve Resolution 2010-02, approving the revised Investment Guidelines for Domestic and International Equities to include the ownership of delisted and/or deregistered securities not acquired via direct purchase. MR. WILLIAMS seconded.

The roll was called, and the motion passed unanimously, 7-0. *[Commissioner Galvin and Commissioner Kreitzer were absent for the vote.]*

RECESS FOR THE DAY

VICE CHAIR TRIVETTE recessed the meeting for the day at 4:40 p.m.

Friday, February 26, 2010

CALL BACK TO ORDER

VICE CHAIR TRIVETTE called the meeting back to order at 9:00 a.m. Trustees Harbo, Erchinger, Richards, Pihl, Trivette and Williams were present at the meeting location in Juneau, and Chair Schubert was present by teleconference.

REPORTS (Continued)

16. The Role of International Small Cap - Callan Associates

MR. O'LEARY mentioned that Callan's Janet Becker-Wold made the initial presentation on the case for international small cap equities at the Board's December 3-4, 2009 meeting. He reported that Ms. Becker-Wold was a finalist for consultant of the year. He also briefly reviewed the key points from Ms. Becker-Wold's presentation in December. *[A copy of the Callan slides for this presentation are on file at the ARMB office.]* International small cap equity has provided a premium return compared to the developed market large cap equity. As expected, the premium has been accompanied by higher volatility. There are fewer active international small cap managers than there are active domestic small cap managers, but the universe is large enough that there is a reasonable set of manager alternatives. The MSCI index family has evolved substantially and, with the inclusion of many more companies, the indices now represent a more complete measure of the world equity markets.

MR. O'LEARY showed several charts that Ms. Becker-Wold had in her presentation that illustrated that international small cap equity was a relatively good place to be invested over the last 10 years. An updated graph showed that 57% of the international small cap managers would have matched or beat the small cap index, if fees were 45 basis points. Another chart was of international small cap index sector diversification compared to other indices. The most striking difference was that consumer discretionary and industrials in the small cap index are significantly greater than in the EAFE Index, and that financials, while large in the international small cap index, are smaller than they are in the EAFE Index.

MR. O'LEARY said the Callan manager database contains 98 international small cap strategies. Product capacity is a moving target, and many products have reopened recently as a result of the market decline in 2008.

MR. O'LEARY next talked about the ARMB total international equity diversification: 46.1% was in large cap companies at September 30, 2009, just under 32% was in mid cap companies, almost 19% was in smaller companies, and 3.3% was in micro cap (or what in the U.S. would be the smaller end of small cap companies). The sum of the ARMB's international managers is well diversified versus the All-Country World Index ex-US but underweight smaller cap equity versus the MSCI All-Country World ex-US IMI (Investable Market Index). The weighting by international manager mandate was 76% developed markets and 24% emerging markets at September 30, 2009.

MR. O'LEARY reviewed the ARMB's international equity managers individually so the Board could see which of them was bringing a lot of small cap exposure to the portfolio and which was not, as follows:

- Brandes - has good smaller company exposure compared to the indices but much lower exposure to what are labeled micro cap.
- Capital Guardian - has substantial exposure to the small cap area and low exposure to the micro cap.
- Lazard international component of the global portfolio - has below index exposure to both small cap and micro cap, using the ACWI Index ex-US, and significantly lower exposure than the MSCI All-Country World ex-US IMI.
- McKinley Capital - their small cap exposure is meaningfully below the small and micro cap segments of either the ACWI Index ex-US or the ACWI ex-US IMI. The composition of the McKinley portfolio changes fairly radically through time, so September 30, 2009 was just a snapshot in time.
- State Street - has pretty high combined exposure to small and micro cap, and is very slightly behind the ACWI ex-US IMI.
- Eaton Vance - has meaningful exposure to smaller cap (information provided by Eaton Vance). That was one of the appeals of their approach when the Board hired them.
- Lazard emerging markets - has very meaningful small cap exposure.
- Capital Guardian emerging markets fund - has very meaningful small cap exposure.

MR. O'LEARY said he concluded that looked at in aggregate the ARMB has less than broad market exposure to international small cap but good representation in the emerging markets small cap arena. That leads to the question of how the program should be structured, if the Board decided to proceed with international small cap: should it be primarily developed market, or should it be the total international market? Callan believes it should be primarily developed markets. But because of the scarcity of really good active managers, he would not eliminate a manager that had some emerging markets exposure. He preferred that that exposure be lower rather than higher, on average, and/or opportunistic when the manager finds something particularly attractive.

Regarding how many managers would be the right number, MR. O'LEARY said international small cap is a capacity constrained area, and it is not uncommon for these managers to close their products to any more assets. They often try to accommodate their existing clients but may be unable to do so. As with any active small cap manager, the shorter-term variation in their performance from the benchmark tends to be quite high, so diversification to a minimum of two managers makes a lot of sense. He said he understood that adding to the number of ARMB managers was a touchy subject. The Board has a good roster of international equity managers, so the first place to think about candidates would be among the existing managers to see if they have some competency in the area, particularly if it would provide some fee advantage through relationship pricing.

MR. PIHL inquired about the amount of placement, if the Board were to proceed with an international small cap mandate. MR. O'LEARY said he and the portfolio staff were thinking in terms of $200 million to $300 million total.

MR. WILSON asked if there was any way to broaden the mandate of an existing international large cap manager, or if it was a different skill set. MR. O'LEARY said Callan would start by assessing the capability of the existing managers. For example, McKinley Capital is not a viable candidate for international small cap because their investment process does not lend itself to it. But other existing firms may warrant consideration.

VICE CHAIR TRIVETTE asked if Callan would have the manager search results back to the Board by the June meeting. MR. O'LEARY said he was mindful of the schedule and how many tasks the CIO has on his plate as a result of this meeting. He added that international small cap is not a burning priority, so it will be what can fit into a busy agenda. But the June date would not be a problem for Callan.

MR. BADER indicated he agreed with the comments about the urgency of this. Even though items come to the Board in a particular order in the meeting packet, staff does not necessarily view that as the order of priority to address items. He said that a question at the last meeting about whether international small cap offered additional exposure and an incremental gain, given that the ARMB already has emerging markets managers. Based on Mr. O'Leary's report and staff's independent work, staff believes there can be incremental gain by adding international small cap to the roster. Existing managers is always the first place to look for potential candidates, but the search will not be limited to them. He referred to the action memo in the packet that included a staff recommendation to proceed with a manager search.

MS. HARBO moved that the Alaska Retirement Management Board direct Callan Associates and portfolio staff to conduct a search for one or more international small cap investment managers. MR. PIHL seconded.

The roll was called, and the motion passed unanimously, 7-0. *[Commissioner Galvin and Commissioner Kreitzer were absent for the vote.]*

17. Capital Guardian - Emerging Markets

Relationship manager PAULA PRETLOW and VICTOR KOHN, a portfolio manager and chairman of the emerging markets investment committee at Capital Guardian, spoke on the Alaska retirement fund's emerging markets growth fund investment valued at $382 million at the end of 2009. *[A copy of the Capital Guardian presentation material is on file at the ARMB office.]*

MS. PRETLOW indicated that information about Capital Guardian's investment philosophy and process were included in the handout booklet and, unless there were questions, she would proceed to discuss the emerging markets equity team. The team remains unchanged in recent years, and the firm is happy with how the team is working together and with the results that they are providing. Since the ARMB account began in 1994, Capital Guardian has provided superior long-term investment results to the benchmark.

MR. KOHN reported that 2009 was an extraordinary year in which emerging markets were up 78% to 82%, depending on which index one looked at. It was a crazy, roller coaster year, and Capital Guardian pretty well kept up with the MSCI Emerging Markets IMI. The main drag was having any amount of cash. As usual, what they did well was very good stock selection. The year started with sharp declines in the indices, then towards March the world realized that emerging markets were doing much better than the panic that was wrapping the developed world. The big recovery was in the second and third quarters, with recoveries of 37% and 21% respectively. The peak was in late October, and there was a slight decline from then.

MR. KOHN explained that in January 2009 China introduced very strong stimulus measures, both fiscal and monetary. The question mark was whether China would be able to counterbalance the external drag from the developed economies. As the year ensued, the answer was a resounding yes, and not just China but India, Brazil, and most emerging markets. That was a very different experience than what occurred in prior decades. Towards the end of the year some large debt issues in Dubai created a big scare, and now the center of attention is Greece and some parts of developed Europe. This is not unique to emerging markets, and there will be many lingering things going forward. The spread of performance between large cap equities and smaller caps in emerging markets was at an extreme. In a year in which emerging markets went up roughly 83%, the largest quintile for market caps was up 60%, and the smallest quintile was up 114% — a very sharp divergence.

MR. KOHN stated that in Asia China was not the bubble that people thought it was; it was up 69% in the year, well below the average. The big fireworks happened in the more commodity oriented countries that had a sharp recovery from the decline of 2008 — mostly Brazil and Russia. They had sharp recoveries in both the stock market and the exchange rate. Overall, the more cyclical sectors recovered the most, such as consumer discretionary and materials, and the more defensive sectors did the least well in the year, with telecom at the bottom of that pile.

MR. KOHN reported that holding cash was a big detriment in 2008, and on average Capital Guardian had about 4.7% cash in the emerging markets fund - more at the beginning of the year and a lot less as the year went on and investors realized that the world was normalizing. That cash position had a negative contribution of roughly 490 basis points in the fund. However, Capital Guardian kept up by very good stock selection, particularly in China, which contributed roughly 890 basis points of return. They are satisfied that the strength of their research and stock selection allowed them to keep up. MR. KOHN briefly went through a list of stocks that were big contributors and also those that were the major detractors in the year. He also included fund holdings that were significantly below the benchmark weight that also helped performance.

Addressing country weights at year end, MR. KOHN stated that the fund had an overweight position in China and in Mexico, and the biggest underweights were Taiwan and Brazil. This was a combination of macro and most importantly micro and bottom-up views of where they see the best risk/reward. Interestingly enough, the 200 basis points of overweight in China is understated because there are quite a few companies in the fund that are domiciled in other countries but that derive a lot of their business strength from China.

Looking at sectors, MR. KOHN said the emerging markets growth fund had a 15.5% position in financials at year end, 800 basis points underweight the index. They were 500-some basis points overweight in telecom versus the index. Capital developed an underweight position in financials starting around 2005, and that underweight position increased through 2006, 2007 and 2008. At the beginning of 2009 the underweight position in financials was roughly 1,100 basis points. Different than in the developed world, their underweight position in financials was not because they were concerned about the fundamental health of the companies but rather because the valuations of some of those great companies that they had owned for a long period of time started to become very demanding. Capital did not fear a fundamental weakness in the financial company businesses, and actually most of the companies came through the crisis very well for the right reasons. After the crisis of 1997-1998, financials in emerging markets were tightened a lot, and that became very beneficial this time. Valuations for financials started to come back to a range around the middle of 2009 where Capital saw some opportunities, and they added 600 basis points of exposure from the level at the end of 2008. They will continue to look with interest at some of the great companies, if and when valuations make sense.

MR. KOHN said the telecoms were very much a stock and company specific issue. Capital has increased quite a bit the position in fixed line and interwave companies. The market has been assuming that these companies are stagnant and shrinking, but Capital thinks the market is wrong about that, that the great substitution between fixed and mobile has happened in many of the countries. In addition, some of the telecom companies have some very interesting businesses, mostly broadband and pay TV. The valuations of some of these companies are outstanding, 10x or less earnings and double-digit free cash flow yield, and they are returning most of that to shareholders. Capital sees some very interesting values in this area.

MR. KOHN briefly reviewed the roller coaster history of the emerging markets index from 1987 to the present and how Capital Guardian views it. He pointed out that the 80% rise in calendar year 2009 came after a sharp drop of 53.7% during 2008. So from December 31, 2009, the index would still have to rise 35% to get to the level where the market peaked in October 2007.

MR. KOHN showed a graph of the historical valuation of emerging markets equities on a price earnings ratio basis since 1995. The market finished the year slightly above the average valuation for emerging markets, at 18.3x. That is not surprising because it is coming off of a fairly depressed earning base. If you were to take the 2009 estimates for calendar 2010 and apply those estimates, assuming the market is right, the trailing P/E as of December 2010 will be roughly 13x — so fairly undemanding.

He also showed graphs of fundamentals and stock valuations to compare the emerging markets universe to the developed world universe. He said that as the emerging markets went into the Asia crisis of 1997 and the rest of the world in 1998, culminating with the default of Russia in August 1998, the relative profitability of emerging market companies compared to the developed world companies was declining, and the relative stock performance of emerging markets went down in tandem. Towards the end of 1999, the economies of emerging markets started recovering, and the relative profitability of emerging market companies started to gain compared to the developed world and continued along until another sharp turn upwards in the latest crisis. It was if the market was saying it believed the emerging market companies were growing faster than expected and with better relative fundamental performance, but the market was still very scared of emerging markets because of what happened in 1997-1998 and expected to get set back five or ten years in the next crisis, explaining why the relative valuation was moving upward very slowly.

MR. O'LEARY asked for a comment on what the balance sheets looked like. MR. KOHN said the emerging markets companies went on a deleveraging trend between 1997 and the beginning of the latest crisis. The leverage of emerging markets companies is considerably below that of the developed world companies. So the increase in their return on equity was really due to an improvement in return on assets and a lower leverage, so even more impressive and less risky.

MR. KOHN said this latest crisis was the first time in 30-plus years in which the typical refrain that the U.S. sneezes and the rest of the world, particularly emerging markets, catches pneumonia did not happen. Actually, it will be the contrary. The U.S. suffered a severe bout of pneumonia and many (not all) emerging markets managed to continue through a bad cold but nothing worse than that. That was because of all the good fundamental restructuring that has happened over the last 20 years in emerging markets — levelization of the economies, large scale privatization, moving things from the government entities to the private entities, and much stricter regulation of banks post 1997-1998 in terms of leverage. Actually, many things that were gradually happening for 20 or 30 years were vastly under estimated. For example, the development and deepening of the local capital markets. There has been a revolution in pension plans in emerging markets. Now the larger marginal players in emerging markets are local players, and what Capital Guardian or the ARMB's other managers or hedge funds are doing is considerably less important than it was 15 years ago. Emerging markets depend on external capital much less than they used to, and this has added a lot of stability.

MR. KOHN referred to a graph of the price to cash earnings for emerging markets divided by the price to cash earnings of the world. In the mid-1990s, emerging markets sold at a premium multiple to the developed world because people appreciated how much faster the emerging markets grow than the developed world. Going into the crisis of 1997-1998, that ratio fell to half the multiple of the developed world, and basically emerging markets spent the following decade digging out of that hole. This latest crisis will again change the way that emerging markets are viewed. He thought the new range would be between parity and a premium again, the way it was before the crisis of 1997, because emerging markets have shown that they can perform well both in good times and in times of trouble.

In conclusion, MR. KOHN said 2009 was an extraordinary year, but it should not be viewed in isolation and should be looked at paired as 2008-2009. Capital Guardian looks at emerging markets through the prism of its very large internal research to see very different opportunities, some of which they review by countries and industries. Emerging markets going forward look very healthy and valuations are quite reasonable. Emerging markets are roughly 13% of the equities in the world index, and capitalization-wise they are larger but have a bigger discount of float. And they are roughly about 37% of the gross domestic product of the world. Capital Guardian has a strong conviction that the 37% will grow and the capitalization of emerging markets stocks will go in the same direction rather than visa versa.

VICE CHAIR TRIVETTE asked what the valuation comparison graphs would look like if carried out two or three years. MR. KOHN thought the emerging markets return on equity would come down somewhat due to emerging markets doing very well, but the relative return on equity of the developed world will recover, particularly in the financial area. It will be a slow normalization of the developed world. But over the next few years the emerging markets return on equity will stay at a fairly elevated rate compared to the developed world. He expected it to have a slowly upward sloping trend because there are many areas in the emerging world that still have to go through a bigger transition from government ownership to private ownership. The Chinese government is privatizing chunks of the economy, the Indian government wants to accelerate that process, and Russia has more to go. That will mean a bigger generation of profits, and given current multiples, the emerging markets will continue to outpace the developed world by a significant amount.

VICE CHAIR TRIVETTE inquired if Capital thought prices would continue to be reasonable in the next two or three years. MR. KOHN said he thought so. He said Capital Guardian is finishing its 24th year of investing in emerging markets. The market goes from euphoria to panic and back again because people worry about everything that can go wrong and then they worry about a potential bubble developing, and they spend very little time in between. He thought that was abating and that emerging markets were proving to be much more stable than in the past so that hopefully people would spend much more time in the middle.

MS. HARBO asked about investing in Vietnam, saying she thought the country had an up and coming economy. MR. KOHN said Vietnam is a very dynamic economy but still has a very small and immature stock market. Vietnam actually falls in the category of a frontier market.

MR. SHIER mentioned that Capital Guardian listed energy in what some would consider mutually exclusive growth areas: coal and green technology. He asked how they were reconciling what people in the U.S. are hearing about how evil coal is and its great capacity to produce energy.

MR. KOHN responded that China is doing a lot of work in diversifying their sources of energy. China has a huge nuclear program going forward, along with solar and wind technology, etc. But for the foreseeable future coal will be the source of energy. He expected that the most interesting technological developments will be in carbon sequestration and in working with coal but in a cleaner fashion. There is no alternative to coal for a long, long time.

MR. O'LEARY congratulated Capital Guardian on a great 5-year+ record in emerging markets, noting that there were some anxious moments along the way several years ago.

MS. PRETLOW responded that they appreciated the ARMB sticking with them.

VICE CHAIR TRIVETTE asked if Capital Guardian had any difficulties getting good people to work in the emerging markets countries. MR. KOHN said they focus on having a stable and growing team of analysts in the emerging markets area. They now have 22 analysts devoted to emerging markets equities, and in addition they have about six analysts devoted to studying emerging markets fixed income and macro. Fairly unique at Capital, since 1994 they have had a team that invests in private equity in emerging markets. It is the only area where they do private equity. Today they have over a dozen professionals around the world doing that, and they can get inputs from different parts of the emerging markets universe, which are important at different periods of time. Most of the people are located in the key offices at Capital, so some in the U.S., some in Europe, and some in Asia, particularly Hong Kong and Singapore. In the summer of 2008 they opened a small office in Mumbai, India, which will grow gradually over time. In the summer of 2009 they also started a small research office in Beijing, where they are going to have mostly local people doing very specific grassroots research. Capital has never had offices outside of the developed world, but they view this as very important and key for them to understand not just emerging markets but the overall world.

VICE CHAIR TRIVETTE thanked Mr. Kohn and Ms. Pretlow for their report.

UNFINISHED BUSINESS

1. Disclosure Reports

MS. HALL stated that the financial disclosure reports since the last meeting were included in the packet, and there was nothing significant to report.

2. Meeting Schedule

MS. HALL said there had been no change to the meeting schedule from the previous version.

3. Legal Report

Board legal counsel, ROB JOHNSON, commented that he has been working behind the scenes on a number of items. He also reported that he and Mike Barnhill of the Department of Law met with the Department of Revenue staffers two days ago to work through some practical-type issues that are facing the investment staff. There are a lot of efforts currently underway, and they felt it was valuable to meet with the staff. Assistance from the lawyers on a more regular basis is probably warranted just to make sure that everyone is operating with the same information.

MR. BARNHILL reported that he attended the National Association of Public Pension Attorneys meeting earlier this month in Washington, D.C. It was great to have the opportunity to sit with general counsel from public pension funds around the country and hear their stories and legal issues. He said he provided his notes from that meeting with staff from both the Division of Retirement and Benefits and the Treasury Division, and would be happy to share them with the Board as well. On another topic, he said it is never fun to give a client bad news, and it is even worse in a governmental context because it usually means they are going to have to do a lot of work. He had to inform the Division of Retirement and Benefits about the PricewaterhouseCoopers loss of information last month, and he appreciated the amazing job that DRB and the Department of Administration did when they were informed they would have to start communicating with 77,000 people. The time frame in which they did that was also extraordinary.

NEW BUSINESS - None.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD - None.

PUBLIC/MEMBER COMMENTS

VICE CHAIR TRIVETTE checked in the audience and on line and determined that there was no one who wished to speak to the Board.

INVESTMENT ADVISORY COUNCIL COMMENTS

MR. WILSON said he found the change of the decade a fascinating time to reflect back over ten years, and he found Mr. O'Leary's capital markets presentation particularly thought provoking. Every decade brings amazing surprises, but the 2000s started out with amazing P/Es that ended in the dot-com bust. He was struck by the fact that the U.S. stock market returned zero for ten years, but the 15-year number was actually in the 8%-9% range. The most important decision the ARMB has to make is the asset allocation policy. Right at the time when most investors did not want to be in the market, and many were switching away from asset allocation decisions they had held for many years — because the classic investment decision was 60%/40% coming out of the Great Depression. Some notable institutions in the 1990s had great success being much more aggressive, and a lot of people moved from 60/40 to 80/20 or 85/15 balanced towards equities at exactly the wrong moment. So he was struck by all the historical data in Mr. O'Leary's presentation, and was reflecting on how we got to the real estate crisis we are in today. It was based upon using historical data used in very sophisticated models to project that real estate prices would never decline. People lost the big picture that house prices do not go up 20% a year.

MR. WILSON said he has been thinking about what that all means for the next decade or two, as the Board is again looking at its asset allocation policy. He keeps coming back to the interest rate environment today where the rate is at zero. He is hoping that the next decade will be different than the zero rate of return from stocks, and it certainly seems like it is a good time to be where we are relative to having a lower allocation to bonds. That is the most important decision the Board probably has to face on a regular basis.

MR. WILSON stated that the charts about the massive amounts of federal deficit the country is facing really jumped out at him yesterday. Probably the second most important decision the Board has to make in its asset allocation decision is how much is invested in the U.S. Most U.S. investors are U.S.-centric. The world indices are about 41% U.S. stocks. The ARMB portfolio right now is about 60%. So there is roughly a 50% overweight relative to the markets. That is something the Board will have to continue to think about. The portfolio has had a gradual movement towards the world indices, but right now there is a very big bet that the U.S. is going to do better than the rest of the world. The Board just heard a presentation that it may be something to think about. And the last most important thing continues to be cost, passive versus active, as the Board looks at the asset allocation.

DR. JENNINGS indicated he had made his comments throughout the meeting.

TRUSTEE COMMENTS

VICE CHAIR TRIVETTE asked the IAC, Mr. O'Leary, and the portfolio staff to think about how much debt the U.S. government has now and if there are strategies that the Board ought to be looking at to use that to the retirement plans' benefit in terms of rate of return.

MS. HARBO thanked Mr. Barnhill for keeping the trustees individually informed on a number of issues. She also expressed appreciation to the Department of Administration and the Division of Retirement and Benefits for handling the massive influx of calls from former and current state employees about the lost personal data.

MR. BADER mentioned that there is a custom of investment managers leaving the room when their colleagues from other firms are making a presentation. He wanted the Board to know that Melody McDonald of RCM was listening on line during Mr. O'Leary's presentation on international small cap equity, but she disconnected when it was finished and was offline during Capital Guardian's emerging markets presentation.

FUTURE AGENDA ITEMS

VICE CHAIR TRIVETTE stated that things have changed rapidly in recent years, and he wanted the Board to review all the indices used in the portfolio and take a forward look at any changes coming down the line. He mentioned that he is often looking at two or three indices for a given manager's return history. He used to think that was not right, but he is beginning to believe that it is sometimes good to have more than one way to look at what the managers are doing. A manager's mandate does not always fit perfectly against one index.

MR. PIHL said he wanted the Board to address the massive amount of government debt at a future meeting. For example, when is the massive writedown of government debt going to occur, or is it going to occur?

ADJOURNMENT

There being no objection and no further business to come before the board, the meeting was adjourned at 10:10 a.m. on February 26, 2010, on a motion made by MS. HARBO and seconded by MR. WILLIAMS.

Chair of the Board of Trustees
Alaska Retirement Management Board

ATTEST:

Corporate Secretary

Note: An outside contractor tape-recorded the meeting and prepared the summary minutes. For in-depth discussion and more presentation details, please refer to tapes of the meeting and presentation materials on file at the ARMB office.

Confidential Office Services
Karen Pearce Brown
Juneau, Alaska

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Fiscal Year 2011 Health Reimbursement Arrangement amounts for employers	ACTION:	
DATE:	April 22, 2010	INFORMATION:	X

BACKGROUND:

AS 39.30.350 "Employer Contribution Fund" states that Teachers' and Public Employees' Retiree health reimbursement arrangement plan trust fund is an employer contribution fund. Employee contributions are not permitted.

AS 39.30.360 "Management and Investment of the Fund" states that "The Alaska Retirement Management Board is the fiduciary of the fund and has the same powers and duties under this section in regard to the fund as are provided under AS 37.10.220."

AS 39.30.370 "Contributions by Employers" states that "For each member of the plan, an employer shall contribute to the teachers' and public employees' retiree health reimbursement arrangement plan trust fund an amount equal to three percent of the average annual compensation of all employees of all employers in the TRS and PERS." The Division of Retirement & Benefits calculates the HRA amount annually and reports this to all affected employers for proper payroll reporting each fiscal year.

STATUS:

Attached is the memorandum from the Division of Retirement & Benefits for Fiscal Year 2011's Health Reimbursement Arrangement employer contribution per pay period. The amounts have been reported to employers.

Also attached is a summary spreadsheet for fiscal years 2008 - 2011.

MEMORANDUM

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
Division of Retirement and Benefits

To: Patrick Shier
Director

Thru: Teresa Kesey
Chief Financial Officer

From: Christina Maiquis CM
Accounting Supervisor

Date: March 18, 2010

Subject: FY 2011 HRA Employer Contribution Amounts

Alaska Statute Section 39.30.370 "Contributions by employers" for the Health Reimbursement Arrangement Plan for PERS and TRS states in part:

> *"For each member of the plan, an employer shall contribute to the teachers' (TRS) and public employees' (PERS) retiree health reimbursement arrangement (HRA) plan trust fund an amount equal to three percent of the average annual compensation of all employees of all employers in the teachers' retirement system and public employees' retirement system. The administrator shall maintain a record for each member to account for employer contributions on behalf of that member."*

In order to compute the dollar amount required to fund the PERS and TRS HRA Plan, a rate of 3.00 % is applied to the average annual compensation of all employees of all employers in PERS and TRS. Contributions to an employee's HRA account required for each pay period in which the employee is enrolled in the Defined Contribution Retirement (DCR) Plan, regardless of the compensation paid during the calendar year. By definition, the HRA employer contribution cost is a dollar amount.

The calculated Fiscal Year 2011 HRA employer contribution amounts are shown below:

FY 2011 HRA Amounts					
Annual	**Quarterly**	**Semi-monthly**	**Bi-weekly**	**Monthly**	**Hourly**
$1,720.70	**$430.17**	**$71.70**	**$66.18**	**$143.39**	**$1.10**

For comparative purposes, the table below displays the Fiscal Year 2010 HRA amounts:

FY 2010 HRA Amounts					
Annual	**Quarterly**	**Semi-monthly**	**Bi-weekly**	**Monthly**	**Hourly**
$1,699.71	**$424.93**	**$70.82**	**$65.37**	**$141.64**	**$1.09**

Please refer to the attachment for calculation of the FY 2011 amounts.

Approved:

Pat Shier, Director

3·25·2010
Date

Attachment

Division of Retirement & Benefits
Health Reimbursement Arrangement (HRA)
Employer contribution amounts by fiscal year

Fiscal Year	Annual	Quarterly	Semi-monthly	Bi-weekly	Monthly	Hourly
2008	1,531.27	382.82	63.80	58.89	127.61	0.98
2009	1,616.81	404.20	67.37	62.18	134.73	1.04
2010	1,699.71	424.93	70.82	65.37	141.64	1.09
2011	1,720.70	430.17	71.70	66.18	143.39	1.10

NOTE: For fiscal year 2007, HRA amounts were computed by employer rather than the HRA as a plan. Beginning fiscal year 2008, HRA amounts were computed and applied uniformly to all members and are reflected above.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	State Street Bank Custodial Contract Amendment	ACTION:	**X**
DATE:	April 22, 2010	INFORMATION:	

BACKGROUND:

The current Custody Services Contract with State Street Bank is for October 1, 2005 through June 30, 2008, with three one-year renewal options. In November 2008, staff began to review custody options and participated in due diligence trips to State Street and other banks to compare custodial service capabilities.

STATUS:

During 2009, staff determined that it is satisfied with State Street Bank's current custodial services and began updating the current Custody Services Contract. In addition to correcting and formatting changes throughout the contract, it has been updated by legal counsel of both parties. Updating the contract also provides the opportunity to incorporate the new Cash Management Master Agreement, current manager mandates and updated fee schedules that incorporate settlement terms.

RECOMMENDATION:

The Board provide approval to enter into an Amended and Restated contract with State Street Bank that extends the contract to June 30, 2013 with three one-year renewal options.

Chief Investment Officer Report

1. Rebalance PERS, TRS and DC plans

2. Reduce Russell 200 $120 million and add to fixed income

3. MacKay Shields settlement with Francisco Partners

4. Request SSgA to use commission recapture brokers when possible

5. Transition $150 million from Long Term Fixed Income to Intermediate Term Treasuries

6. Offered Elizabeth Walton an Assistant State Investment Officer position

7. Offered Sean Howard and Assistant State Investment Officer position

Alaska Retirement Management Board

P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-3749

March 15, 2010

Ms. Jennifer Healy
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Ms. Healy:

Please make the following pool level transactions on Monday, March 22, 2010, to bring **PERS, TRS pension plans** and the **DC Plans** allocations closer to target.

AY6G & AY6W	
Large Cap Pool	(11,933)
Small Cap Pool	(5,923)
International Equity Pool	9,081
Emerging Markets Equity	9,144
Private Equity	14,139
Domestic Fixed Income	28,213
High Yield Pool	3,949
Emerging Markets Debt Pool	3,645
International Fixed Income	3,615
AK TIPS Pool	7,244
Energy Pool A	835
Farmland Pool A	3,248
REIT Pool A	610
Timber Pool A	2,031
AK Real Estate Pool	18,826
Absolute Return	9,461
Cash	(96,185)
	-

AYX2 & AYX4	
Large Cap Pool	(7,392)
Small Cap Pool	(11,485)
International Equity Pool	34,002
Emerging Markets Equity	24,659
Private Equity	38,118
Domestic Fixed Income	76,160
High Yield Pool	10,691
Emerging Markets Debt Pool	9,991
International Fixed Income	9,915
AK TIPS Pool	19,227
Energy Pool A	2,160
Farmland Pool A	8,756
REIT Pool A	1,643
Timber Pool A	5,481
AK Real Estate Pool	51,048
Absolute Return	25,810
Cash	(298,784)
	-

AYY3 & AYY5	
Large Cap Pool	51,598
Small Cap Pool	(7,359)
International Equity Pool	81,057
Emerging Markets Equity	40,436
Private Equity	62,637
Domestic Fixed Income	125,252
High Yield Pool	17,642
Emerging Markets Debt Pool	16,788
International Fixed Income	16,688
AK TIPS Pool	30,820
Energy Pool A	3,327
Farmland Pool A	14,366
REIT Pool A	2,695
Timber Pool A	8,986
AK Real Estate Pool	84,368
Absolute Return	43,001
Cash	(592,302)
	-

AY6H & AY6X	
Large Cap Pool	(450)
Small Cap Pool	(2,024)
International Equity Pool	6,941
Emerging Markets Equity	4,705
Private Equity	7,293
Domestic Fixed Income	14,547
High Yield Pool	2,042
Emerging Markets Debt Pool	1,911
International Fixed Income	1,900
AK TIPS Pool	3,666
Energy Pool A	412
Farmland Pool A	1,671
REIT Pool A	314
Timber Pool A	1,047
AK Real Estate Pool	9,742
Absolute Return	4,929
Cash	(58,646)
	-

AYY2 & AYY4	
Large Cap Pool	(92,986)
Small Cap Pool	(49,870)
International Equity Pool	82,821
Emerging Markets Equity	80,719
Private Equity	124,731
Domestic Fixed Income	249,044
High Yield Pool	34,876
Emerging Markets Debt Pool	32,320
International Fixed Income	31,988
AK TIPS Pool	63,569
Energy Pool A	7,271
Farmland Pool A	28,659
REIT Pool A	5,381
Timber Pool A	9,649
AK Real Estate Pool	672,115
Absolute Return	83,919
Cash	(1,364,206)
	-

AY21 & AY94	
Large Cap Pool	31,252
Small Cap Pool	56,228
International Equity	(171,231)
Emerging Markets Equity Pool	(123,052)
Private Equity	(190,341)
Domestic Fixed Income	(380,180)
High Yield	(53,359)
Emerging Markets Debt Pool	(49,926)
International Fixed Income	(49,513)
AK TIPS Pool	(95,803)
Energy Pool A	(10,741)
Farmland Pool A	(43,699)
REIT Pool A	(8,203)
Timber Pool A	(21,576)
AK Real Estate Pool	(606,919)
Absolute Return	(128,957)
Cash	1,846,020
	-

AY6I & AY6Y	
Large Cap Pool	2,168
Small Cap Pool	(1,203)
International Equity Pool	6,639
Emerging Markets Equity	3,875
Private Equity	6,025
Domestic Fixed Income	11,974
High Yield Pool	1,686
Emerging Markets Debt Pool	1,592
International Fixed Income	1,580
AK TIPS Pool	2,982
Energy Pool A	326
Farmland Pool A	1,377
REIT Pool A	258
Timber Pool A	862
AK Real Estate Pool	8,061
Absolute Return	4,095
Cash	(52,297)
	-

AYX3 & AYX5	
Large Cap Pool	14,111
Small Cap Pool	(2,888)
International Equity Pool	25,375
Emerging Markets Equity	13,185
Private Equity	20,418
Domestic Fixed Income	40,811
High Yield Pool	5,746
Emerging Markets Debt Pool	5,455
International Fixed Income	5,422
AK TIPS Pool	10,081
Energy Pool A	1,095
Farmland Pool A	4,682
REIT Pool A	880
Timber Pool A	2,930
AK Real Estate Pool	27,474
Absolute Return	13,988
Cash	(188,765)
	-

AY22 & AY95	
Large Cap Pool	13,632
Small Cap Pool	24,524
International Equity	(74,685)
Emerging Markets Equity Pool	(53,671)
Private Equity	(83,020)
Domestic Fixed Income	(165,821)
High Yield	(23,273)
Emerging Markets Debt Pool	(21,776)
International Fixed Income	(21,595)
AK TIPS Pool	(41,786)
Energy Pool A	(4,685)
Farmland Pool A	(19,060)
REIT Pool A	(3,578)
Timber Pool A	(9,410)
AK Real Estate Pool	(264,715)
Absolute Return	(56,246)
Cash	805,165
	-

If you have any questions please call me (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, Chair ARMB
Jerry Burnett, Deputy Commissioner
Bob Mitchell, State Investment Officer
Steve Sikes, State Investment Officer
Nicholas Orr, State Investment Officer
Pam Leary, Comptroller
Beth Larson, State Compliance Officer

Alaska Retirement Management Board
P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-3749

March 15, 2010

Ms. Jennifer Healy
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Ms. Healy:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Thursday, March 25, 2010 for the ARMB Defined Benefit Pension Plans (AY21-AY23 and AY94-AY96) and the ARMB Retirement Health Funds (AYW2-AYW4 and AYW5-AYW7). Please use a pro-rata split between the PERS, TRS and JRS pension plans and the PERS, TRS and JRS health retirement funds.

Russell 200 (AY4R)	<$120,000,000>
Long Term Fixed Income (AY77)	120,000,000

If you have any questions please call our office at (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, ARMB Chair
Jerry Burnett, Deputy Commissioner
Pam Leary, Comptroller
Beth Larson, State Compliance Officer
Zachary Hanna, State Investment Officer
Bob Mitchell, State Investment Officer
Charles Colton, State Investment Officer
Nicholas Orr, State Investment Officer

GMB/jmm

Virginia E. Rose
Managing Director

MacKay Shields

NEW YORK LIFE Investment Management LLC

March 19, 2010

Mr. Gary Bader
Chief Investment Officer
State of Alaska
Department of Revenue, Treasury Division
PO Box 110406
Juneau, AK 99811-0405

RE: Account #1022 Alaska State High Yield

Dear Gary:

We are writing to you because your account holds QuadraMed Corporation 5.5% Convertible Preferred Stock. On December 8, 2009, QuadraMed agreed to be acquired by Francisco Partners for $8.50 per share of common stock. As part of the transaction, the Preferred Stock was to be redeemed for $13.71 per share.

The preliminary proxy statement acknowledged that the holders of the Preferred Stock were entitled to appraisal rights, a process through which the preferred shareholders could have the Delaware Court of Chancery determine the "fair value" of the Preferred Stock, taking into account "all relevant factors." After MacKay Shields weighed the merits of the merger agreement and the $13.71 per share offered to our clients as holders of Preferred Stock, with input of our legal advisors, notices of intent to seek appraisal rights were filed to preserve this option for all of our clients. This did not obligate any of our clients to pursue these appraisal claims.

Concurrently, a minority shareholder of the Preferred Stock filed a motion for a preliminary injunction on the merger, claiming that the board of directors of QuadraMed had not upheld its fiduciary duty to the preferred shareholders. A hearing was held on the matter, and the court denied the injunction on the grounds that the minority shareholder had not shown it was likely to prevail on the merits of the claim. As a result of both the hearing and the opinion subsequently issued by the court, it became doubtful that the court would find, in an appraisal proceeding, that the preferred shareholders were receiving less than a fair price for their shares in consideration for the merger.

Subsequently, to avoid any further uncertainty, Francisco Partners offered to settle with the preferred shareholders, at $15.00 per share, in return for a release of all claims related to the QuadraMed Preferred Stock and the merger. The $15.00 offer represents a 10% premium over what our clients would have received in the merger.

Consequently, we are asking you to sign below to authorize MacKay Shields to execute a Settlement Agreement and Mutual Release on your behalf so that you can receive this additional consideration. In order to permit MacKay to make certain representations in the Agreement, we are also seeking your confirmation that you have not assigned, encumbered or transferred rights in your QuadraMed Preferred Stock. For your reference, we are attaching a copy of the Agreement, but you are not being asked to sign it.

If you have any questions, please feel free to contact me at 212-230-3893.

Sincerely yours,

Virginia

Virginia Rose

AUTHORIZATION AND CONFIRMATION

We authorize MacKay Shields LLC to execute the Settlement Agreement and Mutual Release in connection with our investment in Preferred Stock of QuadraMed Corporation and confirm that we have not assigned, encumbered or transferred our rights in our QuadraMed Preferred Stock.

Approved by: Gary M. Bader

Name: GARY M. BADER

Title: CIO

Date: 4/8/2010

MacKayShields

Alaska Retirement Management Board
P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-3749

February 25, 2010

Mr. Neil Tremblay
State Street Global Advisors
One Market Street, Steuart Tower – Suite 1700
San Francisco, CA 94105

Mr. Tremblay:

The Alaska Retirement Management Board (ARMB) has authorized the recapture of a portion of the brokerage commissions generated by the ARMB's accounts to directly benefit the ARMB through brokerage directed to State Street Global Markets ("SSGM").

Commencing March 1, 2010, SSgA is requested to use best efforts to place approximately 30% of your commission trades with the State Street Global Markets, LLC for the purpose of commission recapture. Notwithstanding these instructions, brokerage transactions in the normal course of business should only be directed to this broker if in doing so you also fulfill your obligation to achieve best execution of the ARMB's transactions.

In addition, the SSGM program provides a network of brokers with whom you may execute these trades. A listing of all available brokers is attached.

When transacting business for ARMB accounts under this program, please separate ARMB transactions from other trades that you may effect with these brokers and indicate that they should be credited to SSGM for benefit of the account.

If you require any more information on this program, please contact Jennifer Santaguida of State Street Global Markets at (617) 664-0827.

If you have any questions please call our office at (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

GMB/rcb

Enclosure

Cc: Gail Schubert, ARMB Chair
Jerry Burnett, Deputy Commissioner
Pam Green, State Comptroller
Beth Larson, Compliance Officer
Jennifer Santaguida, State Street Global Markets

Alaska Retirement Management Board
P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-3749

April 7, 2010

Ms. Jennifer Healy
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Ms. Healy:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Friday, April 9, 2010 for the ARMB Defined Benefit Pension Plans (AY21-AY24), the ARMB Retirement Health Funds (AYW2-AYW4) and the ARMB Defined Contribution Plans (AY6G-AY6I, AYX2-AYX3, AYY2-AYY3). Please use a pro-rata split between all the Pension Plans, Retirement Health Funds and Defined Contribution Plans.

Long Term Fixed Income (AY77)	<$150,000,000>
Intermediate Term Treasuries (AY1A)	150,000,000

If you have any questions please call our office at (907) 465-4399.

Sincerely,

For Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, ARMB Chair
Jerry Burnett, Deputy Commissioner
Pam Leary, Comptroller
Beth Larson, State Compliance Officer
Zachary Hanna, State Investment Officer
Bob Mitchell, State Investment Officer
Charles Colton, State Investment Officer
Nicholas Orr, State Investment Officer

GMB/jmm

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT

As of February 28, 2010

ALASKA RETIREMENT MANAGEMENT BOARD

Schedule of Investment Income and Changes in Invested Assets by Fund

For the Eight Months Ending February 28, 2010

	Beginning Invested Assets	Investment Income [1]	Net Contributions (Withdrawals)	Ending Invested Assets	% Increase (Decrease) in Invested Assets
Public Employees' Retirement System (PERS)					
Defined Benefit Plans:					
Retirement Trust	$ 5,079,999,093	$ 587,560,532	$ (134,847,820)	$ 5,532,711,805	8.91%
Retirement Health Care Trust	3,433,336,875	422,544,051	42,132,553	3,898,013,479	13.53%
Total Defined Benefit Plans	8,513,335,968	1,010,104,583	(92,715,267)	9,430,725,284	
Defined Contribution Plans:					
Participant Directed Retirement	52,395,851	9,688,828	25,079,473	87,164,152	66.36%
Health Reimbursement Arrangement	15,672,414	1,953,115	8,185,403	25,810,932	64.69%
Retiree Medical Plan	4,428,733	552,146	1,921,536	6,902,415	55.86%
Defined Benefit Occupational Death and Disability:					
Public Employees	2,030,225	252,260	663,256	2,945,741	45.09%
Police and Firefighters	547,388	69,357	330,751	947,496	73.09%
Total Defined Contribution Plans	75,074,611	12,515,706	36,180,419	123,770,736	
Total PERS	**8,588,410,579**	**1,022,620,289**	**(56,534,848)**	**9,554,496,020**	
Teachers' Retirement System (TRS)					
Defined Benefit Plans:					
Retirement Trust	2,594,355,309	306,173,717	(82,509,574)	2,818,019,452	8.62%
Retirement Health Care Trust	1,118,017,047	141,736,513	38,037,529	1,297,791,089	16.08%
Total Defined Benefit Plans	3,712,372,356	447,910,230	(44,472,045)	4,115,810,541	
Defined Contribution Plans:					
Participant Directed Retirement	25,056,276	4,499,322	9,190,921	38,746,519	54.64%
Health Reimbursement Arrangement	5,602,378	680,609	2,251,222	8,534,209	52.33%
Retiree Medical Plan	1,938,178	235,340	723,185	2,896,703	49.45%
Defined Benefit Occupational Death and Disability	907,561	110,714	248,111	1,266,386	39.54%
Total Defined Contribution Plans	33,504,393	5,525,985	12,413,439	51,443,817	
Total TRS	**3,745,876,749**	**453,436,215**	**(32,058,606)**	**4,167,254,358**	
Judicial Retirement System (JRS)					
Defined Benefit Plan Retirement Trust	89,674,358	10,671,755	(2,279,189)	98,066,924	9.36%
Defined Benefit Retirement Health Care Trust	15,313,221	1,930,542	91,171	17,334,934	13.20%
Total JRS	**104,987,579**	**12,602,297**	**(2,188,018)**	**115,401,858**	
National Guard/Naval Militia Retirement System (MRS)					
Defined Benefit Plan Retirement Trust	25,507,122	3,257,136	1,384,810	30,149,068	18.20%
Other Participant Directed Plans					
Supplemental Annuity Plan	1,960,376,810	228,147,475	21,318,688	2,209,842,973	12.73%
Deferred Compensation Plan	454,048,834	52,589,151	3,237,330	509,875,315	12.30%
Total All Funds	**$ 14,879,207,673**	**$ 1,772,652,563**	**$ (64,840,644)**	**$ 16,587,019,592**	**11.48%**

Notes:

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

ALASKA RETIREMENT MANAGEMENT BOARD

Schedule of Investment Income and Changes in Invested Assets by Fund

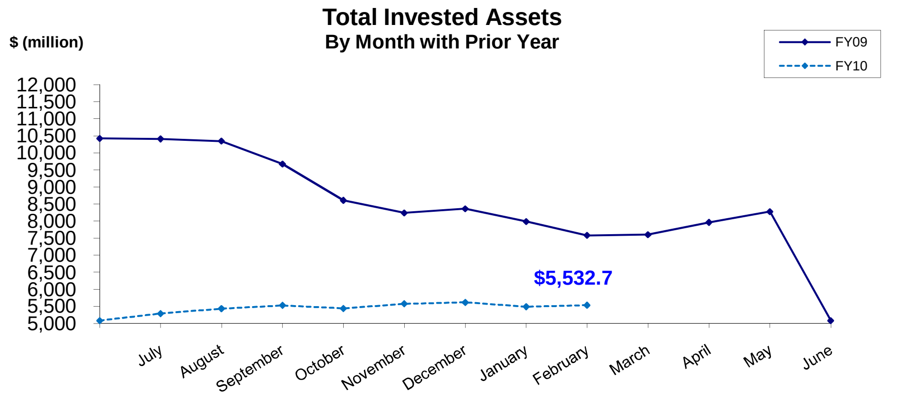
For the Month Ended February 28, 2010

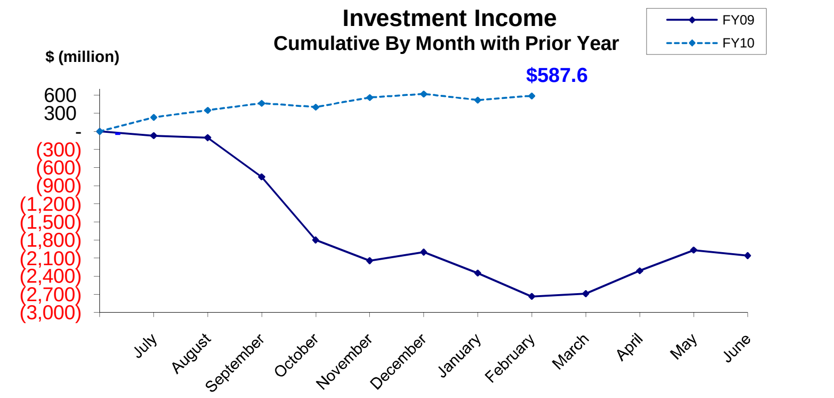
	Beginning Invested Assets	Investment Income [1]	Net Contributions (Withdrawals)	Ending Invested Assets	% Increase (Decrease) in Invested Assets
Public Employees' Retirement System (PERS)					
Defined Benefit Plans:					
Retirement Trust	$ 5,488,692,838	$ 66,108,043	$ (22,089,076)	$ 5,532,711,805	0.80%
Retirement Health Care Trust	3,856,795,202	46,206,949	(4,988,672)	3,898,013,479	1.06%
Total Defined Benefit Plans	9,345,488,040	112,314,992	(27,077,748)	9,430,725,284	
Defined Contribution Plans:					
Participant Directed Retirement	82,343,022	1,293,221	3,527,909	87,164,152	5.53%
Health Reimbursement Arrangement	24,400,211	270,437	1,140,284	25,810,932	5.47%
Retiree Medical Plan	6,581,797	72,414	248,204	6,902,415	4.65%
Defined Benefit Occupational Death and Disability:					
Public Employees	2,833,975	30,977	80,789	2,945,741	3.79%
Police and Firefighters	898,103	9,873	39,520	947,496	5.21%
Total Defined Contribution Plans	117,057,108	1,676,922	5,036,706	123,770,736	
Total PERS	**9,462,545,148**	**113,991,914**	**(22,041,042)**	**9,554,496,020**	
Teachers' Retirement System (TRS)					
Defined Benefit Plans:					
Retirement Trust	2,805,477,820	33,877,245	(21,335,613)	2,818,019,452	0.45%
Retirement Health Care Trust	1,287,973,837	15,475,701	(5,658,449)	1,297,791,089	0.76%
Total Defined Benefit Plans	4,093,451,657	49,352,946	(26,994,062)	4,115,810,541	
Defined Contribution Plans:					
Participant Directed Retirement	36,758,919	588,226	1,399,374	38,746,519	5.13%
Health Reimbursement Arrangement	8,119,537	89,237	325,435	8,534,209	4.86%
Retiree Medical Plan	2,763,888	30,317	102,498	2,896,703	4.59%
Defined Benefit Occupational Death and Disability	1,221,247	13,295	31,844	1,266,386	3.56%
Total Defined Contribution Plans	48,863,591	721,075	1,859,151	51,443,817	
Total TRS	**4,142,315,248**	**50,074,021**	**(25,134,911)**	**4,167,254,358**	
Judicial Retirement System (JRS)					
Defined Benefit Plan Retirement Trust	97,334,200	1,169,985	(437,261)	98,066,924	0.75%
Defined Benefit Retirement Health Care Trust	17,156,807	205,673	(27,546)	17,334,934	1.03%
Total JRS	**114,491,007**	**1,375,658**	**(464,807)**	**115,401,858**	
National Guard/Naval Militia Retirement System (MRS)					
Defined Benefit Plan Retirement Trust	30,042,968	297,202	(191,102)	30,149,068	0.35%
Other Participant Directed Plans					
Supplemental Annuity Plan	2,177,441,993	28,117,278	4,283,702	2,209,842,973	1.47%
Deferred Compensation Plan	503,066,955	6,940,817	(132,457)	509,875,315	1.34%
Total All Funds	**$ 16,429,903,319**	**$ 200,796,890**	**$ (43,680,617)**	**$ 16,587,019,592**	0.95%

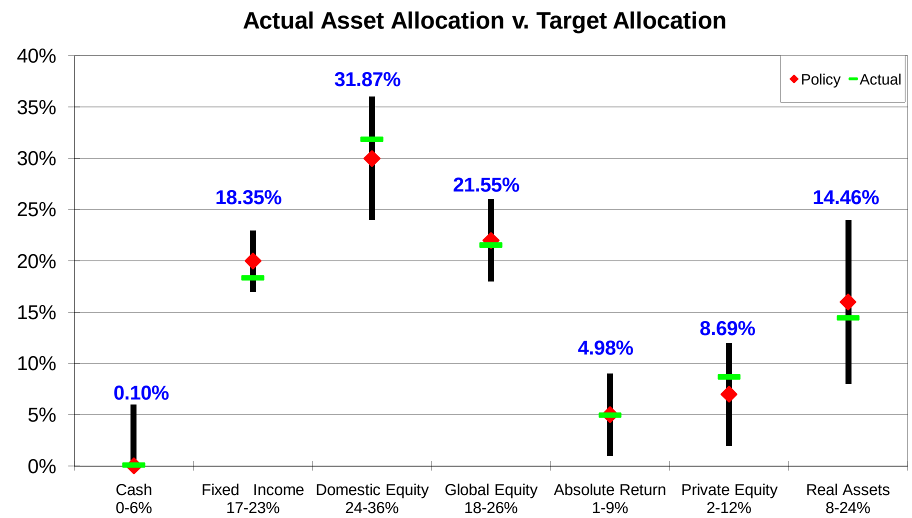
Notes:

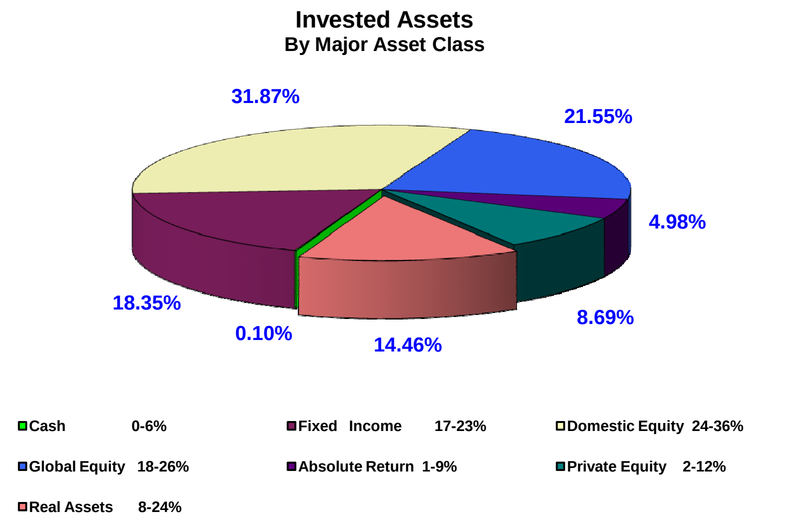
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses

PUBLIC EMPLOYEES' RETIREMENT TRUST FUND
As of February 28, 2010

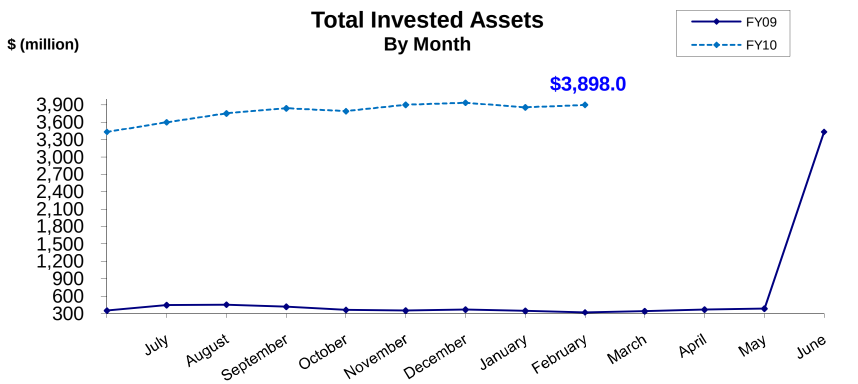


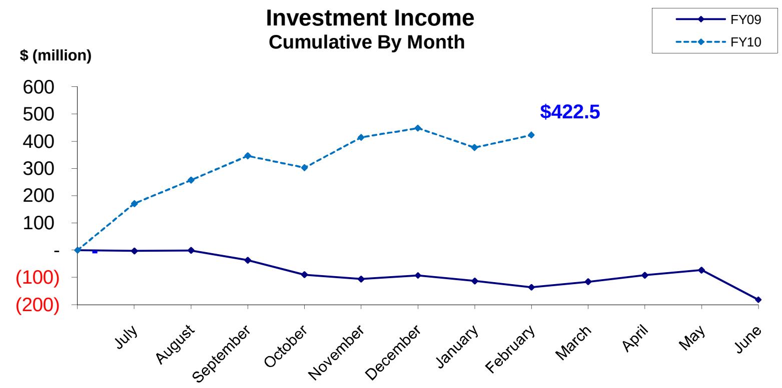


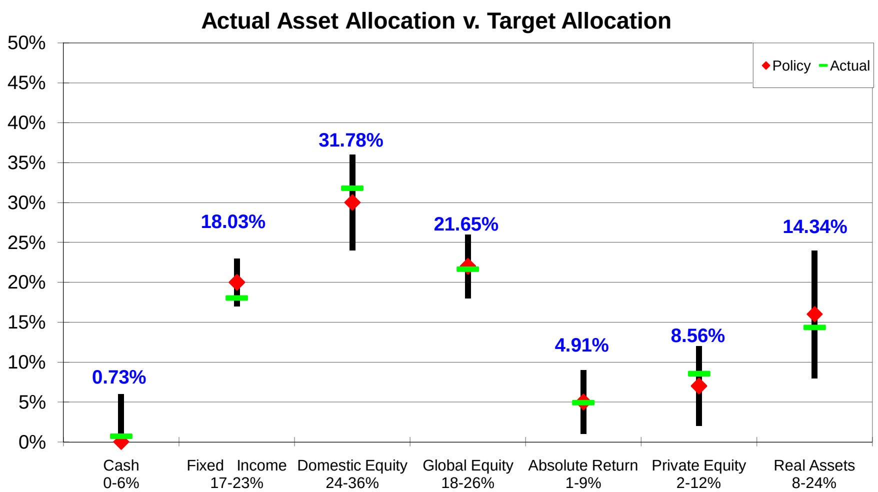


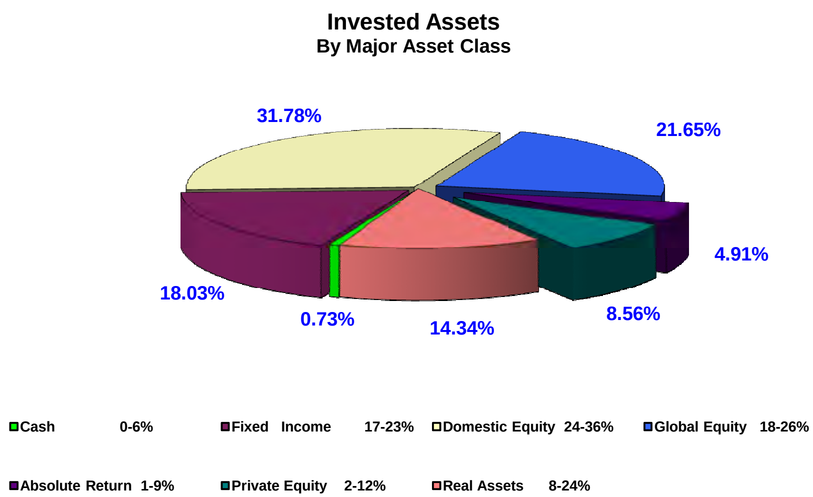


PUBLIC EMPLOYEES' RETIREE HEALTH CARE TRUST FUND
As of February 28, 2010

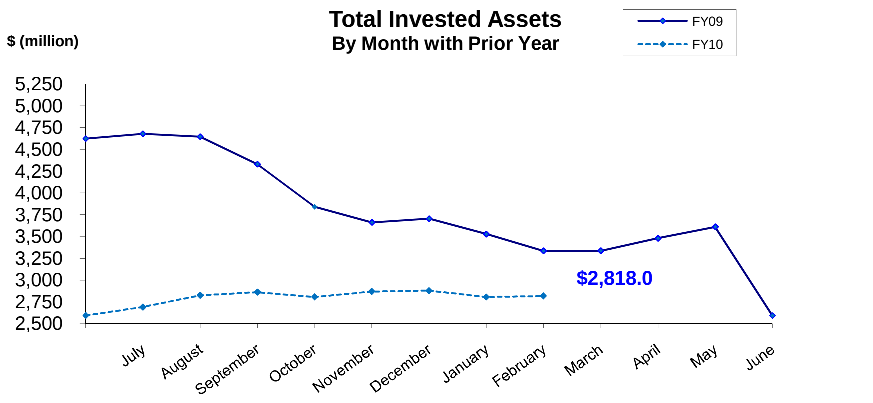


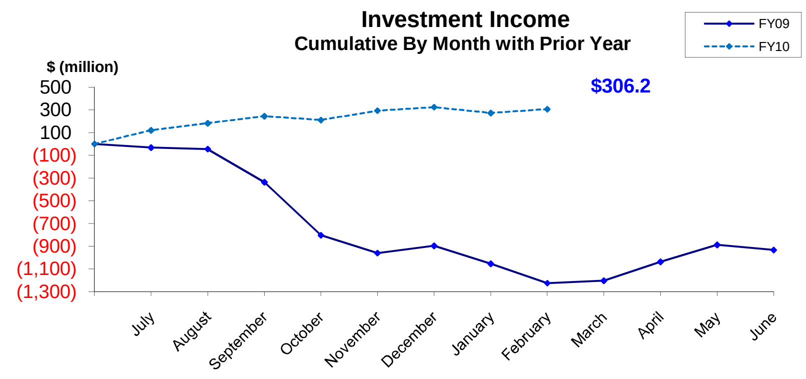


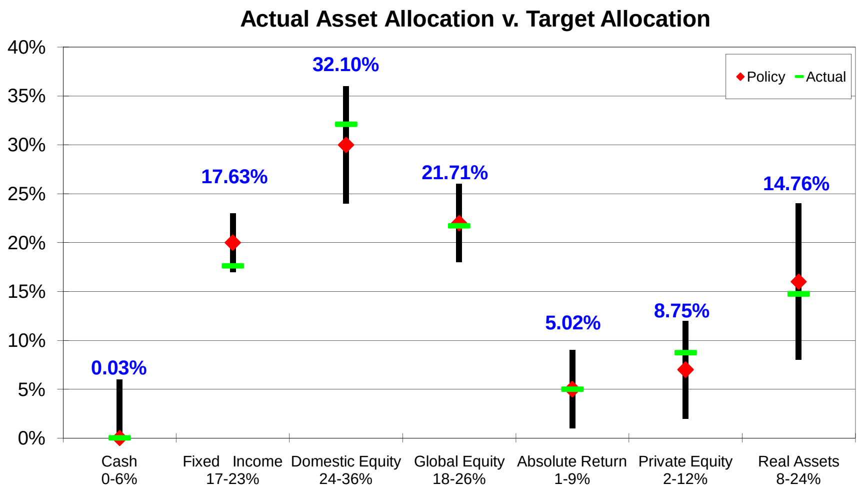


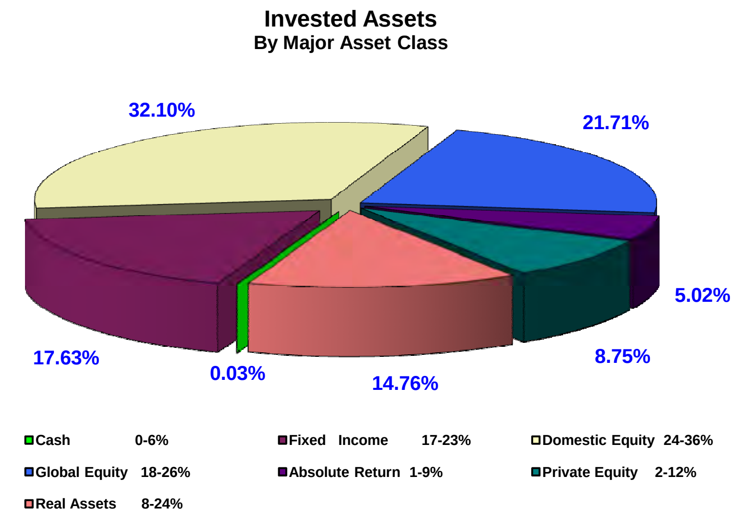


TEACHERS' RETIREMENT TRUST FUND
As of February 28, 2010

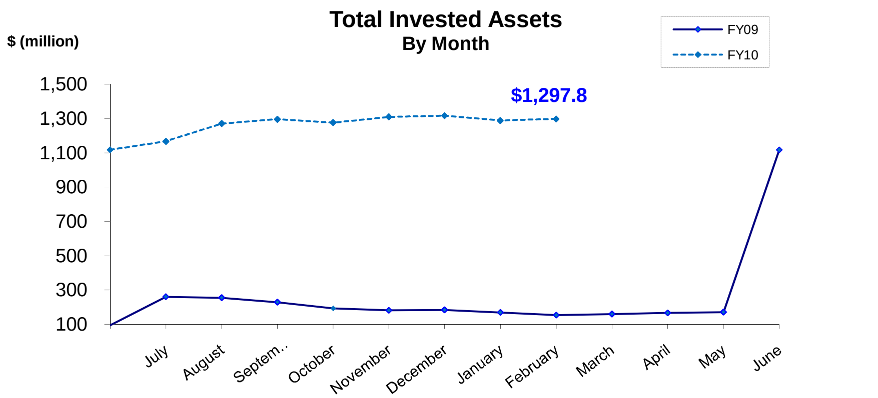


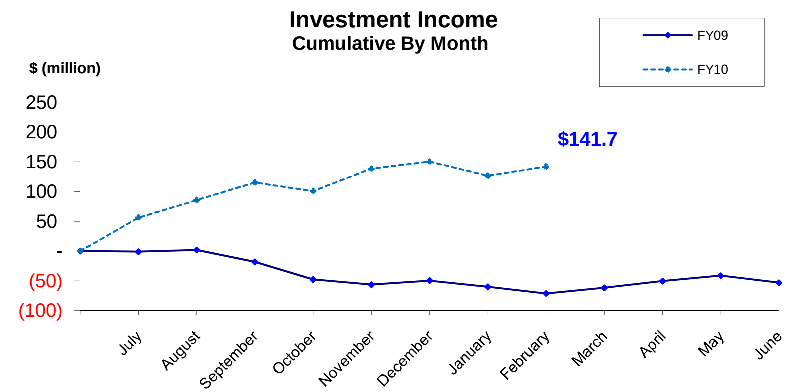


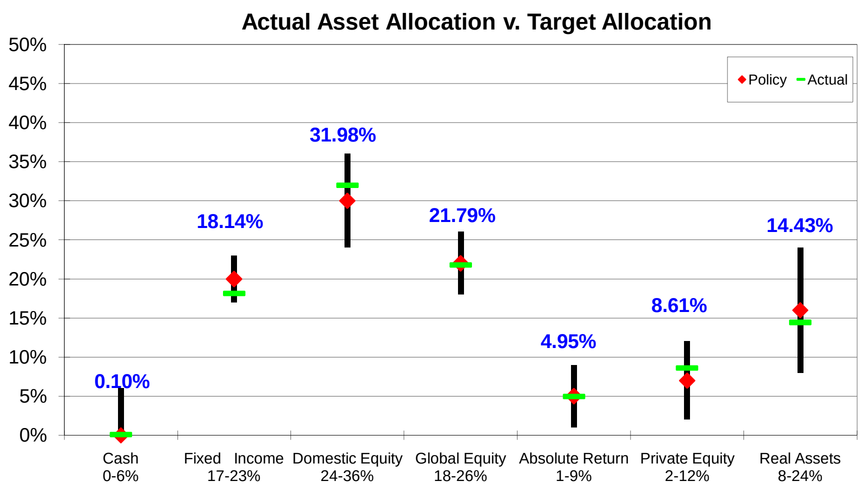


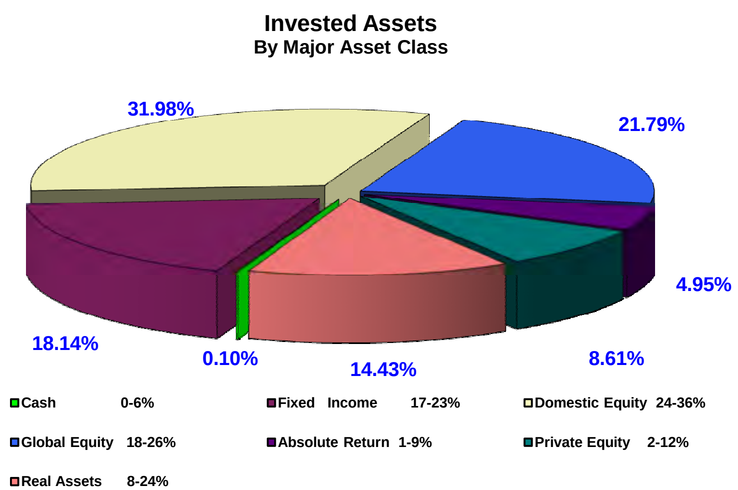


TEACHERS' RETIREE HEALTH CARE TRUST FUND
As of February 28, 2010



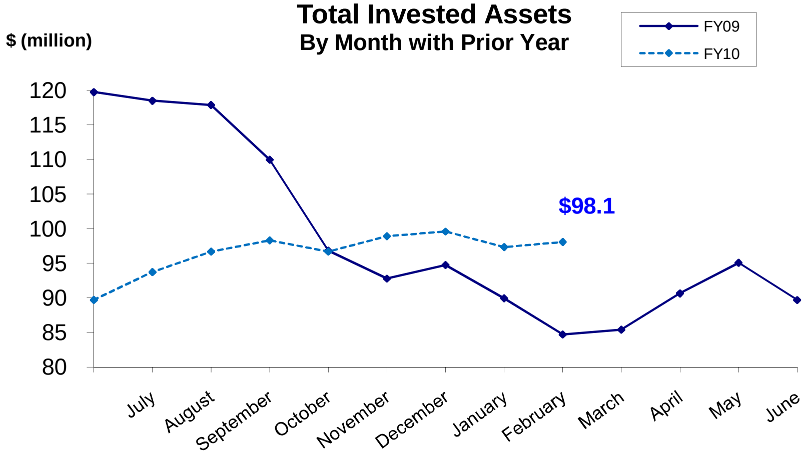




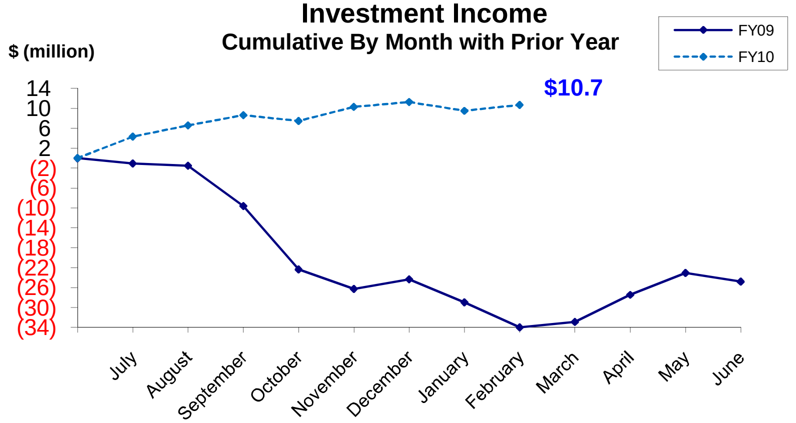


JUDICIAL RETIREMENT TRUST FUND
As of February 28, 2010

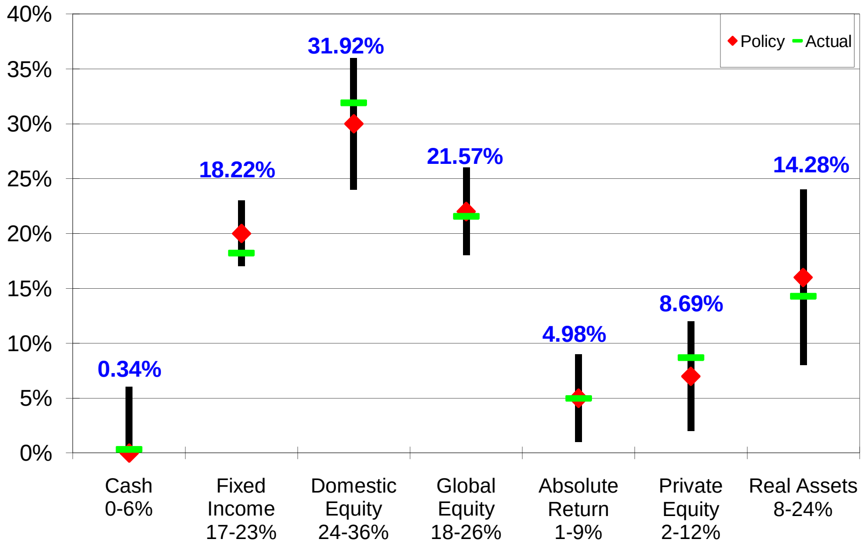
Total Invested Assets
By Month with Prior Year



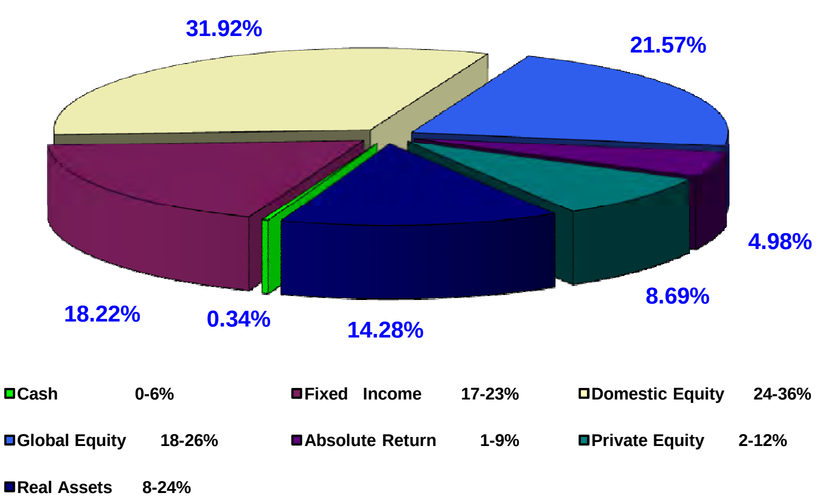
Investment Income
Cumulative By Month with Prior Year



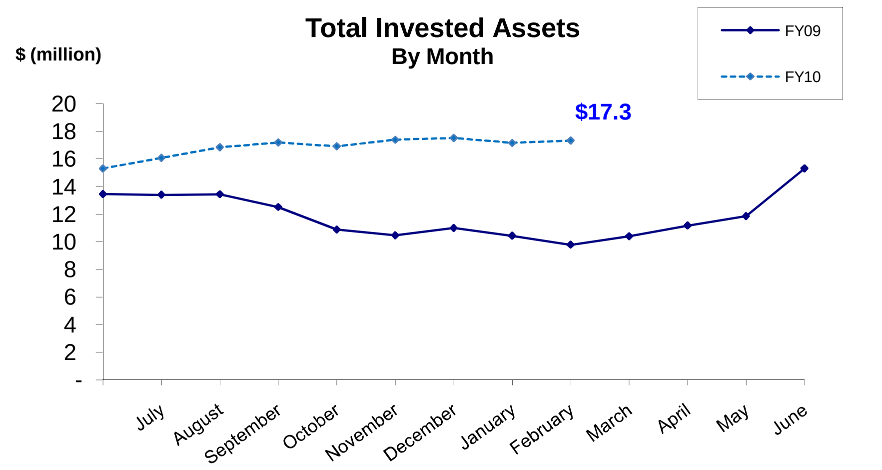
Actual Asset Allocation v. Target Allocation

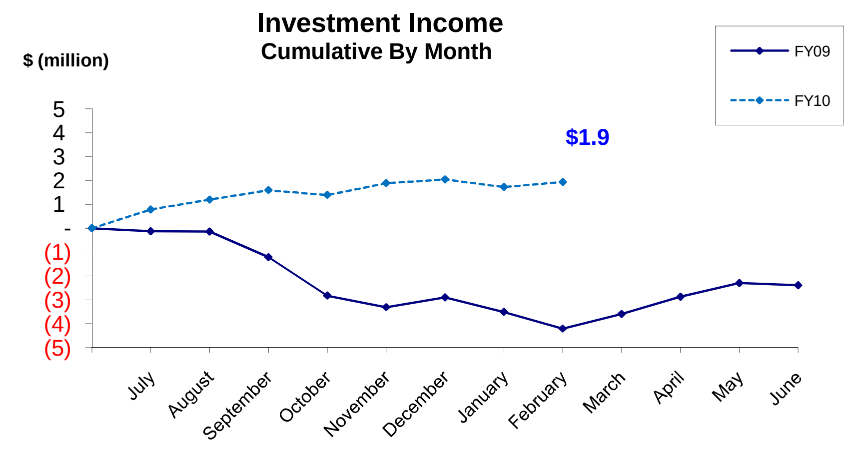


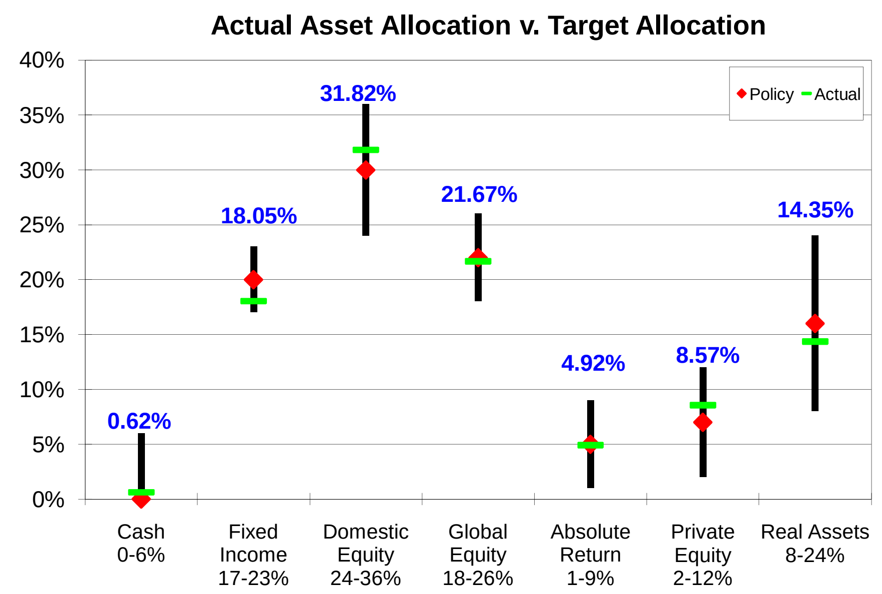
Invested Assets
By Major Asset Class

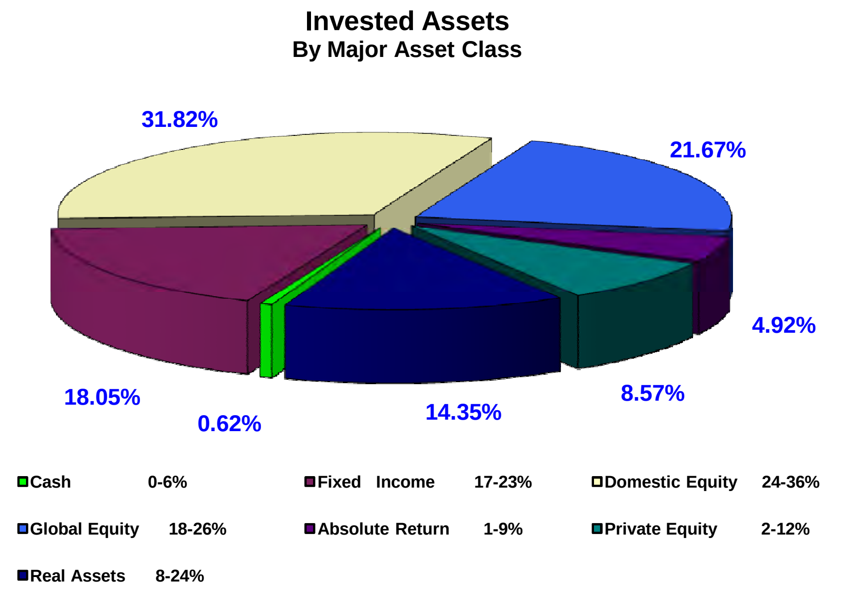


JUDICIAL RETIREE HEALTH CARE TRUST FUND
As of February 28, 2010

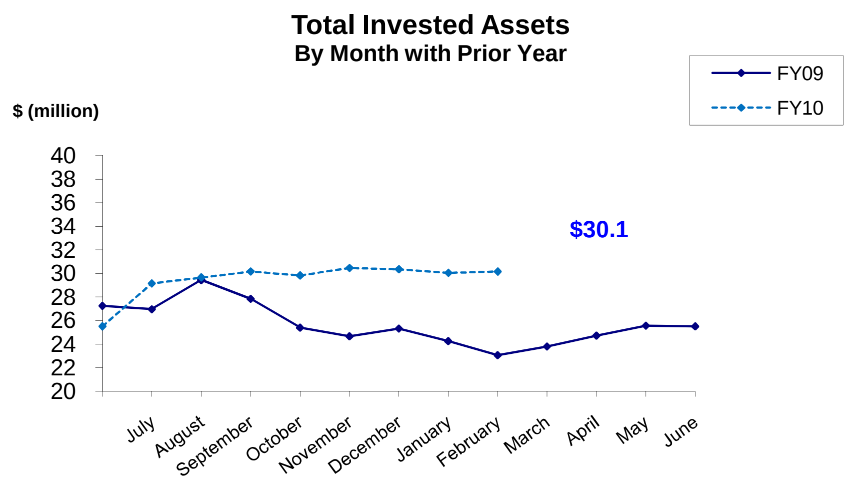


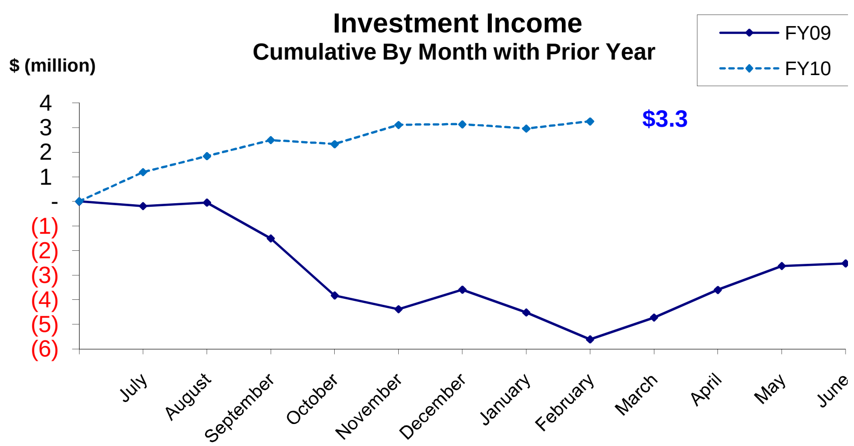


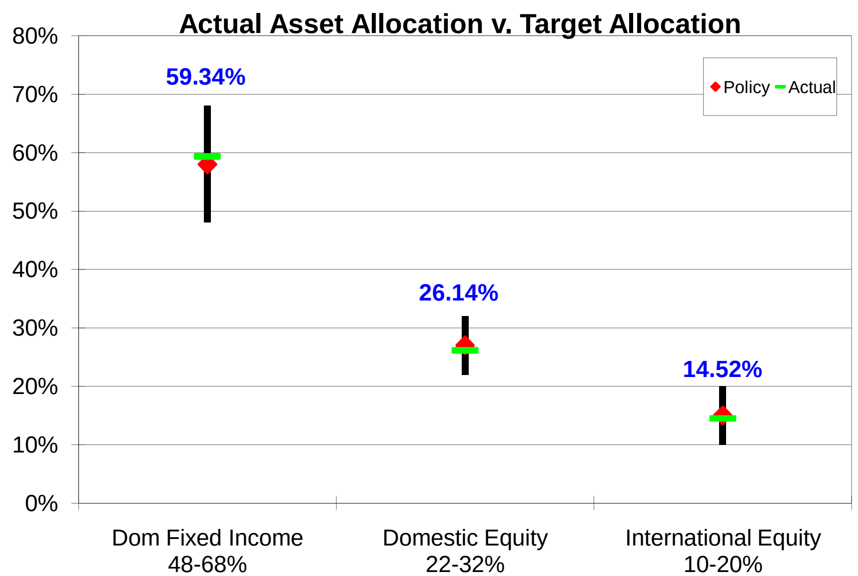


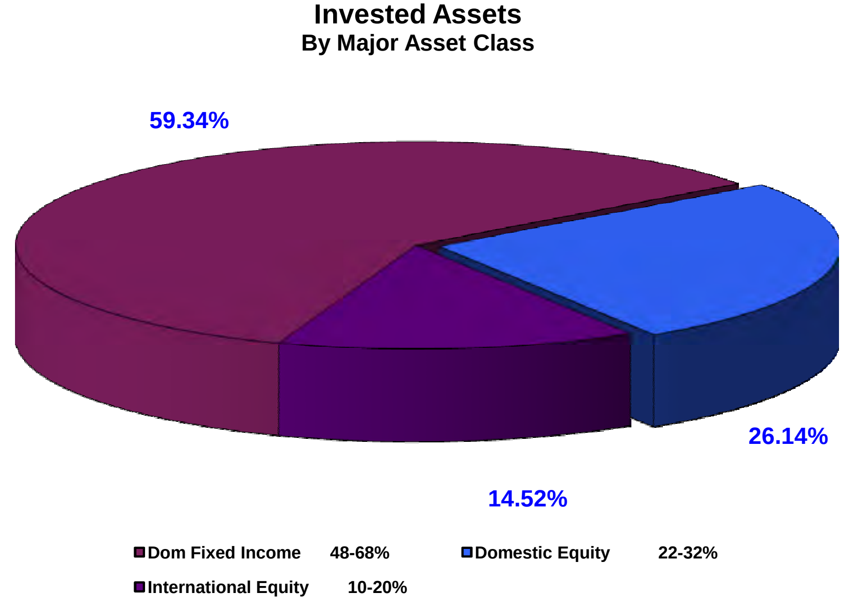


MILITARY RETIREMENT TRUST FUND
As of February 28, 2010









ALASKA RETIREMENT MANAGEMENT BOARD

Participant Directed Plans

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended February 28, 2010

AY		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	Manager % of Total Assets	Manager % increase (decrease)	Pool % increase (decrease)
	Cash							
70	**Short-Term Fixed Income Pool**	$ 47,049,780	$ 37,085	$ (9,260,760)	$ 37,826,105	0.28%	-19.60%	
	Total Cash	47,049,780	37,085	(9,260,760)	37,826,105			-19.60%
	Fixed Income							
77	**Internal Fixed Income Investment Pool**	1,906,421,625	7,737,042	(43,621,011)	1,870,537,656	13.61%	-1.88%	-1.88%
	International Fixed Income Pool							
63	Mondrian Investment Partners	204,298,638	1,129,806	-	205,428,444	1.49%	0.55%	0.55%
	High Yield Pool							
9N	ING Investment Management	154,937,659	117,378	-	155,055,037	1.13%	0.08%	
9P	MacKay Shields, LLC	163,882,381	526,147	-	164,408,528	1.20%	0.32%	
	Total High Yield	318,820,040	643,525	-	319,463,565			0.20%
	Emerging Debt Pool							
5M	Lazard Emerging Income	102,665,435	356,950	-	103,022,385	0.75%	0.35%	0.35%
	Total Fixed Income	2,532,205,738	9,867,323	(43,621,011)	2,498,452,050			

(cont.)

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended February 28, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	Manager % of Total Assets	Manager % increase (decrease)	Pool % increase (decrease)
	Domestic Equities							
	Small Cap Managers							
	Passively Managed							
4N	SSgA Russell 2000 Growth	**107,098,754**	**4,663,334**	**16,396**	**111,778,484**	**0.81%**	**4.37%**	
4P	SSgA Russell 2000 Value	**325,918,927**	**15,079,757**	**-**	**340,998,684**	**2.48%**	**4.63%**	
	Total Passive	**433,017,681**	**19,743,091**	**16,396**	**452,777,168**			
	Actively Managed							
4D	Turner Investment Partners	**17,755**	**(1,359)**	**(16,396)**	**-**	**0.00%**	**-100.00%**	
4F	Luther King Capital Management	**101,318,287**	**4,285,835**	**-**	**105,604,122**	**0.77%**	**4.23%**	
4G	Jennison Associates, LLC	**127,868,842**	**5,610,258**	**-**	**133,479,100**	**0.97%**	**4.39%**	
6A	SSgA Futures Small Cap	**3,029,685**	**493,845**	**-**	**3,523,530**	**0.03%**	**16.30%**	
4H	Lord Abbett & Co.	**157,707,799**	**6,797,758**	**-**	**164,505,557**	**1.20%**	**4.31%**	
	Total Active	**389,942,368**	**17,186,337**	**(16,396)**	**407,112,309**			
	Total Small Cap	**822,960,049**	**36,929,428**	**-**	**859,889,477**			**4.49%**
	Large Cap Managers							
	Passively Managed							
30	Transition Account	**167,797,942**	**34,180**	**(167,821,473)**	**10,649**	**0.00%**	**100.00%**	
4L	SSgA Russell 1000 Growth	**415,844,212**	**15,655,066**	**41,825,154**	**473,324,432**	**3.44%**	**13.82%**	
4M	SSgA Russell 1000 Value	**842,287,666**	**30,419,119**	**126,060,573**	**998,767,358**	**7.27%**	**18.58%**	
4R	SSgA Russell 200	**510,218,744**	**13,364,866**	**-**	**523,583,610**	**3.81%**	**2.62%**	
	Total Passive	**1,936,148,564**	**59,473,231**	**64,254**	**1,995,686,049**			
	Actively Managed							
39	Cap Guardian Trust Co	**85,606**	**(11,245)**	**(64,254)**	**10,107**	**0.00%**	**-88.19%**	
47	Lazard Freres	**262,612,697**	**7,631,745**	**-**	**270,244,442**	**1.97%**	**2.91%**	
48	McKinley Capital Mgmt.	**314,279,394**	**14,078,116**	**-**	**328,357,510**	**2.39%**	**4.48%**	
4U	Barrow, Haney, Mewhinney & Strauss	**112,933,568**	**3,671,885**	**-**	**116,605,453**	**0.85%**	**3.25%**	
4V	Quantitative Management Assoc.	**110,139,027**	**2,928,038**	**-**	**113,067,065**	**0.82%**	**2.66%**	
38	RCM	**353,522,392**	**13,682,671**	**-**	**367,205,063**	**2.67%**	**3.87%**	
6B	SSgA Futures large cap	**4,228,862**	**419,463**	**-**	**4,648,325**	**0.03%**	**9.92%**	
4J	Relational Investors, LLC	**257,930,449**	**15,003,940**	**-**	**272,934,389**	**1.99%**	**5.82%**	
	Total Active	**1,415,731,995**	**57,404,613**	**(64,254)**	**1,473,072,354**			
	Total Large Cap	**3,351,880,559**	**116,877,844**	**-**	**3,468,758,403**			**3.49%**
	Convertible Bond Pool							
	Actively Managed							
52	Advent Capital	**51,858,409**	**930,750**	**-**	**52,789,159**	**0.38%**	**1.79%**	
	Total Convertible Bond Pool	**51,858,409**	**930,750**	**-**	**52,789,159**			**1.79%**
	Total Domestic Equity	**4,226,699,017**	**154,738,022**	**-**	**4,381,437,039**			**3.66%**

(cont.)

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended February 28, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	Manager % of Total Assets	Manager % increase (decrease)	Pool % increase (decrease)
	Global Equities Ex US							
	International Equity Pool							
65	Brandes Investment Partners	**800,377,636**	**(13,359,864)**	**-**	**787,017,772**	**5.73%**	**-1.67%**	
58	Lazard Freres	**329,416,535**	**(2,967,415)**	**-**	**326,449,120**	**2.38%**	**-0.90%**	
67	Cap Guardian Trust Co	**526,283,925**	**(4,563,864)**	**-**	**521,720,061**	**3.80%**	**-0.87%**	
68	State Street Global Advisors	**253,814,868**	**(196,072)**	**-**	**253,618,796**	**1.85%**	**-0.08%**	
6D	SSgA Futures International	**118,037**	**74**	**-**	**118,111**	**0.00%**	**0.06%**	
69	McKinley Capital Management	**299,717,537**	**(1,448,324)**	**-**	**298,269,213**	**2.17%**	**-0.48%**	
	Total International Equity	**2,209,728,538**	**(22,535,465)**	**-**	**2,187,193,073**			**-1.02%**
	Emerging Markets Equity Pool A (1)							
6P	Lazard Asset Management	**239,249,227**	**967,501**	**-**	**240,216,728**	**1.75%**	**0.40%**	
6Q	Eaton Vance	**179,237,455**	**840,832**	**-**	**180,078,287**	**1.31%**	**0.47%**	
62	The Capital Group Inc.	**360,898,555**	**2,222,282**	**-**	**363,120,837**	**2.64%**	**0.62%**	
	Total Emerging Markets Pool A	**779,385,237**	**4,030,615**	**-**	**783,415,852**			**0.52%**
	Total Global Equities	**2,989,113,775**	**(18,504,850)**	**-**	**2,970,608,925**			**-0.62%**
	Private Equity Pool							
98	Pathway Capital Management LLC	**521,335,342**	**(1,271,737)**	**2,177,085**	**522,240,690**	**3.80%**	**0.17%**	
85	Abbott Capital	**590,745,818**	**10,962,668**	**(845,429)**	**600,863,057**	**4.37%**	**1.71%**	
8A	Blum Capital Partners-Strategic	**23,541,472**	**-**	**(707,438)**	**22,834,034**	**0.17%**	**-3.01%**	
8B	Blum Capital Partners-Public		**-**	**-**	**-**	**0.00%**	**0.00%**	
8P	Lexington Partners	**455,539**	**-**	**-**	**455,539**	**0.00%**		
8Q	Onex Partnership III	**1,121,002**	**-**	**-**	**1,121,002**	**0.01%**	**0.00%**	
8W	Warburg Pincus X	**10,336,313**	**(66,491)**	**600,000**	**10,869,822**	**0.08%**	**5.16%**	
8X	Angelo, Gordon & Co.	**27,017,293**	**892,381**	**-**	**27,909,674**	**0.20%**	**3.30%**	
	Total Private Equity	**1,174,552,779**	**10,516,821**	**1,224,218**	**1,186,293,818**			**1.00%**
	Absolute Return Pool (2)							
8M	Global Asset Management (USA) Inc.	**75,000,000**	**(128,475)**	**-**	**74,871,525**	**0.54%**	**-0.17%**	
8N	Prisma Capital Partners	**50,000,000**	**(18,950)**	**-**	**49,981,050**	**0.36%**	**-0.04%**	
9D	Mariner Investment Group, Inc.	**238,314,492**	**(70,080)**	**-**	**238,244,412**	**1.73%**	**-0.03%**	
9E	Cadogan Management LLC	**91,536,608**	**(394,085)**	**(1,702,000)**	**89,440,523**	**0.65%**	**-2.29%**	
9F	Crestline Investors, Inc.	**226,611,015**	**1,558,444**	**-**	**228,169,459**	**1.66%**	**0.69%**	
	Total Absolute Return Investments	**681,462,115**	**946,854**	**(1,702,000)**	**680,706,969**			**-0.11%**

(cont.)

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended February 28, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	Manager % of Total Assets	Manager % increase (decrease)	Pool % increase (decrease)
	Real Assets							
	Farmland Pool A							
9B	UBS Agrivest, LLC	**304,113,297**	**1,832,621**	**50,000**	**305,995,918**	**2.23%**	**0.62%**	
9G	Hancock Agricultural Investment Group	**161,030,458**	**1,714,318**	**-**	**162,744,776**	**1.18%**	**1.06%**	
	Total Farmland Pool A	**465,143,755**	**3,546,939**	**50,000**	**468,740,694**			**0.77%**
	Farmland Water Pool							
8Y	Hancock Farmland and Water PPTY	**5,638,455**	**83,377**	**-**	**5,721,832**	**0.04%**	**1.48%**	
8Z	UBS Argivest, LLC	**15,554,818**	**194,298**	**-**	**15,749,116**	**0.11%**	**1.25%**	
	Total Farmland Water Pool	**21,193,273**	**277,675**	**-**	**21,470,948**			**1.31%**
	Timber Pool A							
9Q	Timberland INVT Resource LLC	**119,393,238**	**(95,615)**	**-**	**119,297,623**	**0.87%**	**-0.08%**	
9S	Hancock Natural Resourse Group	**47,677,225**	**-**	**-**	**47,677,225**	**0.35%**	**0.00%**	
	Total Timber Pool A	**167,070,463**	**(95,615)**	**-**	**166,974,848**			**-0.06%**
	Energy Pool A							
9A	TCW Energy Fund XD	**23,319,779**	**100,850**	**-**	**23,420,629**	**0.17%**	**0.43%**	
9Z	TCW Energy Fund XIV-A	**63,666,247**	**537,703**	**(2,302,516)**	**61,901,434**	**0.45%**	**-2.77%**	
	Total Energy Pool A	**86,986,026**	**638,553**	**(2,302,516)**	**85,322,063**			**-1.91%**
	REIT Pool							
9H	REIT Holdings	**47,054,777**	**2,493,672**	**-**	**49,548,449**	**0.36%**	**5.30%**	**5.30%**
	Treasury Inflation Proof Securities							
6N	TIPS Internally Managed Account	**77,561,132**	**(751,580)**	**-**	**76,809,552**	**0.56%**	**-0.97%**	**-0.97%**

(cont.)

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended February 28, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	Manager % of Total Assets	Manager % increase (decrease)	Pool % increase (decrease)
	Real Estate							
	Core Commingled Accounts							
7A	JP Morgan	**143,524,181**	**146,486**	**-**	**143,670,667**	**1.05%**	**0.10%**	
7B	UBS Trumbull Property Fund	**62,297,795**	**(0)**	**-**	**62,297,795**	**0.45%**	**0.00%**	
	Total Core Commingled	**205,821,976**	**146,486**	**-**	**205,968,462**			
	Core Separate Accounts							
7D	Cornerstone Real Estate Advisers Inc.	**158,359,471**	**61**	**(1,044,422)**	**157,315,110**	**1.14%**	**-0.66%**	
7E	LaSalle Investment Management	**170,497,954**	**(62)**	**(1,233,653)**	**169,264,239**	**1.23%**	**-0.72%**	
7F	Sentinel Separate Account	**88,474,917**	**7**	**(418,048)**	**88,056,876**	**0.64%**	**-0.47%**	
7G	UBS Realty	**255,626,242**	**(77)**	**(991,024)**	**254,635,141**	**1.85%**	**-0.39%**	
	Total Core Separate	**672,958,584**	**(71)**	**(3,687,147)**	**669,271,366**			
	Non-Core Commingled Accounts							
7J	Lowe Hospitality Partners	**6,887,844**	**-**	**-**	**6,887,844**	**0.05%**	**0.00%**	
7M	Cornerstone Rotational Fund	**730**	**-**	**-**	**730**	**0.00%**	**0.00%**	
7N	ING Clarion Development Ventures II	**10,748,461**	**10**	**4,880,000**	**15,628,471**	**0.11%**	**45.40%**	
7P	Lehman Brothers Real Estate Partners II	**68,448,091**	**-**	**-**	**68,448,091**	**0.50%**	**0.00%**	
7Q	Rothschild Five Arrows Realty Securities IV	**38,680,558**	**-**	**-**	**38,680,558**	**0.28%**	**0.00%**	
7R	Tishman Speyer Real Estate Venture VI	**28,561,009**	**-**	**-**	**28,561,009**	**0.21%**	**0.00%**	
7X	Tishman Speyer Real Estate Venture VII	**1,807,001**	**-**	**-**	**1,807,001**	**0.01%**	**0.00%**	
7S	Rothschild Five Arrows Realty SecuritiesV	**4,223,558**	**-**	**-**	**4,223,558**	**0.03%**	**0.00%**	
7V	ING Clarion Development Ventures III	**(32,532)**	**-**	**-**	**(32,532)**	**0.00%**	**0.00%**	
7W	Lehman Brothers Real estate Partners III	**10,695,753**	**-**	**-**	**10,695,753**	**0.08%**	**0.00%**	
8R	BlackRock Diamond Property Fund	**23,878,441**	**-**	**-**	**23,878,441**	**0.17%**	**0.00%**	
8S	Colony Investors VIII, L.P.	**15,871,107**	**23**	**1,660,072**	**17,531,202**	**0.13%**	**10.46%**	
8U	LaSalle Medical Office Fund II	**11,434,721**	**-**	**-**	**11,434,721**	**0.08%**	**0.00%**	
8V	Cornerstone Apartment Venture III	**14,207,881**	**-**	**-**	**14,207,881**	**0.10%**	**0.00%**	
	Total Non-Core Commingled	**235,412,623**	**32**	**6,540,072**	**241,952,728**			
	Total Real Estate	**1,114,193,183**	**146,447**	**2,852,925**	**1,117,192,556**			**0.27%**
83/84	Mortgage-related Assets [(3)]	**6,616**	**-**		**6,616**	**0.00%**	**0.00%**	**0.01%**
	Total Real Assets	**1,979,209,225**	**6,256,091**	**600,409**	**1,986,065,727**			
	Totals	**$ 13,630,292,430**	**$ 163,857,348**	**$ (52,759,145)**	**$ 13,741,390,633**	**100.00%**	**0.82%**	

Notes

(1) Investment is represented by shares in (or as a percentage of) commingled equity investments which, at any given time, may be a combination of securities and cash.
(2) Investment is represented by shares in various hedge funds.
(3) Mortgage-related assets are managed in-house. These assets are valued at their principal balance (cost) less an allowance for loan loss, the result of which approximates market value.

ALASKA RETIREMENT MANAGEMENT BOARD

Participant Directed Plans

ALASKA RETIREMENT MANAGEMENT BOARD

Supplemental Annuity Plan

Schedule of Investment Income and Changes in Invested Assets

for the Month Ended

February 28, 2010

Interim Transit Account	**Beginning Invested Assets**	**Investment Income**	**Net Contributions (Withdrawals)**	**Transfers in (out)**	**Ending Invested Assets**
Treasury Division [1]					
Cash and Cash Equivalents	$ 8,245,728	$ 4,366	$ (158,606)	$ -	$ 8,091,488
Participant Options [2]					
T. Rowe Price					
Target 2010 Fund	31,850,979	64,589	5,542	(89,820)	31,831,290
AK Target Date 2010 Trust	2,647,881	45,294	12,289	506,762	3,212,226
AK Target Date 2015 Trust	75,365,661	1,250,639	134,699	(859,875)	75,891,124
AK Target Date 2020 Trust	25,779,372	511,990	127,417	(288,406)	26,130,373
AK Target Date 2025 Trust	10,462,278	224,374	96,609	(182,017)	10,601,244
AK Target Date 2030 Trust	1,158,159	27,727	64,838	66,849	1,317,573
AK Target Date 2035 Trust	2,126,997	52,380	66,118	(17,511)	2,227,984
AK Target Date 2040 Trust	1,390,978	33,115	82,063	(87,456)	1,418,700
AK Target Date 2045 Trust	557,994	13,332	78,352	32,104	681,782
AK Target Date 2050 Trust	520,640	12,643	75,079	(25,512)	582,850
AK Target Date 2055 Trust	162,614	2,459	15,340	77,615	258,028
Alaska Balanced Fund	994,489,696	11,520,831	(227,023)	(1,279,452)	1,004,504,052
Long Term Balanced Fund	229,485,414	3,975,083	2,695,657	5,357,462	241,513,616
Small-Cap Stock Fund	55,726,845	2,515,241	245,058	(4,902,857)	53,584,287
Stable Value Fund	260,692,433	786,251	(383,476)	11,525,530	272,620,738
	1,692,417,941	21,035,948	3,088,562	9,833,416	1,726,375,867
State Street Global Advisors					
Global Balanced Fund	48,788,794	428,424	150,656	(326,052)	49,041,822
Long US Treasury Bond Index	5,254,089	1,021	28,916	(688)	5,283,338
Russell 3000 Index	6,338,178	205,387	41,585	(214,721)	6,370,429
S&P 500 Stock Index Fund Series A	200,122,481	6,186,852	457,936	(4,450,405)	202,316,864
State Street Treasury Money Market Fund - Inst.	11,222,352	-	46,886	949,258	12,218,496
US Real Estate Investment Trust Index	11,422,030	571,921	30,643	(1,217,175)	10,807,419
US Treasury Inflation Protected Securities Index	12,268,725	(150,868)	39,663	(383,783)	11,773,737
World Equity Ex-US Index	12,294,838	(14,610)	56,677	(546,181)	11,790,724
World Government Bond Ex-US Index	2,448,740	2,077	18,247	(207,029)	2,262,035
Barclays Global Advisors					
Government Bond Fund	46,470,295	177,726	(24,180)	(681,101)	45,942,740
Intermediate Bond Fund	14,373,196	62,720	68,610	427,459	14,931,985
Brandes Institutional					
International Equity Fund	-	-	-	-	-
International Equity Fund Fee	82,627,042	(1,259,924)	392,730	(3,559,306)	78,200,542
Capital Guardian Trust Company					
Global Balanced Fund	-	-	-	-	-
RCM					
Sustainable Opportunities Fund	23,147,564	866,238	45,377	376,308	24,435,487
Total Externally Managed Funds	2,169,196,265	28,112,912	4,442,308	-	2,201,751,485
Total All Funds	$ 2,177,441,993	$ 28,117,278	$ 4,283,702	$ -	$ 2,209,842,973

Notes:

(1) Represents net contributions in transit to/from the record keeper.

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

ALASKA RETIREMENT MANAGEMENT BOARD
Supplemental Annuity Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
February 28, 2010
$ (Thousands)

	July	August	September	October	November	December	January	February
Invested Assets (At Fair Value)								
Investments with Treasury Division								
Cash and cash equivalents	$ 8,108	$ 8,099	$ 8,313	$ 7,865	$ 7,099	$ 8,151	$ 8,246	$ 8,092
Investments with T. Rowe Price								
Target 2010 Fund	34,531	33,831	33,217	32,700	32,215	31,902	31,851	31,831
AK Target Date 2010 Trust	1,338	1,464	1,576	32,700	2,158	2,732	2,648	3,212
AK Target Date 2015 Trust	70,319	71,857	74,209	73,406	75,389	77,032	75,366	75,891
AK Target Date 2020 Trust	23,853	24,849	25,409	25,474	26,937	26,488	25,779	26,130
AK Target Date 2025 Trust	8,258	9,019	9,487	9,480	9,968	10,337	10,462	10,601
AK Target Date 2030 Trust	151	271	335	559	708	912	1,158	1,318
AK Target Date 2035 Trust	90	261	826	857	1,049	1,626	2,127	2,228
AK Target Date 2040 Trust	585	624	771	831	944	1,024	1,391	1,419
AK Target Date 2045 Trust	-	3	38	83	152	227	558	682
AK Target Date 2050 Trust	-	4	30	85	158	258	521	583
AK Target Date 2055 Trust	-	2	123	65	281	376	163	258
Alaska Balanced Fund	948,420	967,339	988,950	979,185	999,781	998,368	994,490	1,004,504
Long Term Balanced Fund	197,659	205,168	209,147	200,839	206,082	210,843	229,485	241,514
Small-Cap Stock Fund	43,266	48,369	55,667	54,469	56,791	58,088	55,727	53,584
Stable Value Fund	270,928	265,535	260,730	262,145	262,728	265,728	260,692	272,621
Investments with State Street Global Advisors								
Global Balanced Fund	48,874	50,122	49,320	48,167	49,630	50,370	48,789	49,042
Long US Treasury Bond Index	5,114	5,047	5,525	5,082	5,294	5,130	5,254	5,283
Russell 3000 Index	3,846	4,499	4,645	4,900	5,754	5,971	6,338	6,370
S&P 500 Stock Index Fund Series A	180,629	187,400	195,964	196,627	208,658	212,395	200,122	202,317
State Street Treasury Money Market Fund - Inst.	11,271	11,778	11,412	11,039	11,569	11,224	11,222	12,218
US Real Estate Investment Trust Index	4,057	8,114	10,752	8,751	8,977	12,625	11,422	10,807
US Treasury Inflation Protected Securities Index	8,325	8,643	9,172	10,342	12,432	11,410	12,269	11,774
World Equity Ex-US Index	9,327	9,687	11,273	12,890	13,689	12,031	12,295	11,791
World Govt Bond Ex	2,007	1,992	2,597	2,589	3,137	2,480	2,449	2,262
Investments with Barclays Global Investors								
Government Bond Fund	48,802	49,143	49,079	50,865	51,213	48,254	46,470	45,943
Intermediate Bond Fund	15,473	14,009	13,824	13,930	14,790	13,917	14,373	14,932
Investments with Brandes Investment Partners								
International Equity Fund	79,773	86,504	93,347	90,337	-	-	-	-
International Equity Fund Fee	-	-	-	-	95,472	93,325	82,627	78,201
Investments with Capital Guardian								
Global Balanced Fund	-	-	-	-	-	-	-	-
Investments with RCM								
Sustainable Opportunities Fund	17,316	18,267	18,787	18,980	21,315	26,857	23,148	24,435
Total Invested Assets	**$ 2,042,320**	**$ 2,091,900**	**$ 2,144,525**	**$ 2,124,276**	**$ 2,184,370**	**$ 2,200,081**	**$ 2,177,442**	**$ 2,209,843**
Change in Invested Assets								
Beginning Assets	$ 1,960,377	$ 2,042,320	$ 2,091,900	$ 2,144,525	$ 2,124,276	$ 2,184,370	$ 2,200,081	$ 2,177,442
Investment Earnings	81,103	44,643	49,571	(21,863)	57,958	13,215	(24,597)	28,117
Net Contributions (Withdrawals)	840	4,937	3,054	1,614	2,136	2,496	1,958	4,284
Ending Invested Assets	**$ 2,042,320**	**$ 2,091,900**	**$ 2,144,525**	**$ 2,124,276**	**$ 2,184,370**	**$ 2,200,081**	**$ 2,177,442**	**$ 2,209,843**

ALASKA RETIREMENT MANAGEMENT BOARD

Deferred Compensation Plan

Schedule of Invested Assets and Changes in Invested Assets
for the Month Ended
February 28, 2010

	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
Participant Options					
T. Rowe Price					
Interest Income Fund	$ 154,442,914	$ 473,370	$ (557,302)	$ 3,517,281	$ 157,876,263
Small Cap Stock Fund	49,858,374	2,311,858	70,291	(1,806,717)	50,433,806
Long Term Balanced Fund	27,658,093	474,933	126,235	(97,114)	28,162,147
Alaska Balanced Trust	1,972,292	26,179	18,979	236,260	2,253,710
AK Target Date 2010 Trust	753,519	11,668	4,524	24,357	794,068
AK Target Date 2015 Trust	1,249,501	20,318	10,840	(45,002)	1,235,657
AK Target Date 2020 Trust	1,164,200	24,910	36,264	28,990	1,254,364
AK Target Date 2025 Trust	291,814	6,631	10,237	7,419	316,101
AK Target Date 2030 Trust	268,988	6,100	10,062	2,420	287,570
AK Target Date 2035 Trust	319,754	7,857	4,614	10,319	342,544
AK Target Date 2040 Trust	105,800	2,475	1,699	562	110,536
AK Target Date 2045 Trust	62,317	1,451	685	-	64,453
AK Target Date 2050 Trust	71,278	1,703	1,897	(34)	74,844
AK Target Date 2055 Trust	5,111	87	14	526	5,738
Total Investments with T. Rowe Price	238,223,955	3,369,540	(260,961)	1,879,267	243,211,801
Barclays Global Investors					
Intermediate Bond Fund	16,748,159	73,192	(3,904)	281,140	17,098,587
Government/Credit Bond Fund	30,602,156	116,690	(338,483)	(233,841)	30,146,522
S&P 500 Index Fund	106,424,703	3,286,475	120,971	(537,794)	109,294,355
Total Investments with Barclays Global Investors	153,775,018	3,476,357	(221,416)	(490,495)	156,539,464
Capital Guardian Trust Company					
Global Balanced Fund	-	-	-	-	-
Brandes Institutional					
International Equity Fund	-	-	-	-	-
International Equity Fund Fee	45,059,838	(695,656)	120,315	(714,412)	43,770,085
RCM					
Sustainable Core Opportunities Fund	7,618,682	287,530	41,359	49,959	7,997,530
State Street Global Advisors					
Global Balanced Fund	34,172,091	303,885	100,526	(160,003)	34,416,499
Long US Treasury Bond Index	1,385,436	(7,586)	14,970	(154,462)	1,238,358
Russell 3000 Index	2,245,491	70,429	23,290	(130,358)	2,208,852
State Street Treasury Money Market Fund - Inst.	5,013,673	-	45,203	40,100	5,098,976
US Real Estate Investment Trust Index	3,717,638	209,126	16,885	(403,125)	3,540,524
US Treasury Inflation Protected Securities Index	5,966,823	(70,746)	(22,404)	69,908	5,943,581
World Equity Ex-US Index	4,638,404	(2,809)	18,759	11,991	4,666,345
World Government Bond Ex-US Index	1,249,906	747	(8,983)	1,630	1,243,300
Total All Funds	$ 503,066,955	$ 6,940,817	$ (132,457)	$ -	$ 509,875,315

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

ALASKA RETIREMENT MANAGEMENT BOARD
Deferred Compensation Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
February 28, 2010
$ (Thousands)

	July	August	September	October	November	December	January	February
Invested Assets (at fair value)								
Investments with T. Rowe Price								
Interest Income Fund								
Cash and cash equivalents	$ 4,602	$ 3,642	$ 2,754	$ 5,849	$ 6,458	$ 7,970	$ 4,955	$ 8,318
Synthetic Investment Contracts	153,442	152,777	151,288	147,311	147,534	148,363	149,488	149,559
Small Cap Stock Fund	43,386	45,323	49,154	46,222	47,704	50,907	49,858	50,434
Long Term Balanced Fund	23,812	25,299	26,405	26,338	27,614	28,077	27,658	28,162
Alaska Balanced Trust	503	940	1,257	1,396	1,556	1,490	1,972	2,254
AK Target Date 2010 Trust	479	564	926	871	692	821	754	794
AK Target Date 2015 Trust	480	530	665	671	823	1,015	1,249	1,236
AK Target Date 2020 Trust	174	367	540	801	883	927	1,164	1,254
AK Target Date 2025 Trust	132	101	112	466	210	228	292	316
AK Target Date 2030 Trust	28	133	114	260	222	211	269	288
AK Target Date 2035 Trust	1	9	95	99	128	281	320	343
AK Target Date 2040 Trust	197	188	75	74	78	81	106	111
AK Target Date 2045 Trust	-	-	-	30	1	1	62	64
AK Target Date 2050 Trust	-	-	-	1	1	30	71	75
AK Target Date 2055 Trust	-	1	1	1	1	1	5	6
Investments with Barclays Global Investors								
Intermediate Bond Fund	17,874	17,479	17,362	16,879	17,460	16,907	16,748	17,099
Government/Credit Bond Fund	30,728	30,748	30,734	30,955	31,355	30,615	30,602	30,146
S&P 500 Index Fund	96,901	99,881	103,991	102,061	107,341	109,052	106,425	109,294
Investments with Capital Guardian Trust Company								
Global Balanced Fund	-	-	-	-	-	-	-	-
Investments with Brandes Institutional								
International Equity Fund	44,278	47,099	48,630	45,952	-	-	-	-
International Equity Fund Fee	-	-	-	-	47,390	46,786	45,060	43,770
Investments with RCM								
Sustainable Opportunities Fund	6,245	6,506	6,713	6,665	7,290	8,032	7,619	7,997
State Street Global Advisors								
Global Balanced Fund	32,388	33,283	34,245	34,024	35,229	35,206	34,172	34,416
Long US Treasury Bond Index	1,149	1,091	1,181	911	866	1,095	1,385	1,238
Russell 3000 Index	1,603	1,816	1,890	1,790	1,944	2,241	2,246	2,209
State Street Treasury Money Market Fund - Inst.	4,306	4,453	4,497	4,930	5,174	5,086	5,014	5,099
US Real Estate Investment Trust Index	1,617	2,510	3,962	3,151	3,163	4,171	3,718	3,540
US Treasury Inflation Protected Securities Index	4,118	4,368	4,608	5,167	6,217	5,787	5,967	5,944
World Equity Ex-US Index	2,982	3,162	3,618	4,049	4,422	4,482	4,638	4,666
World Government Bond Ex-US Index	732	847	1,094	1,287	1,530	1,248	1,250	1,243
Total Invested Assets	**$ 472,157**	**$ 483,116**	**$ 495,911**	**$ 488,211**	**$ 503,286**	**$ 511,111**	**$ 503,067**	**$ 509,875**
Change in Invested Assets								
Beginning Assets	$ 454,049	$ 472,157	$ 483,116	$ 495,911	$ 488,211	$ 503,286	$ 511,111	$ 503,067
Investment Earnings	19,092	10,641	11,844	(7,577)	13,760	6,194	(8,306)	6,940
Net Contributions (Withdrawals)	(984)	318	951	(123)	1,315	1,631	262	(132)
Ending Invested Assets	**$ 472,157**	**$ 483,116**	**$ 495,911**	**$ 488,211**	**$ 503,286**	**$ 511,111**	**$ 503,067**	**$ 509,875**

ALASKA RETIREMENT MANAGEMENT BOARD
Deferred Compensation Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
February 28, 2010
$ (Thousands)

	July	August	September	October	November	December	January	February
Invested Assets (at fair value)								
Investments with T. Rowe Price								
Interest Income Fund								
Cash and cash equivalents	$ 4,602	$ 3,642	$ 2,754	$ 5,849	$ 6,458	$ 7,970	$ 4,955	$ 8,318
Synthetic Investment Contracts	153,442	152,777	151,288	147,311	147,534	148,363	149,488	149,559
Small Cap Stock Fund	43,386	45,323	49,154	46,222	47,704	50,907	49,858	50,434
Long Term Balanced Fund	23,812	25,299	26,405	26,338	27,614	28,077	27,658	28,162
Alaska Balanced Trust	503	940	1,257	1,396	1,556	1,490	1,972	2,254
AK Target Date 2010 Trust	479	564	926	871	692	821	754	794
AK Target Date 2015 Trust	480	530	665	671	823	1,015	1,249	1,236
AK Target Date 2020 Trust	174	367	540	801	883	927	1,164	1,254
AK Target Date 2025 Trust	132	101	112	466	210	228	292	316
AK Target Date 2030 Trust	28	133	114	260	222	211	269	288
AK Target Date 2035 Trust	1	9	95	99	128	281	320	343
AK Target Date 2040 Trust	197	188	75	74	78	81	106	111
AK Target Date 2045 Trust	-	-	-	30	1	1	62	64
AK Target Date 2050 Trust	-	-	-	1	1	30	71	75
AK Target Date 2055 Trust	-	1	1	1	1	1	5	6
Investments with Barclays Global Investors								
Intermediate Bond Fund	17,874	17,479	17,362	16,879	17,460	16,907	16,748	17,099
Government/Credit Bond Fund	30,728	30,748	30,734	30,955	31,355	30,615	30,602	30,146
S&P 500 Index Fund	96,901	99,881	103,991	102,061	107,341	109,052	106,425	109,294
Investments with Capital Guardian Trust Company								
Global Balanced Fund	-	-	-	-	-	-	-	-
Investments with Brandes Institutional								
International Equity Fund	44,278	47,099	48,630	45,952	-	-	-	-
International Equity Fund Fee	-	-	-	-	47,390	46,786	45,060	43,770
Investments with RCM								
Sustainable Opportunities Fund	6,245	6,506	6,713	6,665	7,290	8,032	7,619	7,997
State Street Global Advisors								
Global Balanced Fund	32,388	33,283	34,245	34,024	35,229	35,206	34,172	34,416
Long US Treasury Bond Index	1,149	1,091	1,181	911	866	1,095	1,385	1,238
Russell 3000 Index	1,603	1,816	1,890	1,790	1,944	2,241	2,246	2,209
State Street Treasury Money Market Fund - Inst.	4,306	4,453	4,497	4,930	5,174	5,086	5,014	5,099
US Real Estate Investment Trust Index	1,617	2,510	3,962	3,151	3,163	4,171	3,718	3,540
US Treasury Inflation Protected Securities Index	4,118	4,368	4,608	5,167	6,217	5,787	5,967	5,944
World Equity Ex-US Index	2,982	3,162	3,618	4,049	4,422	4,482	4,638	4,666
World Government Bond Ex-US Index	732	847	1,094	1,287	1,530	1,248	1,250	1,243
Total Invested Assets	**$ 472,157**	**$ 483,116**	**$ 495,911**	**$ 488,211**	**$ 503,286**	**$ 511,111**	**$ 503,067**	**$ 509,875**
Change in Invested Assets								
Beginning Assets	$ 454,049	$ 472,157	$ 483,116	$ 495,911	$ 488,211	$ 503,286	$ 511,111	$ 503,067
Investment Earnings	19,092	10,641	11,844	(7,577)	13,760	6,194	(8,306)	6,940
Net Contributions (Withdrawals)	(984)	318	951	(123)	1,315	1,631	262	(132)
Ending Invested Assets	**$ 472,157**	**$ 483,116**	**$ 495,911**	**$ 488,211**	**$ 503,286**	**$ 511,111**	**$ 503,067**	**$ 509,875**

ALASKA RETIREMENT MANAGEMENT BOARD
Defined Contribution Retirement - Participant Directed PERS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
February 28, 2010

Interim Transit Account	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
Treasury Division [1]					
Cash and Cash Equivalents	$ 428,060	$ 350	$ (27,443)	$ -	$ 400,967
Participant Options [2]					
T. Rowe Price					
AK Target Date 2010 Trust	38,150	678	10,254	2,879	51,961
AK Target Date 2015 Trust	157,558	2,921	37,680	(5,534)	192,625
AK Target Date 2020 Trust	230,230	5,346	63,747	26,633	325,956
AK Target Date 2025 Trust	336,840	8,273	81,978	(1,540)	425,551
AK Target Date 2030 Trust	355,225	8,520	84,528	(153)	448,120
AK Target Date 2035 Trust	314,559	8,045	94,221	-	416,825
AK Target Date 2040 Trust	787,814	19,390	141,691	(1,615)	947,280
AK Target Date 2045 Trust	414,353	10,594	131,480	(414)	556,013
AK Target Date 2050 Trust	467,047	12,052	155,250	-	634,349
AK Target Date 2055 Trust	96,846	2,528	31,376	-	130,750
Alaska Balanced Fund	90,931	1,219	6,440	11,410	110,000
Long Term Balanced Fund	8,166,622	130,842	198,279	(1,157,737)	7,338,006
Small-Cap Stock Fund	6,922,215	207,067	159,550	(5,525,958)	1,762,874
Alaska Money Market	2,634,570	382	88,818	649,783	3,373,553
	21,012,960	417,857	1,285,292	(6,002,246)	16,713,863
State Street Global Advisors					
S&P 500 Stock Index Fund Series A	19,564,792	601,182	696,632	(813,361)	20,049,245
Long US Treasury Bond Index	51,933	72	2,051	14,201	68,257
Russell 3000 Index	109,418	3,187	5,449	(14,353)	103,701
US Real Estate Investment Trust Index	103,532	6,109	5,631	5,773	121,045
US Treasury Inflation Protected Sec Index	98,702	(1,274)	4,075	(10,074)	91,429
World Government Bond Ex-US Index	45,840	137	1,750	6,123	53,850
Global Balanced Fund	2,006,407	25,013	70,946	815,119	2,917,485
World Equity Ex-US Index	122,636	77	4,340	(9,207)	117,846
Money Market	96,266	-	1,548	9,168	106,982
	22,199,526	634,503	792,422	3,389	23,629,840
Barclays					
Government Bond Fund	3,112,215	10,261	77,392	(384,130)	2,815,738
Intermediate Bond Fund	123,944	673	4,713	28,318	157,648
Brandes Institutional					
International Equity Fund	-	-	-	-	-
International Equity Fund Fee	23,004,616	(360,512)	833,152	576,123	24,053,379
RCM					
Sustainable Opportunities Fund	12,461,701	590,089	562,381	5,778,546	19,392,717
Total Externally Managed Funds	81,914,962	1,292,871	3,555,352	-	86,763,185
Total All Funds	$ 82,343,022	$ 1,293,221	$ 3,527,909	$ -	$ 87,164,152

Notes:

(1) Represents net contributions in transit to/from the record keeper.

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

ALASKA RETIREMENT MANAGEMENT BOARD
Defined Contribution Retirement - Participant Directed PERS
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
February 28, 2010
$ (Thousands)

	July	August	September	October	November	December	January	February
Invested Assets (At Fair Value)								
Investments with Treasury Division								
Cash and cash equivalents	$ 616	$ 1,400	$ 1,430	$ 710	$ 508	$ 1,496	$ 428	$ 401
Investments with T. Rowe Price								
AK Target Date 2010 Trust	3	5	9	14	23	31	38	52
AK Target Date 2015 Trust	17	28	46	60	90	126	157	193
AK Target Date 2020 Trust	8	23	58	81	129	183	230	326
AK Target Date 2025 Trust	58	79	118	150	211	286	337	426
AK Target Date 2030 Trust	27	43	105	114	185	270	355	448
AK Target Date 2035 Trust	7	22	57	87	157	242	315	417
AK Target Date 2040 Trust	94	181	299	366	511	682	788	947
AK Target Date 2045 Trust	-	19	71	111	208	318	414	556
AK Target Date 2050 Trust	-	20	68	112	218	350	467	634
AK Target Date 2055 Trust	-	4	13	26	49	75	97	131
Alaska Balanced Fund	60	66	73	74	80	86	91	110
Long Term Balanced Fund	1,796	3,559	6,040	8,115	9,685	8,925	8,167	7,338
Small-Cap Stock Fund	10,212	12,248	14,884	15,099	16,234	12,412	6,922	1,763
Alaska Money Market	748	840	967	1,080	1,231	1,835	2,635	3,373
Investments with State Street Global Advisors								
S&P 500 Stock Index Fund Series A	21,605	21,629	21,359	19,579	20,707	20,787	19,565	20,049
Long US Treasury Bond Index	41	37	41	43	48	58	52	68
Russell 3000 Index	52	65	74	74	80	99	109	104
US Real Estate Investment Trust Index	44	68	85	57	81	123	103	121
US Treasury Inflation Protected Sec Index	58	62	69	83	111	93	99	91
World Government Bond Ex-US Index	30	27	29	32	38	52	46	54
Global Balanced Fund	3,379	2,383	1,305	398	405	1,221	2,006	2,917
World Equity Ex-US Index	72	75	86	127	98	120	123	118
Money Market	75	79	112	135	126	97	96	107
Investments with Barclays								
Government Bond Fund	1,925	2,302	2,600	2,901	3,300	3,108	3,112	2,816
Intermediate Bond Fund	89	82	89	100	107	107	124	158
Investments with Brandes Investment Partners								
International Equity Fund	16,973	18,673	20,069	19,589	-	-	-	-
International Equity Fund Fee	-	-	-	-	20,892	22,372	23,005	24,053
Investments with RCM								
Sustainable Opportunities Fund	322	348	364	370	399	6,655	12,462	19,393
Total Invested Assets	**$ 58,311**	**$ 64,368**	**$ 70,520**	**$ 69,687**	**$ 75,911**	**$ 82,209**	**$ 82,343**	**$ 87,164**
Change in Invested Assets								
Beginning Assets	$ 52,396	$ 58,311	$ 64,368	$ 70,520	$ 69,687	$ 75,911	$ 82,209	$ 82,343
Investment Earnings	4,022	2,243	2,493	(2,415)	2,785	1,750	(2,481)	1,293
Net Contributions (Withdrawals)	1,893	3,814	3,659	1,582	3,439	4,548	2,615	3,528
Ending Invested Assets	**$ 58,311**	**$ 64,368**	**$ 70,520**	**$ 69,687**	**$ 75,911**	**$ 82,209**	**$ 82,343**	**$ 87,164**

ALASKA RETIREMENT MANAGEMENT BOARD
Defined Contribution Retirement - Participant Directed TRS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
February 28, 2010

Interim Transit Account	**Beginning Invested Assets**	**Investment Income**	**Net Contributions (Withdrawals)**	**Transfers in (out)**	**Ending Invested Assets**
Treasury Division [1]					
Cash and Cash Equivalents	$ 180,618	$ 269	$ (63,788)	$ -	$ 117,099
Participant Options [2]					
T. Rowe Price					
AK Target Date 2010 Trust	28,550	483	4,850	-	33,883
AK Target Date 2015 Trust	125,969	2,202	20,629	(981)	147,819
AK Target Date 2020 Trust	126,584	2,827	27,416	-	156,827
AK Target Date 2025 Trust	142,756	3,575	27,254	-	173,585
AK Target Date 2030 Trust	163,688	4,173	28,081	-	195,942
AK Target Date 2035 Trust	270,043	7,115	57,008	-	334,166
AK Target Date 2040 Trust	330,852	8,681	68,935	1,500	409,968
AK Target Date 2045 Trust	510,077	13,199	111,359	-	634,635
AK Target Date 2050 Trust	592,406	15,286	125,881	-	733,573
AK Target Date 2055 Trust	10,282	276	1,629	-	12,187
Alaska Balanced Fund	45,811	565	2,808	-	49,184
Long Term Balanced Fund	3,699,718	60,818	76,686	(433,204)	3,404,018
Small-Cap Stock Fund	2,927,199	86,890	54,931	(2,338,159)	730,861
Alaska Money Market	1,117,698	160	36,540	253,838	1,408,236
	10,091,633	206,250	644,007	(2,517,006)	8,424,884
State Street Global Advisors					
S&P 500 Stock Index Fund Series A	8,413,745	258,811	250,036	(356,603)	8,565,989
Long US Treasury Bond Index	6,398	19	69	-	6,486
Russell 3000 Index	23,962	1,188	1,304	(897)	25,557
US Real Estate Investment Trust Index	11,137	670	1,308	-	13,115
US Treasury Inflation Protected Sec Index	30,924	(372)	1,839	-	32,391
World Government Bond Ex-US Index	1,664	15	97	606	2,382
Global Balanced Fund	862,064	10,934	25,484	360,344	1,258,826
World Equity Ex-US Index	14,368	(66)	604	(893)	14,013
Money Market	17,228	-	(2)	-	17,226
	9,381,490	271,199	280,739	2,557	9,935,985
Barclays					
Intermediate Bond Fund	24,885	109	571	-	25,565
Government Bond Fund	1,496,518	5,253	35,061	(119,840)	1,416,992
	1,521,403	5,362	35,632	(119,840)	1,442,557
Brandes Institutional					
International Equity Fund	-	-	-	-	-
International Equity Fund Fee	10,048,205	(154,993)	300,110	239,095	10,432,417
RCM					
Sustainable Opportunities Fund	5,535,570	260,139	202,674	2,395,194	8,393,577
Total Externally Managed Funds	36,578,301	587,957	1,463,162	-	38,629,420
Total All Funds	$ 36,758,919	$ 588,226	$ 1,399,374	$ -	$ 38,746,519

Notes:

(1) Represents net contributions in transit to/from the record keeper.

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

ALASKA RETIREMENT MANAGEMENT BOARD
Defined Contribution Retirement - Participant Directed TRS
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
February 28, 2010
$ (Thousands)

	July	August	September	October	November	December	January	February
Invested Assets (At Fair Value)								
Investments with Treasury Division								
Cash and cash equivalents	$ 119	$ 121	$ 111	$ 270	$ 117	$ 105	$ 181	$ 117
Investments with T. Rowe Price								
AK Target Date 2010 Trust	1	1	3	11	16	22	28	34
AK Target Date 2015 Trust	-	2	22	49	71	101	126	148
AK Target Date 2020 Trust	-	3	17	40	67	98	127	157
AK Target Date 2025 Trust	4	4	19	45	78	114	143	174
AK Target Date 2030 Trust	2	3	22	57	92	135	164	196
AK Target Date 2035 Trust	5	9	40	89	152	226	270	334
AK Target Date 2040 Trust	21	22	56	113	188	274	331	410
AK Target Date 2045 Trust	-	-	49	143	264	401	510	635
AK Target Date 2050 Trust	-	1	50	166	307	469	592	734
AK Target Date 2055 Trust	-	-	2	4	7	10	10	12
Alaska Balanced Fund	33	36	38	36	45	43	46	49
Long Term Balanced Fund	901	1,652	2,708	3,508	4,176	3,916	3,700	3,404
Small-Cap Stock Fund	4,900	5,561	6,530	6,690	7,184	5,428	2,927	731
Alaska Money Market	421	440	445	495	526	771	1,118	1,408
Investments with State Street Global Advisors								
S&P 500 Stock Index Fund Series A	10,354	9,853	9,311	8,736	9,214	9,128	8,414	8,566
Long US Treasury Bond Index	4	4	4	5	6	6	6	6
Russell 3000 Index	10	11	12	12	15	19	24	26
US Real Estate Investment Trust Index	6	7	7	2	2	10	11	13
US Treasury Inflation Protected Sec Index	16	16	16	17	29	30	31	32
World Government Bond Ex-US Index	1	1	1	3	2	5	2	2
Global Balanced Fund	1,626	1,119	574	176	167	516	862	1,259
World Equity Ex-US Index	2	2	2	4	7	11	14	14
Money Market	7	7	7	-	-	-	17	17
Investments with Barclays								
Intermediate Bond Fund	24	25	26	28	27	24	25	26
Government Bond Fund	1,020	1,079	1,157	1,267	1,437	1,417	1,496	1,417
Investments with Brandes Investment Partners								
International Equity Fund	8,189	8,565	8,865	8,772	-	-	-	-
International Equity Fund Fee	-	-	-	-	9,325	9,915	10,048	10,432
Investments with RCM								
Sustainable Opportunities Fund	192	199	207	203	219	3,043	5,536	8,394
Total Invested Assets	**$ 27,858**	**$ 28,743**	**$ 30,301**	**$ 30,941**	**$ 33,740**	**$ 36,237**	**$ 36,759**	**$ 38,747**
Change in Invested Assets								
Beginning Assets	$ 25,056	$ 27,858	$ 28,743	$ 30,301	$ 30,941	$ 33,740	$ 36,237	$ 36,759
Investment Earnings	1,942	1,056	1,104	(1,079)	1,239	779	(1,129)	588
Net Contributions (Withdrawals)	860	(171)	454	1,719	1,560	1,718	1,651	1,400
Ending Invested Assets	**$ 27,858**	**$ 28,743**	**$ 30,301**	**$ 30,941**	**$ 33,740**	**$ 36,237**	**$ 36,759**	**$ 38,747**

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT
(Supplement to the Treasury Division Report)

As of February 28, 2010

Prepared by the Division of Retirement & Benefits

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF NON-INVESTMENT CHANGES BY FUND
(Supplement to the Treasury Division Report)
For the Eight Months Ending February 28, 2010

	Contributions				Expenditures				Transfers	
	Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	In / (Out)	Net Contributions/ (Withdrawals)
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust	170,864,524	44,460,249	25,104	215,349,877	(330,834,336)	(4,945,062)	(14,418,298)	(350,197,696)	-	(134,847,819)
Retirement Health Care Trust	159,560,080	63,492,751	-	223,052,831	(172,496,494)	-	(8,423,786)	(180,920,280)	-	42,132,551
Total Defined Benefit Plans	330,424,604	107,953,000	25,104	438,402,708	(503,330,830)	(4,945,062)	(22,842,084)	(531,117,976)	-	(92,715,268)
Defined Contribution Plans:										
Participant Directed Retirement	28,665,583	-	-	28,665,583	-	(2,946,183)	(639,924)	(3,586,107)	-	25,079,476
(a) Health Reimbursement Arrangement	8,185,402	-	-	8,185,402	-	-	-	-	-	8,185,402
(a) Retiree Medical Plan	1,921,536	-	-	1,921,536	-	-	-	-	-	1,921,536
(a) Occupational Death and Disability:										
Public Employees	663,255	-	-	663,255	-	-	-	-	-	663,255
Police and Firefighters	330,752	-	-	330,752	-	-	-	-	-	330,752
Total Defined Contribution Plans	39,766,528	-	-	39,766,528	-	(2,946,183)	(639,924)	(3,586,107)	-	36,180,421
Total PERS	**370,191,132**	**107,953,000**	**25,104**	**478,169,236**	**(503,330,830)**	**(7,891,245)**	**(23,482,008)**	**(534,704,083)**	**-**	**(56,534,847)**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust	47,535,493	100,474,879	7,264	148,017,636	(223,385,569)	(1,190,544)	(5,951,098)	(230,527,211)	-	(82,509,575)
Retirement Health Care Trust	28,371,026	72,987,121	-	101,358,147	(59,974,792)	-	(3,345,826)	(63,320,618)	-	38,037,529
Total Defined Benefit Plans	75,906,519	173,462,000	7,264	249,375,783	(283,360,361)	(1,190,544)	(9,296,924)	(293,847,829)	-	(44,472,046)
Defined Contribution Plans:										
Participant Directed Retirement	10,549,112	-	-	10,549,112	-	(1,145,869)	(212,320)	(1,358,189)	-	9,190,923
(a) Health Reimbursement Arrangement	2,251,222	-	-	2,251,222	-	-	-	-	-	2,251,222
(a) Retiree Medical Plan	723,182	-	-	723,182	-	-	-	-	-	723,182
(a) Occupational Death and Disability	248,112	-	-	248,112	-	-	-	-	-	248,112
Total Defined Contribution Plans	13,771,628	-	-	13,771,628	-	(1,145,869)	(212,320)	(1,358,189)	-	12,413,439
Total TRS	**89,678,147**	**173,462,000**	**7,264**	**263,147,411**	**(283,360,361)**	**(2,336,413)**	**(9,509,244)**	**(295,206,018)**	**-**	**(32,058,607)**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust	2,176,470	1,144,424	2	3,320,896	(5,467,309)	-	(132,775)	(5,600,084)	-	(2,279,188)
Defined Benefit Retirement Health Care Trust	319,141	405,576	3	724,720	(618,349)	-	(15,200)	(633,549)	-	91,171
Total JRS	**2,495,611**	**1,550,000**	**5**	**4,045,616**	**(6,085,658)**	**-**	**(147,975)**	**(6,233,633)**	**-**	**(2,188,017)**
National Guard/Naval Militia Retirement System (NGNMRS)										
(a) Defined Benefit Plan Retirement Trust	2,603,300	-	-	2,603,300	(1,132,791)	-	(85,700)	(1,218,491)	-	1,384,809
Other Participant Directed Plans										
Supplemental Annuity Plan	91,690,243	-	-	91,690,243	-	(66,951,402)	(3,420,147)	(70,371,549)	-	21,318,694
Deferred Compensation Plan	22,439,431	-	-	22,439,431	-	(18,491,773)	(710,327)	(19,202,100)	-	3,237,331
Total All Funds	**579,097,864**	**282,965,000**	**32,373**	**862,095,237**	**(793,909,640)**	**(95,670,833)**	**(37,355,401)**	**(926,935,874)**	**-**	**(64,840,637)**

(a) Employer only contributions.

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF NON-INVESTMENT CHANGES BY FUND
(Supplement to the Treasury Division Report)
For the Month Ended February 28, 2010

	Contributions				Expenditures				Transfers	
	Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	In / (Out)	**Net Contributions/ (Withdrawals)**
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust	20,640,395	-	2,339	20,642,734	(40,960,628)	(1,003,877)	(767,305)	(42,731,810)		(22,089,076)
Retirement Health Care Trust	19,971,994	-	-	19,971,994	(23,369,319)	-	(1,591,347)	(24,960,666)		(4,988,672)
Total Defined Benefit Plans	40,612,389	-	2,339	40,614,728	(64,329,947)	(1,003,877)	(2,358,652)	(67,692,476)	-	(27,077,748)
Defined Contribution Plans:										
Participant Directed Retirement	3,933,034	-	-	3,933,034	-	(381,362)	(23,763)	(405,125)		3,527,909
(a) Health Reimbursement Arrangement	1,140,284	-	-	1,140,284	-	-	-	-		1,140,284
(a) Retiree Medical Plan	248,204	-	-	248,204	-	-	-	-		248,204
(a) Occupational Death and Disability:		-	-							
Public Employees	80,789	-	-	80,789	-	-	-	-		80,789
Police and Firefighters	39,520	-	-	39,520	-	-	-	-		39,520
Total Defined Contribution Plans	5,441,831	-	-	5,441,831	-	(381,362)	(23,763)	(405,125)	-	5,036,706
Total PERS	**46,054,220**	**-**	**2,339**	**46,056,559**	**(64,329,947)**	**(1,385,239)**	**(2,382,415)**	**(68,097,601)**	**-**	**(22,041,042)**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust	6,677,241	-	4,543	6,681,784	(27,538,913)	(224,082)	(254,402)	(28,017,397)	-	(21,335,613)
Retirement Health Care Trust	2,017,872	-	-	2,017,872	(7,067,347)	-	(608,974)	(7,676,321)		(5,658,449)
Total Defined Benefit Plans	8,695,113	-	4,543	8,699,656	(34,606,260)	(224,082)	(863,376)	(35,693,718)	-	(26,994,062)
Defined Contribution Plans:										
Participant Directed Retirement	1,476,567	-	-	1,476,567	-	(71,427)	(5,766)	(77,193)	-	1,399,374
(a) Health Reimbursement Arrangement	325,435	-	-	325,435	-	-	-	-	-	325,435
(a) Retiree Medical Plan	102,498	-	-	102,498	-	-	-	-		102,498
(a) Occupational Death and Disability	31,844	-	-	31,844	-	-	-	-	-	31,844
Total Defined Contribution Plans	1,936,344	-	-	1,936,344	-	(71,427)	(5,766)	(77,193)	-	1,859,151
Total TRS	**10,631,457**	**-**	**4,543**	**10,636,000**	**(34,606,260)**	**(295,509)**	**(869,142)**	**(35,770,911)**	**-**	**(25,134,911)**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust	270,649	-	-	270,649	(699,787)	-	(8,123)	(707,910)	-	(437,261)
Defined Benefit Retirement Health Care Trust	41,103	-	3	41,106	(64,279)	-	(4,373)	(68,652)	-	(27,546)
Total JRS	**311,752**	**-**	**3**	**311,755**	**(764,066)**	**-**	**(12,496)**	**(776,562)**	**-**	**(464,807)**
National Guard/Naval Militia Retirement System (NGNMRS)										
(a) Defined Benefit Plan Retirement Trust	-	-	-	-	(179,523)	-	(11,579)	(191,102)	-	(191,102)
Other Participant Directed Plans										
Supplemental Annuity Plan	11,734,269	-	-	11,734,269	-	(6,137,714)	(1,312,853)	(7,450,567)	-	4,283,702
Deferred Compensation Plan	2,938,031	-	-	2,938,031	-	(2,981,293)	(89,195)	(3,070,488)	-	(132,457)
Total All Funds	**71,669,729**	**-**	**6,885**	**71,676,614**	**(99,879,796)**	**(10,799,755)**	**(4,677,680)**	**(115,357,231)**	**-**	**(43,680,617)**

(a) Employer only contributions.

ALASKA RETIREMENT MANAGEMENT BOARD

Private Equity 2010 Tactical Plan

Staff Summary and Overview

Zachary Hanna, CFA
State Investment Officer

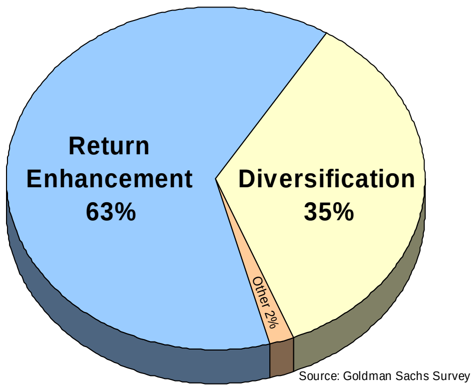
Private Equity Program

- Private Equity Overview
- Market Review
- ARMB Portfolio Performance
- Diversification
- 2009 Commitments
- 2010 Outlook & Tactical Plan

Overview – Private Equity Investment

- Private equity – unregistered investments in operating companies.

- Why do fund sponsors invest in private equity?



- Private equity is expected to deliver long-term returns in excess of the public markets.

Private Equity Returns through June 30, 2009

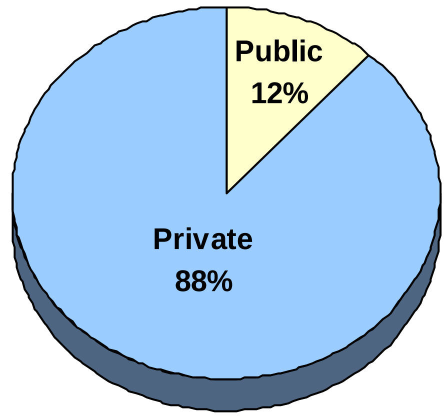
Investment Type	5 Year	10 Year	20 Year
Venture Capital	-3.5%	20.7%	16.5%
Buyouts	6.7%	9.0%	13.4%
All Private Equity	3.6%	11.4%	14.2%
S&P 500	2.5%	8.3%	11.0%

Source: Thomson ONE. The private equity returns are pooled averages and do not represent top quartile performance. The time-weighted S&P 500 returns are provided for reference and are not directly comparable to the dollar-weighted private equity returns.

Overview – Unique Characteristics

- Positive Characteristics:
  - Larger, more diverse investment universe
  - Less efficient companies – opportunity to create value
  - Less efficient markets – pricing opportunities
  - Control and alignment of interests
  - Managed for long-term value

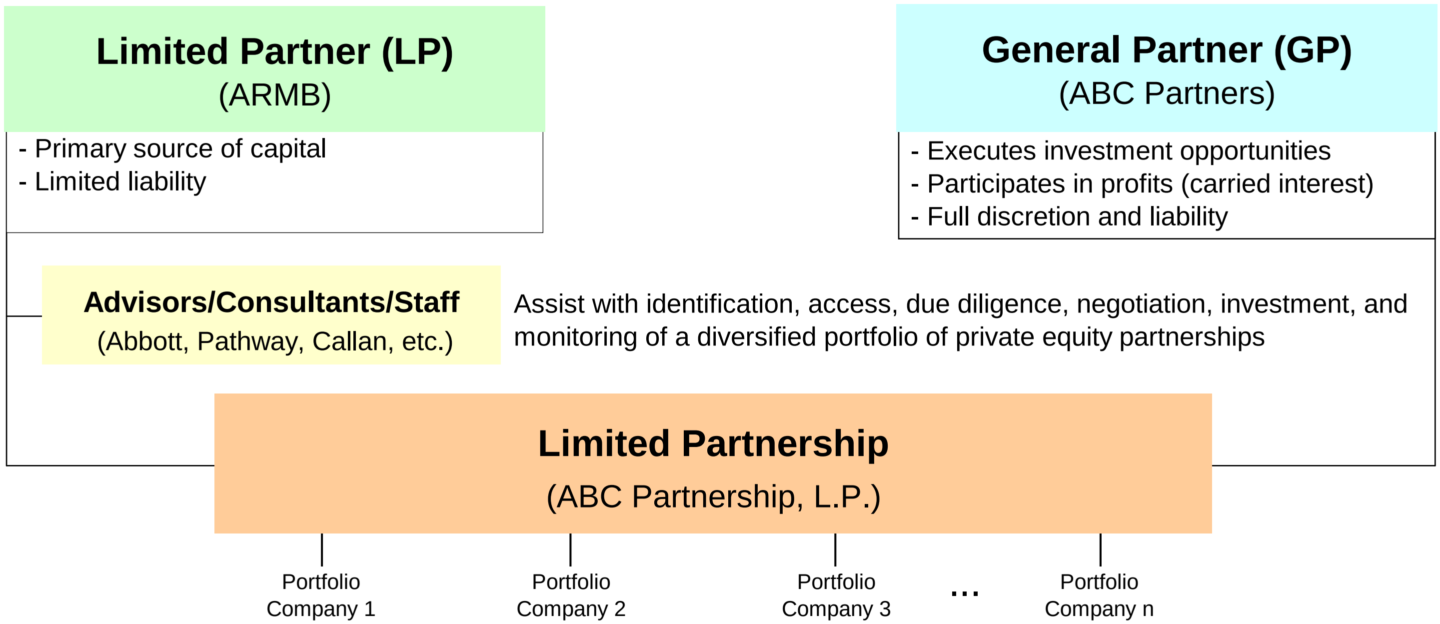
Dun & Bradstreet: Public/Private Percentage
35,920 Companies $25+ million in Revenue



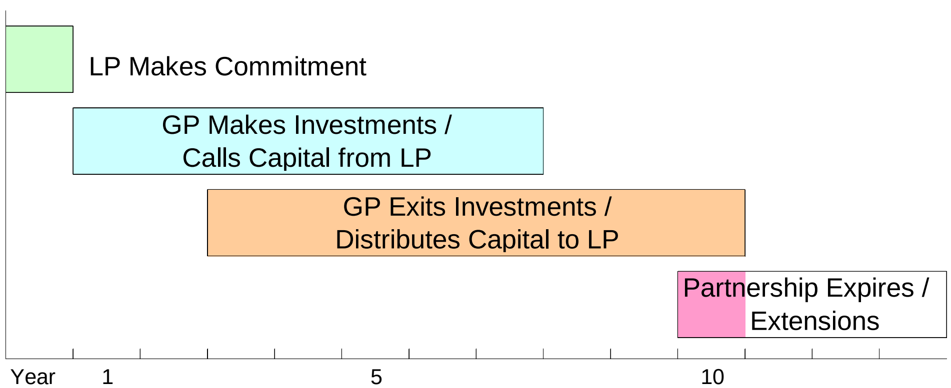
- Other Characteristics:
  - Illiquid, long-term investments
  - High fees and J-curve
  - Potential for high leverage
  - High return dispersion
  - Portfolio transparency and valuation issues
  - Incomplete data and benchmarks

Overview – Structure

- Private equity investments are typically made through limited partnerships:



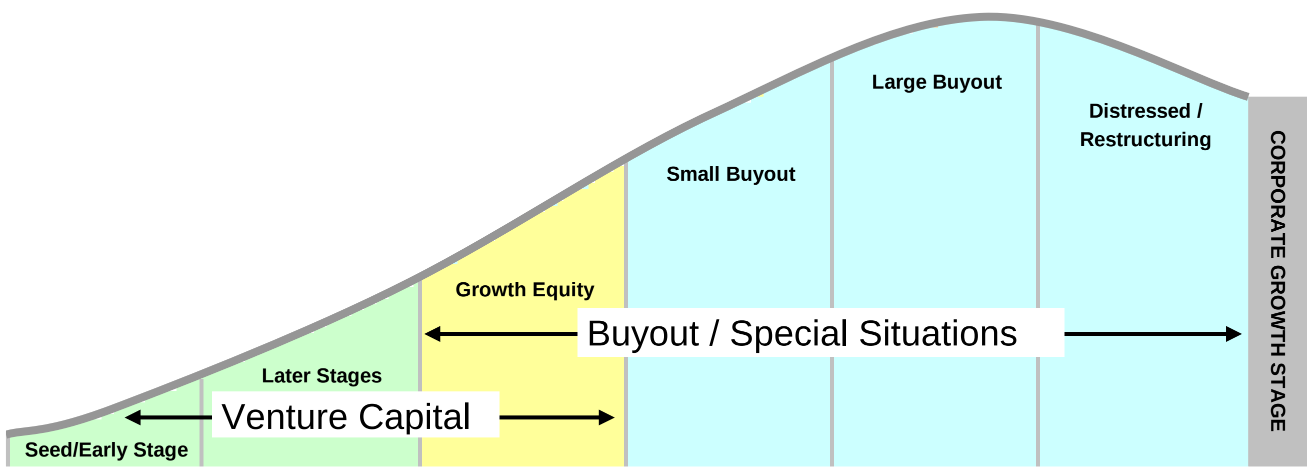
- Private equity liquidity and cash flow characteristics:



Overview – Primary Strategies

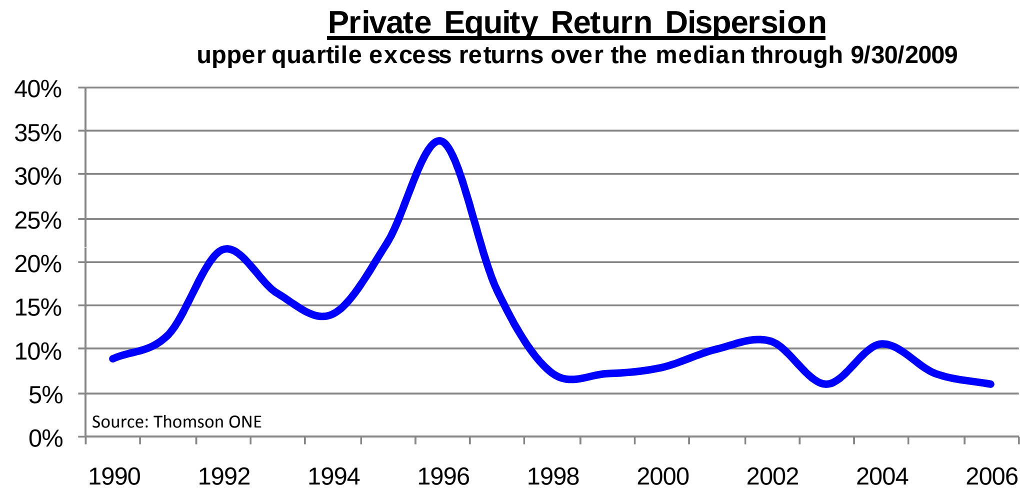
Private equity partnerships are classified into three primary groups:

Venture Capital	Investments in companies that are developing new products. Value creation focuses on managing entrepreneurial companies through high growth.
Buyout	Control investments in more mature operating companies. Value creation generally focuses on driving operational and capital structure efficiency.
Special Situations	Generally buyout style investments with a specialty focus; including groups that have a specific industry, investment style, or capital structure focus. Value creation focuses on specialized skills and efficiency.



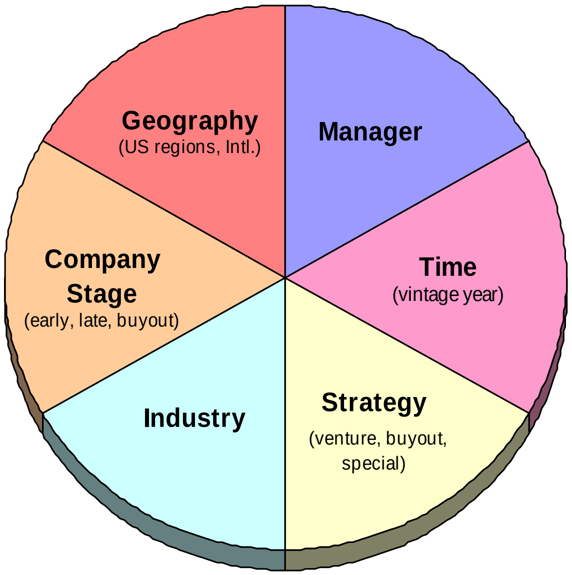
Overview – Implementation

- Manager access, selection, and diligence are critical – there is high return dispersion between manager quartiles. Investing consistently with top quartile managers is necessary.



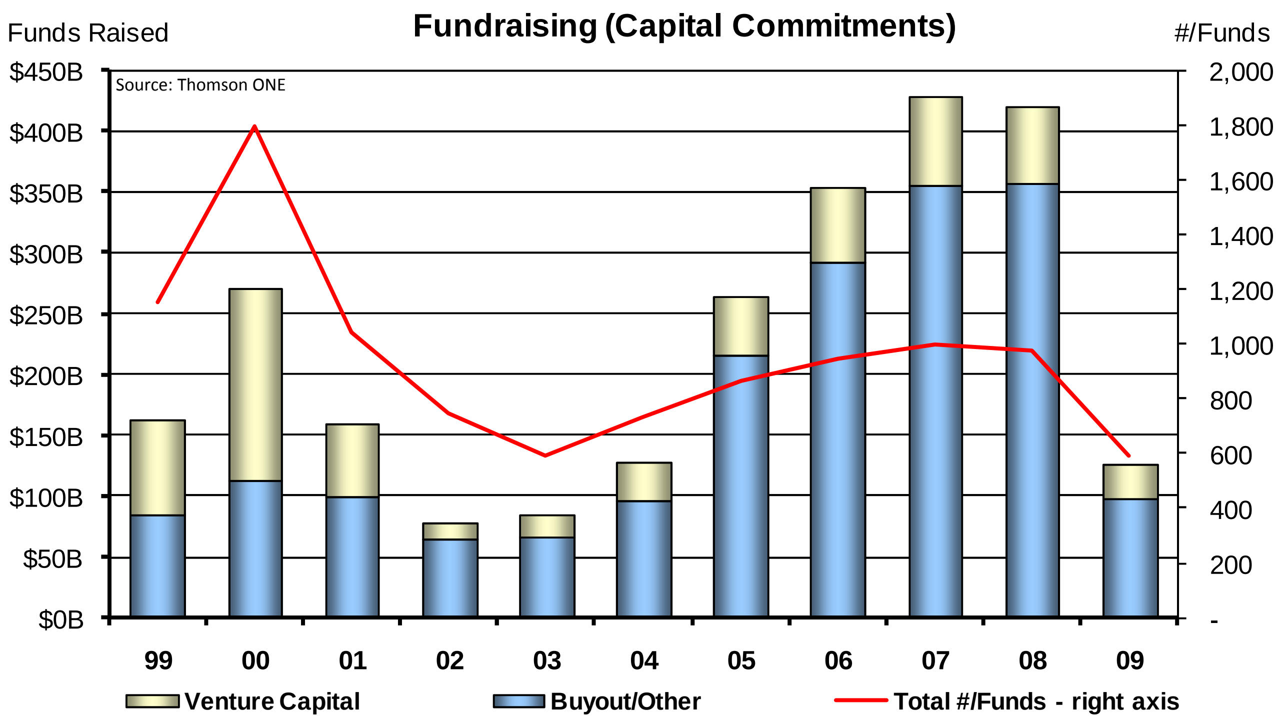
- Long term diversification is important.

- The goal is to build a portfolio of quality partnerships reasonably diversified by strategy, industry, geography, investment stage, manager, and time.



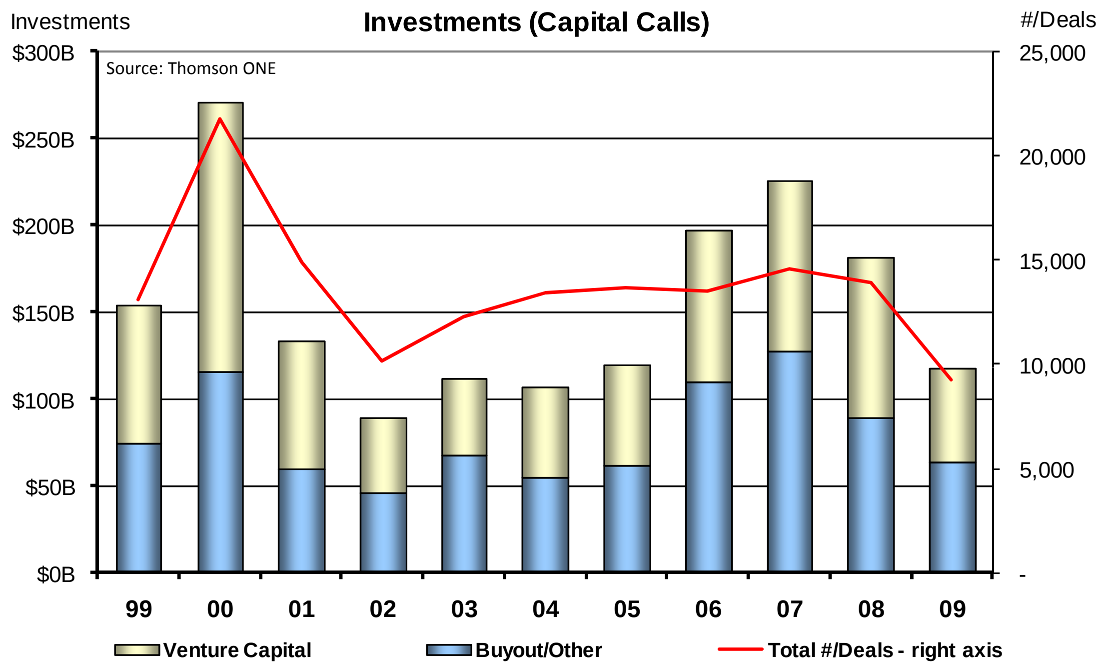
Market – 2009 Trends: Fundraising

- Fundraising decreased dramatically.
- Limited partners were generally over-allocated to private equity.
- General partners took longer to raise funds, often closed below fund size targets, and postponed fundraising when possible.
- Due to negotiations in a tough fund raising environment, fund terms were more limited partner friendly.

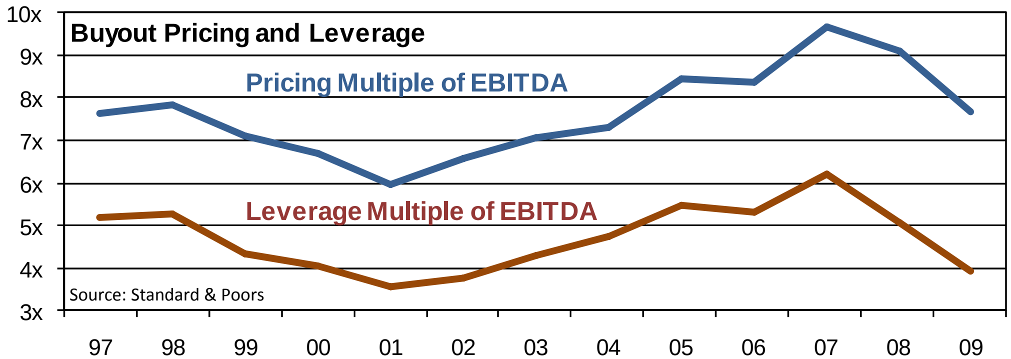


Market – 2009 Trends: Investing

- Investment activity slowed. General partners focused on existing portfolio companies, credit was difficult to access, and bid/ask spreads were wide.

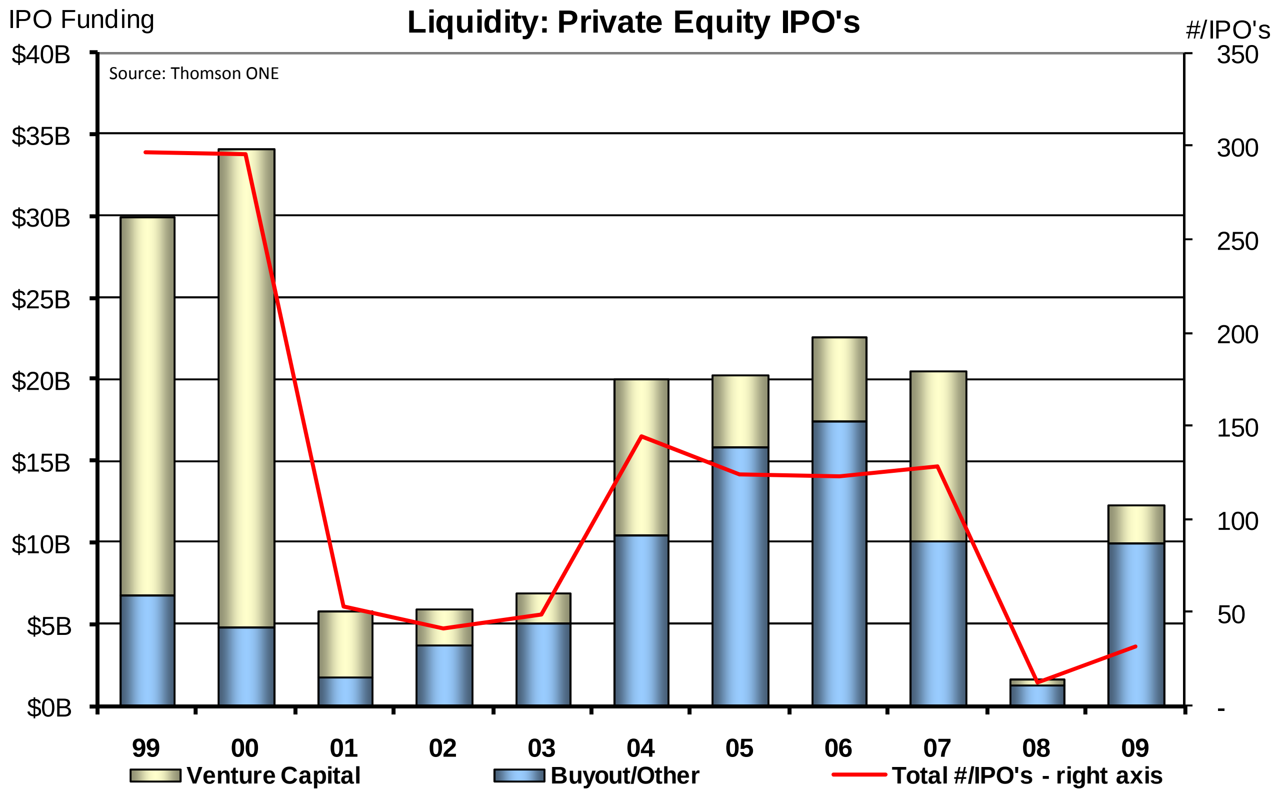


- Lower deal pricing. Historically low leverage.



Market – 2009 Trends: Exit Opportunities

- Initial public offerings improved from 2008, but were largely financing events used to pay down debt rather than true exits for private equity sponsors.



- Merger and acquisition activity picked up from 2008.

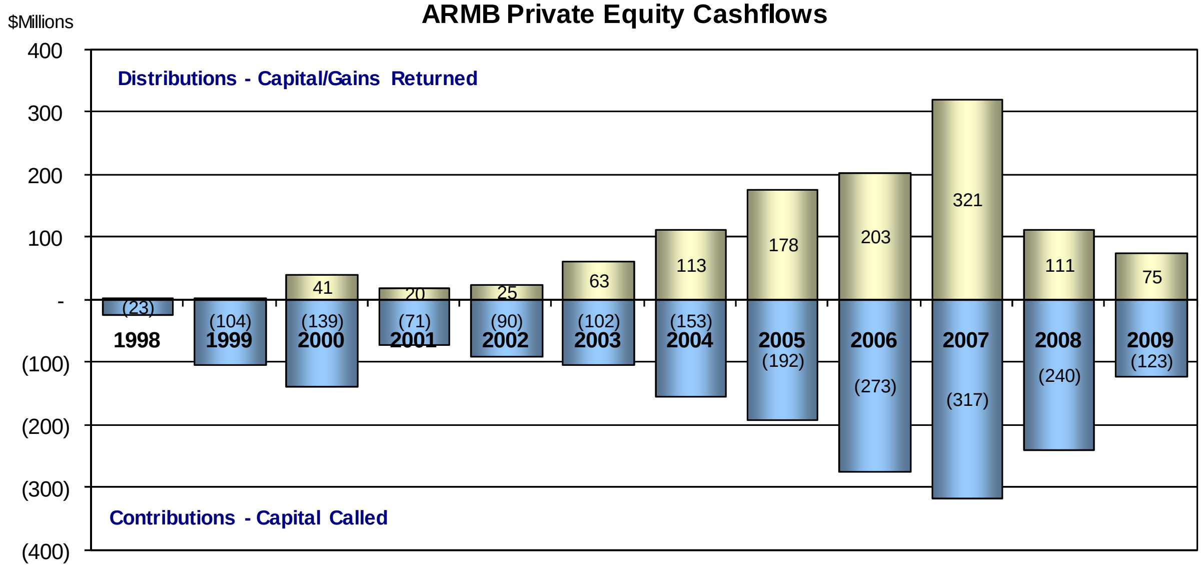
- Some leveraged recapitalization activity slowly restarted.

Overview of ARMB Private Equity Program

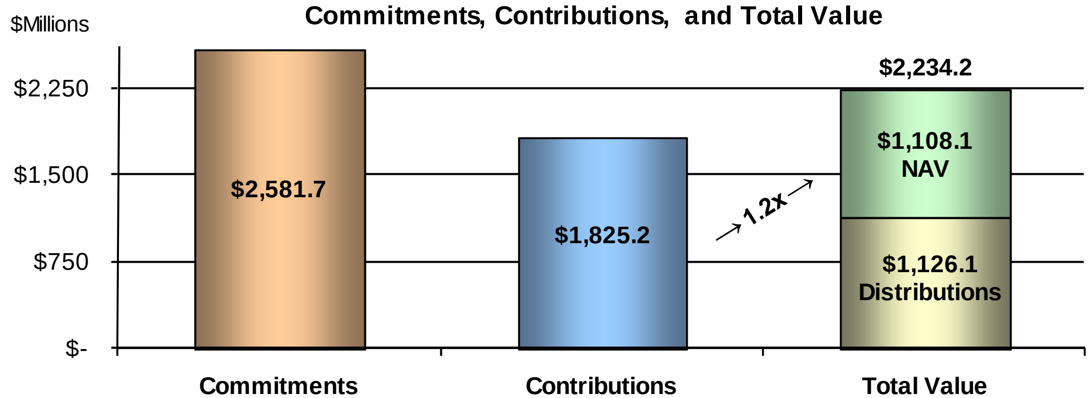
- The main objective of the ARMB's private equity program is high long-term returns.
- The ARMB hired Abbott Capital Management in 1998 and Pathway Capital Management in 2001. The allocation to private equity has increased from 3% to 7%.
- Private equity has been volatile since 1998. Technology and venture capital excesses of the late 90's gave way to a buyout dominated market. The market peak in 2007 was characterized by high returns, but also by high prices and high leverage. Private equity didn't fall as far as the public markets through the recent downturn, but the industry continues to work through the legacy of high leverage.
- Over this dynamic period, the ARMB and its advisors have built a diversified portfolio of quality partnerships. Manager selection has been strong. Callan recently reported on eight vintage years through 2005 – five were top quartile and three were second quartile.
- Portfolio performance is relatively strong. The internal rate of return through 2008 is 7.1% versus a public market equivalent of 0.3% for the S&P 500 and 1.0% for the Russell 3000. The calendar year 2009 return for the portfolio was -9.5%.

Portfolio Performance

- Both distributions and contributions decreased significantly from 2007 and 2008.

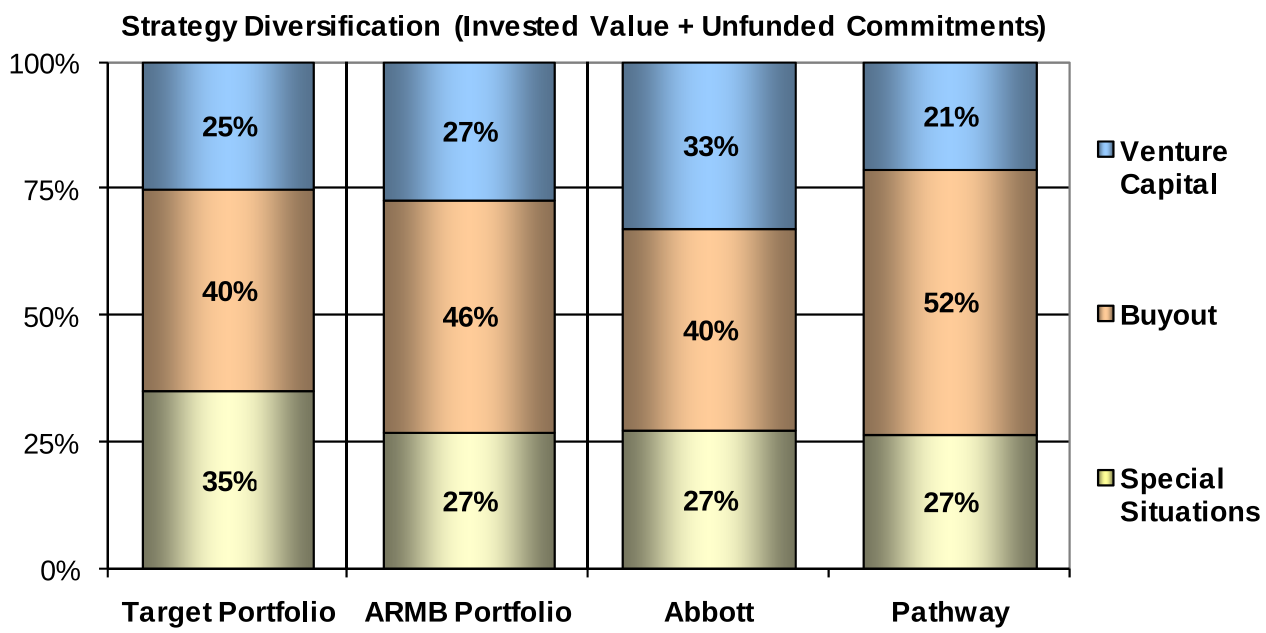


- The internal rate of return (IRR) since inception is 7.1%, a decrease of 387 basis points from 2008 and 1.2x contributed capital.



Diversification by Strategy

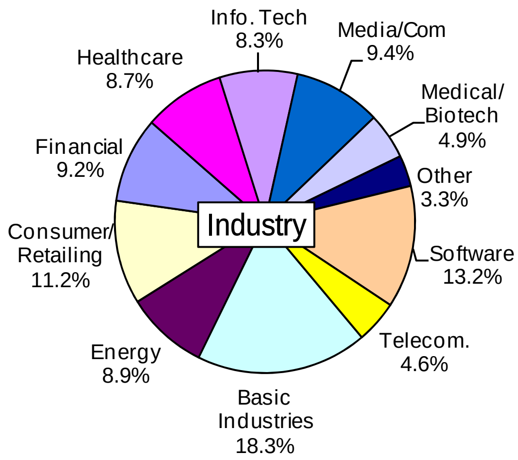
- The portfolio is well diversified by private equity strategy.
- Strategy exposure is within the policy bands.

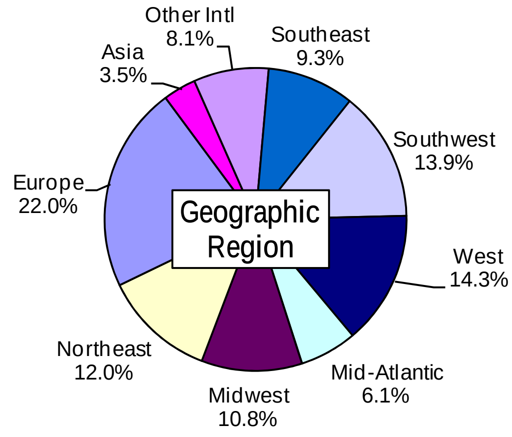


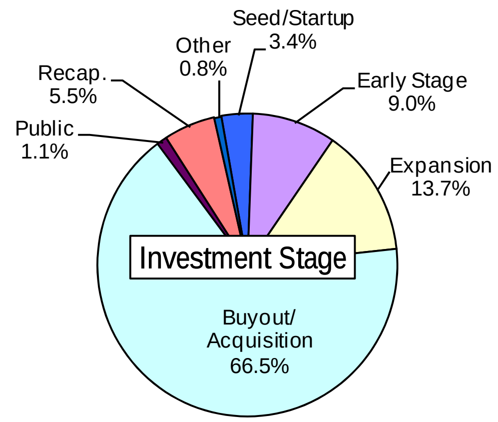
Diversification by Portfolio Company

Diversification analysis of the over 2,000 companies in the portfolio as of 9/30/09:

- **Industry** – The portfolio is well diversified by industry, with no sector making up more than 18.3% of the portfolio.
- **Geographic Region** – The portfolio is well diversified geographically. International is 33.6% of the portfolio.
- **Investment Stage** – By investment stage, buyout/acquisition is the highest at 66.5% due to the relatively high levels of activity by buyout and special situations funds.







2009 Commitments

- The commitment target for 2009 was $320 million.
- $183.2 million was committed during the year.
- $57.8 million by Abbott, $75.4 million by Pathway, and $50 million direct.
- Commitments were highest for venture capital and special situations funds.

New Commitments for 2009 ($millions)

Manager	Target	Actual	Number of Investments	Investment Strategy					
				Venture	%	Buyout	%	Special Situations	%
Abbott	$130.0	$57.8	9	$42.8	74%	$0.0	0%	$15.0	26%
Pathway	$130.0	$75.4	9	$19.3	26%	$20.0	27%	$36.2	48%
Direct	$60.0	$50.0	1	$0.0	0%	$0.0	0%	$50.0	100%
Total	**$320.0**	**$183.2**	**19**	**$62.1**	**34%**	**$20.0**	**11%**	**$101.2**	**55%**

2010 Outlook

Increased economic and capital market stability is providing a slow recovery:

- Moderate Increase in Investment Pace – Buyer and seller expectations are starting to converge and deal activity is slowly picking up. Credit markets have also selectively reopened.

- Improving Exit Environment – IPO's and corporate M&A activity is expected to continue to increase as capital markets stabilize.

- Recovery in Fundraising – Allocation issues for limited partners have lessened and fundraising is expected to slowly recover for tenured groups with strong track records. Untenured firms and those with performance issues will have a difficult time raising new funds and surviving the current environment.

- A real test for many private equity groups may come as portfolio company debt matures in 2013 and beyond. A sustained economic recovery may be necessary to pay down the high levels of debt used in 2006/2007 buyouts.

2010 Tactical Plan

- Staff is recommending a 2010 commitment target of $335 million. $135 million for Abbott, $125 million for Pathway, and $75 million in direct partnership investments with a gradual increase in the total over the next five years.
- Private equity is currently over the 7% allocation. The current commitment pace should allow the ARMB private equity portfolio to return to its allocation of 7% over the ten year planning horizon.

Private Equity Funding Schedule	2009	2010	2011	2012	2013	2014
Beginning Fund Assets($MM)		13,908,641	14,702,989	15,483,662	16,244,495	**16,991,951**
Fund Net Growth Rate		5.7%	5.3%	4.9%	4.6%	**4.4%**
Additions from Net Fund Growth		794,348	780,673	760,833	747,456	**745,756**
Ending Fund Assets	**13,908,641**	14,702,989	15,483,662	16,244,495	16,991,951	**17,737,707**
Target Private Equity %	**7.0%**	7.0%	7.0%	7.0%	7.0%	**7.0%**
Private Equity Asset Value Target	**973,605**	1,029,209	1,083,856	1,137,115	1,189,437	**1,241,639**
Asset Value by Manager ($MM)						
Abbott	586,812	581,656	583,946	589,895	597,453	**601,336**
Pathway	521,362	544,431	557,849	557,005	551,913	**542,839**
Direct Investments	64,756	70,297	90,426	129,442	169,889	**205,885**
Total Projected Asset Value	**1,172,929**	1,196,385	1,232,221	1,276,342	1,319,255	**1,350,060**
Private Equity % of Fund	**8.4%**	8.1%	8.0%	7.9%	7.8%	**7.6%**
Annual Net Commitments ($MM)						
Abbott	57,800	135,000	140,000	145,000	149,000	**153,000**
Pathway	75,400	125,000	125,000	125,000	125,000	**125,000**
Direct Investments	50,000	75,000	78,000	81,000	84,000	**86,000**
Total Commitments by Year	**183,200**	335,000	343,000	351,000	358,000	**364,000**

/

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Annual Tactical Plan for Private Equity Resolution 2010-04	ACTION:	X
DATE:	April 22, 2010	INFORMATION:	

BACKGROUND:

The Alaska Retirement Management Board's (ARMB) "Private Equity Partnerships Portfolio Policies and Procedures" calls for the preparation and adoption of an "Annual Tactical Plan" (Plan). The Plan reviews the current status of the portfolio, historical and prospective market conditions, and the annual investment strategy designed to further the ARMB's goals and objectives for the private equity program.

STATUS:

The Plan consists of an overview and summary prepared by staff with integrated tactical plans prepared by the ARMB's private equity investment managers. Staff's overview and summary of the ARMB's consolidated private equity portfolio addresses the following:

I. 2009 Investment Activity
II. Funding Position
III. Diversification
IV. Market Conditions
V. 2010 Tactical Plan

RECOMMENDATION:

That the Alaska Retirement Management Board adopt Resolution 2010-04 approving the 2010 Annual Tactical Plan.

Attachment: ARMB 2010 Annual Tactical Plan for Private Equity

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

Relating to Private Equity Annual Tactical Plan
Resolution 2010-04

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in private equity assets for the State of Alaska Retirement and Benefits Plans; and

WHEREAS, the Board will establish, and on an annual basis review, an investment plan for private equity;

NOW THEREFORE, BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the 2010 Annual Tactical Plan regarding investment in private equity assets which is attached hereto and made a part hereof.

DATED at Anchorage, Alaska this ______ day of April, 2010.

____
Chair

ATTEST:

____
Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

2010 ANNUAL TACTICAL PLAN FOR PRIVATE EQUITY

The Alaska Retirement Management Board's (ARMB) "Private Equity Partnerships Portfolio Policies and Procedures" calls for the preparation and adoption of an "Annual Tactical Plan" (Plan). The Plan reviews the current status of the portfolio, historical and prospective market conditions, and the annual investment strategy designed to further the ARMB's goals and objectives for the private equity program.

The Plan consists of an overview and summary prepared by staff with integrated tactical plans prepared by the ARMB's private equity investment managers. Staff's overview and summary of the ARMB's consolidated private equity portfolio addresses the following:

I. 2009 Investment Activity
II. Funding Position
III. Diversification
IV. Market Conditions
V. 2010 Tactical Plan

OVERVIEW AND SUMMARY

Quality private equity portfolios have historically provided high long-term returns with lower correlation to bonds and public equities. The Alaska retirement systems started investing in private equity in 1998 to enhance returns and further diversify the portfolio. The ARMB makes direct partnership investments and employs gatekeepers who have discretion to make investments in private equity partnerships on the systems' behalf.

The initial gatekeeper, Abbott Capital Management (Abbott), was hired in 1998 with an allocation of 3% of the Fund. In 2001, the allocation to private equity was increased and an additional gatekeeper, Pathway Capital Management (Pathway), was hired. In 2005, the ARMB started making investments directly in private equity partnerships. The first two direct partnership investments were with Blum Capital (Blum). Blum is an investment group that makes influence-oriented investments, largely in public companies. Since this is not traditional private equity, most of this tactical plan excludes Blum from its analysis, except in relation to funded position. In 2007, the ARMB delegated to the CIO the authority to make additional direct investments in private equity partnerships. The allocation to private equity is currently 7% of total Fund assets. Investment managers have discretion to carefully select and invest in high quality partnerships while preserving reasonable diversification across strategy, industry, geography, and investment stage.

Through 2009, the Alaska retirement systems have committed $2.8 billion to private equity. This capital is typically drawn down over 5-7 years and 65% has been drawn through 2009. The invested value at the end of calendar year 2009 was $1.2 billion, or 8.4% of Fund assets.

The private equity landscape has been dynamic since Alaska's initial investment in 1998. The technology-related excesses of the late 1990's gave way to a period of slow rebuilding in the early 2000's. By 2005, private equity was again realizing high returns driven largely by buyout-oriented investments assisted by the twin tailwinds of multiple expansion and available credit. The market peak in 2007 was characterized by high returns, but also by high prices and high leverage. In 2008, the severe dislocation in the credit and capital markets slowed private equity activity and has reduced returns. The capital market rebound in 2009 lessened the pressure on private equity portfolios, but has also reduced the buying opportunity that usually accompanies a recession.

Throughout this dynamic period, the ARMB has assembled a strong and diversified portfolio of high quality partnerships using a disciplined investment approach. The portfolio has performed well when compared with the Thomson ONE private equity universe. For the eight vintage years from 1998 through 2005, the ARMB portfolio was in the top quartile for five years and the second quartile for three years.

As a result of the recent capital market environment, the internal rate of return (IRR) for the portfolio has decreased 387 basis points in the past year to a 7.1% return from inception through 2009. Despite the decrease, the private equity return compares favorably with public market equity investments. A public market equivalent return analysis treats the ARMB's actual private equity cash flows as if they had been invested into a public market index. The public market equivalent return is 0.3% for the S&P 500 and 1.0% for the Russell 3000. The ARMB's long term benchmark for private equity is a premium to the public markets of 350 basis points. The time-weighted return for the ARMB's private equity portfolio for calendar year 2009 was negative 9.5%.

There has been significant turmoil in the financial markets over the past several years and private equity has not been unaffected. Some of the private equity investments purchased using high leverage and high prices in 2006 and 2007 have been or will be challenged. The recent credit market and economic contraction will lower private equity returns and slow activity, but may provide attractive investment opportunities as the markets recover.

For 2010, staff is recommending an allocation of $335 million in new commitments to be placed in quality, well diversified partnerships by Abbott, Pathway and the ARMB. This commitment pace should allow the ARMB private equity portfolio to return to its allocation of 7% over the ten year planning horizon.

I. 2009 INVESTMENT ACTIVITY

A. COMMITMENTS

The commitment target for 2009 was $320 million and the ARMB closed on a combined total of $183.2 million in 19 new commitments.

New Commitments for 2009 ($millions)

Manager	Target	Actual	Number of Investments	Investment Strategy					
				Venture	%	Buyout	%	Special Situations	%
Abbott	$130.0	$57.8	9	$42.8	74%	$0.0	0%	$15.0	26%
Pathway	$130.0	$75.4	9	$19.3	26%	$20.0	27%	$36.2	48%
Direct	$60.0	$50.0	1	$0.0	0%	$0.0	0%	$50.0	100%
Total	**$320.0**	**$183.2**	**19**	**$62.1**	**34%**	**$20.0**	**11%**	**$101.2**	**55%**

New commitments during 2009 were roughly in line with the ARMB's strategy diversification targets, with an overweight to special situations due to the ARMB's commitment to a specialist secondary investment manager. The ARMB made 19 investments across 10 partnership groups and Abbott and Pathway invested with four of the same funds. The following table summarizes commitments made during 2009.

New Commitments for 2009 ($millions)

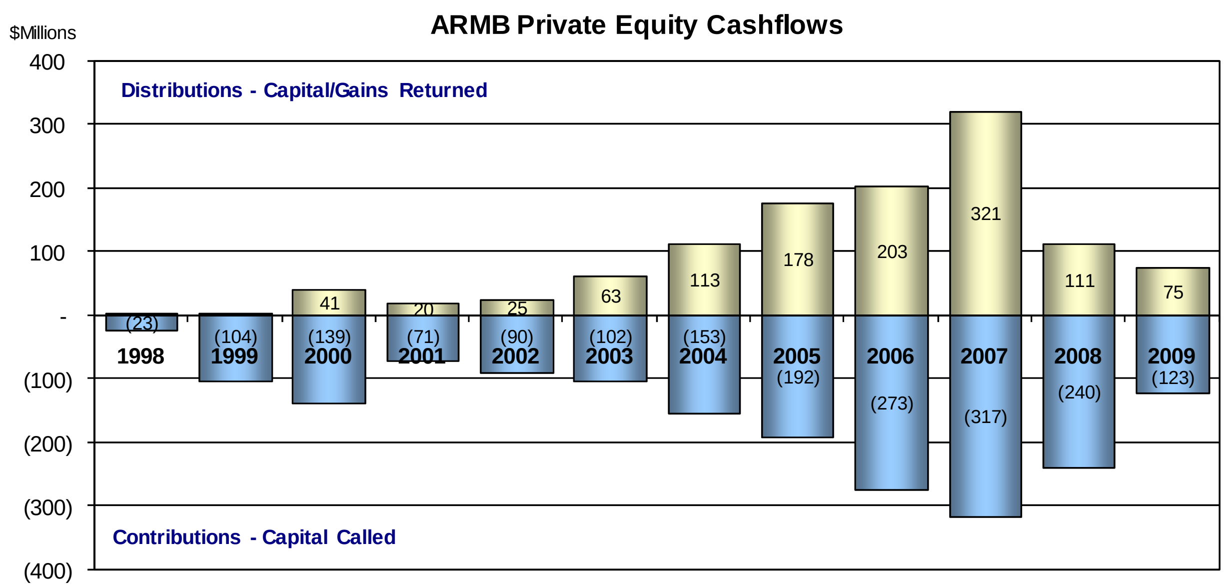
Strategy	Partnership Fund	Description	Amount	% Total	Date	Advisor
Venture Capital	New Enterprise Associates 13	Venture capital and growth equity investments with a focus on information technology, cleantech, medical devices and biotech companies.	$11.0	6.0%	1/15/09	Abbott
	New Enterprise Associates 13	Venture capital and growth equity investments with a focus on information technology, cleantech, medical devices and biotech companies.	$4.3	2.3%	3/31/09	Pathway
	Oak Investment Partners XII - Secondary	Multistage venture capital investments in information technology and communications.	$0.6	0.3%	1/2/09	Abbott
	Oak Investment Partners XIII	Multistage venture capital investments in information technology and communications.	$10.0	5.5%	6/30/09	Abbott
	Oak Investment Partners XIII	Multistage venture capital investments in information technology and communications.	$15.0	8.2%	6/30/09	Pathway
	TA XI	Later-stage, growth equity investments in established, profitable companies. Target industries include software, Internet services and infrastructure, healthcare, communications, financial services and consumer products.	$20.0	10.9%	4/30/09	Abbott
	U.S. Venture Partners VI - Secondary	Early-stage venture capital. Target industries include information technology, communications, software, semiconductors and medical devices.	$0.1	0.0%	1/2/09	Abbott
	U.S. Venture Partners VII - Secondary	Early-stage venture capital. Target industries include information technology, communications, software, semiconductors and medical devices.	$0.2	0.1%	1/2/09	Abbott
	U.S. Venture Partners VIII - Secondary	Early-stage venture capital. Target industries include information technology, communications, software, semiconductors and medical devices.	$0.9	0.5%	1/2/09	Abbott
	Venture Capital Subtotals		***$62.0***	***33.9%***		
Buyout	Charlesbank VII	Middle-market buyout investments of companies primarily based in the United States.	$5.0	2.7%	7/9/09	Pathway
	Hellman & Friedman Capital Partners VII	Mid to large-market buyout investments in companies across a broad range of industries.	$15.0	8.2%	2/13/09	Pathway
	Buyout Subtotals		***$20.0***	***10.9%***		
Special Situations	Centerbridge Special Credit Partners	Non-control distressed securities investments in large-market companies.	$10.0	5.5%	6/5/09	Pathway
	Hellman & Friedman Capital Partners VII	Mid to large-market buyout investments in companies across a broad range of industries.	$10.0	5.5%	9/8/09	Abbott
	H.I.G. Bayside Debt II - Secondary	Debt for control investments in lower middle-market companies across a wide range of industry sectors.	$1.2	0.6%	4/6/09	Pathway
	Lexington Capital Partners VII	Invests in a diversified portfolio of secondary interests in established global buyout, mezzanine and venture capital funds.	$50.0	27.3%	12/31/09	Direct
	OCM VIII	Investments in debt and other securities of distressed companies located primarily in the United States and Europe.	$5.0	2.7%	11/19/09	Pathway
	OCM VIIIb	Investments in debt and other securities of distressed companies located primarily in the United States and Europe.	$5.0	2.7%	11/19/09	Pathway
	TA Subordinated Debt Fund III	Investments in subordinated and mezzanine debt of middle market growth companies, primarily in opportunities developed and led by TA Associates equity funds.	$5.0	2.7%	5/18/09	Abbott
	TA XI	Later-stage, growth equity investments in established, profitable companies. Target industries include software, internet services and infrastructure, healthcare, communications, financial services and consumer products.	$15.0	8.2%	4/30/09	Pathway
	Special Situations Subtotals		***$101.2***	***55.2%***		
Abbott Subtotal			***$57.8***	***31.5%***		
Pathway Subtotal			***$75.4***	***41.2%***		
Direct Subtotal			***$50.0***	***27.3%***		
TOTAL ($MM)			***$183.2***	***100.0%***		

Note: Totals may not foot due to rounding.

B. INVESTMENT ACTIVITY

The ARMB's capital commitments are called by private equity partnerships as they make investments in underlying portfolio companies. Investments made during 2009 by the ARMB's private equity groups totaled $122.6 million, 49% lower than 2008 investments. This reflects the slow investment environment in 2009. Investments by strategy were 39% buyout, 29% special situations, and 32% venture capital.

Distributions in 2009 fell to two-thirds the level of 2008 distributions. The ARMB received $75 million in distributions from private equity partnerships – down from the $111 million received in 2008 and significantly reduced from prior years. The distributions were close-to-equally split between Abbott's portfolio and Pathway's portfolio.



C. STOCK DISTRIBUTIONS

During 2009, the ARMB received stock distributions from Abbott valued at $5.8 million. The ARMB had a 0.4% gain on distributed stock sold from the Abbott portfolio in 2009. Pathway received stock distributions from two partnerships in 2009 valued at $1.1 million. The stock sales resulted in a small -0.2% loss on the distributed value. Overall, stocks sales for the ARMB portfolio for 2009 were close to distributed value.

II. FUNDING POSITION

A. FUNDING POSITION AS OF DECEMBER 31, 2009

The net asset value of the ARMB's private equity portfolio was $1.2 billion as of 12/31/09, a decrease of $97 million from 2008. The private equity portfolio was 8.4% of plan assets at the end of 2009, 140 basis points over the target, but down substantially from 10% of the plan in 2008. The remaining imbalance is expected to correct itself over the long term with current commitment pacing.

Total Fund Market Value 12/31/09	$13,909	million
Target Percent for Private Equity	7.0%	
Target Private Equity Allocation	**$973.6**	**million**
Abbott Net Asset Value	$ 586.8	
Pathway Net Asset Value	521.4	
Direct Net Asset Value	64.8	
Total Private Equity Portfolio Value	**$1,172.9**	**million**
Fund Percent 12/31/09	**8.4%**	

Private equity is an illiquid, long-term asset class and the economic environment can significantly affect asset values and cash flows from year-to-year. For these reasons, private equity has a wide 5% band around the ARMB's 7% allocation.

B. PROJECTED FUNDING POSITION 2014 – BASED ON FUNDING MODEL IN APPENDIX I

Projected Fund Market Value Year End 2014:	$17,737.7	million
Projected Private Equity Asset Value:	$1,350.1	million (See Appendix I)
Percent of Total Fund:	7.6%	

C. FUNDING BY STRATEGY

The private equity portfolio has long-term strategy diversification targets with a broad range between minimum and maximum exposure. The portfolio is within acceptable strategy ranges.

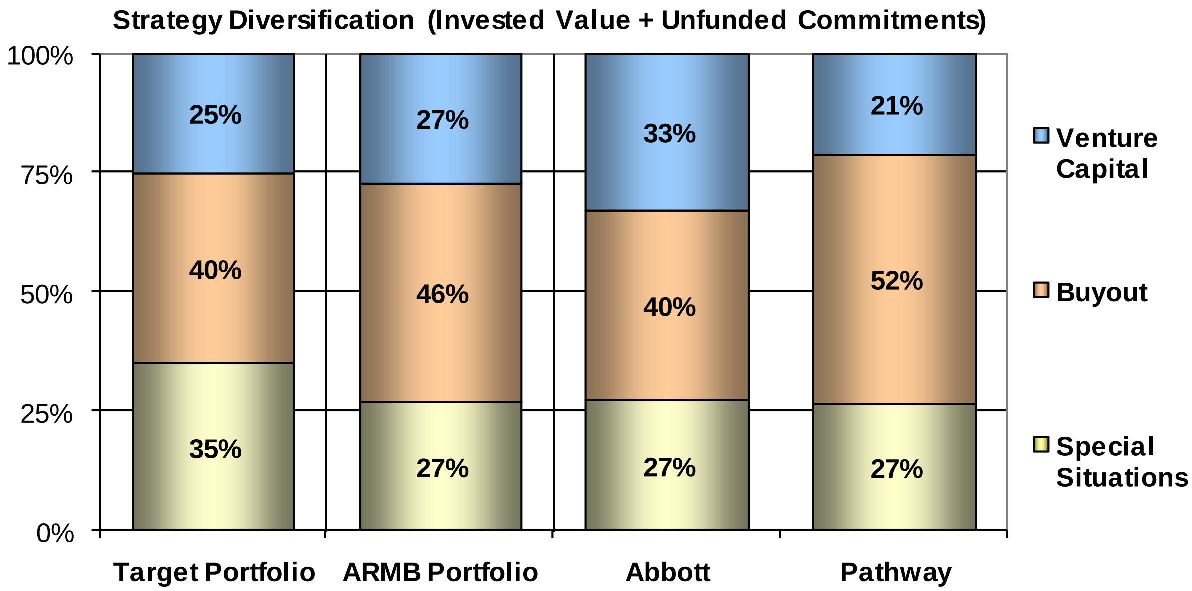
Strategy	Target	Min	Max	Commitments	Invested Value	Unfunded + Invested Value
Venture Capital	25%	15%	40%	26.8%	27.0%	27.1%
Buyouts	40%	30%	60%	43.9%	45.0%	45.9%
Special Situations/Other	35%	20%	40%	29.3%	28.0%	27.0%
Total	**100%**			**100.0%**	**100.0%**	**100.0%**

III. DIVERSIFICATION

As of 12/31/09, the net asset value of the ARMB's private equity portfolio was $1.2 billion, with Abbott representing 50%, Pathway 44%, and direct investments 6%. Since the Blum portfolio is not traditional private equity and the other direct partnership investments are recent, the diversification analysis that follows is based only on the combined Abbott and Pathway portfolios.

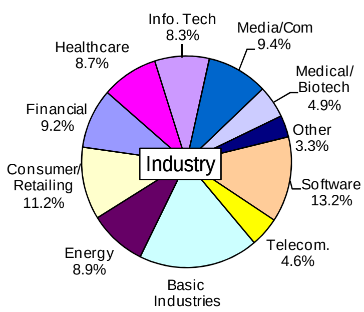
A. INVESTMENT STRATEGY BY PARTNERSHIP AS OF 12/31/2009

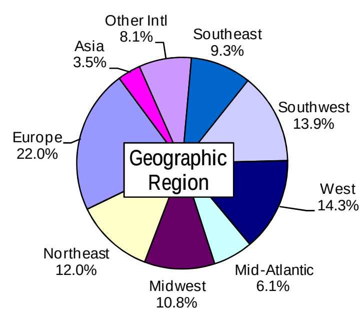
The ARMB's private equity portfolio is well diversified by investment strategy. There is an overweight to buyout and an underweight to special situations, but both are within their respective bands. Staff expects that long term diversification will be maintained since managers are focused on making new commitments to a diverse set of high quality funds.

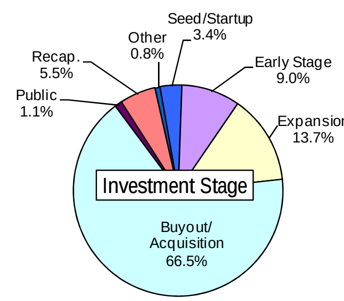


B. INDUSTRY, GEOGRAPHIC REGION, AND INVESTMENT STAGE OF 9/30/2009

The Portfolio is well diversified by industry, with no more than 18.3% of the portfolio concentrated in any one industry. By geography, the portfolio is well diversified within the United States and has strong international exposure at 33.6% of the portfolio. By investment stage, buyout/acquisition is the highest at 66.5% due to the high level of activity by buyout and special situations funds.





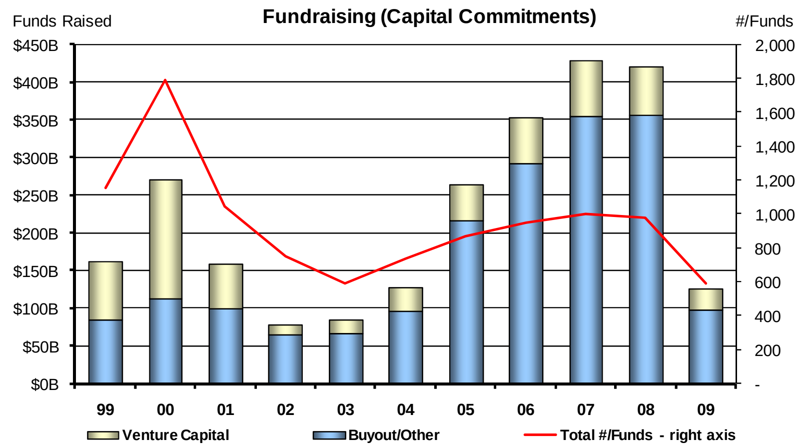


IV. MARKET CONDITIONS

A. 2009 SUMMARY

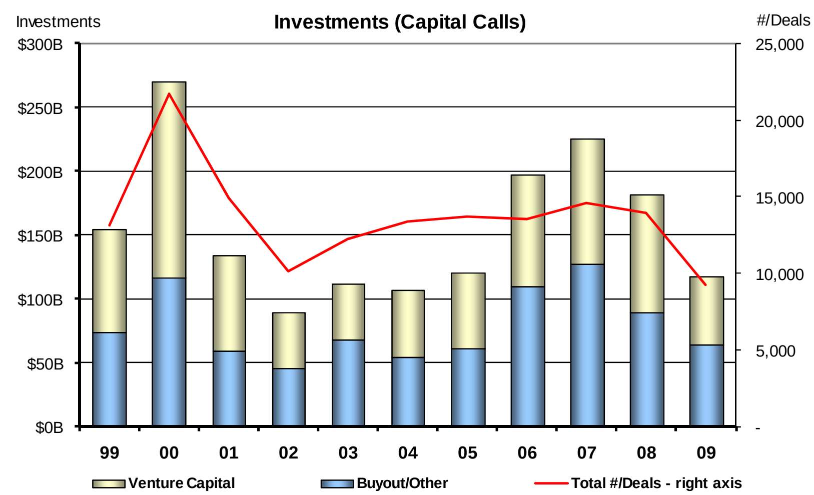
FUND RAISING

- Fundraising decreased dramatically from 2008 levels for both buyout and venture funds.
- With the public equity decline, LP's were generally over-allocated to private equity.
- Due to the tough fund raising environment, LP's negotiated improved fund terms.
- GP's took longer to raise funds, often closed below fund size targets, and postponed fundraising when possible.



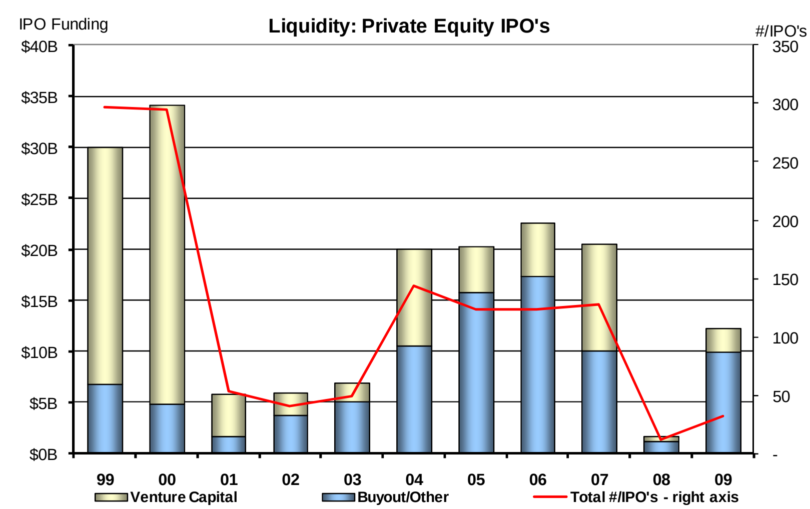
INVESTMENT ACTIVITY

- There was a low level of investment activity during the first three quarters of 2009. Activity increased in the last quarter mainly in smaller deals.
- Pricing multiples decreased to 2004/2005 levels (S&P).
- Leverage decreased more than pricing, requiring private equity firms to contribute high levels of equity during 2009 (S&P).



EXIT OPPORTUNITIES

- The initial public offering (IPO) market rebounded from 2008. However, much of this financing was used to pay down debt rather than as an exit for the equity sponsor.
- Corporate M&A activity picked up from 2008 and dividend recapitalizations slowly and selectively restarted.



Source: Thomson ONE – Fundraising and Investments data as of 3/31/10
– IPO data as of 12/31/2009
– excludes secondary and fund-of-funds

B. FORWARD OUTLOOK FOR 2010

Increased economic and capital market stability is providing a slow recovery for private equity:

- ***Moderate increase in investment pace***. The investment pace is expected to pick up modestly in 2010 as buyer and seller price expectations converge and debt financing becomes more available. However, since the public equity markets snapped back strongly in 2009, there may not be as many bargain buying opportunities as is traditionally expected during a recession.
- ***Improving exit environment.*** The initial public offering market is expected to continue to improve along with corporate M&A activity during 2010.
- ***Recovery in fundraising.*** Allocation issues for limited partners have lessened and fundraising has started to recover for tenured groups with strong track records. Untenured firms and those with performance issues will have a difficult time raising additional funds and surviving the current environment. While fund raising has improved, the activity is still slow and ARMB commitment targets for 2010 may be challenging.
- ***High price/high leverage deals of 2006 and 2007 eventually tested.*** Private equity groups have been largely successful in amending portfolio company debt covenants and pushing out debt maturities. Despite this effort, many private equity groups may eventually be tested as portfolio company debt matures in 2013 and beyond. A sustained economic recovery will be necessary to pay down the high levels of debt used in 2006/2007 buyouts.

V. 2010 TACTICAL PLAN

Staff recommends a commitment target of $335 million for 2010 with a gradual increase over the next five years as detailed in Appendix I.

A. TARGET COMMITMENTS FOR 2010

Manager	Target Commitments	Number	Size per Fund	Strategies
Abbott	$135 million	8-14	$10-$30M	Venture capital, buyout, special situations, other
Pathway	$125 million	8-14	$10-$30M	
Direct Investments	$75 million	2-4	$10-$50M	
Total	**$335 million**	**18-28**	**$10-$50M**	

The gatekeepers have the ability to commit up to 10% beyond their target allocation with staff approval to access additional opportunities. The chief investment officer also has the delegated authority to commit up to $50 million in addition to the targeted amount for direct partnership investments.

B. TARGET STRATEGIES FOR 2010

The investment opportunities are expected to be balanced by strategy and by the ARMB's other diversification guidelines. **The absolute quality of the underlying manager continues to be more important than strict adherence to diversification characteristics.** The manager specific tactical plans for Abbott and Pathway follow in Appendix II and III.

APPENDIX I – PRIVATE EQUITY FUNDING PROJECTIONS

Private Equity Funding Schedule	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Beginning Fund Assets($MM)		13,908,641	14,702,989	15,483,662	16,244,495	**16,991,951**	17,737,707	18,480,657	19,211,877	19,924,214	**20,623,633**
Fund Net Growth Rate		5.7%	5.3%	4.9%	4.6%	**4.4%**	4.2%	4.0%	3.7%	3.5%	**3.4%**
Additions from Net Fund Growth		794,348	780,673	760,833	747,456	**745,756**	742,950	731,220	712,336	699,419	**696,073**
Ending Fund Assets	**13,908,641**	14,702,989	15,483,662	16,244,495	16,991,951	**17,737,707**	18,480,657	19,211,877	19,924,214	20,623,633	**21,319,706**
Target Private Equity %	**7.0%**	7.0%	7.0%	7.0%	7.0%	**7.0%**	7.0%	7.0%	7.0%	7.0%	**7.0%**
Private Equity Asset Value Target	**973,605**	1,029,209	1,083,856	1,137,115	1,189,437	**1,241,639**	1,293,646	1,344,831	1,394,695	1,443,654	**1,492,379**
Asset Value by Manager ($MM)											
Abbott	586,812	581,656	583,946	589,895	597,453	**601,336**	587,859	579,673	606,489	632,336	**654,434**
Pathway	521,362	544,431	557,849	557,005	551,913	**542,839**	527,992	519,573	519,896	523,517	**526,012**
Direct Investments	64,756	70,297	90,426	129,442	169,889	**205,885**	244,287	274,969	297,660	311,050	**316,600**
Total Projected Asset Value	**1,172,929**	1,196,385	1,232,221	1,276,342	1,319,255	**1,350,060**	1,360,138	1,374,215	1,424,045	1,466,903	**1,497,046**
Private Equity % of Fund	**8.4%**	8.1%	8.0%	7.9%	7.8%	**7.6%**	7.4%	7.2%	7.1%	7.1%	**7.0%**
Annual Net Commitments ($MM)											
Abbott	57,800	135,000	140,000	145,000	149,000	**153,000**	157,000	161,000	165,000	168,000	**171,000**
Pathway	75,400	125,000	125,000	125,000	125,000	**125,000**	125,000	125,000	125,000	125,000	**125,000**
Direct Investments	50,000	75,000	78,000	81,000	84,000	**86,000**	88,000	90,000	92,000	94,000	**96,000**
Total Commitments by Year	**183,200**	335,000	343,000	351,000	358,000	**364,000**	370,000	376,000	382,000	387,000	**392,000**

NOTES ON FUNDING PROJECTION MODEL

- The Fund projected growth rates are based on actuarial data with regard to employment contributions and benefit payments adjusted for actual 12/31/09 Fund values.
- Draw-downs of investment commitments are assumed to occur over a seven-year period.
- Capital Returns are assumed to occur over a twelve-year period, with less than 5% of the distributions occurring during the first three years of a partnership.
- **To address the recent capital market dislocations, staff has adjusted the funding model by 1) reducing the capital contribution pacing by 50% for 2010 and 25% for 2011 due to the slower expected investment pace, and 2) by reducing the distribution pace by 50% for 2010 and 25% for 2011 due to the lower level of expected liquidity.**
- Unrealized capital gains or losses are not projected due to high historic variability. The beginning market value includes all unrealized capital gains or losses to date.
- New commitments by Abbott, Pathway, and staff are made at a pace such that the ARMB reaches its private equity allocation over time and reasonable time diversification is preserved.

I. 2009 INVESTMENT ACTIVITY

Primary Activity

In 2009, Abbott closed on primary commitments totaling $56.0 million on ARMB's behalf, versus the target of $130 million. These commitments are listed below:

Primary Fund Commitments: 2009		
Fund	**Strategy**	**Commitment**
New Enterprise Associates 13	VC & GE – Multi-stage	$11.0 million
Oak Investment Partners XIII	VC & GE – Multi-stage	10.0 million
TA XI	VC & GE – Growth equity	20.0 million
Hellman & Friedman Capital Partners VII	Special Situations – Hybrid	10.0 million
TA Subordinated Debt Fund III	Special Situations – Subdebt	5.0 million
		$56.0 million

In 2009, Abbott closed on four secondary commitments on ARMB's behalf. These commitments are listed below:

Secondary Fund Commitments: 2009[1]			
Fund	**Strategy**	**Commitment**	**Max Cash Outlay***
Oak Investment Partners XII	VC & GE – Multi	$0.9 million	$0.6 million
U.S. Venture Partners VI	VC & GE - Early	$2.1 million	$0.1 million
U.S. Venture Partners VII	VC & GE – Early	$2.6 million	$0.2 million
U.S. Venture Partners VIII	VC & GE - Early	$3.9 million	$0.9 million
		$9.5 million	**$1.8 million**

*Max cash outlay = purchase price + unfunded commitments at time of purchase.

Secondary Activity

Secondary market volume was relatively high during the first half of 2009 as many limited partners attempted to ease well-publicized capital constraints and/or "denominator effect" concerns through sales of private equity partnership interests. However, it appears far fewer partnership sales than expected were actually transacted, as a disparity between buyer and seller expectations, as well as limited partners' reluctance to sell partnership interests at depressed valuations, inhibited the pace of secondary market sales. Although secondary market dynamics evolved during the second half of 2009, the number of transactions remained modest. Anecdotally, many limited partners' level of distress eased due to substantial improvements in public market valuations and the slow pace of private equity capital calls. As a result, limited partners' need for liquidity was greatly reduced, which coupled with potential buyers' insistence on purchasing assets at significant discounts to net asset value, continued to impede the number of secondary transactions. However, as the economy stabilizes and private equity capital call activity for new investments increases, many limited partners may once again become capital constrained and feel the need to explore sales of partnership interests through the secondary markets. Consequently, we expect the secondary market to be relatively active in 2010. We will continue to opportunistically participate in this segment and will remain disciplined with respect to prices paid.

Review and Analysis of ARMB's Program Activity

As of December 31, 2009, since the inception of ARMB's private equity program in 1998, Abbott has committed $1.48 billion to 123 private equity partnerships through primary commitments across the three broad categories of diversification. ARMB's average commitment amount to these partnerships is approximately $12.0 million. In addition, ARMB has purchased 13 secondary commitments to 12 partnerships totaling $22.3

[1] Abbott purchased a secondary interest in Oak Investment Partners XII, a multi-stage venture fund. Though the effective date for ownership is December 31, 2008, the actual commitment and closing occurred in the first quarter of 2009.

million in commitments. In aggregate, as of December 31, 2009, ARMB has made 136 partnership commitments totaling $1.5 billion.

Abbott believes that ARMB's portfolio can achieve the year-end 2014 Net Asset Value Target of $601.3 million through continued deployment of capital over the next five tactical plan periods. The year-end 2009 Net Asset Value (excluding distributed stock pending sale and settlement) of $587.1 million is approximately $14.2 million below the 2014 target. As capital call activity for existing commitments increases and new commitments are added, the Net Asset Value should move closer to the targeted amount.

Portfolio Performance

The credit crisis and subsequent recession continued to adversely impact private equity activity during 2009. As a result, ARMB's private equity capital takedown and distribution activity exhibited marked declines during the past year. ARMB had capital calls of approximately $53.8 million in 2009, approximately 48% less than the amount of capital called in 2008. During the same time period, ARMB's total cash and stock distributions decreased to $39.0 million from $53.4 million in 2008. It should be noted recent signs of financial sector and economic stabilization may lead to moderate increases in private equity capital call and distribution activity in 2010.

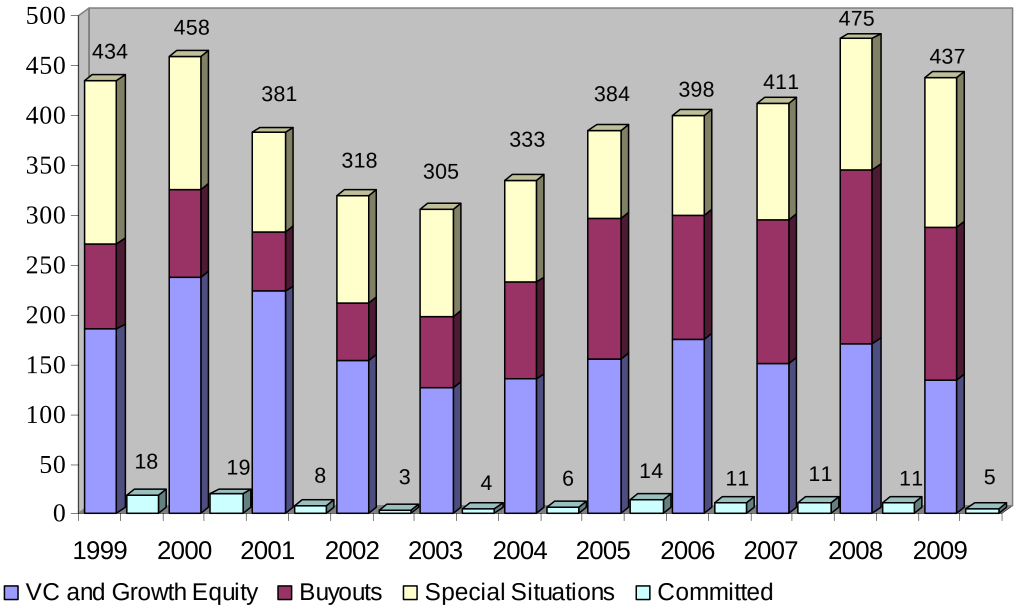
The effects of the economic downturn also significantly affected the operating performance of many portfolio company investments. Consequently, general partners across all strategies continue to spend a significant amount of time working with and supporting existing portfolio companies to ensure their investments are well-positioned to benefit from an economic rebound.

As of December 31, 2009, the pooled net IRR on ARMB's portfolio since inception was 7.3%, a decrease of approximately 210 basis points from year-end 2008[2]. Although private equity is an asset class that should be measured over the long term, ARMB's one-year return on the portfolio was -11.3%.

[2] Pooled net IRR was calculated by Abbott using the values of the partnership investments as set forth in the last available report provided by the general partners or managing entities of the ARMB partnership investments at December 31, 2009, adjusted by Abbott to reflect cash flow activity between the date of that report and December 31, 2009, and net monthly cash flows between ARMB and the partnership investments. Pooled net IRR is net of underlying partnership investment management fees, expenses and carried interest and net of gains and losses realized upon the sale of distributed stock but does not take into account advisory fees paid by ARMB to Abbott.

Deal Flow

In 2009 Abbott reviewed approximately 437 primary fund opportunities across all categories to arrive at the five primary commitments made by ARMB, which is a reflection of Abbott's rigorous selection and extensive due diligence process.



II. PROSPECTIVE INVESTMENTS

A. Investment Objectives:

Strategy	Current NAV	Year-End 2014 Target	Difference	2010 Emphasis
Venture Capital and Growth Equity	$200,477,801	$150,334,000	($50,143,801)	
Early	84,929,914	30,066,800	(54,863,114)	
Multi	79,298,760	60,133,600	(19,165,160)	
Late	36,249,128	60,133,600	23,884,472	✓
Buyouts	$226,136,887	240,534,400	14,397,513	✓
Restructuring	$6,432,767	15,033,400	8,600,633	✓
Special Situations	139,941,713	180,400,800	40,459,087	✓
Subordinated Debt	4,121,472	15,033,400	10,911,928	✓
Secondary Interests	9,987,032	N/A	N/A	
Distributed Stock Currently Held	0	N/A	N/A	
Total	$587,097,673	$601,336,000	$14,238,327	

Venture Capital and Growth Equity

ARMB's portfolio of 55 venture and growth equity funds (not including twelve secondary commitments to existing funds) is well diversified by stage, geography and general partner group. One of the continuing objectives for 2010 is to build on relationships with top-performing groups while selectively pursuing relationships with high-quality groups not currently in the ARMB portfolio.

Venture capital and growth equity fundraising and investment activity continued to be slow in 2009. According to data compiled by the NVCA, the amount of capital raised by venture capital and growth equity funds decreased by approximately 47% when compared to the amount of capital raised in 2008. In addition, during the same time period, the amount invested in venture capital and growth equity transactions decreased by over 37%. Given the liquidity-constrained environment, a number of venture capitalists continue to focus on managing their reserves in order to ensure their most promising portfolio companies have access to capital.

Public investor demand for venture-backed assets, while improved over 2008, remained modest as 13 venture-backed companies raised approximately $2.3 billion through public listings during the year. Notably, five of the 13 initial public offerings occurred during the fourth quarter of 2009, a welcome sign potentially indicating public investors' increased appetite for risk. Comparatively, six venture-backed companies raised $470.3 million during 2008[3]. Regarding M&A activity, many strategic acquirers continued to delay expenditures during the year, which severely limited the number of attractive exit alternatives for venture-backed businesses. However, similar to IPO activity, there were anecdotal signs of increased venture-backed M&A activity during the fourth quarter of 2009, which could suggest an increase in strategic interest for venture-backed assets. However, while recent increases in IPO and M&A activity are encouraging, the ultimate pace of venture capital and growth fundraising, investment and divestment activity is highly dependent on the strength and sustainability of the economic recovery.

Buyouts and Special Situations

ARMB has a well-diversified portfolio of buyout and special situation partnerships. We anticipate a number of the buyout and special situations groups with which ARMB has existing relationships will return to the market in 2010, albeit at a slower pace than witnessed during the pre-recession years. The objective will be to continue to develop relationships with strong performing groups and selectively seek high-quality groups that can augment the portfolio and add incremental diversification.

Buyout and special situations partnerships continued to feel the adverse effects of the recession in 2009. According to Thomson Reuters, the amount of capital raised by buyout and mezzanine partnerships decreased approximately 77% when compared to the amount of capital raised in 2008. Investment activity of buyout and special situations firms also exhibited marked declines during the year as debt, particularly for larger sponsored transactions, remained difficult to access. In addition, a lingering misalignment of buyer and seller expectations continued to impede lower and middle market transaction activity. Similar to the venture capital and growth equity segment, buyout and special situations fundraising and investment activity will likely remain relatively modest until there is further clarity regarding the economic outlook.

The operating performance of private equity-backed companies purchased over the past few years has also been affected by the credit crisis and the recession. Many of these investments, particularly those at the larger end of the market, were executed at peak market prices and leverage levels, and are operating in industries materially impacted by decreases in business and consumer spending. In addition, many of these same companies have meaningful near-to-medium term debt maturities. Consequently, buyout and special situations general partners are spending a significant amount of time monitoring portfolio company amortization schedules and attempting to proactively alleviate potential liquidity issues through high yield re-financings and, where applicable, initial public offerings. The amount of leveraged buyout debt maturing over the coming years is considerable, and buyout and special situations general partners' ability to successfully ease future liquidity concerns remains to be seen.

International

ARMB's Private Equity Partnerships Portfolio Policies and Procedures provide target ranges for the eligible investment strategies. Global/International is currently allocated a range of up to 35%. ARMB did not make any new international commitments in 2009 and as of December 31, 2009, has committed to 17 international partnerships (all of which are focused on Western Europe) of which 16 are buyout funds, and one is a mezzanine fund. It is anticipated that Abbott will identify two to three additional attractive international opportunities over the next 12 months.

B. Candidates Abbott is aware of and/or planning on pursuing:

In 2010, Abbott expects to review partnerships that meet the guidelines of ARMB's strategic portfolio structure across all three broad categories of diversification. We anticipate several of the top-tier venture capital and growth equity, buyout and special situations groups currently in ARMB's portfolio will return to the market in

[3] Source: NVCA and Thomson Reuters

2010. Abbott will also seek to selectively add new partnerships to ARMB's portfolio mix. Regardless of whether a group is new to Abbott or is one where it has an existing relationship, Abbott employs its rigorous due diligence process each time.

Abbott will continue to focus on making larger dollar commitments to top-tier private equity partnerships. However, access to high-quality venture capital funds continues to be a significant issue for limited partners, and Abbott recommends that ARMB be flexible with respect to its commitment sizes in order to allow the portfolio continued access to the top-tier partnership groups in the market. Given the current pipeline of opportunities, Abbott believes that it can continue to prudently commit capital on ARMB's behalf at an average annual level of $135 million over the next five years. It should be noted the ultimate pace of commitments is a function of the partnerships currently raising capital, and given the slow pace of capital calls over the preceding years, general partners' need to raise capital in the near-term may be diminished. Moreover, private equity fundraising is highly correlated to investment activity. If industry-wide investment activity remains modest, it may be difficult for Abbott to meet ARMB's commitment target for 2010.

III. DIVERSIFICATION – SEE STAFF SUMMARY

IV. MONITORING

A. Specific situations being monitored:
Abbott has made 136 commitments (primary and secondary) to 123 partnerships on behalf of ARMB as of December 31, 2009. Abbott actively monitors every partnership on an ongoing basis.

Many of the partnership groups in ARMB's portfolio have advisory or valuation committees. Abbott serves on a majority of these committees, which generally meet formally two to four times per year. Abbott also seeks to attend each annual meeting held for partnerships in the ARMB portfolio. Abbott regularly visits general partners in their offices as part of our ongoing due diligence, and general partners frequently visit Abbott to provide us with updates. Beyond formal meetings or updates, Abbott speaks to general partners on a very regular basis using these opportunities to deepen our understanding of the general partner groups, as well as the performance of the underlying investments. This active monitoring enables Abbott to make informed decisions regarding whether or not groups in the portfolio should be supported in the future. Abbott has periodic conference calls with ARMB staff to review and discuss current issues affecting the portfolio.

In 2008, general partners began to comply with the valuation framework set forth by FAS 157 (later codified as Topic 820). Topic 820 clarified the definition of fair value for financial reporting and requires partnerships to value their underlying portfolio companies at fair value using accepted valuation techniques on a consistent basis.

V. EXITING

A. Pending distributions or liquidations:
Overall economic uncertainty and financial market volatility continued to negatively impact private equity distribution activity in 2009. Despite recent signs of capital market and economic stabilization, distribution activity will likely remain modest until there is more clarity surrounding the strength of the economic recovery.

B. Any other relevant considerations relating to exiting ARMB's investments:
In 2009, ARMB received cash distributions of $33.5 million, representing investment gains totaling $20.2 million. In addition, ARMB received securities valued at $5.4 million with a cost basis of $1.4 million. Cash proceeds from distributed stock sales of $5.8 million were received in 2009, including $0.3 million in proceeds received in 2009 for sales of stock distributed at the end of 2008. Total cash proceeds received by ARMB in 2009 were $39.3 million.

VI. SUMMARY

During the current tactical plan period, Abbott will focus on continued development of ARMB’s strategic portfolio with selection of partnerships that meet Abbott’s due diligence criteria and employ the investment strategies consistent with the goals of developing a diversified portfolio.

The Trustees are reminded of one caveat with respect to the tactical development of ARMB’s portfolio. Unlike public markets, where all assets are available for purchase and sale on a daily basis, assets in the private markets (i.e. limited partnership interests) are generally only available when new partnerships are raised. In addition, not every partnership raising a new fund is an attractive investment opportunity. For this reason, the development of a diversified portfolio of private equity investments is a long-term process. While ranges and targets are necessary goals in order to reach a strategic portfolio structure, a prudent investor cannot with certainty determine the exact dollar amount to be invested in one year, or the number of partnerships in which it will be invested. Since the best private equity groups generally outperform average groups by a wide margin, a prudent investor must remain flexible enough to invest with the best groups, while maintaining overall strategic portfolio diversification as a goal. Further, Abbott stresses that although the private equity marketplace has changed over the last several years, private equity is a long-term asset class, and short-term changes in the environment should not influence strategic portfolio decisions.

Abbott will continue its ongoing monitoring and due diligence with respect to groups and partnerships already in ARMB’s portfolio. Abbott’s ongoing monitoring is important not only because it allows us to be aware of the performance of existing investments, but also because it helps Abbott evaluate whether existing general partner relationships should be maintained in the future. Abbott’s monitoring process also plays a significant role in identifying, accessing and evaluating potential secondary purchases.

APPENDIX III – PATHWAY TACTICAL PLAN

<u>Pathway Capital Management Annual Tactical Plan</u>

Pathway Portfolio Overview

Since the inception of the program in 2002, Pathway has committed $1.1 billion to 78 private equity partnerships across 40 managers on behalf of the Alaska Retirement Management Board ("ARMB"). Through the fourth quarter of 2009, ARMB has made contributions totaling $713.8 million, or 66% of total commitments, and has received $327.3 million in distributions. As of September 30, 2009, (the most-recent data available) the portfolio has produced a total value of $824.8 million, which represents 120% of cumulative contributions, and has generated a since-inception net IRR of 10.3%.

The portfolio's performance in 2009 continued to be negatively impacted by the global economic slowdown that began in 2008. For the 12-month period ended September 30, 2009, the ARMB private equity portfolio generated a loss of $60.7 million and a 1-year return of –10.9%. Performance fell sharply in the fourth quarter of 2008 and declined further in the first quarter of 2009, but has improved significantly since then, buoyed by the rebound in the public markets (which improved publicly traded comparables, a basis for private company valuation) and a general stabilization of business activity across the underlying portfolio. During the second and third quarters of 2009, the portfolio generated $44.3 million in gains and a 9.6% return, offsetting a substantial portion of losses from the prior 6-month period. The trend of performance improvement is expected to continue into the fourth quarter of 2009.

Contribution and distribution activity in the ARMB portfolio declined for the second consecutive year. In 2009, ARMB contributed $68.9 million, a 50% decline from the $138.8 million contributed in 2008 and a 58% decline from the $162.4 million contributed in 2007. Distribution activity remained at depressed levels. During the year, ARMB received distributions of $35.8 million, a 38% decline from the $57.9 million received in 2008 and a 66% decline from the $106.3 million received in 2007. Despite the overall decline in contribution and distribution activity in 2009, there were some signs of improvement: contributions and distributions each showed sequential quarter-over-quarter improvement throughout the year, with a significant increase in activity in the fourth quarter.

2009 Review

Commitments

Pathway continued to maintain its rigorous due diligence and selective investment criteria during 2009, reviewing 391 partnership opportunities before ultimately selecting nine to be included in the ARMB portfolio. Table 1 summarizes 2009 commitment activity by investment strategy and compares each total with its 2009 Tactical Plan target allocation. As shown, Pathway committed a total of $75.4 million on behalf of ARMB in 2009 and was within the target ranges for each investment strategy both by number of partnerships and by total commitments.

Commitment activity in 2009 fell below the annual target of $130 million since a large number of managers, including several existing relationships in the portfolio, who were anticipated to fundraise in 2009 decided to delay fundraising because of unfavorable economic conditions and a slower-than-expected investment pace. Rather than compromise its disciplined process and highly selective approach, Pathway elected not to commit the full allocation during the year.

Table 1. ARMB's 2009 Private Equity Activity vs. 2009 Annual Tactical Plan

	2009 Plan		2009 Actual	
Investment Strategy	No. of Partnerships	Total Commitments	No. of Partnerships	Total Commitments
Buyouts	Up to 6	Up to $85 million	2	$20.0 million
Venture Capital	Up to 6	Up to $70 million	2[a]	$19.3 million
Special Situations	Up to 3	Up to $30 million	2	$16.2 million
Restructuring	Up to 3	Up to $25 million	3[b]	$20.0 million
Total	**Up to 14**	**Up to $130 million**	**9**	**$75.4 million**

NOTE: Amounts may not foot due to rounding.
[a]Includes a $4.3 million follow-on investment to NEA 13. The initial commitment to this partnership was made in 2008.
[b]Includes commitments of $5 million to each of OCM VIII and OCM VIIIb; these commitments were originally a single $10 million commitment to OCM VIII.

Commitment activity was spread fairly evenly across the four investment strategies during the 2009 calendar year, with totals for each strategy ranging between $16.2 million and $20.0 million. During the year, ARMB committed a total of $20.0 million to two buyout-focused funds—H&F VII, an existing manager relationship, and Charlesbank VII, a new manager relationship—and $20.0 million to three restructuring-/distressed debt–focused partnerships: OCM VIII and OCM VIIIb, an existing manager relationship, and Centerbridge SCP, a new manager relationship.

During 2009, ARMB committed a total of $19.3 million to two venture capital funds: $15.0 million to Oak XIII, an existing manager relationship, and a $4.3 million follow-on commitment to an initial $10.8 million commitment made to NEA 13 in December 2008. Also during the year, ARMB committed a total of $16.2 million to two special situation funds: $15.0 million to TA XI, an existing manager that makes both buyout and growth equity investments, and a $1.2 million secondary commitment to H.I.G. Bayside II, a 2008-vintage partnership that focuses on turnaround opportunities. ARMB did not make any international investments during the year, which was reflective of the dearth of attractive opportunities outside the United States in 2009.

Performance

The overall declines in the public markets and the downturn in the broader economy, which began in 2008, continued into 2009 and negatively impacted the performance of the ARMB private equity portfolio during the year. For the 12-month period ended September 30, 2009, ARMB generated a net loss of $60.7 million and a return of –10.9%. The 1-year loss was driven by declines in portfolio company valuations during the fourth quarter of 2008 and the first quarter of 2009, and resulted in a 6-month return of –19.2% for this period. These declines were partially offset by a strong rebound in performance during the second and third quarters of 2009, a period in which the portfolio generated $44.3 million in gains and a 9.6% return.

The largest contributing factor to the negative 1-year return has been the performance of the portfolio's buyout partnerships, which generated a net loss of $48.9 million and a return of –15.5% during the 12-month period ended September 30, 2009. This loss was experienced across the majority of the buyout-focused funds, with 25 of the 30 partnerships older than one year posting a decline in value, five of which accounted for 50% of the total 1-year loss. The diversification benefits of incorporating a restructuring/distressed debt strategy into ARMB's portfolio were clearly evidenced over the past 12 months: restructuring/distressed debt represented the only strategy in the portfolio to post positive returns over the period, generating a particularly strong return of 21.0%.

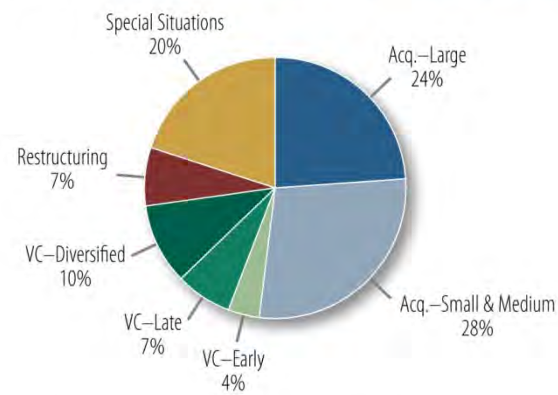
Given the volatility of short-term private equity returns, often driven by unrealized gains and losses, long-term returns are a more meaningful measure of private equity performance. The long-term performance of

ARMB's private equity portfolio continues to be strong: the 5-year and since-inception net returns were 9.8% and 10.3%, respectively. These returns compare favorably with the performance of both the public and private markets. On a dollar-weighted basis, the portfolio's 5-year and since-inception net returns each exceed their public benchmark (Russell 3000 + 350 basis points) by more than 790 basis points. Additionally, the portfolio has performed well relative to Venture Economics' pooled horizon returns for 2001- through 2009-vintage private equity funds, exceeding each time horizon (5-year and since-inception) by more than 500 basis points. At the partnership level, the portfolio's mature vintages (2001–2004) continue to perform well: all four generations exceed their upper quartile vintage year benchmarks.

Diversification

Pathway believes that portfolio risk can be reduced through adequate diversification. Adequate diversification is achieved by developing a consistent exposure over time to a variety of investment strategies, industries, geographic regions, and investment managers. Currently, Pathway believes that ARMB's portfolio is well diversified: the portfolio is invested in 78 partnerships across 40 different managers and comprises over 1,000 current underlying portfolio company investments, as of December 31, 2009. Figure 1 illustrates the current diversification of ARMB's private equity portfolio by investment strategy at the partnership level, based on partnership market value plus unfunded commitments through December 31, 2009.

Figure 1. Investment Strategy Diversification



NOTE: Based on partnership market values and unfunded partnership commitments through September 30, 2009, plus new commitments made in the fourth quarter.

Buyouts and Special Situations

By design, the largest portion, 52%, of ARMB's portfolio has been invested in acquisition partnerships. This exposure is within the recommended target range of 30%–60%. Importantly, the acquisition partnerships in ARMB's portfolio are further diversified by industry and regional focus, as well as by various transaction types and sizes. ARMB currently has commitments to 19 partnerships that target small- and mid-cap companies, and to 17 partnerships that target large-cap companies (i.e., enterprise values over $1 billion). Further, 11 of the acquisition partnerships in the portfolio focus primarily on investments across various countries within Western Europe. As with prior years, Pathway continued to focus on adding new acquisition funds and on increasing commitments to existing managers in the portfolio, provided these managers continued to meet Pathway's selection criteria. In support of this effort, Pathway committed $20.0 million across two buyout funds: $5.0 million to Charlesbank VII (a new manager relationship) and $15.0 million to H&F VII (an existing manager relationship).

AMRB's special situation investments are also within Pathway's recommended target range. Currently, the special situations strategy consists of 15 partnerships of varying sizes and with different areas of focus: eight that utilize industry-focused approaches, five that implement multiple investment strategies, and two that specialize in turnaround opportunities. Collectively, these 15 partnerships represent 20% of partnership market value plus unfunded commitments. Pathway continued to expand ARMB's exposure to this category during 2009 by committing $16.2 million to two partnerships: $15.0 million to TA XI and a $1.2 million secondary commitment to H.I.G. Bayside II.

For the 12-month period ended September 30, 2009, buyout and special situation partnerships in the ARMB portfolio generated a combined –14.9% return. Following negative quarterly returns in the fourth quarter of 2008 and the first quarter of 2009, however, the momentum has trended positive and performance has improved: for the 6-month period ended September 30, 2009, buyout and special situation partnerships in the ARMB portfolio generated a combined 7.5% return. Further, ARMB's buyout and special situation partnerships continue to demonstrate strong long-term performance, generating 5-year and since-inception returns of 10.6% and 10.1%, respectively.

Venture Capital

As of December 31, 2009, the ARMB portfolio included 18 venture capital partnerships that utilize a variety of early-, late-, and multistage investment strategies. ARMB's private equity exposure to the venture capital strategy currently represents 21% of partnership market value plus unfunded commitments. This exposure is within the recommended target range of 15%–40%. Pathway continued to expand ARMB's venture capital exposure in 2009 by committing $19.3 million across two partnerships: $15.0 million to Oak XIII and a $4.3 million follow-on commitment to NEA 13. These commitments increased ARMB's allocation to the venture capital strategy from 19% to 21% during the year.

ARMB's venture capital partnerships collectively posted a return of –4.0% for the 12-month period ended September 30, 2009, largely as a result of unfavorable market conditions. Similar to ARMB's buyout and special situation partnerships, ARMB's 18 venture capital partnerships experienced positive performance over the 6-month period ended September 30, 2009, posting a 5.3% return. Further, the strategy's long-term performance remains positive: the 5-year and since-inception returns were 3.8% and 3.7%, respectively.

Restructuring

The ARMB portfolio currently contains nine distressed debt partnerships spread across seven vintage years. These partnerships target debt or other securities of distressed or troubled companies, which are generally less correlated to traditional buyout and venture capital investments. During 2009, Pathway committed $20.0 million across three restructuring/distressed debt funds: $10.0 million to Centerbridge SCP (a new manager relationship) and $5.0 million to each of OCM VIII and OCM VIIIb (an existing manager relationship). These commitments contributed to the increase in ARMB's allocation to the restructuring strategy from 5% to 7% during the year. Mark-to-market increases in the valuations of the debt securities held across ARMB's restructuring/distressed debt partnerships also contributed to the increase.

While the recent economic downturn has presented several challenges for buyout managers, it has brought about significant buying opportunities for firms focused on distressed debt investments. During the 12-month period ended September 30, 2009, ARMB's restructuring partnerships generated a net return of 21.0%. Distressed debt partnerships have performed particularly well over the past six months, generating a 6-month net IRR of 42.8%. Further, the restructuring strategy continues to perform strongly over the long term, generating a since-inception net IRR of 28.9%, as of September 30, 2009. Pathway will remain selective when committing to this strategy on behalf of ARMB during 2010, investing only with the most-experienced and most-successful management teams.

International

Pathway has diversified ARMB's portfolio by geographic region by committing to partnerships that target a variety of regions outside the United States. The international portfolio consists of 12 partnerships (11 acquisition funds and one special situation fund) across six Europe-focused managers. Importantly, ARMB's international exposure, which currently stands at 14%, is within the desired long-term range of 0%–35%. Several international managers delayed fundraising during 2009 because of unfavorable market conditions and a slower-than-expected investment pace, and as a result, Pathway did not invest in any international partnerships during 2009.

As with partnerships in the United States, international private equity partnerships have been challenged by the recent economic downturn. During the 12-month period ended September 30, 2009, ARMB's 12 international partnerships generated a net return of –30.4% (including currency exchange-rate fluctuations). Following the trend of the broader portfolio, ARMB's international partnerships have shown stark improvement over the 6-month period ended September 30, 2009: the portfolio's 12 international partnerships generated a 6-month return of 6.2%, which is in line with the international portfolio's since-inception return of 6.7%, as of September 30, 2009.

2010 Investment Plan

Over the past eight years, Pathway has constructed a diversified portfolio of high-quality partnerships, consistent with ARMB's long-term target allocation ranges. In 2010, Pathway will continue to further expand and diversify the portfolio through a combination of commitments to existing managers and commitments to select new managers that complement the portfolio. To achieve this goal, Pathway's objective for 2010 will be to target commitments of $125 million in up to 14 partnerships, subject to the availability of high-quality investment opportunities. Pathway expects to make commitments of up to $20 million, generally between $10 million and $20 million in size. Consistent with its approach to date, Pathway will focus primarily on newly formed limited partnerships but will also selectively consider secondary partnership interests. ARMB's 2010 Tactical Plan is summarized in table 2.

Table 2. ARMB's 2010 Annual Tactical Plan

By Strategy

Investment Strategy	No. of Partnerships	Total Commitments
Buyouts	Up to 6	Up to $85 million
Venture Capital	Up to 6	Up to $70 million
Special Situations	Up to 3	Up to $30 million
Restructuring	Up to 3	Up to $25 million
Subordinated Debt	0	$0
Total	**Up to 14**	**Up to $125 million**

When selecting partnerships for the ARMB portfolio, Pathway will continue to follow an opportunity-driven investment philosophy, while maintaining its disciplined investment process and rigorous selection criteria to ensure that each partnership is of the highest quality. Because Pathway seeks only the highest-quality investment opportunities in the market, the amount committed to any one strategy may vary from year to year depending on what opportunities are perceived to be the most attractive at the time. Under no circumstance will Pathway commit ARMB's capital to a partnership that does not meet our high-quality standards.

2010 Plan to Date

Through March 2010, Pathway has committed $10.0 million on behalf of ARMB to Trident VII (a multistage venture capital fund that represents a new manager relationship for ARMB), which closed in January. Pathway anticipates that the flow of new opportunities will increase in 2010, particularly in the latter half of the year. Currently, Pathway has identified a number of potential commitments to funds, of new and existing general partners, that may be raised during the remainder of the 2010 calendar year. It is too early, however, to determine whether these funds will be included in ARMB's portfolio in 2010; some may not meet Pathway's rigorous investment criteria, others may postpone fundraising until the following year, depending on market conditions and investment pace.

Monitoring

Pathway's goals in monitoring ARMB's private equity portfolio are to 1) protect the portfolio's investments by reducing the occurrence of negative events within the portfolio; 2) take full advantage of the rights offered to ARMB through its limited partnership agreements; and 3) enhance the portfolio's returns. In 2010, Pathway will continue to fulfill its role as an active investor by maintaining an active dialogue with general partners, attending regular meetings, and representing ARMB on advisory boards. Pathway will continue to monitor the investment pace of the portfolio and the partnerships' adherence to their stated investment strategies to ensure that the investments stay within the guidelines set forth by ARMB. Pathway will also continue to closely monitor the compliance of ARMB's partnerships with regard to SFAS 157 accounting standards.

Pathway will keep ARMB informed of developments in the portfolio by maintaining regular contact with ARMB staff and providing quarterly reports on the performance and status of ARMB's private equity investments, as well as through Pathway's Online Management System (POMS™), which provides a database of ARMB investments, updated regularly with cash flows, market values, portfolio company valuations, and performance measurements.

Exiting

ARMB's partnerships distributed $35.8 million in 2009, which represents a 38% decline from the prior year and the lowest level of annual distributions since 2005. The depressed level of distribution activity is attributable to the economic recession, which sharply limited exit opportunities, particularly in the first half of 2009. Distribution activity picked up through the year as the economic environment stabilized and the public markets rebounded. Notably, distributions received during the fourth quarter of 2009 ($19.1 million) accounted for over half of the annual total.

Summary

Over the past eight years, Pathway has developed a strong foundation for its portion of ARMB's private equity portfolio. In order to continue the development of the portfolio, Pathway recommends that ARMB adopt the following 2010 Tactical Plan:

- Target commitments of $125 million during the 2010 calendar year, subject to the availability of high-quality investment opportunities.

- Invest up to $20 million per partnership in up to 14 partnerships during 2010, in opportunities from both existing managers and new managers. Investments will typically range between $10 million and $20 million in size; however, Pathway may invest smaller amounts in highly sought-after, oversubscribed funds if there is a strong likelihood that ARMB will be able to commit a larger amount in these general partners' next funds.

- Continue to adhere to the long-term target allocation ranges by strategy (buyouts 30%–60%; venture capital 15%–40%; special situations[4] 20%–40%) and by geographic region (up to 35% in international partnerships), while maintaining a flexible posture in order to invest in only the highest-quality partnerships.

Pathway will continue to maintain a highly selective approach, with an emphasis on identifying cohesive management teams that possess significant investment experience and that have demonstrated strong performance across multiple business and economic cycles. Because Pathway remains focused on investing in only the highest-quality managers, continued delays in fundraising, similar to those experienced in 2009, may result in Pathway not investing the full $125 million allocation during the year.

[4] Includes restructuring/distressed debt partnerships.

Abbott Capital Management, LLC
Review for

Alaska Retirement Management Board

April 23, 2010

ABBOTT CAPITAL

Important Disclosures

Past returns are not an indicator of future performance or indicative of expected returns. Returns will vary in the future. There can be no assurance that the Alaska Retirement Management Board portfolios, the Partnerships, or the private and public equity markets in general will perform similarly to prior investments or Partnerships.

Forward-Looking Statement:
Statements or information contained herein that are not historical fact may constitute "forward-looking statements" regarding the future plans or opinions, objectives or performance of Abbott, the Alaska Retirement Management Board portfolios, the Partnerships or their underlying portfolio companies. These statements may be identified by the use of forward-looking terminology such as "may," "will," "likely," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or comparable terminology. Due to various risks and uncertainties, such as the stability of the public capital and debt markets, and the reliability of the data received by third party sources or the managers or general partners of the Partnerships, actual events or results and the actual performance of Abbott, the Alaska Retirement Management Board portfolios, any Partnership or any underlying portfolio company may differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to the future performance of Abbott, the Alaska Retirement Management Board portfolios, the Partnerships or underlying portfolio companies or the accuracy of any such forward-looking statements. Abbott undertakes no duty and has no obligation to update the analysis, or any forward-looking statements or opinions, contained herein, whether as a result of new information, future events or otherwise.

Industry Data:
This presentation contains information based on or derived from data received or provided by the manager or general partners of the Partnerships, information publicly available, or independent third-party sources. Abbott believes that third party independent sources relied upon herein are generally widely cited sources of market information for the private equity industry. Notwithstanding the above, Abbott cannot guarantee the accuracy of such information and has not independently verified the accuracy or completeness of such information or the assumptions on which such information is based.

Summary and Statements of Investments:
Amounts with respect to Commitments, Amount Paid and Net Distributions may reflect additional fee or interest payments paid by, or received from the Partnerships in excess of the actual Alaska Retirement Management Board subscription amount. Latest Valuation for the account and with respect to any Partnership reflects most recently available "Fair Value" as of September 30, 2009 adjusted by Abbott to reflect cash flow activity (capital calls, cash & stock distributions) from September 30, 2009 through December 31, 2009. "Fair Value" is based on the capital account balances reported to Abbott Capital Management, LLC by the Partnerships as of September 30, 2009, including allocations of unrealized gain or loss on the underlying portfolio company investments. The capital account balances may have been adjusted by other amounts necessary to reflect the fair value of the Partnerships as determined by Abbott during its most recently completed valuation review. Latest Valuation with respect to the account also includes the value of distributed stock not yet sold. Commitments with respect to Partnerships denominated in non–U.S. currency reflect the amount funded (in U.S. dollars) plus the unfunded portion of the foreign-denominated commitment amount converted to U.S. dollars at the relevant December 31, 2009 exchange rates. With respect to secondary interests, "Maximum Cash Outlay" refers to the purchase price plus the unfunded capital commitment of the secondary interest at the time of purchase and the "Amount Paid" refers to the purchase price plus the amounts contributed to the secondary interest subsequent to purchase.

Return and Valuation Data:
Alaska Retirement Management Board pooled net portfolio returns are calculated by Abbott and are net of underlying Partnership management fees, expenses and carried interest, but do not reflect any deduction for advisory fees paid by Alaska Retirement Management Board to Abbott. Returns were calculated using the Fair Value of the Partnerships and net monthly cash flows between the Alaska Retirement Management Board portfolios and the Partnerships. Fair Value is based on the capital account balances reported to Abbott Capital Management, LLC by the Partnerships as of September 30, 2009, including allocations of unrealized gain or loss on the underlying portfolio company investments. The capital account balances may have been adjusted by other amounts necessary to reflect the fair value of the Partnerships as determined by Abbott during its most recently completed valuation review. Pooled performance data set forth herein is unaudited and does not represent the actual return anticipated for the Alaska Retirement Management Board account. Except as otherwise noted, and except with respect to pooled returns for any particular strategy, pooled returns are net of gains and losses realized upon the sale of distributed stock, including brokerage and other related commissions.

Unrealized investments may not be realized at the values used herein. While Abbott believes that the unrealized values used when calculating the returns set forth herein are based on assumptions that are likely reasonable under the circumstances and at the time made, actual realized returns on unrealized investments will depend upon, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions used for the valuations incorporated herein. Accordingly, actual realized returns on unrealized investments may differ materially and adversely from the (assumed) pooled returns indicated herein.

Interim performance data regarding an underlying partnership investment may not accurately reflect the current or expected future performance of the partnership or the fair value of the Alaska Retirement Management Board portfolio. Such performance data should not be used to compare returns among multiple private equity funds due to, among other factors, differences in vintage year, investment strategy, investment size, etc., and has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner or the advisor of the partnership investment, or any of their affiliates.

At this time, year-end financial statements and related capital account value information for a significant number of portfolio funds have not yet been received and are still subject to annual audit procedures and Abbott's formal valuation process. Therefore, December 31, 2009 valuations for portfolio fund investments have not yet been determined and the cash flow adjusted valuation information set forth herein is subject to change. Alaska Retirement Management Board should not construe the Latest Valuation for either the Alaska Retirement Management Board portfolio or for any underlying Partnership set forth herein as an estimate of the anticipated December 31, 2009 valuation.

Agenda

I. Review of Market Conditions

II. Abbott Capital Management Update

III. 2009 Investment Activity

IV. Portfolio Review & Partnership Investments

V. Summary

Appendix

I. Review of Market Conditions

The Private Equity Market

Highlights of an evolving private equity investment landscape

- Buyouts and Special Situations
  - Credit markets appear increasingly receptive to selected transactions
  - Both IPOs and M&A exits have resumed for the time being
  - GPs are taking advantage of opportunities for new and existing portfolio companies
  - LPs with dry powder should benefit

- Venture Capital and Growth Equity
  - Greater experience weathering this type of environment?
  - Portfolio management considerations are paramount
  - Exit environment improving – will it last?

- Other Topics of Interest in Private Equity
  - Greater transparency from GPs
  - Secondaries
  - Will terms continue to evolve in favor of LPs?

2009 PE Market – An Inflection Point or Return to Normalcy?

- **Financial crisis continued to impact Private Equity**
  - **M&A volume in 2009 at lowest level since 2003 (according to Thomson Reuters)**
  - **Private equity may no longer have a cost of capital advantage over strategic buyers**

- **Increased number of PE-backed bankruptcies in 2009 (versus 2008) but slowdown in 2H 2009 (versus 1H 2009) – will the trend hold?**

- **Exits and recapitalizations have declined – but not a total black hole**
  - **IPO market showing signs of life as of late (13 U.S. located private-equity backed IPOs in 1Q 2010 versus 25 in 2H 2009 and 6 in 1H 2009, according to Thomson Reuters)**
  - **2009 recap activity and secondary buyout activity at multi-year low**

Trends in Private Equity M&A
2007 to 2009

	2007		2008		2009	
	1H	2H	1H	2H	1H	2H
Total Global M&A ($ billions)	$2,368	$1,775	$1,566	$1,322	$976	$1,099
Global Private Equity as a % of Total Global M&A	23%	14%	10%	6%	5%	8%
Deals Closed (U.S.-based LBO firms)	~590	~445	~485	~370	~280	~240
Number of Public-to-Privates Closed (U.S.-based Sponsors)	38	27	3	13	18	6
Deals Greater than $1 billion Closed (U.S.-based Sponsors)	37	29	14	11	1	5

Trends in Private Equity Exits
2007 to 2009

	2007	2008	2009
U.S. Buyout Exits Through M&A	442	252	195
U.S. Venture Exits Through M&A	378	348	262
U.S. Buyout IPOs	38	6	20
U.S. Venture IPOs	80	6	11
Global Financial Sponsor Dividend Recaps ($ billions)	$73.2	$1.9	$0.4*
Global Secondary Buyouts as % of Total Financial Sponsor M&A Exits	55%*	23%*	10%*

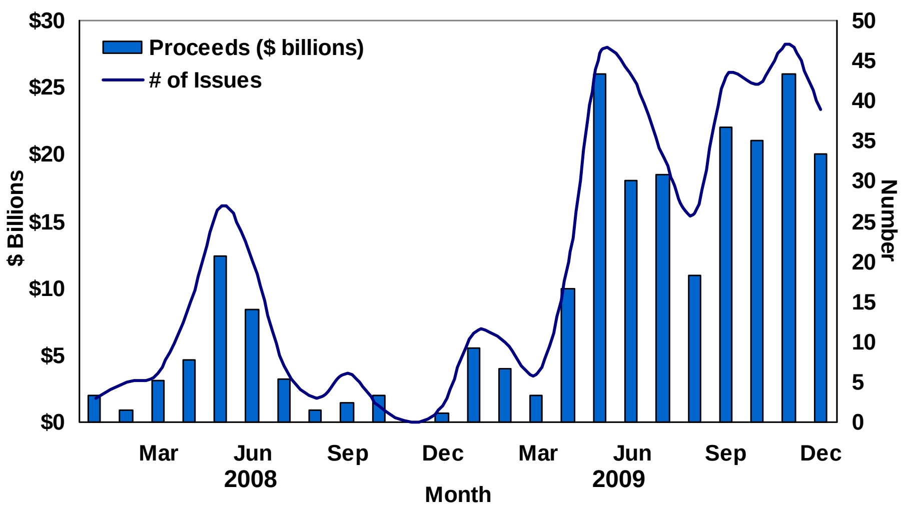
*** YTD September**

High Yield Recovery – Back for Good?

- Debt market showing signs of life
  - High yield market issuance in 2009 increased 359% compared to 2008 and was the second highest annual total on record (according to Thomson Reuters)
  - Mostly refinancings and "amend and extend" versus new deals

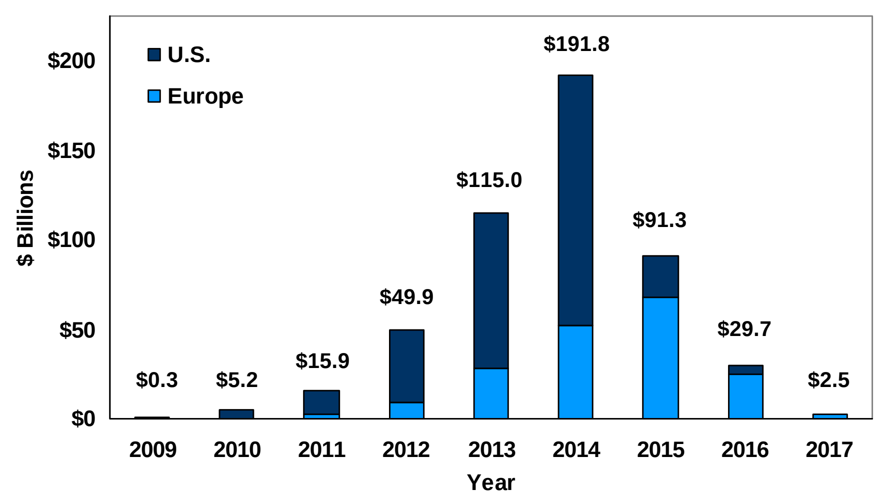
- Caution required – impending "wall of debt"
  - Mountain of capital needing refinancing is coming due
  - Many traditional lenders are out of the market or impaired (GE, CIT, impaired banks)

Global High Yield Volume
January 2008 to December 2009



Source: Thomson Reuters, Debt Capital Markets, Fourth Quarter 2009

Maturity Dates of Outstanding Leveraged Loans for PE-Owned Issuers
2009 to 2017

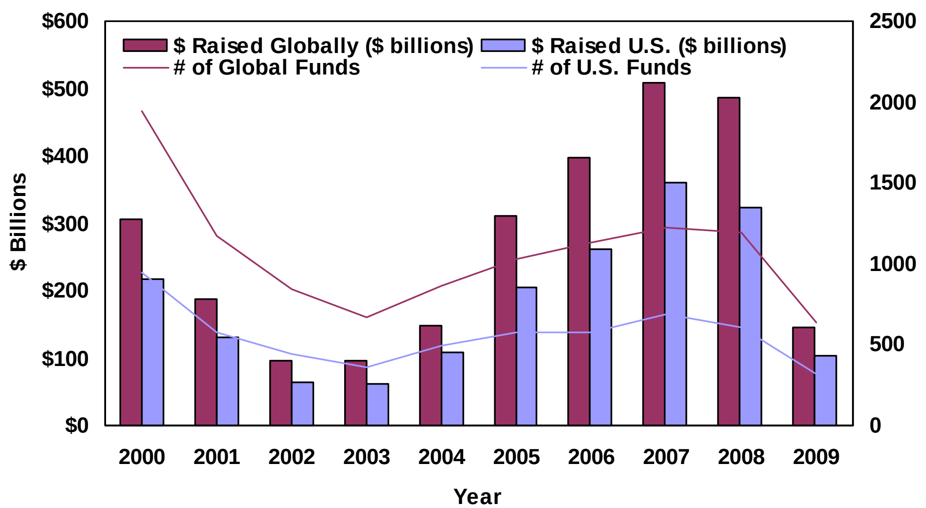


Source: Private Equity Analyst, September 2009

Fundraising Environment

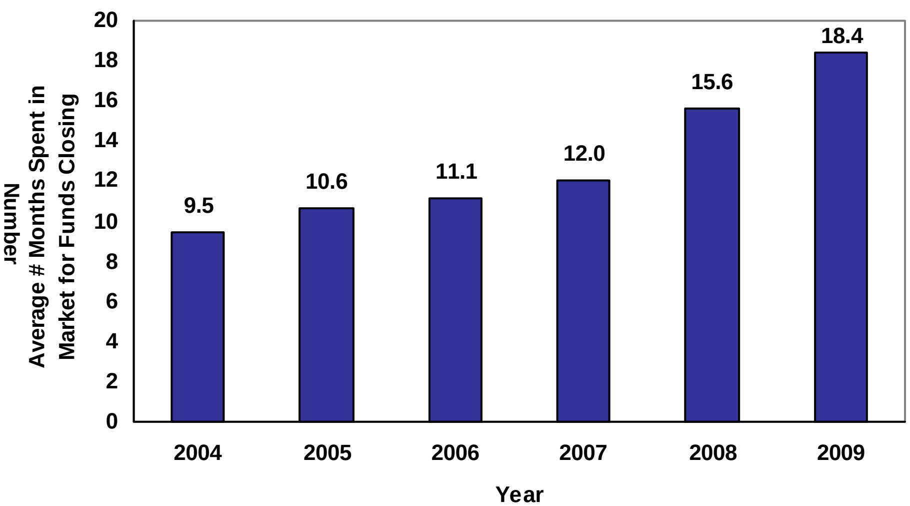
- 2009 global private equity fundraising down 61% from amounts raised in 2008
  - Average time taken to close funds at recent highs
  - Increase in number of fundraisings being put on hold or abandoned altogether
- Opportunities for LPs?
  - Smaller fund sizes
  - More time to do due diligence
  - Increased focus on alignment of interest

Global and U.S. Annual Fundraising
2000 to 2009



Source: Thomson ONE, January 12, 2010

Average Time Taken to Close Funds
2004 to 2009



Source: "Q4 2009 Private Equity Fundraising Update", Preqin Ltd.

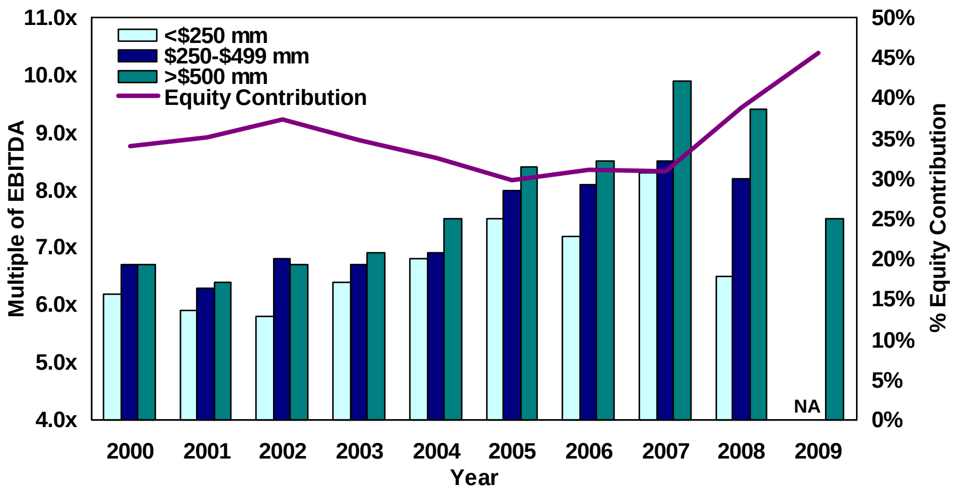
Opportunities for GP "Dry Powder"?

- Transactions GPs are considering close to home
  - "Rescue" financings: re-equitizing good companies with bad capital structures
  - Add-ons to existing investments and purchasing portfolio company debt

- Financings are smaller and covenants are tighter
  - Credit providers' bias towards seniority and security
  - Estimates of market capacity considerably reduced from 2007 levels

- But market distress is beginning to provide additional opportunities, for example:
  - Purchases of spinouts and non-core assets from public companies
  - PIPES and minority investments

Average Leveraged Buyout Purchase Price as a Multiple of Non-adjusted Pro Forma Trailing EBITDA by Total Sources 2000 to 2009



NA – due to the small number of transactions in 2009, some data is not available or meaningful.
Source: Q4 2009 Leveraged Buyout Review, Standard & Poor's 2010

U.S. PE Investment by Deal Size ($ billions) 2008 and 2009

Deal Size	2008	2009	Percentage Change
Under $50M	$5.2	$3.1	-40%
$50-$250M	$17.5	$8.1	-54%
$250M-$500M	$21.6	$7.9	-63%
$500M-$1B	$24.4	$9.6	-61%
$1B-$2.5B	$32.0	$9.6	-61%
$2.5B+	$104.3	$7.7	-93%

Source: PitchBook Annual Private Equity Breakdown 2010, PitchBook Data, Inc., 2010

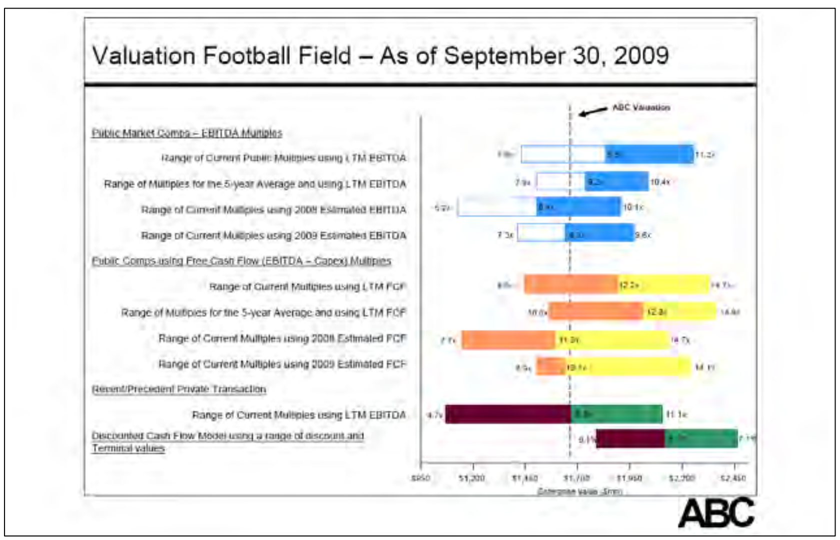
A Closer Look – Greater Transparency From GPs

- **Portfolio company-specific**
  - **Who's on budget, who's not?**
  - **Assessment of possible covenant issues and refinancing risks**

- **Appropriateness of valuations**
  - **What are the valuation policies, procedures, and practices of the GPs?**
  - **Who has made recent noticeable changes (both positive and negative)?**

- **How is monitoring different than due diligence?**

Sample A: Increased GP Transparency



Sample B: Increased GP Transparency

Fund III Net Leverage

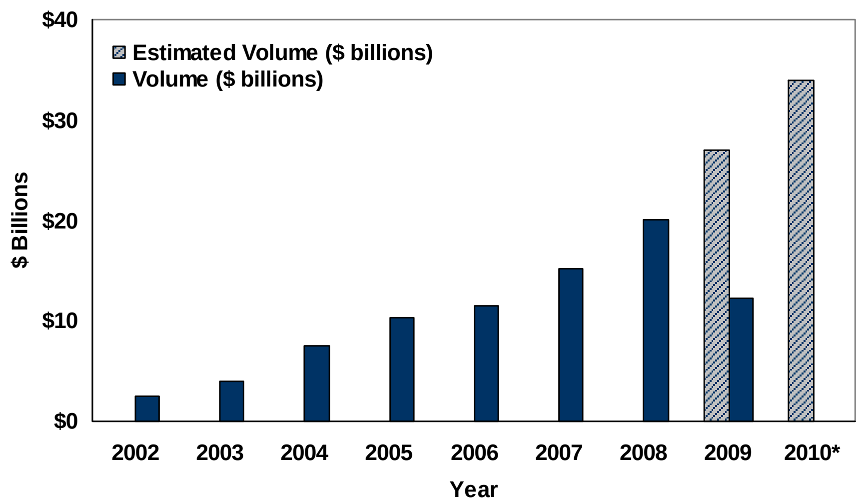
	Acquisition	9/30/08	9/30/09	Change since Acquisition
Company A	5.6x	4.9x	4.2x	-1.4x
Company B	4.3x	3.5x	3.3x	-1.0x
Company C	1.4x	3.2x	2.7x	+1.3x
Company D	6.8x	2.1x	1.7x	-5.1x
Company E	5.1x	3.1x	4.0x	-1.1x
Company F	12.0x	11.8x	11.8x	-0.2x
Company G	3.0x	8.4x	10.0x	+7.0x

Secondaries – How Big an Opportunity?

- Secondary deal flow and pricing
  - Discounts seen in late 2008 and early 2009 have contracted, likely due to…
  - Abundance of secondary funds
  - Fewer distressed sellers
  - More realistic market valuations

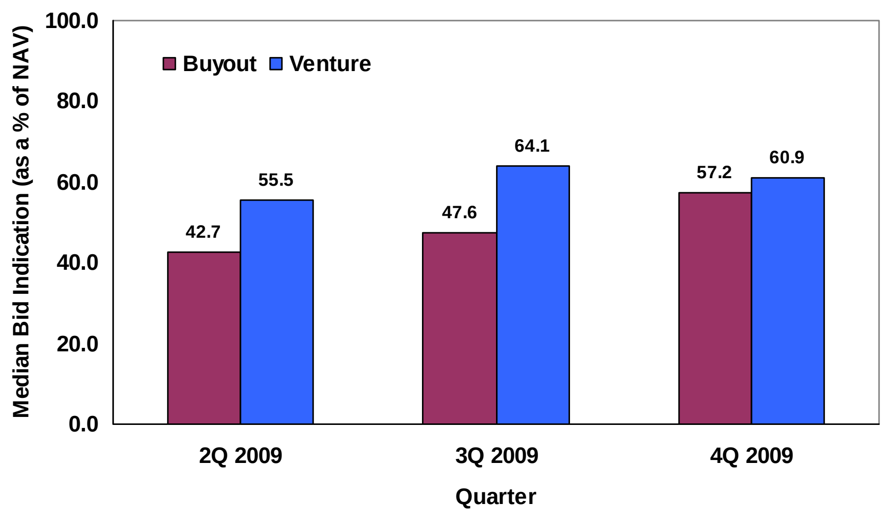
- Will 2010 live up to industry projections?

Secondary Transaction Volume for Private Partnerships 2002 to 2010



*Actual volume may differ materially and adversely from such estimate.
Source: "The Secondary Market: An LPs Guide to the Current Environment", NYPPEX, December 2008; "2009 Secondary Private Market Review and 2010 Outlook", NYPPEX, January 2010

Median Secondary Bid Indications for Alternative Assets 2Q 2009 to 4Q 2009



Source: "2009 Secondary Private Market Review and 2010 Outlook", NYPPEX, January 2010

Terms and Conditions – Pendulum Swinging to Investors

- **Negotiations of terms and conditions have increasingly been resolved in favor of investors**
  - **Carry**
  - **Fee sharing**
  - **Governance**

- **Institutional Limited Partners Association (ILPA) crystallized importance of terms with large investors**
  - **Guidelines not hard, fast rules**
  - **Not "one size fits all"**

- **Abbott has advocated consistently for many of the principles outlined in the ILPA guidelines**

ILPA Private Equity Preferred Terms

Governance	Alignment of Interest	Transparency
Fiduciary Duty	Carry/Waterfall	Management and Other Fees
Style Drift/Investment Purpose	Management Fees and Expenses	Capital Calls and Distributions
Stronger No-Fault Rights and Withdrawal Rights	Term of Fund	Disclosure Related to the General Partner
Key-Man, Time & Attention, and For Cause Provisions	General Partner Fee Income Offsets	Management Company Activities
Independent Auditor and Independent Fund Counsel	General Partners Commitment	Financial Information
Limited Partner Advisory Committee Meeting Best Practices	Standard for Multiple Product Firms	Due Diligence

Venture: At Least VCs Have Seen This Movie Before…

- **Despite improvements in the capital markets… continuing need for patience**
  - **After a difficult 1H 2009, exit markets opened in 2H 2009 – but for how long?**
  - **Health of portfolio companies remains key**

- **More lessons from the Dot.com Crash**

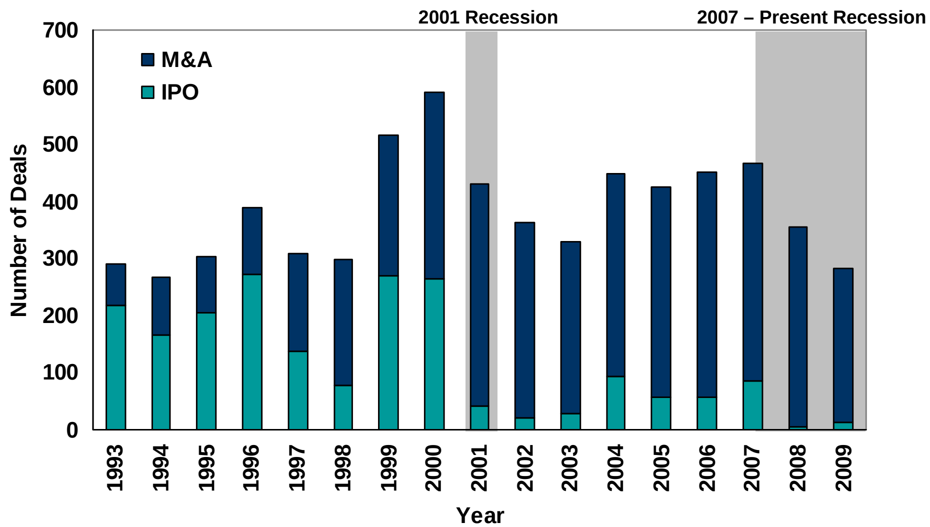
- **Focus on selection and diversification in constructing a venture portfolio**

NVCA Valuations Analysis
M&A Transaction Values versus Amounts Invested

Relationship between transaction value and venture investment	2006 M&A	2007 M&A	2008 M&A	2009 M&A
< 1x	42	34	24	32
1x – 4x	54	55	23	16
4x – 10x	30	32	26	23
> 10x	25	29	14	11
Total Disclosed Deals	**151**	**150**	**87**	**82**

Source: NVCA, January 2, 2008, January 2, 2009, July 1, 2009 and January 4, 2010

Global Venture Exits
IPOs and M&A by Year 1993 to 2009



Source: Thomson ONE, January 27, 2010

A Final Word – Looking Forward

- Well-positioned GPs and LPs may benefit from the current environment
  - For GPs: "dry powder" should continue to be an asset in today's market
  - For LPs: slow fundraising cycle can put LPs in the driver's seat on terms and conditions
- Partnerships continue to focus on health of their current portfolio companies while taking advantage of opportunities as available
  - GPs managing for cash and positioning for recovery
  - GPs will seek exits where possible, especially if they are planning a new fundraising
- Liquidity flows anticipated to remain relatively modest
  - Pace of capital calls likely to pick up for most areas of private equity
  - Distribution pace has historically lagged behind increase in capital call activity
- Continued volatility in PE valuations anticipated but likely to be less extreme than public market fluctuations
- Wild Cards
  - When will the economy recover?
  - Will the recovery in the capital markets be more pervasive?

II. Abbott Capital Management Update

Abbott Capital Management, LLC

Knowledge, relationships and discipline in the private equity markets

Abbott's unique attributes and perspectives:

- A leading independent firm founded in 1986
- Solely focused on private equity
- Experienced and stable team of professionals
- Strong dedication to alignment of interests
- More than $6 billion under management

Abbott's objectives:

- Achieve attractive long-term returns
- Provide extensive and balanced diversification
  - Style (venture capital and growth equity, buyouts and special situations)
  - Industry (i.e. information technology, consumer products/retail, telecommunications, software, healthcare, basic industries, financial services)
  - Geography (North America and, outside North America, predominantly Western Europe)
  - Vintage year diversification
- Deliver superior client service

Total Assets Under Management is subject to adjustment as a result of changes in underlying values and market fluctuation.

Abbott Capital Organization

A team with diverse backgrounds linked by a consensus driven decision-making process

Thad Gray
Managing Director
Chief Investment Officer
20 yrs./20 yrs.

Jonathan Roth
Managing Director
President
18 yrs./17 yrs.

Katie Stokel
Managing Director
Chief Operating Officer
23 yrs./11 yrs.

Meredith Rerisi
Managing Director
9 yrs./9 yrs.

Matthew Smith
Managing Director
9 yrs./9 yrs.

Tim Maloney
Managing Director
9 yrs./5 yrs.

Charles van Horne
Managing Director
Marketing & Client Services
24 yrs./8 yrs.

Lauren Massey
Managing Director
Finance & Admin.
14 yrs./14 yrs.

Paolo Parziale
Managing Director
Fund Administration
10 yrs./7 yrs.

Mary Hornby
Managing Director
General Counsel
13 yrs./5 yrs.

Chris Ragazzo
Sr. Investment Associate
4 yrs./4 yrs.

Young Lee
Investment Associate
5 yrs./2 yr.

Len Pangburn
Investment Associate
4 yrs./4 yrs.

Emily Heimermann
Director
Marketing & Client Services
5 yrs./2 yr.

Joe Juliano
Manager
Operations
8 yrs./8 yrs.

Jean Chiffriller
Director
Information Systems
26 yrs./23 yrs.

Jennifer Lagnado
Controller
9 yrs./9 yrs.

Shauna Harrison
Compliance Manager
1 yr./1 yr.

Jonathan Tubiana
Sr. Investment Analyst
1 yr./<1 yr.

Jessica Eisner
Investment Analyst
2 yrs./<1 yr.

Samantha Hewitt
Associate
Marketing & Client Services
3 yrs./1 yr.

Kristin Hanley
Sr. Fund Accountant
8 yrs./8 yrs.

Elaine Zuleta
Sr. Account Administrator
9 yrs./9 yrs.

Andrea Heidbreder
Project Manager
14 yrs./9 yrs.

Krystal Moss
Analyst
Marketing & Client Services
1 yr./1 yr.

Primary Responsibilities

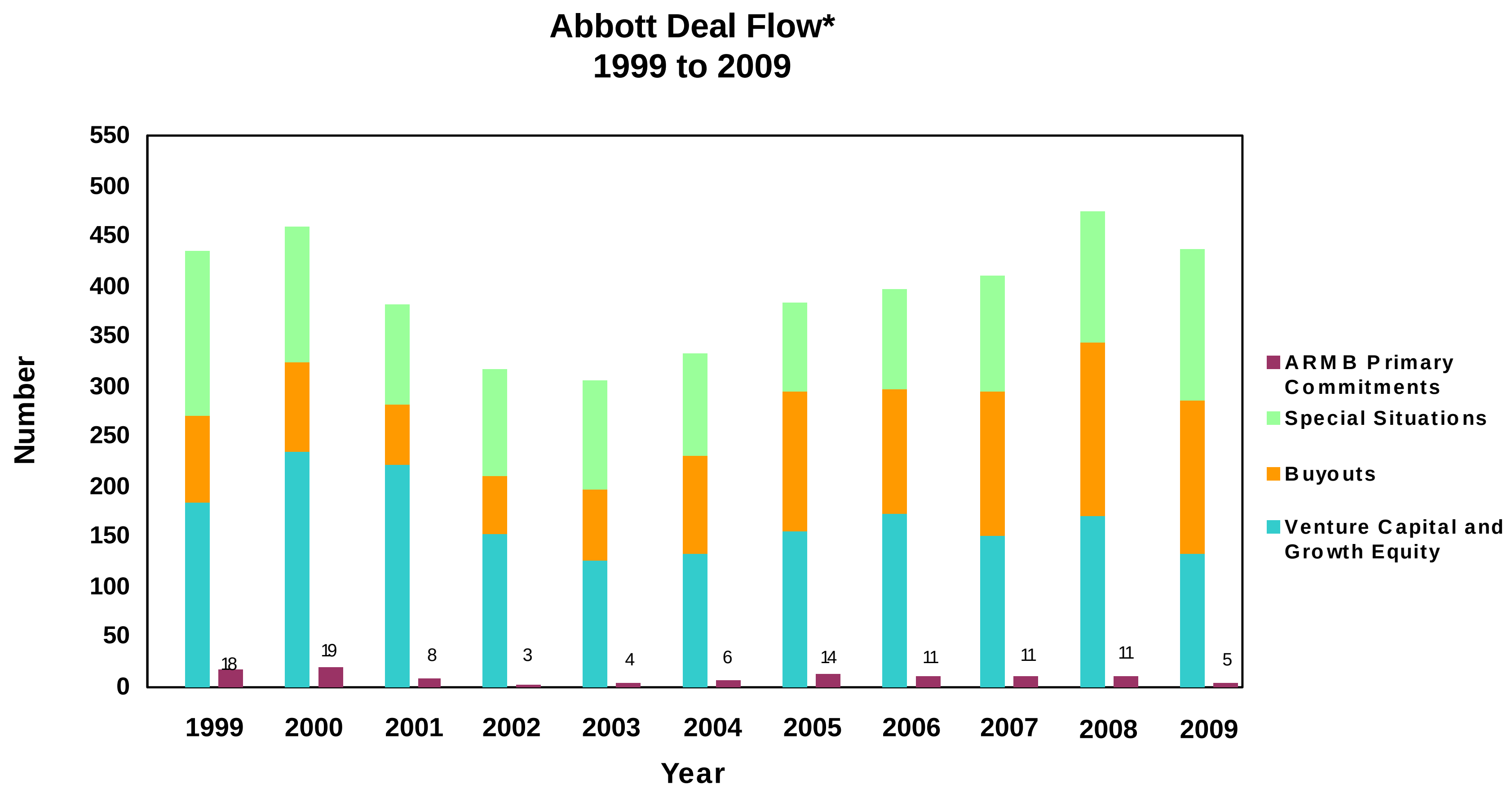
- Investments
- Client Services
- Operations
- Legal
- Compliance

Private Equity Experience / Tenure at Abbott

* As of January 1, 2010

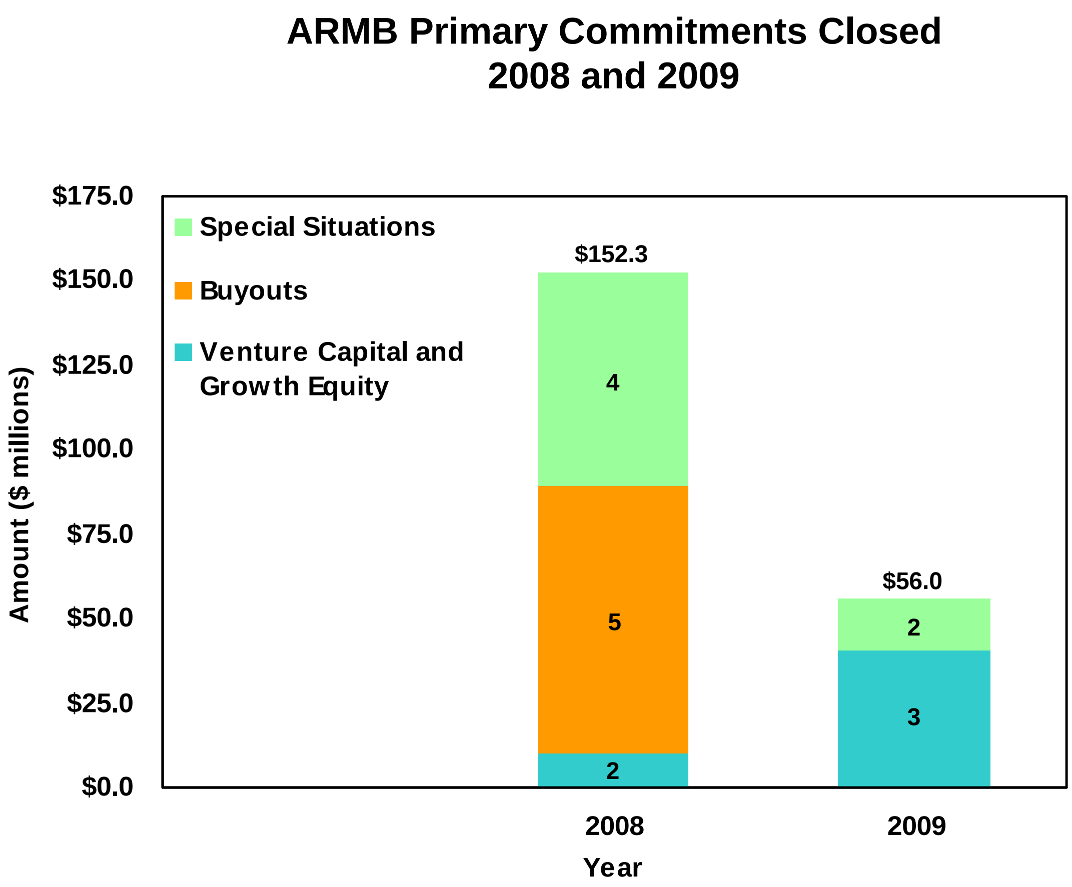
III. 2009 Investment Activity

Abbott Deal Flow and ARMB Primary Commitments



*Abbott Deal Flow represents primary investment opportunities presented to, or reviewed by, Abbott Capital Management during the referenced calendar year for all client accounts. Investment opportunities presented to Abbott and still under review in a subsequent calendar year may be reflected in the totals for both the year presented and the year under review.

Review of 2009 Activity – Primary Commitments



IV. Portfolio Review & Partnership Investments

Portfolio Summary as of December 31, 2009

Amount Committed: $1,504.1 million

- 123 Partnerships ($1,481.8 million)
- 13 Secondary Interests ($22.3 million in commitments; maximum cash outlay of $9.3 million)

Amount Paid: $1,111.4 million (73.9% of amount committed)

Net Distributions*: $819.9 million (54.5% of amount committed)

Latest Valuation: $586.7 million

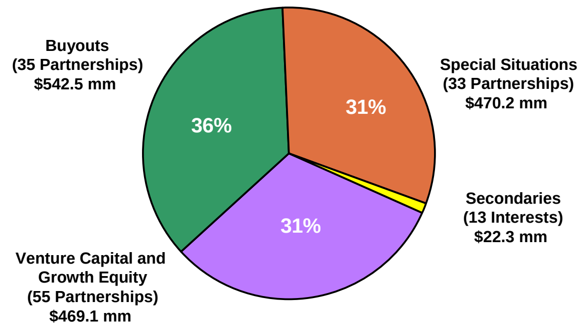
Total Value*: $1,406.6 million

Pooled IRR*: 7.24%

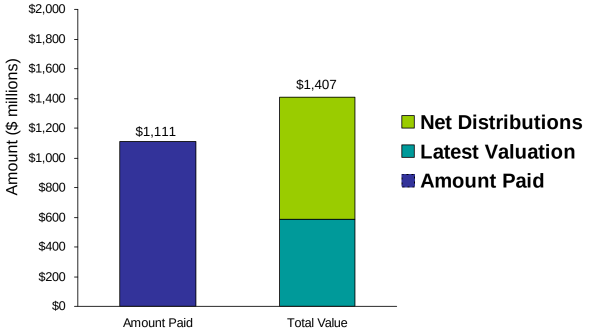
Other Portfolio Metrics (as of 9/30/09):

Underlying portfolio companies:	1,656
Underlying portfolio company investments:	1,899
Average duration of investments:	4.3 years
Number/Percent of Investments valued above cost:	697/37%
Number/Percent of Investments valued at cost:	324/17%
Number/Percent of Investments valued below cost:	878/46%

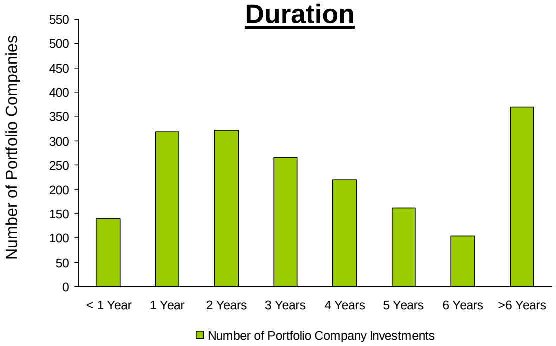
Diversification (by commitment)



Valuation



Duration



*Net of gains and losses realized upon the sale of distributed stock, including brokerage and other related commissions.
Please refer to the Important Disclosures page for detail on Abbott's calculation of valuation and return data.
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Portfolio Summary as of December 31, 2009

Alaska Retirement Management Board *As of December 31, 2009*	Commitment	Amount Paid	Distributions & Realized Gains	Latest Valuation	Annual IRR
Portfolio					
Venture Capital and Growth Equity	$469,060,988	$360,031,745	$159,258,358	$200,477,801	-0.02%
Buyouts	$542,490,973	$385,965,367	$313,004,783	$226,136,887	10.79%
Special Situations	$470,237,559	$356,585,661	$350,206,197	$150,112,309	10.04%
Secondary Purchases	$22,336,302	$8,827,242	$3,477,060	$9,987,032	20.30%
Sub-Total – Grand Total Partnerships	$1,504,125,823	$1,111,410,015	$825,946,400	$586,714,030	7.45%
Distributed Stock			($6,083,996)	$0	
Total ARMB Portfolio	**$1,504,125,823**	**$1,111,410,015**	**$819,862,403**	**$586,714,030**	**7.24%**

Please refer to the Important Disclosures page for detail on Abbott's calculation of valuation and return data.
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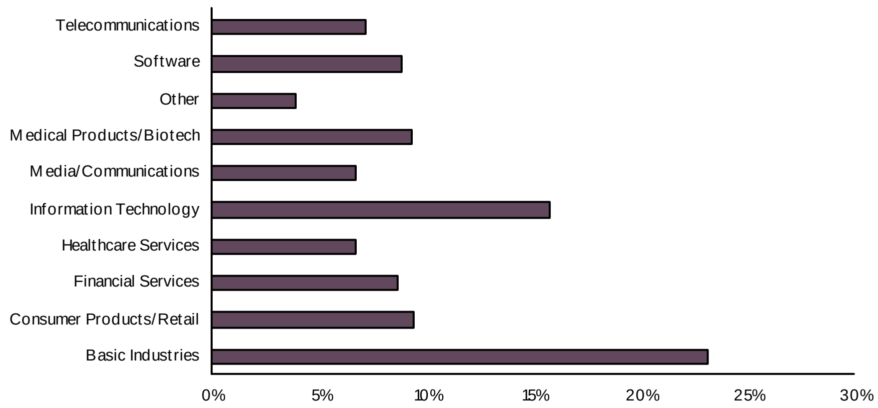
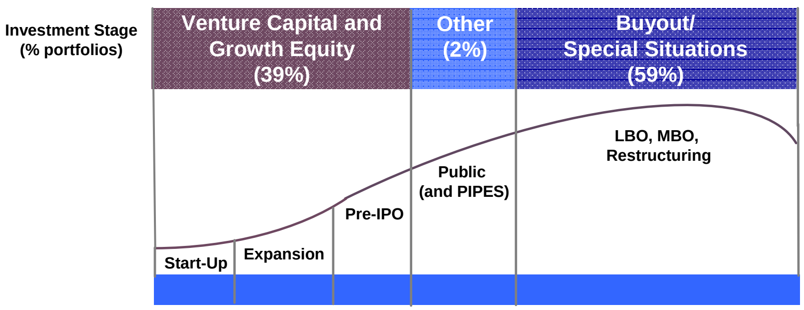
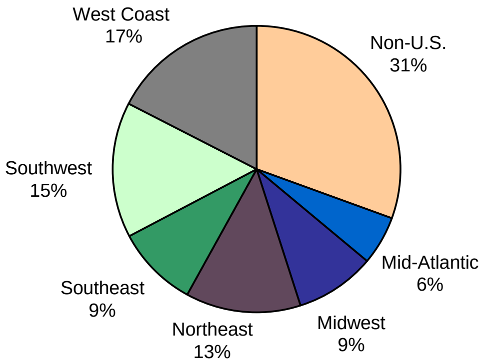
Portfolio Company Investment Diversification







Industry

- Current portfolio is well-diversified
- Basic Industries includes additional diversification among a variety of industrial subsectors

Investment Style

- Venture and growth-oriented portfolio company investments comprise 39% of the portfolio
  - Seed/start-up: 6%
  - Early stage: 13%
  - Late-stage: 19%
- Buyout and special situations comprise 59% of the portfolio (strategies include LBOs, restructuring and industry consolidations)

Geography

- Non-U.S. investments reflect principally Western European-based buyouts

Portfolio company information is based on the original investment structure and portfolio company values as of September 30, 2009.

Top Ten Portfolio Companies

Top Ten Portfolio Companies
By Proportionate Value(1)
as of September 30, 2009

Company Name	Partnership Name
MetroPCS, Inc.*	Battery Ventures VII
	M/C Venture Partners IV
	M/C Venture Partners V
	M/C Venture Partners VI
	Madison Dearborn Capital Partners IV
	TA IX
Amadeus Global Travel Distribution, S.A.	Cinven Third Fund
Genpact Global Holdings*	Oak Hill Capital Partners
	Oak Hill Capital Partners II
Garden Ridge Corporation	Three Cities Fund III
Elster	CVC European Equity Partners IV
The Sun Products Corporation	Vestar Capital Partners V
KAR Holdings, LLC	Kelso Investment Associates VII
Demand Media, Inc.	Oak Investment Partners XI
	Oak Investment Partners XII
	Spectrum Equity Investors V
Sensus Metering Systems Ltd.	The Resolute Fund
CVR Energy, Inc.*	Kelso Investment Associates VII
Total Top Ten Portfolio Companies	**$50,654,987**

* Denotes public company
(1) Proportionate Value is calculated based on ARMB's percentage interest in the partnership .

V. Summary

Summary

- High-quality, well-diversified portfolio in place
- Continued development of ARMB's portfolio strategy through prudent deployment of capital
- Private equity fundraising and investment pace are expected to remain relatively slow in 2010
  - Abbott's attractive deal flow of high-quality partnerships in 2010 should enable ARMB to commit approximately $135 million
- Short-term changes in the environment should not influence long-term strategic portfolio decisions
- Discipline and due diligence are more important than ever when evaluating new investments

Appendix

Statement of Investments

PARTNERSHIPS	Initial Closing Date	Total Commitment	Amount Paid	Latest Valuation
As of December 31, 2009				
VENTURE CAPITAL AND GROWTH EQUITY				
Alta Partners VIII	09/25/2006	$4,000,000	$2,200,000	$1,865,900
Atlas Venture Fund VI	03/27/2001	$6,200,000	$6,200,000	$3,378,828
Atlas Venture Fund VII	11/21/2005	$9,000,000	$7,433,097	$6,683,838
Austin Ventures IX	04/01/2005	$6,000,000	$4,262,697	$3,713,120
Austin Ventures VI	11/17/1998	$5,000,000	$4,953,125	$1,215,988
Austin Ventures VII	10/29/1999	$8,000,000	$8,000,000	$1,873,010
Austin Ventures VIII	01/29/2001	$5,533,333	$5,533,333	$4,133,154
Battery Ventures VII	09/30/2004	$800,000	$732,000	$701,100
Battery Ventures VIII	07/02/2007	$2,300,000	$1,276,500	$1,222,868
Battery Ventures VIII Side Fund	08/15/2008	$1,150,000	$347,300	$385,403
Canaan VII	04/18/2005	$8,000,000	$5,560,000	$5,070,374
Canaan VIII	11/19/2007	$8,000,000	$2,000,000	$1,472,718
CCEP II (QP) - Riviera	08/11/2000	$157,550	$157,550	$0
Columbia Capital Equity Partners II	05/27/1999	$5,842,450	$5,839,926	$701,111
El Dorado Ventures V	09/17/1999	$5,000,000	$5,000,000	$496,236
El Dorado Ventures VI	11/29/2000	$10,000,000	$8,200,000	$5,577,280
El Dorado Ventures VII	02/03/2005	$10,000,000	$5,500,000	$2,861,360
InterWest Partners VIII	07/10/2000	$7,500,000	$6,750,000	$3,590,797
InterWest Partners IX	08/17/2004	$9,000,000	$6,300,000	$4,709,716
JMI Equity Fund V	05/20/2005	$3,900,898	$3,599,948	$2,670,728
JMI Equity Fund VI	06/14/2007	$6,800,526	$3,298,526	$2,793,573
M/C Venture Partners IV	01/05/1999	$7,500,000	$6,937,500	$2,069,989
M/C Venture Partners V	09/14/2000	$10,000,000	$9,946,344	$9,477,302
M/C Venture Partners VI	03/03/2006	$9,000,000	$6,589,195	$6,987,241
Mayfield X	06/17/1999	$2,300,000	$2,300,000	$140,276

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Statement of Investments

PARTNERSHIPS	Initial Closing Date	Total Commitment	Amount Paid	Latest Valuation
As of December 31, 2009				
VENTURE CAPITAL AND GROWTH EQUITY				
Mayfield X Annex	05/15/2002	$338,553	$220,059	$57,630
Mayfield XI	04/14/2000	$9,000,000	$7,650,000	$2,394,897
Morgan Stanley Dean Witter Venture Partners IV	12/20/1999	$4,501,306	$4,501,306	$1,530,298
Morgenthaler Partners VI	03/31/2000	$6,000,000	$6,000,000	$1,205,358
Morgenthaler Partners VII	07/19/2001	$12,000,000	$11,400,000	$4,987,508
New Enterprise Associates VIII	02/19/1999	$13,031,307	$13,031,307	$2,960,905
New Enterprise Associates 9	01/27/2000	$11,018,353	$10,798,353	$2,699,510
New Enterprise Associates 10	01/25/2001	$10,013,479	$9,663,479	$3,925,732
New Enterprise Associates 11	12/05/2003	$12,000,000	$11,100,000	$9,766,182
New Enterprise Associates 12	04/25/2006	$17,000,000	$11,475,000	$10,368,040
New Enterprise Associates 13	01/15/2009	$11,000,000	$1,265,000	$1,198,078
Oak Investment Partners IX	09/30/1999	$10,000,000	$10,000,000	$1,676,072
Oak Investment Partners VIII	09/14/1998	$8,000,000	$8,000,000	$371,317
Oak Investment Partners X	12/01/2000	$15,000,000	$15,000,000	$8,791,894
Oak Investment Partners XI	07/01/2004	$15,000,000	$15,000,000	$11,277,074
Oak Investment Partners XII	05/19/2006	$12,000,000	$8,084,024	$7,772,175
Oak Investment Partners XIII	06/30/2009	$10,000,000	$0	$0
Summit Partners Private Equity Fund VII-A	05/27/2005	$17,500,000	$10,325,000	$9,433,781
Summit Ventures VI-B	12/07/2000	$10,000,000	$10,000,000	$6,328,523
TA IX	07/11/2000	$20,000,000	$19,400,000	$8,771,881
TA X	03/23/2006	$15,000,000	$13,837,500	$10,184,645
TA XI	04/30/2009	$20,000,000	$0	$0
Thomas, McNerney & Partners II	08/03/2006	$6,500,000	$3,071,250	$2,281,074
Trident Capital Fund-V	10/16/2000	$7,074,667	$6,521,759	$3,077,371
Trident Capital Fund-VI	11/05/2004	$10,000,000	$9,100,000	$6,277,788

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Statement of Investments

PARTNERSHIPS	Initial Closing Date	Total Commitment	Amount Paid	Latest Valuation
As of December 31, 2009				
VENTURE CAPITAL AND GROWTH EQUITY				
U.S. Venture Partners VI	12/02/1998	$5,000,000	$5,000,000	$144,878
U.S. Venture Partners VII	12/09/1999	$7,791,667	$7,791,667	$1,019,832
U.S. Venture Partners VIII	01/31/2001	$7,500,000	$7,380,000	$3,027,355
U.S. Venture Partners X	06/24/2008	$9,100,000	$1,456,000	$1,278,422
Weston Presidio V	02/18/2005	$6,706,900	$4,043,000	$3,877,671
TOTAL VENTURE CAPITAL AND GROWTH EQUITY		$469,060,988	$360,031,745	$200,477,801
VENTURE CAPITAL AND GROWTH EQUITY ANNUAL IRR: -0.02%			TOTAL DISTRIBUTIONS:	$159,258,358

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Statement of Investments

As of December 31, 2009				
PARTNERSHIPS	Initial Closing Date	Total Commitment	Amount Paid	Latest Valuation
BUYOUTS				
Advent International GPE V-D*	02/28/2005	$16,168,557	$14,147,696	$12,839,050
Advent International GPE VI-A	03/12/2008	$17,000,000	$4,505,000	$4,150,843
Blackstone Capital Partners IV	11/09/2001	$15,002,376	$13,553,765	$9,879,886
Candover 2005 Fund*	08/12/2005	$11,149,564	$9,049,428	$3,626,159
Candover 2008 Fund*	12/18/2008	$12,142,119	$1,416,310	$859,451
Cinven Second Fund*	04/30/1998	$18,471,759	$17,796,052	$1,442,064
Cinven Third Fund*	07/17/2001	$34,039,562	$31,297,530	$11,583,677
Cinven Fourth Fund*	02/24/2006	$11,946,494	$7,254,234	$6,163,203
CVC European Equity Partners II	06/03/1998	$10,000,000	$9,140,201	$1,537,679
CVC European Equity Partners III	12/29/2000	$15,000,000	$14,325,025	$7,360,602
CVC European Equity Partners IV*	07/29/2005	$26,505,837	$22,777,185	$19,196,354
CVC European Equity Partners V*	04/18/2008	$18,181,172	$3,618,505	$3,055,730
ECI 8*	04/08/2005	$9,336,547	$8,699,427	$4,230,956
ECI 9*	12/03/2008	$10,626,487	$326,380	$326,380
Eos Capital Partners IV	02/28/2007	$5,000,000	$980,397	$801,484
EQT IV*	08/03/2004	$10,460,129	$10,406,566	$5,041,439
EQT V*	10/23/2006	$12,186,732	$7,192,637	$6,086,746
Green Equity Investors V	01/30/2007	$10,000,000	$2,798,395	$2,929,359
Kelso Investment Associates VI	06/01/1998	$25,000,000	$21,147,011	$2,239,685
Kelso Investment Associates VII	12/16/2003	$25,000,000	$23,375,774	$22,527,908
Kelso Investment Associates VIII	07/13/2007	$20,000,000	$2,492,706	$2,048,484
KKR 2006 Fund	02/13/2007	$10,000,000	$7,681,078	$6,516,273
Phildrew Ventures Fifth Fund*	04/30/1999	$3,765,543	$3,701,952	$2,118
The Resolute Fund	09/30/2002	$20,000,000	$18,509,397	$18,529,614

*Non-U.S. dollar denominated Partnerships.
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Statement of Investments

PARTNERSHIPS	Initial Closing Date	Total Commitment	Amount Paid	Latest Valuation
As of December 31, 2009				
BUYOUTS				
The Resolute Fund II	04/06/2007	$20,020,429	$5,168,169	$4,104,323
Thomas H. Lee Equity Fund IV	03/23/1998	$9,456,157	$9,021,376	$35
Thomas H. Lee Equity Fund V	04/21/2000	$26,050,223	$25,418,745	$13,307,530
Thomas H. Lee Equity Fund VI	04/27/2007	$10,336,431	$5,591,287	$4,676,242
Three Cities Fund III	10/08/1999	$9,558,084	$9,549,242	$6,432,767
Vestar Capital Partners IV	10/20/1999	$8,000,000	$7,704,291	$3,392,332
Vestar Capital Partners V	08/11/2005	$12,000,000	$9,064,104	$9,795,215
Welsh, Carson, Anderson & Stowe VIII	07/01/1998	$25,000,000	$25,000,000	$7,732,150
Welsh, Carson, Anderson & Stowe IX	06/28/2000	$20,000,000	$19,200,000	$10,874,654
Welsh, Carson, Anderson & Stowe X	12/15/2005	$15,086,770	$12,836,770	$12,051,531
Welsh, Carson, Anderson & Stowe XI	06/20/2008	$20,000,000	$1,218,731	$794,964
TOTAL BUYOUTS		$542,490,973	$385,965,367	$226,136,887
BUYOUTS ANNUAL IRR: +10.79%			TOTAL DISTRIBUTIONS:	$313,004,783

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Statement of Investments

PARTNERSHIPS	Initial Closing Date	Total Commitment	Amount Paid	Latest Valuation
As of December 31, 2009				
SPECIAL SITUATIONS				
Alta Communications VII	07/09/1998	$12,000,000	$12,000,000	$1,096,606
Alta Communications VIII	02/23/2000	$15,000,000	$14,700,000	$1,190,780
Apollo Investment Fund IV	06/30/1998	$10,000,000	$9,960,174	$1,664,470
BCI Growth V	02/10/1999	$10,003,256	$9,477,376	$1,797,979
Blackstone Communications Partners I	08/04/2000	$10,745,169	$8,190,510	$2,857,325
First Reserve Fund VIII	04/07/1998	$20,789,303	$20,019,582	$132,844
First Reserve Fund IX	03/09/2001	$15,000,000	$14,693,311	$51,991
First Reserve Fund X	12/23/2003	$10,000,000	$10,000,000	$5,378,454
First Reserve Fund XI	07/28/2006	$15,000,000	$11,643,329	$10,645,578
First Reserve Fund XII	10/30/2008	$20,040,697	$7,442,997	$5,698,260
GTCR Fund VI	04/24/1998	$25,000,000	$25,000,000	$1,497,428
GTCR Fund VII	01/06/2000	$15,002,243	$14,889,743	$370,268
GTCR Fund VIIA	01/06/2000	$5,000,000	$3,312,500	$21,027
GTCR Fund VIII	05/12/2003	$10,000,000	$9,252,480	$4,982,189
GTCR Fund IX	06/23/2006	$10,000,000	$4,505,011	$3,439,725
Hellman & Friedman Capital Partners VII	09/08/2009	$10,000,000	$0	$0
Madison Dearborn Capital Partners III	01/26/1999	$15,000,000	$14,863,267	$1,387,076
Madison Dearborn Capital Partners IV	11/21/2000	$13,000,000	$12,621,733	$10,510,273
Madison Dearborn Capital Partners V	02/16/2006	$15,000,000	$12,360,766	$9,034,318
Madison Dearborn Capital Partners VI	07/11/2008	$20,024,188	$3,034,484	$2,850,709
Mezzanine Management Fund III	06/22/2000	$8,063,342	$7,845,672	$2,245,371
Oak Hill Capital Partners	04/01/1999	$10,000,000	$9,987,525	$3,641,090
Oak Hill Capital Partners II	12/17/2004	$25,000,000	$23,741,326	$27,212,450
Oak Hill Capital Partners III	11/21/2007	$20,000,000	$6,676,537	$5,055,828
Spectrum Equity Investors V	02/17/2005	$15,000,000	$13,837,500	$15,207,399

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Statement of Investments

PARTNERSHIPS	Initial Closing Date	Total Commitment	Amount Paid	Latest Valuation
As of December 31, 2009				
SPECIAL SITUATIONS				
Spectrum Equity Investors VI	11/10/2008	$15,000,000	$0	$0
Summit Subordinated Debt Fund IV	04/02/2008	$8,000,000	$520,000	$520,000
TA Subordinated Debt Fund	03/10/2000	$15,000,000	$15,000,000	$1,803,493
TA Subordinated Debt Fund III	05/18/2009	$5,000,000	$0	$0
VS&A Communications Partners III	02/05/1999	$7,500,000	$7,440,476	$2,889,590
Warburg Pincus Private Equity VIII	02/26/2002	$20,069,361	$20,069,361	$15,331,872
Warburg Pincus Private Equity X	10/05/2007	$20,000,000	$8,500,000	$6,890,878
Warburg, Pincus Equity Partners	06/11/1998	$25,000,000	$25,000,000	$4,707,038
TOTAL SPECIAL SITUATIONS		$470,237,559	$356,585,661	$150,112,309
SPECIAL SITUATIONS ANNUAL IRR: +10.04%			TOTAL DISTRIBUTIONS:	$350,206,197

Please refer to the Important Disclosures page for detail on Abbott's calculation of valuation and return data.
Past returns are not an indicator of future performance or indicative of expected returns. Returns will vary in the future.

Statement of Investments

PARTNERSHIPS	Type	Purchase Date	Total Commitment	Maximum Cash Outlay	Amount Paid	Latest Valuation
As of December 31, 2009						
SECONDARY INTERESTS						
M/C Venture Partners IV	VC & Growth Equity	12/31/2007	$1,000,000	$775,000		$275,999
M/C Venture Partners V	VC & Growth Equity	12/31/2007	$2,642,276	$2,705,634		$2,504,164
Morgenthaler Partners VI	VC & Growth Equity	05/06/2003	$300,000	$147,000		$60,266
Morgenthaler Partners VII	VC & Growth Equity	05/16/2005	$778,561	$690,962		$323,583
Oak Investment Partners VIII	VC & Growth Equity	12/31/2003	$754,717	$75,508		$35,018
Oak Investment Partners IX	VC & Growth Equity	12/31/2003	$1,086,957	$322,387		$182,194
Oak Investment Partners X	VC & Growth Equity	07/02/2003	$410,959	$311,998		$238,312
Oak Investment Partners X	VC & Growth Equity	12/31/2003	$1,027,397	$701,390		$602,169
Oak Investment Partners XII	VC & Growth Equity	12/31/2008	$857,000	$571,266		$555,063
Three Cities Fund III	Buyouts	06/24/2003	$4,779,042	$1,794,926		$3,216,384
U.S. Venture Partners VI	VC & Growth Equity	01/01/2009	$2,134,146	$57,271		$61,830
U.S. Venture Partners VII	VC & Growth Equity	01/01/2009	$2,632,320	$245,954		$344,535
U.S. Venture Partners VIII	VC & Growth Equity	01/01/2009	$3,932,927	$903,065		$1,587,515
TOTAL SECONDARY INTERESTS			$22,336,302	$9,302,361	$8,827,242	$9,987,032
SECONDARY INTERESTS ANNUAL IRR: +20.30%					TOTAL DISTRIBUTIONS:	$3,477,060

Please refer to the Important Disclosures page for detail on Abbott's calculation of valuation and return data.
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PATHWAY®
CAPITAL MANAGEMENT

APRIL 22, 2010

PRESENTATION PREPARED FOR

- Alaska Retirement Management Board

- Pathway Update
- Private Equity Environment
- 2009 Review & 2010 Tactical Plan
- Portfolio Update
- Summary
- Appendix

- Pathway Update

Pathway Overview

- **Established**—1991
- **Assets Under Management**—$23.0 billion[1]
- **Global Investor Base**—Institutions across North America, Europe, and Asia
  - Corporate Pension Funds
  - Financial Institutions
  - Public Pension Funds and Trusts
- **Ownership**—Independent, 100% employee owned.
- **Personnel**—104 employees, including 31 investment professionals, supported by a deep team of legal, accounting, client services, information technology, and administrative personnel
- **Locations**—California • Rhode Island • London • Tokyo[2]
- **Global Private Equity Specialist**—Pathway creates specialized private equity funds for institutional investors.

SEC-Registered ▪ FSA-Regulated

1. Represents market value plus undrawn capital at September 30, 2009.
2. Strategic alliance with Tokio Marine Asset Management, a Japanese investment adviser.

Representative Investor List

Pathway carefully manages growth with an emphasis on building long-term relationships.

North America

Alaska Permanent Fund Corporation
Alaska Retirement Management Board
Baptist Foundation of Texas
Bristol-Myers Squibb Master Trust
California Institute of the Arts
California State Automobile Association
Caterpillar Inc.
Contra Costa County Employees' Retirement Association
Employers Mutual Casualty Company
Hydro One Pension Fund
Iowa Public Employees' Retirement System
J.C. Penney Company
Kaiser Permanente Retirement Plans
Kroger Retirement Master Trust
Marin County Employees Retirement Association
McDermott Incorporated Master Trust
Mississippi Public Employees' Retirement System
Nebraska Investment Council
Nevada Public Employees' Retirement System
Ohio Public Employees Retirement System
Oregon Public Employees' Retirement Fund
Pennsylvania Power and Light Corporation
The Public School and the Public Education ERS of Missouri
Rohm and Haas Company
San Bernardino County Employees' Retirement Association
San Jose Federated City Employees' Retirement System
Utah Retirement Systems
WellPoint, Inc.
Worker Benefit Plans of The Lutheran Church–Missouri Synod

Europe

HSBC Bank Pension Trust (UK) Limited
Lloyds TSB Group Pensions Scheme
Royal Bank of Scotland Group Pension Fund
Royal Mail Pension Plan
Second Swedish National Pension Fund

Asia-Pacific

Bank of Tokyo–Mitsubishi UFJ
Development Australia Fund
Nippon Steel
Nipponkoa Insurance
Sony Corporation
Tokio Marine & Nichido Fire Insurance Co., Limited

NOTE: This list comprises clients that represent over 90% of Pathway's assets under management. Pathway has not used performance-based criteria to determine which clients to include in this list. The inclusion of an investor on the Representative Investor List does not represent an endorsement, by that investor, of Pathway as an investment adviser.

An Experienced and Stable Investment Team

Pathway's senior investment professionals have substantial private equity experience and have shared a common investment philosophy for many years.

	Douglas K. Le Bon Sr. Managing Director *30 Years*	**James H. Reinhardt** Sr. Managing Director *27 Years*	**Albert M. Clerc** Sr. Managing Director *25 Years*	**Karen J. Jakobi** Sr. Managing Director & CIO *19 Years*	
	James R. Chambliss Managing Director *16 Years*	**James E. Heath*** Managing Director *21 Years*	**Thomas W. Laders†** Managing Director *25 Years*	**Terrence G. Melican** Managing Director *14 Years*	
Alex M. Casbolt* Director *8 Years*	Anne M. Collins† Director *23 Years*	Vincent P. Dee, CFA Director *8 Years*	Cheryl L. Maliwanag Director *17 Years*	Richard S. Mazer Director *15 Years*	Valerie A. Ruddick Director *14 Years*

- 8 SMDs and MDs have an average of 22 years' private equity investment experience.
- 6 Directors have an average of 14 years' private equity investment experience.
- MDs and Directors together have an average of 15 years' professional relationship with cofounders.
- No turnover of senior investment professionals since the inception of the firm in 1991.

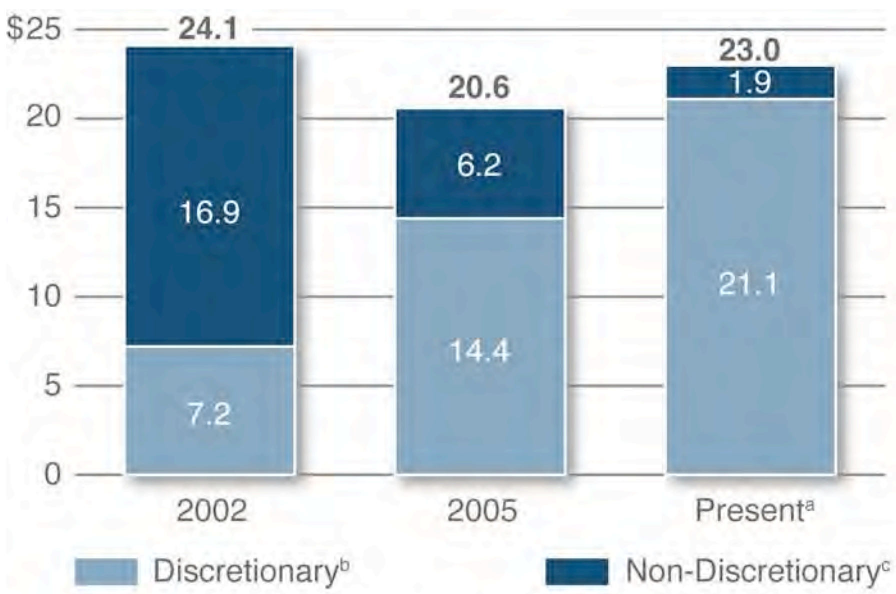
NOTE: Bold type denotes cofounder of Pathway.
*London-based staff.
†Rhode Island–based staff.

Pathway Capacity

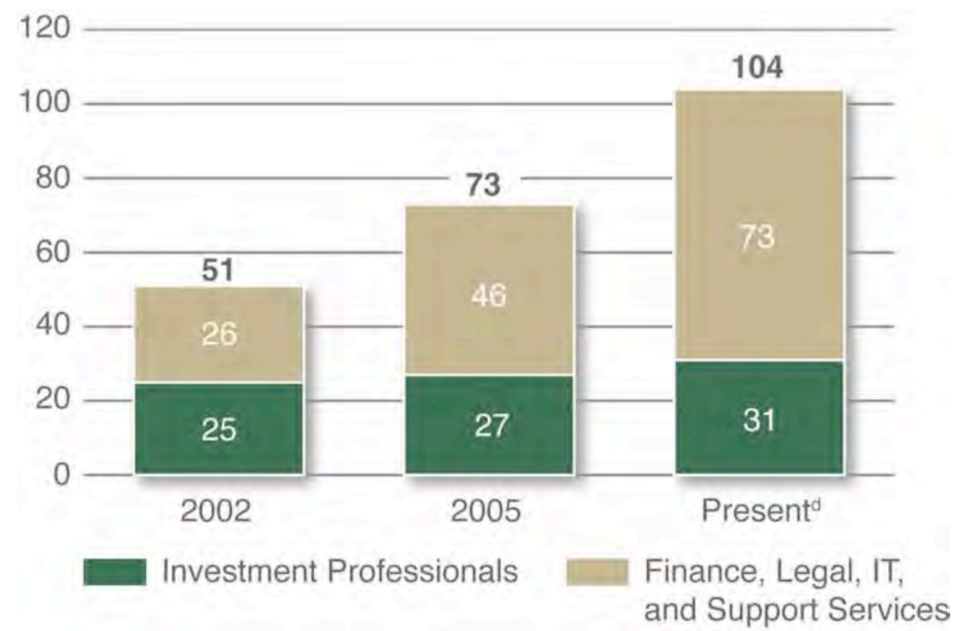
Managing capacity remains a priority for Pathway and is a key element of our business model.

Assets Under Management

($ billions)



Team



[a]At September 30, 2009.
[b]Includes discretionary separate accounts (based on market value plus undrawn capital) and funds of funds (based on market value plus undrawn capital plus uncommitted capital).
[c]Based on market value plus undrawn capital.
[d]At March 8, 2010.

- Private Equity Environment

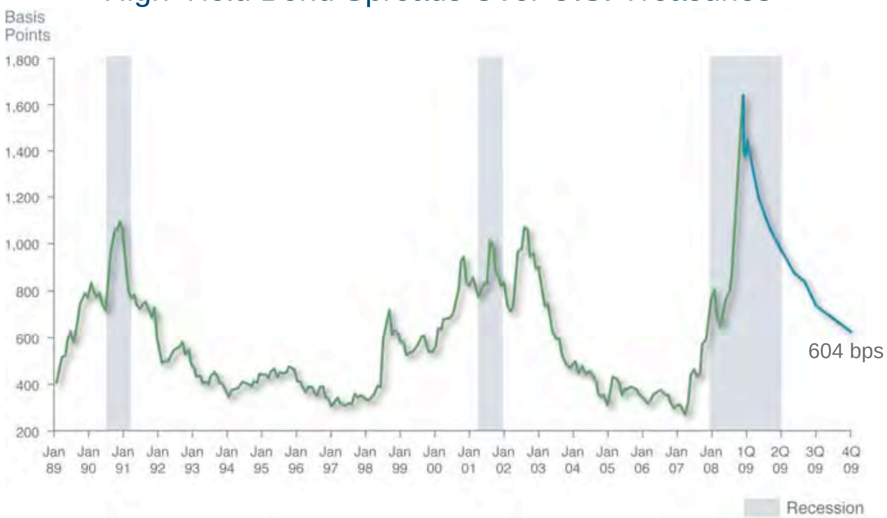
Market Overview

- Credit markets have stabilized in the past 12 months.
  - Credit spreads have narrowed significantly since reaching unprecedented levels in the fourth quarter of 2008. High-yield bond spreads over U.S. Treasuries are lower than they were pre–Lehman bankruptcy.
  - High-yield bond issuance reached a record high of $154 billion in 2009, 242% greater than 2008.
  - Default rates have been lower than expected and have begun declining.
- General partners are focused on managing balance-sheet risk.
  - General partners are proactively managing balance-sheet risk in their portfolio companies through amend & extend transactions, debt buybacks, and debt exchange offers.
  - 28% reduction in par value of 2013 maturities in senior-secured term loan market since year-end 2008.
- Attractive opportunities are emerging for private equity as a result of declining prices and increasing numbers of industries and companies in transition.
  - Corporate carveouts, distressed financial services, structured equity investments, and restructuring opportunities.
- Recent trends are positive but recovery is still nascent.
  - Investment pace is accelerating even as financing markets remain relatively difficult to access. General partners are utilizing creative sources of financing such as seller financing and earn-outs/contingent payments to close transactions.
  - IPO and exit markets have reopened in recent months and IPO pipeline is building.
  - Experienced general partners with “dry powder” to invest are well-positioned.

Credit Markets Have Stabilized Since 1Q09

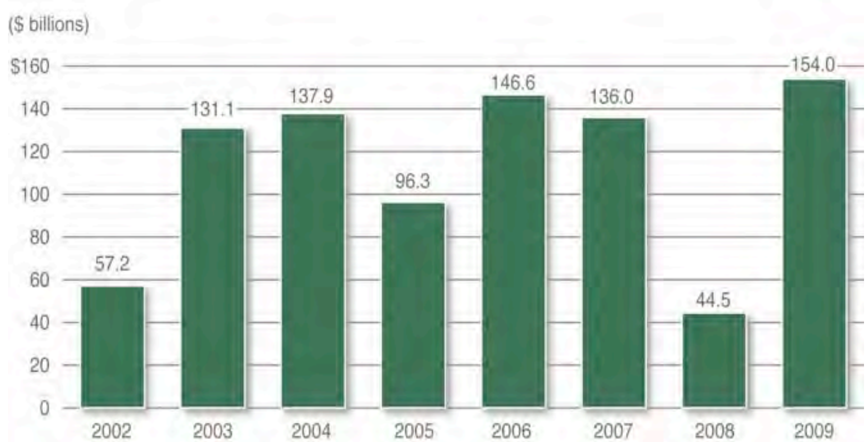
- Significant narrowing of credit spreads in both high-yield bond and leveraged loan markets since year-end 2008; high-yield bond spreads are now lower than they were pre–Lehman bankruptcy.
- High-yield bond issuance reached a record high of $154 billion in 2009, surpassing the previous record set in 2006.
- Default rates have been lower than expected due to strength in the credit markets and stabilizing operating conditions.
  - Reopening of credit markets has allowed many issuers to successfully refinance debt and extend maturities.

High-Yield Bond Spreads Over U.S. Treasuries



SOURCE: JP Morgan, Standard & Poor's.

U.S. High-Yield Bond Issuance

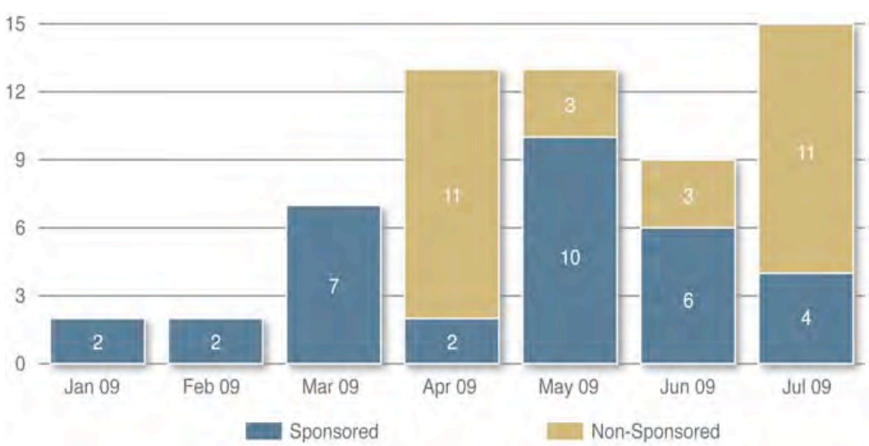


SOURCE: SIFMA and Wells Fargo Securities.

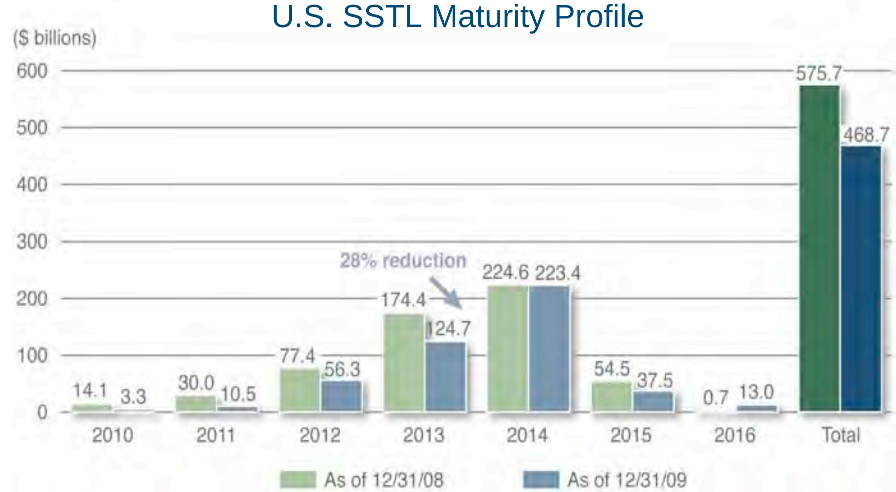
Focus on Managing Balance-Sheet Risk

- Borrowers are working with lenders to extend maturity of existing debt in exchange for better terms (e.g., higher spreads, tighter covenants).
  - Addresses the inability of many companies to undertake a full-scale refinancing in today's credit environment.
  - Borrowers get increased flexibility and additional time to withstand economic downturn.
  - Average amendment fee of 25–50 bps and average spread increase of 150–250 bps.
- Amend & extend transactions allow companies to stave off debt maturities and "live to fight another day."
- Through July 31, 2009, 61 S&P-rated issuers have sought amend & extend transactions, including 33 by sponsor-backed companies (e.g., SunGard Data Systems, Select Medical, Nielsen Co.).
- General partners are chipping away at the impending debt maturity wall.
  - 28% of U.S. SSTL balances maturing in 2013 have been eliminated through defaults, pay-downs, exchange offers, and refinancings.

# of Amend & Extend Transactions



U.S. SSTL Maturity Profile



Source: S&P LCD.

Investment Pace is Accelerating, Even at the Upper End of the Market

- Corporate Carveouts Have Been a Fertile Source of Investment Opportunities for Private Equity
  - Corporations are looking to sell non-core assets to bolster their balance sheets (raise cash, debt paydown), e.g., Skype, JohnsonDiversey, AB InBev divisions.
  - Example: AB InBev has been actively seeking to pay down $45 billion of debt used to finance $52 billion acquisition of Anheuser-Busch in November 2008
    - April 2009: sale of Korea Brewery division to KKR for $1.8 billion (includes seller financing of $300 million)
    - September 2009: sale of Busch Entertainment division to Blackstone for $2.7 billion ($2.3 billon plus $400 million contingent payout)
    - October 2009: announced sale of CEE Brewery division to CVC Capital Partners for $2.2 billion (includes $448 million seller note, plus up to $800 million in contingent payout)
- Distressed Financial Services
  - Private equity has the resources and capital to play a key role in recapitalizing the U.S. banking industry. Over 150 U.S. banks have failed since 2007, with hundreds more projected to fail in the next few years.
  - Completed transactions to date have been structured with substantial purchase discounts and with attractive loss-sharing agreements with the FDIC.
    - IndyMac Bank, BankUnited, Corus Bank assets
  - Regulatory hurdles have hampered control investment activity in distressed banks; however, private equity firms are utilizing a variety of transaction structures to invest in the sector.
- Restructuring Opportunities
  - Increasing number of restructuring and distress-for-control transactions, even among non–distressed debt managers.
  - Large opportunity set: over $600 billion in par value of defaulted debt in 2009.
  - Examples: Metaldyne, Chesapeake Corp., Nortel assets, Tropicana Casino & Resort

IPO and M&A Markets Showing Some Signs of Life

- M&A Transactions
  - Private equity–backed M&A exits are increasing as strategic acquirers are opportunistically seeking acquisitions, and stability in credit markets has allowed potential purchasers to access debt financing.
  - $2.5 billion acquisition of venture-backed Data Domain by EMC in July 2009.
  - Sale of Orangina to Suntory for $3.9 billion in November 2009.
  - $785 million (all-cash) acquisition of Acclarent by Johnson & Johnson in January 2010.
  - Sale of RiskMetrics Group to MSCI for $1.6 billion announced in March 2010.
- Private Equity–Backed IPOs
  - IPO markets have reopened, driven by ~50% rise in equity indices since March 2009 lows and increased appetite for new issues.
  - 33 private equity–backed IPOs in 2009, up from 12 in 2008 (e.g., Dollar General, Echo Global, Education Management, Emdeon, Solar Winds, TeamHealth).
  - IPO pipeline is building: 105 filings in the last six months of 2009 vs. 15 in the first six months of 2009. More than half of the 2009 IPO pipeline is represented by private equity–backed companies.

- 2009 Review & 2010 Tactical Plan

2009 Tactical Plan & Results

	Plan	Actual
Commitments	$130 million	$75.4 million[a]
Number of Partnerships	Up to 14 partnerships	9 partnerships[a]
Size of Investments	$10–$15 million	$10.0 million avg. commitment[b]
Investment Strategies	Venture Capital, Acquisitions, Special Situations, and Restructuring	Venture Capital (2), Acquisitions (2), Special Situations (2), Restructuring (3)

[a]Includes a $4.3 million follow-on investment to NEA 13.
[b]Calculation excludes one secondary investment and one follow-on investment.

2009 Tactical Plan & Results—By Strategy

	2009 Plan		2009 Actual	
Strategy	No. of Psps.	Targeted Commitments ($MM)	No. of Psps.	Commitments ($MM)
Buyouts	Up to 6	Up to $85	2	$20.0
Venture Capital	Up to 6	Up to $70	2[a]	$19.3[a]
Special Situations	Up to 3	Up to $30	2	$16.2
Restructuring	Up to 3	Up to $25	3	$20.0
Total	**Up to 14**	**$130**	**9**	**$75.4**

NOTE: Amounts may not foot due to rounding.
[a]Includes a $4.3 million follow-on investment to NEA 13.

2009 Commitments

($ in millions)

Partnership	Close Date	ARMB Commitment	Fund Size	Investment Strategy	Relationship
H&F VII	Feb-09	$15.0	$8,921	Acquisitions–Large	Existing
NEA 13	Mar-09	$4.3[a]	$2,483	Venture Capital–Multistage	New
H.I.G. Bayside II–Secondary	Apr-09	$1.2	$3,000	Special Situations–Turnarounds	New
TA XI	Apr-09	$15.0	$4,000	Special Situations–Diverse Strategies	Existing
Centerbridge SCP	Jun-09	$10.0	$2,005	Restructuring/Distressed Debt	New
Oak XIII	Jun-09	$15.0	$800	Venture Capital–Multistage	Existing
Charlesbank VII	Jul-09	$5.0	$1,500	Acquisitions–Medium	New
OCM VIII	Nov-09	$5.0	$4,000[b]	Restructuring/Distressed Debt	Existing
OCM VIIIb	Nov-09	$5.0	$2,000[b]	Restructuring/Distressed Debt	Existing
Total		**$75.4**			

NOTE: Amounts may not foot due to rounding.
[a]Represents follow-on commitment to initial $10.75 million commitment to NEA 13 made in December 2008, resulting in a total commitment of $15 million to NEA 13.
[b]Preliminary estimate.

- Pathway continued to maintain its rigorous due diligence and selective investment criteria during 2009, reviewing 391 partnership opportunities before ultimately selecting eight (excludes follow-on commitment to NEA 13) to be included in the ARMB portfolio.
- Several managers delayed fundraising during 2009 because of unfavorable economic conditions and a slower-than-expected investment pace. As a result, Pathway did not invest the full allocation during the 2009 calendar year.

ARMB 2010 Annual Tactical Plan

By Strategy

($ in millions)

Strategy	No. of Partnerships	Total Commitments	2010 Commitments to Date[a]
Buyouts	Up to 6	Up to $85	$0.0
Venture Capital	Up to 6	Up to $70	$10.0[b]
Special Situations	Up to 3	Up to $30	$0.0
Restructuring	Up to 3	Up to $25	$0.0
Total	**Up to 14**	**Up to $125**	**$10.0**

[a]Represents fund closings through April 7, 2010.

[b]Represents commitment to Trident VII.

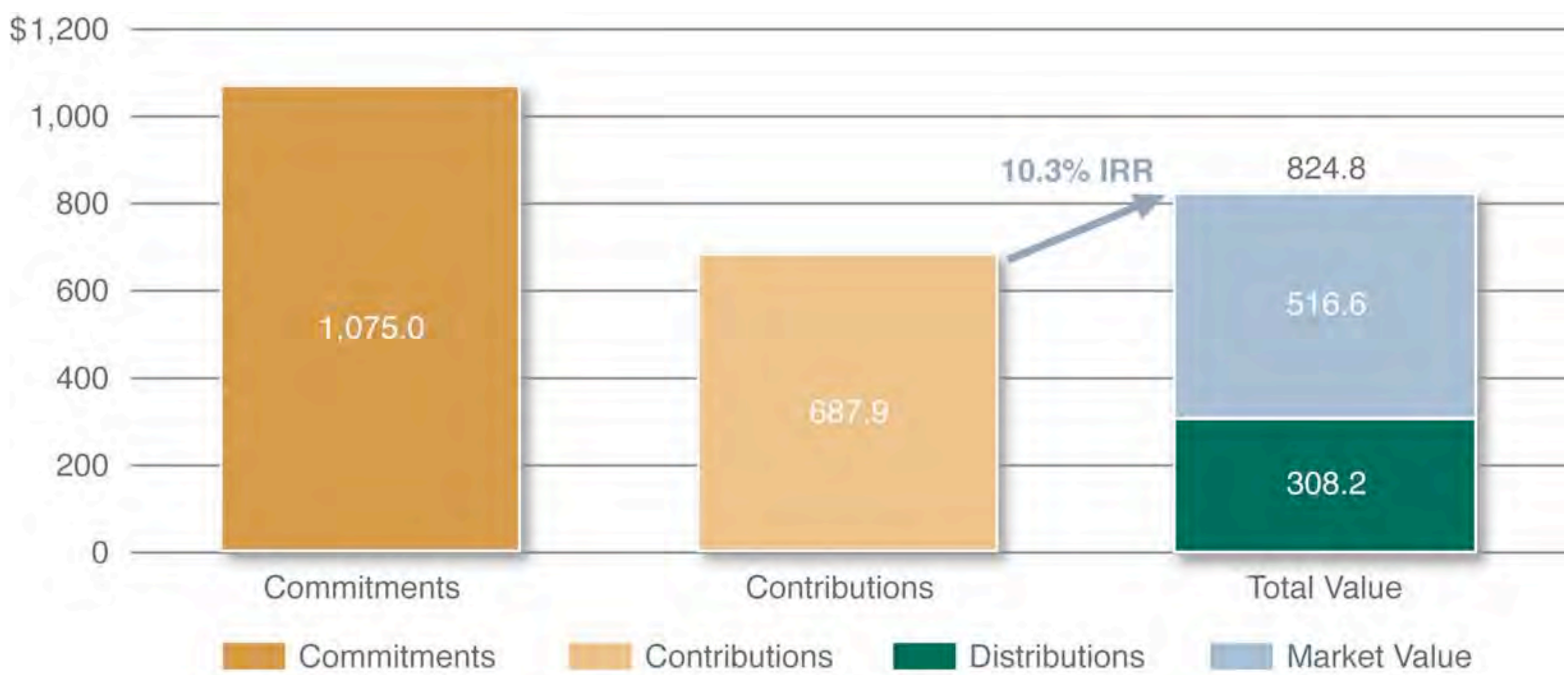
2010 Tactical Plan

- Target commitments of $125 million during the 2010 calendar year, subject to the availability of high-quality investment opportunities.
- Invest up to $20 million per partnership in up to 14 partnerships, in opportunities from both existing managers and new managers.
- Select high-quality partnerships using our disciplined selection process, with an emphasis on identifying cohesive management teams that possess significant investment experience and that have demonstrated strong performance across multiple business and economic cycles.
- Continue to focus on diversification by investment strategy, investment manager, industry, and geographic region.
- Adhere to target ranges by strategy and by geographic region over the long term, while maintaining flexibility in the short term.
- Pipeline of opportunities expected to increase in the latter half of 2010; however, continued delays in fundraising, similar to those experienced in 2009, may result in Pathway not investing the full allocation during the year.

- Portfolio Update

Financial Summary

At September 30, 2009
($ in millions)



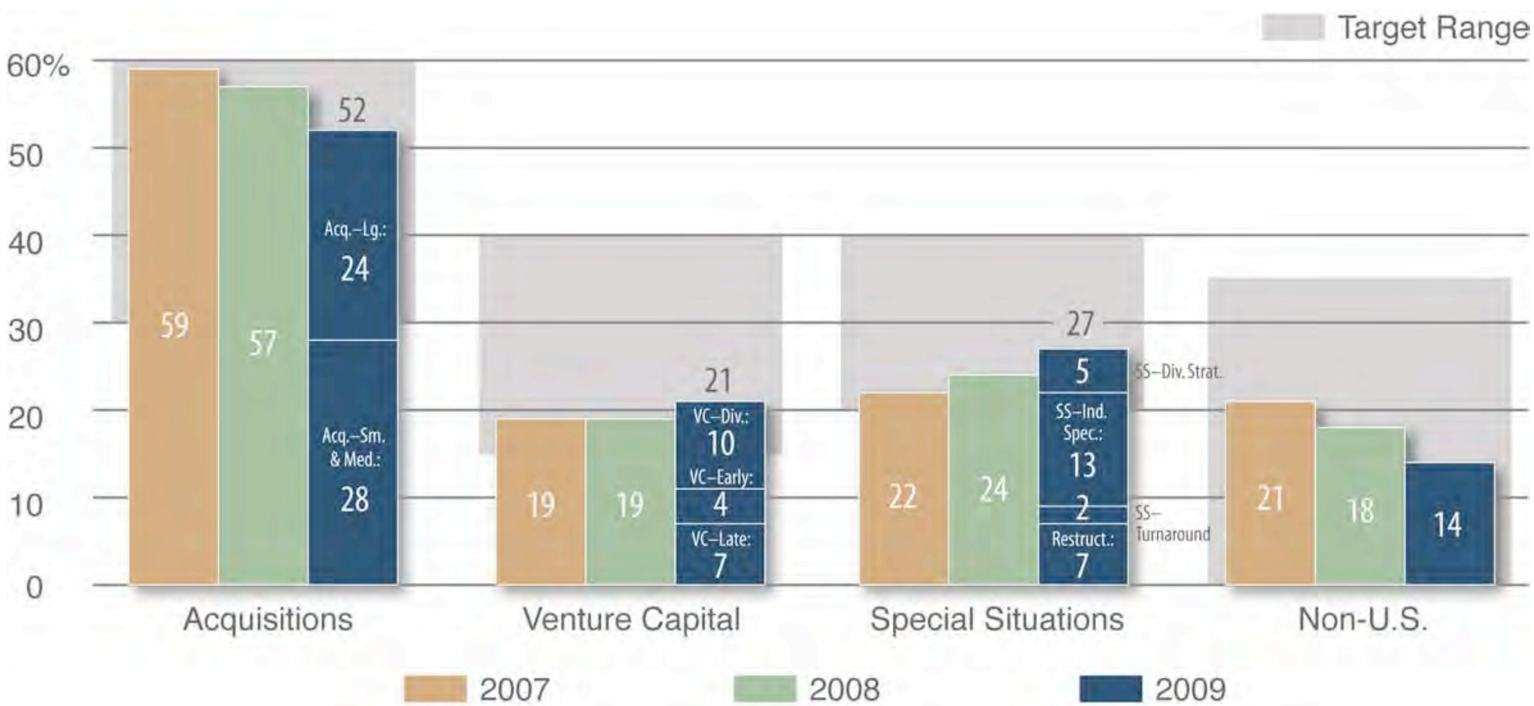
Inception: 2002 Partnerships: 76 Managers: 40

NOTE: Amounts may not foot due to rounding.

Investment Strategy Diversification

Partnership Market Value plus Unfunded Commitments

At December 31, 2009



- Each investment strategy is within its long-term target allocation range, as of December 31, 2009.

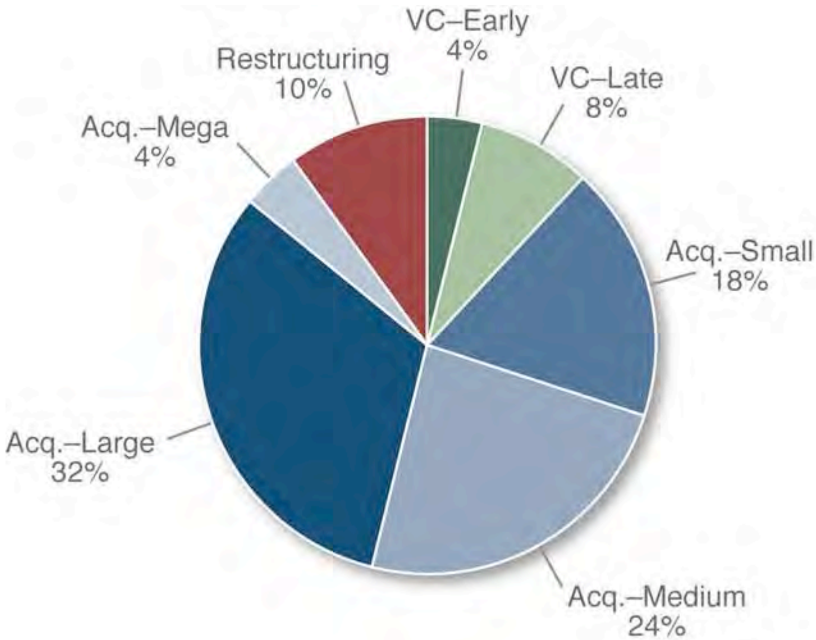
NOTE: Based on actual partnership market values and unfunded partnership commitments at September 30, plus new commitments made during the fourth quarter of each year-end.

Portfolio Diversification by Strategy & Industry

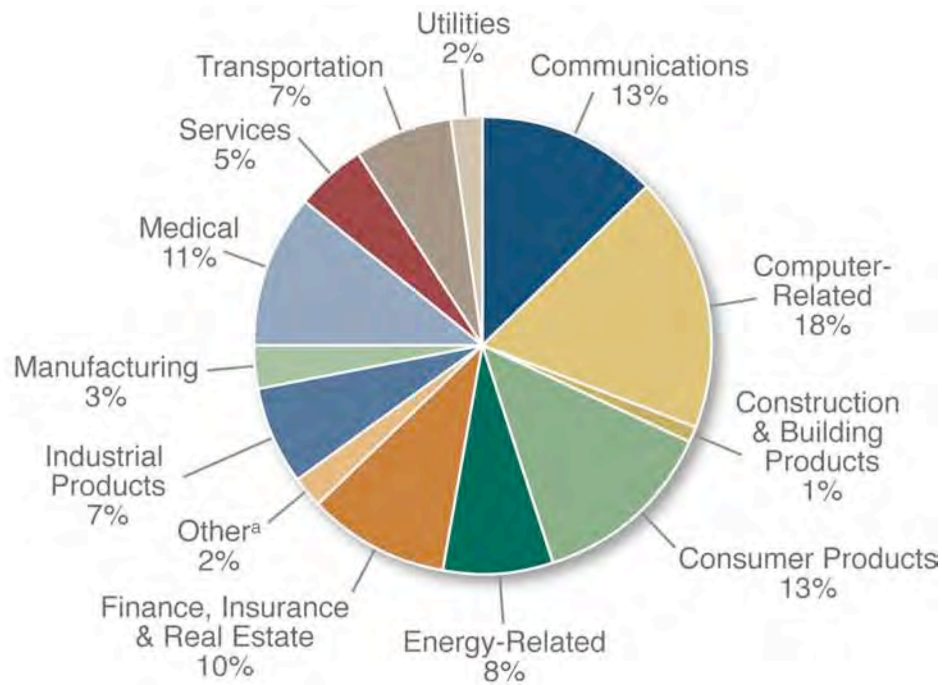
Company Market Value—999 Investments

At September 30, 2009

Strategy



Industry



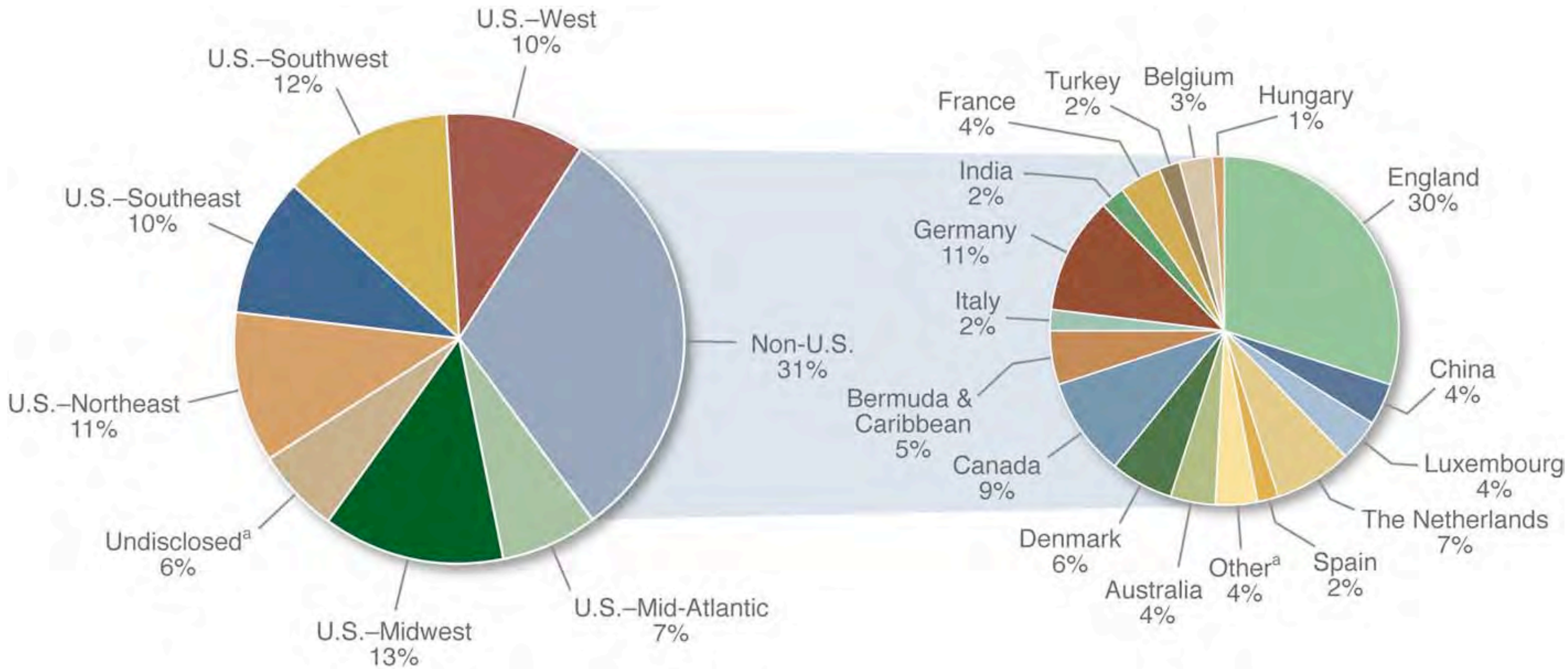
NOTE: Acquisition substrategies are based on the following ranges of total enterprise values: Mega >$10 billion, Large $1–$10 billion, Medium $200 million–$1 billion, and Small <$200 million.

[a]Comprises electronics-related, and agriculture-, forestry-, and fishing-related companies.

Portfolio Diversification by Geographic Region

Company Market Value—999 Investments

At September 30, 2009



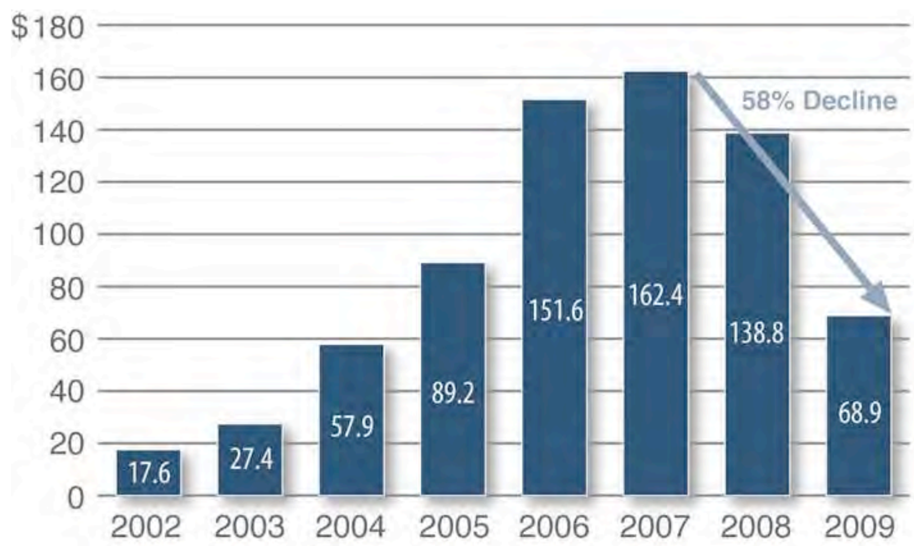
[a]Comprises investments for which geographic classifications have not been provided by the general partners.

[a]Comprises Czech Republic, Ireland, Israel, Japan, Mauritius, Norway, Philippines, Russian Federation, Singapore, South Korea, Sweden, Switzerland, Taiwan, and Ukraine.

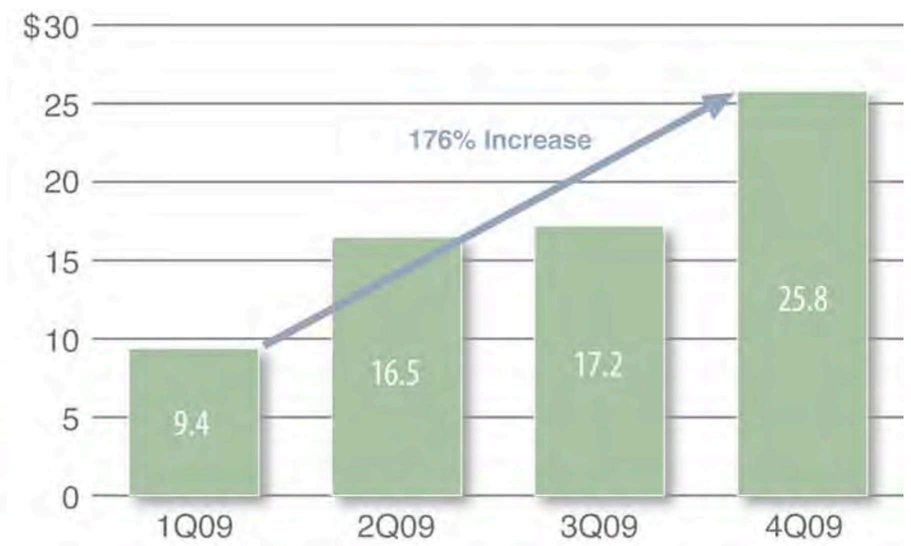
Investment Activity—Contributions

($ in millions)

Annual Contribution Activity



2009 Contributions by Quarter



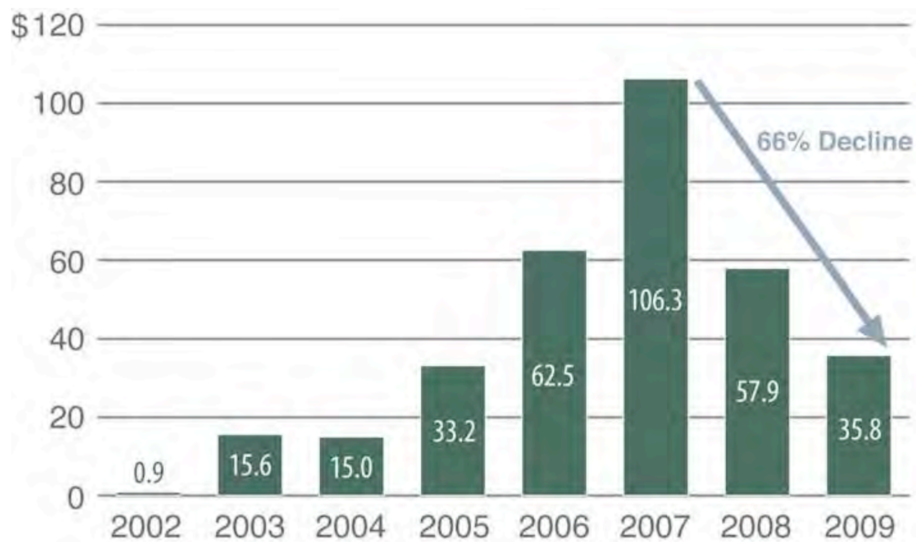
- ARMB contributed $69 million in 2009, a decline of 58% from the $162 million contributed in 2007.
- Reduced investment activity was experienced across all strategies, with the most significant decline experienced by acquisition-focused funds.

- After reaching a 5-year low in the first quarter of 2009, investment activity has steadily increased over the past three quarters.
- Early indications, based on announced transactions, suggest that contribution activity in 2010 will increase over 2009 levels.

Investment Activity—Distributions

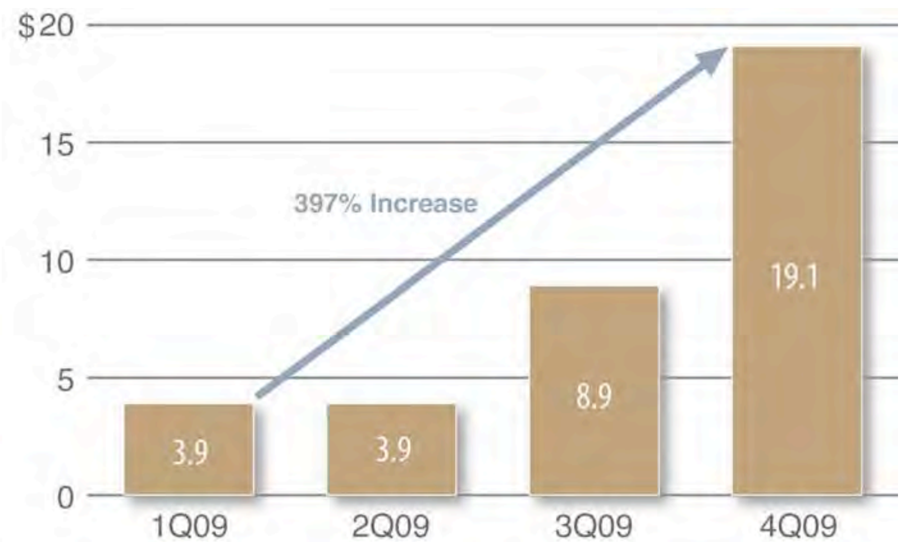
($ in millions)

Annual Distribution Activity



- Distribution activity accelerated in 2006 and 2007 as ARMB's managers were able to take advantage of the robust exit markets.
- Difficult market conditions have resulted in a 66% decline from the record levels in 2007.

2009 Distributions by Quarter



- Notably, distributions received during the fourth quarter were greater than those received for the first three quarters of 2009 combined.
- Three of the portfolio's partnerships (Blackstone IV, Onex Partners, and TPG IV) were responsible for over 40% of the distributions received during the fourth quarter.

Portfolio Highlights

Year-Over-Year

At September 30, 2009

($ in millions)

	No. of Partnerships	Commitments[a]	Cumulative Contributions[b]	Market Value	Cumulative Distributions	Total Value	Gain/ (Loss)	Since-Incep. IRR
September 30, 2009	76	$1,075.0	$687.9	$516.6	$308.2	$824.8	$136.9	10.3%
September 30, 2008	67	$970.0	$621.0	$535.7	$282.9	$818.6	$197.6	19.8%
Year-Over-Year Change	9	$105.0	$66.9	($19.1)	$25.3	$6.2	($60.7)	-9.5%

NOTE: Amounts may not foot due to rounding.

[a]Commitments to non-USD-denominated partnerships are accounted for by multiplying unfunded commitments by the quarter-ending exchange rate, then adding the result to cumulative capital contributions, causing commitments to non-USD-denominated partnerships to fluctuate quarterly.

[b]Includes capital contributed for management fees called outside of the total commitment.

- The downturn in the broader economy negatively impacted 1-year returns: the portfolio generated a net loss of $60.7 million and a return of –10.9% for the 1-year period ended September 30, 2009.
- Performance has rebounded significantly from lows experienced during the first quarter of 2009. During the second and third quarters of 2009, the portfolio generated $44.3 million in gains and a 9.6% return.
- Further performance improvement is expected in the fourth quarter. Year-end information received to date suggests that the portfolio is likely to generate over $30 million in gains during the fourth quarter, which would lift the since-inception IRR to the 11%–12% range.

Portfolio Status by Vintage Year

At September 30, 2009

($ in millions)

Vintage Year	Funds	Commit.[a]	Cum. Contrib.[b]	Distrib.	Market Value	Total Value	Gain/ (Loss)	Total Value/ Paid-In-Capital	Net IRR	Upper Q'tile[c]	Median[c]
2001	1	$25.7	$31.9	$42.8	$5.3	$48.2	$16.3	1.5x	17.7%	11.7%	1.7%
2002	2	$35.0	$33.8	$32.5	$18.6	$51.1	$17.4	1.5x	26.2%	12.4%	1.5%
2003	7	$133.8	$131.3	$124.7	$93.1	$217.8	$86.6	1.7x	25.0%	11.2%	5.2%
2004	7	$88.9	$86.9	$63.2	$58.3	$121.5	$34.6	1.4x	15.6%	12.8%	2.2%
2005	14	$189.2	$164.8	$27.5	$146.9	$174.5	$9.7	1.1x	2.5%	7.9%	0.7%
2006	13	$178.1	$123.0	$12.3	$91.4	$103.7	($19.3)	0.8x	-9.4%	0.6%	-5.4%
2007	11	$169.0	$76.8	$4.7	$65.3	$70.0	($6.8)	0.9x	-6.5%	3.0%	-11.0%
2008	12	$149.2	$33.5	$0.4	$31.4	$31.8	($1.7)	0.9x	-5.9%	0.4%	-18.4%
2009	5	$46.2	$6.0	$0.0	$6.3	$6.3	$0.3	1.0x	NM	NA	NA
2010	4	$60.0	$0.0	$0.0	$0.0	$0.0	$0.0	NM	NM	NA	NA
Total	**76**	**$1,075.0**	**$687.9**	**$308.2**	**$516.6**	**$824.8**	**$136.9**	**1.2x**	**10.3%**		

NOTE: Amounts may not foot due to rounding.

NM=Not meaningful. NA=Not available.

[a]Commitment amount will fluctuate quarterly in accordance with foreign currency exchange rates.

[b]Drawdowns include outside management fees.

[c]Venture Economics September 30, 2009, All Private Equity return benchmarks.

- Vintage year performance remains strong and continues to compare favorably with Venture Economics benchmarks—the portfolio's four most-mature vintages comfortably exceed their upper quartile benchmarks.
- Partnerships from the 2006 vintage have been the most challenged; however, these partnerships remain young, and the losses generated to date are largely unrealized.
- Collectively, the 2007–2010 vintage years are less than 27% drawn and have more than $300 million in unfunded capital to invest during a potentially attractive period.

Portfolio Status by Investment Strategy

At September 30, 2009
($ in millions)

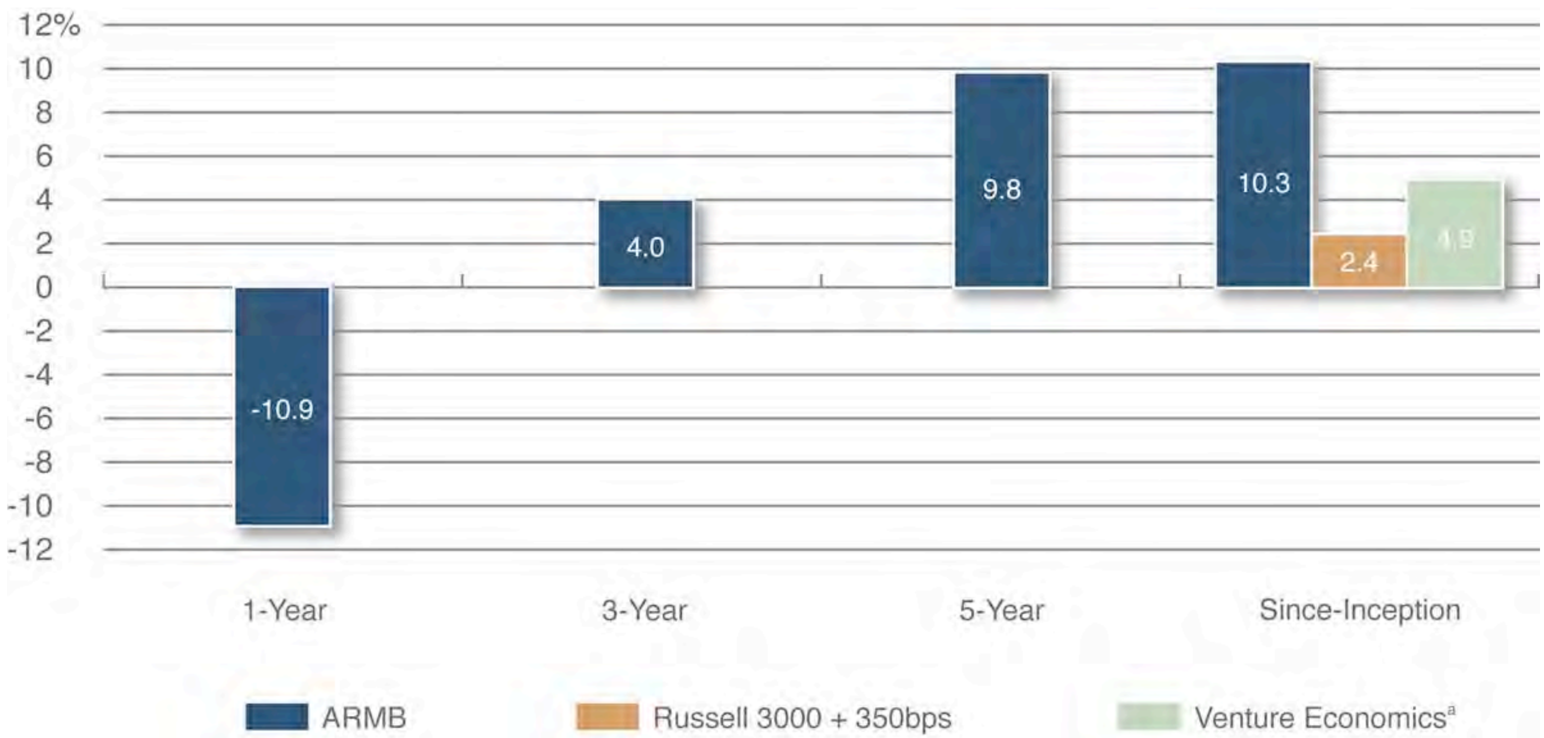
Investment Strategy	Commit.[a]	Cum. Contrib.[b]	Distrib.	Market Value	Total Value	Gain/ (Loss)	Total Value/Paid-In-Capital	Net IRR	6-Month Gain/ (Loss)	6-Month Net IRR
Acquisitions–Large	$290.7	$215.7	$129.7	$135.5	$265.2	$49.4	1.2x	11.9%	$11.9	9.6%
Acquisitions–Small & Medium	$294.8	$169.8	$76.7	$133.6	$210.3	$40.5	1.2x	12.0%	$9.7	7.8%
Acquisitions–Total	**$585.5**	**$385.6**	**$206.4**	**$269.1**	**$475.5**	**$89.9**	**1.2x**	**12.0%**	**$21.5**	**8.7%**
Venture Capital–Late-Stage	$70.4	$41.2	$14.4	$36.6	$51.0	$9.8	1.2x	9.9%	$2.8	8.8%
Venture Capital–Early-Stage	$43.6	$16.4	$0.0	$13.1	$13.1	($3.3)	0.8x	-11.8%	$0.2	2.0%
Venture Capital–Multistage	$98.4	$45.3	$6.9	$39.8	$46.7	$1.3	1.0x	1.5%	$1.2	3.3%
Venture Capital–Total	**$212.4**	**$102.9**	**$21.3**	**$89.5**	**$110.8**	**$7.8**	**1.1x**	**3.7%**	**$4.2**	**5.3%**
Special Situations	**$204.3**	**$136.2**	**$43.3**	**$109.3**	**$152.7**	**$16.4**	**1.1x**	**5.3%**	**$4.8**	**4.7%**
Restructuring	**$72.8**	**$63.2**	**$37.2**	**$48.7**	**$85.9**	**$22.7**	**1.4x**	**28.9%**	**$13.8**	**42.8%**
Total	**$1,075.0**	**$687.9**	**$308.2**	**$516.6**	**$824.8**	**$136.9**	**1.2x**	**10.3%**	**$44.3**	**9.6%**

NOTES: Amounts may not foot due to rounding.
[a]Commitment amount will fluctuate quarterly in accordance with foreign currency exchange rates.
[b]Includes outside management fees.

- Performance has been strong across multiple strategies, with acquisition partnerships accounting for the largest portion of the portfolio’s total gain.
- Over the past six months, restructuring partnerships have performed particularly well, generating a 6-month net IRR of 43%.

Net Performance vs. Public & Private Market Indices

At September 30, 2009



NOTE: Public market returns are dollar-weighted based on ARMB's cash flows.
[a]Venture Economics September 30, 2009, pooled All Private Equity returns for 2001- through 2009-vintage funds.

- Summary

Summary

- Pathway’s investment team is stable and experienced, and continues to employ the same consistent, focused, and proven investment process.
- The portfolio consists of experienced private equity managers, and is well diversified by strategy, manager, generation, industry, and geographic region.
- The economic downturn has negatively impacted returns; however, performance has rebounded nicely from lows experienced during the first quarter of 2009, and is expected to continue to improve.
- The portfolio's long-term performance remains strong with 5-year and since-inception net IRRs of 9.8% and 10.3%, respectively, which compare favorably to both the private and public markets.
- ARMB’s managers have significant “dry powder” to invest and are well-positioned to take advantage of changing market conditions.
- Pathway anticipates that the pipeline of new investment opportunities will increase in the second half of 2010.

- **Appendix**

Biographies

James R. Chambliss

Managing Director

Mr. Chambliss joined Pathway in 1994 and is a managing director in the California office. He is responsible for screening, analyzing, and conducting due diligence on private equity investment opportunities, as well as negotiating and reviewing investment vehicle documents and client servicing. Mr. Chambliss is a member of Pathway's Investment Committee and currently serves on the advisory boards and valuation committees of several private equity limited partnerships.

Mr. Chambliss received his BS in business administration, with an emphasis in finance, from Loyola Marymount University and earned his MBA at the University of Southern California.

Canyon J. Lew

Senior Vice President

Mr. Lew joined Pathway in 2004 and is a senior vice president in the California office. Mr. Lew is responsible for investment analysis, due diligence, investment monitoring, performance analysis, client reporting, and client servicing.

Prior to joining Pathway, Mr. Lew worked for Fleet Fund Investors as an associate, where he monitored investments within Fleet Bank's private equity portfolio and reviewed new investment opportunities. Mr. Lew received his AB in economics and engineering from Brown University and an MS, with high honors, in investment management from Boston University.

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Each prospective investor should (i) make its own investigation and evaluation of Pathway Capital Management, LLC (“Pathway” or the “Adviser”), and the Adviser’s specific investment products, including the merits and risks thereof, (ii) inform itself as to the legal requirements applicable to the acquisition, holding, and disposition of an interest in any investment vehicle, and as to the legal and tax consequences of such acquisition, and (iii) have the financial ability and willingness to accept the high risk and lack of liquidity inherent in any such investment.

The statements contained herein that are not historical facts are forward-looking statements within the meaning of the Federal securities laws. The forward-looking statements are based on current expectations, beliefs, assumptions, estimates, and projections about the industry and markets in which the Adviser expects to operate. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” variations of such words, and similar expressions identify such forward-looking statements. Forward-looking statements contained herein, or other statements made for or on behalf of the Adviser either orally or in writing from time to time, are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. These statements include, among other things, statements regarding the Adviser's intent, belief or expectations with respect to the type and quality of the investments the Adviser may recommend (the “Investments”); the target returns, IRR and distributions to investors; performance of any hypothetical portfolios, and the Adviser’s investment strategy generally. All forward-looking statements are made as of the date of this summary, and the Adviser is under no obligation, and does not intend, to update any forward-looking statements to reflect changes in the underlying assumptions or factors, new information, future events, or other changes.

No representation is being made that the Adviser will or is likely to achieve comparable performance results to that shown herein. Past performance is not necessarily indicative of future results. Although valuations of unrealized investments are made on assumptions that the Adviser believes are reasonable under the circumstances, the actual realized return on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ significantly from the assumptions on which the valuations used in the data contained herein are based. Accordingly, there can be no assurance that these valuations are accurate, and the actual realized return on these investments may differ materially from the returns indicated herein.

No representation is being made that a prospective investor will or is likely to have access to funds herein. The reference to such funds was made with the benefit of hindsight based on historical rates of return of such manager and on specific investments made by such funds. Accordingly, performance results of specified funds inevitably show positive rates of return or investment results.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

ALASKA RETIREMENT MANAGEMENT BOARD

ACTUARIAL REVIEW OF PENSION AND POSTEMPLOYMENT HEALTHCARE PLANS

APRIL 9, 2010

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April 9, 2010

Mr. Gary Bader
Chief Investment Officer
Department of Revenue, Treasury Division
Alaska Retirement Management Board
P.O. Box 110405
Juneau, AK 99811-0405

Subject: **Actuarial Review of June 30, 2009 valuations for the State of Alaska Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS).**

Dear Gary:

We have performed an actuarial review of the June 30, 2009 Actuarial Valuations for PERS and TRS.

This report includes a review of:

- Pension Assumptions and Benefits
- Health Care Cost Assumptions
- Actuarial Valuation Methods and Procedures
- Contribution Rate Determination
- Actuarial Valuation Report
- Potential Areas for Future Review

A major part of the review is a thorough analysis of the test lives provided by Buck Consultants. The report includes exhibits which summarize the detailed analysis of these sample test cases for PERS and TRS, as well as a comparison of the results between Buck Consultants and GRS. We wish to thank the staff of the State of Alaska Treasury Division and Buck Consultants without whose willing cooperation this review could not have been completed.

Sincerely,

Gabriel, Roeder, Smith & Company

Leslie L. Thompson, FSA, FCA, EA, MAAA
Senior Consultant

Todd D. Kanaster, ASA, MAAA
Senior Analyst

cc: Ms. Judy Hall

p/2742Alaska/2010/Val/AlaskaAudit2010DraftReportPERSTRS.doc

TABLE OF CONTENTS

SECTION 1

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Gabriel, Roeder, Smith & Co. was engaged by the Alaska Retirement Management Board (ARMB) to review the June 30, 2009 Actuarial Valuation of the State of Alaska Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS).

This report presents our findings in the following areas:

- General Approach
- Pension Assumptions and Benefits
- Health Care Cost Assumptions
- Actuarial Valuation Methods and Procedures
- Contribution Rate Determination
- Actuarial Valuation Report
- Potential Areas for Future Review
- Summary and Conclusions

In general, we found that the Buck's actuarial results and reports were reasonable. We found no areas of concern in the actuarial valuation results, and find the assumptions consistent with generally accepted actuarial practice. We have recommended further review of the assumptions, since the retirement assumptions have created liability losses for each of the last four years and the medical assumptions have created liability gains for each of these last four years. We have also monitored the outcome of findings from prior audits, and have found all outstanding issues from these prior audits to be closed.

FINDINGS FROM 2010 AUDIT

Through the test life review completed with the 2010 audit we did not find any actuarial matters that merit further consideration. Our test life work, in general, matches that of Buck Consultants. The liabilities shown in the Buck test lives matches to our liabilities well within an acceptable degree of tolerance.

We also performed an analysis of the annual gain and loss by source. This analysis is shown in the section of the back of this report entitled "Potential Areas for Future Review". While we initially did not find any assumption to be out of the realm of reasonableness, we found, upon looking at the trend in the liability impact, that there is a pattern of retirement assumptions persistently creating losses and the medical assumptions persistently creating gains. This outcome leads us to the recommendation that a review of the assumptions should be conducted, and that assumptions be adopted such that the liability experience of the assumption no longer creates a persistent bias.

FINDINGS FROM 2009 AND PRIOR AUDITS

In addition, we continue to monitor the findings and recommendations from the 2009 audit against the test lives and reports submitted by Buck for the 2010 audit. At the end of this Section we have included a checklist of our review of these items and Buck's status and/or explanation for each item. We have noted the most significant areas of concern below, and a more detailed interpretation of the correspondence of resolution and/or explanation between Buck and GRS is noted in Section 3. All issues from these prior valuations have been resolved, and these are included only for historical reference.

- ***Benefit "spike" in valuation year***
- ***Post retirement pension adjustments (PRPA)***
- ***Appropriate age determination for temporary disability benefit***

SUMMARY OF TEST LIFE REVIEW

We have included as a part of this report a detailed test life results summary.

- We matched the present value of benefits closely in total on all testlives submitted. We have included exhibits in Section 5 of the report which summarize the differences in calculations by decrement for the test lives analyzed. Differences between actuarial firms will always occur due to system differences and other nuances in the calculations.
- The actuarial basis used for the funding of the plan lies within the range of reasonableness.
- We also have noted the greater increase in data available for the retiree health plan and the fact that the data was tested and used to further validate the valuation results of the retiree health portion of the plan.

Issue		GRS Recommendations (from prior Audits)	Plan		Buck Comments
Benefits					
1.	Retirement				
	a. Unused sick leave 2.73% load	Incorporate 2.73% load before benefit calculation to avoid undervaluing EE's with over 20 years of service.	TRS	✓	Changed in 2009.
	b. Final Average Earnings	Review method for calculating the final average earnings.	PERS, TRS	✓	Buck believes it's appropriate as is.
2.	Withdrawal				
	a. Unused sick leave 2.73% load	See 1.a.	TRS	✓	Resolved
	b. Unused sick leave for deferreds	Include the 2.73% load for current vested terminated members.	TRS	✓	Buck states that this is included.
	c. Pre-Retirement Death benefit	Include for current vested terminated members.	PERS, TRS	✓	This was being correctly run in 2008.
	d. Interest on employee contributions	Compound semi-annually instead of annually.	PERS	✓	Credited at equivalent 4.55% anually.
3.	Death				
	a. Modified cash refund	Include to account for possibility that a retiree dies prior to receipt of contributions.	PERS, TRS	✓	Changed in 2009.
	b. Tier 1 death after retirement	Review PRPA benefit.	TRS	✓	Changed in 2009.
	c. Tier 2 active death	Value using immediate factor	TRS	✓	Changed in 2009.
	d. Tier 1 active death supplemental survivor allowance	Remove joint & survivor adjustment from the calculation.	TRS	✓	Changed in 2009.
	e. Lump-sum death benefits	Make stated corrections.	TRS	✓	Changed in 2008.
	f. Postretirement benefit adjustments	Review appropriate ages in calculations.	PERS, TRS	×	Agree with GRS, but system limitations prevent this change. Believed to be de minimus.
4.	Disability				
	a. Alaska COLA description	Explicitly note that Alaska COLA valued does not include the annual PRPA increase	PERS, TRS	✓	Changed in 2008.
	b. Temporary v. deferred disability benefit	Correct the timing of when temporary benefit ends and the deferred benefit commences for members eligible for normal retirement.	PERS, TRS	×	Agree with GRS, but system limitations prevent this change. Believed to be de minimus.
	c. Unused sick leave 2.73% load	See 1.a.	TRS		
	d. PRPA load	Disclose the assumed 9.0% load	TRS	✓	Changed in 2008.
OPEB					
5.	Administrative Expenses	Disclose on a dollar basis	PERS, TRS	✓	Changed in 2008.

SECTION 2

GENERAL APPROACH

GENERAL APPROACH

Gabriel, Roeder, Smith & Co. was charged with reviewing the actuarial assumptions of the pension and health care provisions of the actuarial valuations of TRS and PERS.

We requested a number of items from Buck Consultants in order to perform the actuarial review and health cost assumption review:

1. We received the draft reports on February 16, 2010. On December 7, 2009, we received the pension test lives for PERS and TRS, and valuation data for pension and healthcare for both plans. On December 29, 2009, we received the healthcare test lives for PERS and TRS.

In performing our review, we:

1. Reviewed actuarial assumptions – we checked to see if they were consistent, comprehensive, and appeared reasonable.
2. Reviewed the actuarial valuation reports as of June 30, 2009 for completeness, GASB compliance and a review of financial determinations.
3. Reviewed, in detail, the sample members provided us – This provided us with a perspective on the actuarial process utilized by Buck with respect to the plan and allowed us to review the valuation methods and procedures.
4. Reviewed the health cost assumptions and trend.
5. Identified areas for future more detailed review.

KEY ACTUARIAL CONCEPTS

An actuarial valuation is a detailed statistical simulation of the future operation of a retirement system using the set of actuarial assumptions adopted by the Board. It is designed to simulate all of the dynamics of such a system for each current system member including:

1. Earning future service and making contributions,
2. Receiving changes in compensation,
3. Leaving the system through job change, disablement, death, or retirement, and
4. Determination of and payment of benefits from the System.

This simulated dynamic is applied to each active member of the System. It results in a set of expected future benefit payments to that member. Bringing those expected payments to present value, at the assumed rate of investment return, produces the Actuarial Present Value ("APV") of future benefits for that member. In like manner, an APV of future salaries is determined.

The APV of future benefits and the APV of future salaries for the entire System are the total of these values across all members. The remainder of the actuarial valuation process depends upon these building blocks.

Once the basic results are derived, an actuarial method is applied in order to develop information on contribution levels and funding status. An actuarial method splits the APV of future benefits into two components:

1. APV of Future Normal Costs, and
2. Actuarial Accrued Liability ("AAL").

The actuarial method in use by the State of Alaska is known as the Entry Age Normal (EAN) method. Under EAN, the Normal Cost for a member is that portion of the Actuarial Present Value of the increase in the value of that member's benefit for service during the upcoming year. The AAL is the difference between the total APV and the present value of all future normal costs.
.
For TRS and PERS, the APV of future benefits applies to the following benefits:

- Retirement benefits
- Withdrawal benefits
- Disability benefits
- Death benefits
- Return of contributions
- Medical benefits
- Indebtedness (from contributions which might be redeposited)

The medical benefits are based on potential future health care benefits, while the others are a type of post-employment income replacement benefit, based on salary. For the medical benefits, estimates must be made of the future health care costs. This is done by determining current per capita health care claim costs by age of retiree, and projecting them into the future based on anticipated future health care inflation.

SECTION 3

REVIEW OF PENSION ASSUMPTIONS AND BENEFITS

REVIEW OF PENSION ASSUMPTIONS AND BENEFITS

GENERAL

In the review of the testlives as well as the report we confirmed that the assumptions shown in the report were the assumptions used in the PERS and TRS valuations.

BACKGROUND

The findings below are based on the detailed review of the following test lives summarized in exhibits at the end of Section 5:

- PERS (Pension): Two actives, two retirees, and one vested termination
- TRS (Pension): Two actives, two retirees, and one vested termination

Note that the active test lives analyzed are not necessarily exposed to all of the possible benefits under the plans (i.e. already beyond the eligibility period for certain benefits, or not eligible for particular benefits). Therefore, findings may occur for these other benefits in future audits depending on the set of test lives chosen for review at that time. However, the vast majority of the liability for each plan is due to the retirement benefits (included for all active test lives), and retirement-related withdrawal benefits (one active testlife included per plan), so any future findings are also expected to be de minimus. Also, the impact for any one test life may not be representative of the impact on the total plan.

2009 AND PRIOR AUDITS-CLOSING COMMENTS

Retirement Benefits:

A. *TRS active benefits loaded to value sick leave accruals*

GRS Finding: There is a flat load of 2.73% on certain TRS benefits for the sick leave accrual. While this is a reasonable estimation method, all other things being equal, we would recommend discussion of whether the 2.73% should be tied to service since there is a different multiplier before and after 20 years of service. A flat percentage multiplier may not completely reflect the amount by which incorporating unused sick leave would enhance the benefit.

Buck Explanation: Buck has stated that they do not load service directly because they do not want to modify their entry age calculations or decrements and that, by applying this load in the formula they believe they are effectively accomplishing the same thing.

Recommendation: While this issue may not have much impact on the valuation, we are concerned that it may materially affect a future retirement study. Buck has stated that they will research alternative ways to value this load for the 2009 valuation.

Closing comments: Buck has made a change to the 2009 TRS valuation to include a load to the service instead a load to the benefit amount.

B. Benefit "spike" in valuation year

GRS Finding: Our review indicates that a benefit "spike" is occurring in the valuation year for both PERS and TRS. This one year "up-tick" in the benefit is due to using the Final Average Earnings provided in the data (and not using final average earnings as Buck would calculate, based on the member's historical data).

Buck Explanation: Buck has verified that the Final Average Earnings is provided in the data submitted for the valuation and is only used if greater than the average earnings calculated by their valuation system based on the member's historical data. They believe this method is appropriate since this is the actual average used in the calculation of the benefit.

Recommendation: We recommend further exploration to understand the "up-tick" to determine if the assumption determined by Buck should be set for all years. The reason for this concern is that this method creates an actuarial loss, since the Final Average Earnings used is always the greater of the two data fields. The research should confirm the reason for the difference.

Closing comments: Buck has confirmed their belief that the current method is appropriate.

Withdrawal Benefits:

C. Disclosure of withdrawal rates

GRS Finding: We find it more challenging to match liabilities due to the limited information and detail of the withdrawal rates provided in Buck's 2008 actuarial valuation report.

Recommendation: We recommend disclosing the select period rates of turnover to at least two decimals in both the PERS and TRS valuation reports. Additionally, more disclosure of the rates should be provided in the valuation (i.e. more age and service combinations).

<u>*Closing comments:*</u> Buck has included additional disclosure of the withdrawal rates in the 2009 PERS and TRS valuation reports as recommended above.

<u>Death Benefits:</u>

D. Assumption on refunds versus annuity election

<u>*GRS Finding:*</u> Non-vested refunds for occupational deaths, involving single participants and the 15% of married participants assumed to elect the refund over an annuity, are not currently being valued.

<u>*Buck Explanation:*</u> Buck has agreed with the assessment that some death benefits are not currently being valued and will include these benefits in the 2009 valuation.

<u>*Closing comment:*</u> Buck has included these additional death benefits in the 2009 valuation liability calculations.

E. Factor applied to temporary death benefit

<u>*GRS Finding:*</u> A temporary death benefit payable to spouses of occupational deaths assumed to elect an annuity had a factor of 0.6 incorrectly applied.

<u>*Buck Explanation:*</u> Buck has stated that they will research the factor applied to the temporary occupational death benefit and that it will be corrected for the 2009 valuation.

<u>*Closing comment:*</u> Buck has corrected this factor with the 2009 valuation.

F. Modified cash refund at death for deferred vested terminations

<u>*GRS Finding:*</u> Determination of benefits at death for deferred vested terminations should include a modified cash refund at death; however this is not shown in the benefit calculations. The plan provisions under PERS and TRS indicate that, if an inactive member dies prior to receipt of their contributions, a return of those contributions will be made.

<u>*Buck Explanation:*</u> Buck confirmed that the death benefit for current vested terminated members includes a modified cash refund annuity feature. They will include this feature in the 2009 valuations for the active death benefits.

<u>*Closing comment:*</u> Buck's 2009 valuations include a modified cash refund annuity feature for the active death benefits.

G. *Post-retirement pension adjustments (PRPA)*

GRS Finding: Through our review we have confirmed that Buck is calculating the change in the postretirement pension adjustments based upon the age of the original member, not the age of the benefit recipient.

Buck Explanation: Due to system limitations, Buck is unable to value the COLA based upon the age of the benefit recipient, and believe this difference is immaterial since they slightly overstate the PRPA adjustment for female spouses and slightly understate the PRPA adjustment for male spouses.

Recommendation: We recommend investigating this method further to determine the level of significance with respect to adjustments made on spouse gender.

Closing comment: System limitations prevent this change, and we concur with Buck that for purposes of the valuation results this is a deminimus issue.

Disability Benefits:

H. *Appropriate age determination for temporary disability benefit*

GRS Finding: For valuation purposes, Buck determines the disability benefit as the sum of two separate pieces - a temporary benefit (50% of pay) payable until the member reaches eligibility for normal retirement and a deferred benefit (normal retirement benefit) payable once the member attains eligibility for normal retirement. Based on the TRS test lives, it appears that the temporary disability benefit continues to be valued for members that are eligible for normal retirement.

Buck Explanation: Buck states that due to system limitations, they are not able to start and stop benefits based on specific dates per individual such as normal retirement age. They believe the temporary benefit is a close approximation of the normal retirement benefit for the period of disability.

Recommendation: We believe that once a member reaches eligibility for normal retirement then they are no longer eligible for the temporary disability benefit. Further exploration may be necessary if benefit studies are requested based on these benefits.

Closing comments: We concur this is a deminimus issue.

ECONOMIC ASSUMPTIONS

General

These assumptions simulate the impact of economic forces on the amounts and values of future benefits. Key economic assumptions are the assumed rate of investment return and assumed rates of future salary increase.

Economic assumptions are normally defined by an underlying inflation assumption. Buck has cited 3.50% as its inflation assumption. This level of inflation is slightly higher than that now being experienced, but is solidly in the generally accepted range.

Investment Return Assumption

The nominal investment return assumption is 8.25%. The assumption is net of all investment and administrative expenses. A net investment return rate of 8.25% per annum falls on the high end of the spectrum of that used by most public employee retirement systems. And combined with the 3.50% inflation assumption, this yields a 4.75% real net rate of return. This 4.75% real return should be continuously tested with the PERS and the TRS asset allocation.

In addition, we understand that the health trust must now be separated from the retirement trust. Due to the different sizes of the trusts, and the potential liquidity differences of these trusts, we recommend of review of the asset structure for each, and then a review of the investment return assumption for each trust.

Because PERS and TRS are closed to new members, eventually the asset allocation may need to be adjusted to reflect cash flow needs. This should also be considered in the next asset allocation and experience study.

Member Pay Increase Assumption

In sophisticated actuarial models, assumed rates of pay increase are often constructed as the total of several components:

> Base salary increases -- base pay increases that include price inflation and general "standard of living" or productivity increases.
>
> An allowance for Merit, Promotion, and Longevity – This portion of the assumption is not related to inflation.

In the context of a typical pay grid, pay levels are set out for various employment grades with step increases for longevity:

The base salary increase assumption reflects overall growth in the entire grid, and
The Merit, Promotion, and Longevity pay increase assumption reflects movement of members through the grid, both step increases and promotional increases.

Base Salary Increase Assumption

The Base Salary Increase Assumption (also known as the inflation assumption) is 3.50% for the members.

Merit, Promotion, and Longevity Pay Increase Assumption

As described above, the Merit, Promotion, and Longevity pay increase assumption represents pay increases due to movement through the pay grid. This is based on longevity and job performance. In most models, it is recognized that step increases and promotions are very rare late in careers. Thus, this allowance should trail away from relatively high levels for young or short service members to virtually nothing late in careers. We would expect that, as members approach retirement, this component would fade away.

The assumptions used by Buck are reasonable.

We would also offer that the manner in which pays change over time for teachers in comparison to public employees tends to differ. Since most teachers have a specific skill set, the approach to their compensation tends to follow a more consistent trend. Public Employees however (except for Peace officers and Firefighters) tend to represent a multitude of different skills – from a more generalized, labor intensive capacity (e.g., custodial) to more specialized training (ex. Accounting).

SUMMARY

In summary, the set of actuarial assumptions appear to be reasonable. However, based on a persistent bias in the gains and losses (see the discussion in the Section entitled “Potential Areas for Future Review”) we are recommending a re-examination of the assumptions from the perspective of their unique liability impact on the fund.

SECTION 4

REVIEW OF HEALTH CARE COST METHODS AND ASSUMPTIONS

REVIEW OF HEALTH CARE COST ASSUMPTIONS

GENERAL

Buck was able to complete their analysis of medical costs based on claims information provided by Aetna and Premera. For the 2009 valuation, the claim costs and Medicare offset analyses were updated using claims and enrollment data. Individual claim level detail was obtained from Aetna and Premera for 2006, 2007, 2008 and through June for 2009. Having this detailed data is consistent with our recommendations from prior years, and provides additional credibility to the valuation results.

Also, the portion of retirees assumed to be eligible for Medicare Parts A and B and for Part B only was modified, further adding more credibility to the valuation results.

Claims Cost and Medicare Offset

For the 2008 valuations, Buck updated the claims costs and Medicare offset analyses using additional claims and enrollment information, and the same methodology as used for the 2005 Experience Analysis.

We found the trend in the per capita claim costs over the years to be of interest:

Per Capita Claim Costs

	Medical-2010	Rx-2010	Medical - 2009	Rx -2009	Medical 2008	Rx 2008
Pre- Medicare	**$7,503**	**$2,419**	**$7,670**	**$2,379**	**$7,196**	**$2,173**
Medicare A&B only	**$1,336**	**$2,419**	**$1,296**	**$2,379**	**$1,151**	**NA**
Medicare B only	**$4,754**	**$2,419**	**$3,384**	**$2,379**	**$2,805**	**NA**

The changes in rates, particularly for Medicare B only (a 21% increase from 2008 to 2009, then a 40% increase from 2009 to 2010), illustrate the volatility of that group. Since the group is so small relative to the entire population, we believe the volatility to be of little concern to the plan as a whole. Otherwise, we would have recommended a discussion with Buck on the merits of utilizing additional variance reducing techniques.

Method and Contributions

- Nothing to recommend

Report

- Nothing to recommend.

Assumptions

- The trend assumptions used for Medical and Prescription Drugs still appear to be reasonable. Overall, the health care assumptions have persistently created significant gains to the plan. We are recommending a review of all medical related assumptions, and their liability impact on the plan. Over the course of the last four years, the total liability gain due to favorable experience on the medical portion of the valuation has exceeded $1.8 billion. We are also recommending the 100% participation rate be reviewed. Our experience has shown that a plan rarely experiences 100% of its membership to elect retiree medical coverage.

Incurred Adjustment

- Assumptions were developed regarding the number of Medicare Part B only coverage and associated claims costs. In addition, the assumed lag used to adjust claims data from a paid to incurred basis has been changed from 2 months, to 1.9 months. We concur with this approach.

Aging of Claim Costs

- Buck used individual claim data to develop age-graded cost rates, and will continue to measure the individual claim data against the aging curve to test its ongoing reasonableness of fit. We concur with this methodology.

Claims and Enrollment Data

GRS Finding: Buck has obtained more detailed claims and enrollment data which are necessary for the establishment of more credible projections. The healthcare environment is volatile and unpredictable. Through a detailed claims analysis, cyclical patterns and anomalies can be identified. Using numerous years of claims and enrollment experience, trends, lag factors and enrollment adjustments can be developed that will stabilize the claims experience giving a higher level of confidence for future projections.

Buck Explanation: Buck has indicated they will continue to obtain this data and compare it to the assumptions used in the retiree medical valuation.

Medicare vs. non-Medicare Coverage Information

GRS Finding: This group of pre-86 hires represents a closed and decreasing group of members, and hence a smaller and smaller portion of the liability.

Buck Explanation: Buck was not able to obtain Medicare vs. non-Medicare covered information, but has set a reasonable assumption that 3.50% (changed from 4.0% in the prior valuation) of those retiring will not have Medicare coverage.

Recommendation: We concur with the assumption.

SECTION 5

REVIEW OF ACTUARIAL VALUATION METHODS AND PROCEDURES

REVIEW OF ACTUARIAL VALUATION METHODS AND PROCEDURES

I. Background

An actuarial valuation is a detailed statistical simulation of the future operation of a retirement system using the set of actuarial assumptions adopted by the Board.

The actuarial values generated from this process are based not only on these assumptions, but also on the additional assumptions built into each actuarial firm's pension valuation software.

Our scope for performing the review did not include a complete replication of the valuation results as determined by Buck Consultants at June 30, 2009. Rather, we reviewed a number of sample test lives from Buck in great detail, and made our determinations as to whether the methods and assumptions being employed were being done so properly. We also reviewed the report in order to examine the aggregate results and conclusions of this actuarial valuation.

Though this approach is not intended to meet the rigors of a full scale replication of results – it still serves as a strong indicator of the appropriateness of the assumptions and methods being used to value the liabilities and determine the costs for these plans.

II. Process:

Our review process can be summarized as follows:

Computation: Valuation Liabilities

We analyzed test cases to compare the Actuarial Liability under the EAN funding method for the test cases of the PERS and TRS Systems. As a starting point, we wanted to first replicate Buck's test case liabilities by using their assumptions and methods to ensure that the computations were in sync with the descriptions listed in the valuation report.

When conducting an actuarial audit, and reviewing the testlives, we look at the projected benefits at each age for each decrement type. We also look at the component of the benefit (final average earnings and years of service). This is critical to understanding what the valuation system is actually valuing and making sure that they valuation is not "right for the wrong reasons", (meaning, errors could occur in two different directions making total liabilities approximate a correct value.)

We also review the construction of the commutation functions- the varying probabilities for each decrement and the discounting to the valuation date.

III. Actuarial Method:

Findings:

The actuarial method used for producing Alaska PERS and TRS June 30, 2009 Actuarial Valuations is known as the Entry Age Normal (EAN) Method. Under this method, benefits are projected to the assumed occurrence of future events based on future salary levels and service to date. The Normal Cost is the present value of benefits to be earned for the current year while the Actuarial Accrued Liability (AAL) is the present value of benefit earned for all prior years

Conclusion:

The level percent of pay method for both amortization of the unfunded accrued liability and the normal cost are both appropriate as a funding policy, considering that that payroll is not closed (as promulgated under SB 123.) For GASB reporting purposes (as opposed to funding purposes), a different set of numbers may need to be disclosed to account for the closed nature of the group.

Additionally, to account for the Part D subsidy in the retiree medical plan, a different set of numbers may need to be disclosed for GASB reporting purposes (again, as opposed to funding purposes). The report also recognizes that a different discount rate will need to be utilized for the GASB numbers for the retiree medical liabilities, in order to recognize the partially funded nature of that plan.

The EAN method is the most commonly used method in the public sector. The EAN method tends to produce the most stable costs- a tool widely appreciated for its budgeting purposes.

IV. Actuarial Calculations:

We reviewed sample test cases used for the June 30, 2009 valuation draft reports. In order to accomplish this, we requested a number of sample cases from Buck with intermediate statistics to assist us in analyzing the results. We combined this with our understanding of the plan provisions in an attempt to analyze the liability values produced by Buck for these sample cases only.

Findings:

We analyzed the test cases and found the results to be well within acceptable tolerance limits for differences in the present value of benefits.

Conclusion and Results:

We matched the liabilities in total quite closely for the test cases submitted under the Pension plans for PERS and TRS, and present value of retirement benefits under the PERS Retiree Health plan. In addition we have analyzed the calculations of the ancillary benefits and have provided a summary of this detailed analysis at the end of this section. These exhibits provide a comparison of the calculations by decrement provided to us from Buck against our replication of those benefits as we interpret them from the plan provisions and assumptions. We completed this detail for two active test lives under PERS and TRS (Pension plan), as well as selected inactives and pay status members under PERS and TRS. We continue to refine our review for two active test lives under both the PERS and TRS Retiree Health plans with regards to the retirement benefits, as well as the inactives and pay status. Some of the decrements match very well, and others show more discrepancy. The significant differences are shown in the exhibits where the percentage difference of the comparison between Buck and GRS is not close to 100%. Hence we recommend further study of these particular areas.

In matching the present value of benefits, it is being determined that all benefits are being valued, and that the valuation of the liability for those benefits is consistent with the stated assumptions and methods.

PENSION PLANS

For PERS pension, the test life PVB match was within 0.1% on the two cases shown. The retirees match to within 0.1% and inactive matched exactly. This would be considered as an overall match for purposes of the valuation.

For TRS pension, the test life PVB match was within 0.1% on the two cases shown. The retirees match exactly and the inactive to within 1.4%. This would be considered as an overall match for purposes of the valuation.

We have no additional issues to recommend for review.

RETIREE HEALTH PLANS

For PERS retiree health, the test life PVB match on the retirement benefit decrement for active members was within .8% on one test life, and .2% on the other active test life. This is considered a reasonable match, as the retirement benefit decrement consists of approximately 90% of the total PVB. The retirees match to within 0.5% and inactive to within .2%. This would be considered as an overall match for purposes of the valuation for retirees and inactives.

For TRS retiree health, the test life PVB match on the retirement benefit decrement for the Medicare B only member was 2.9%. The match for the Medicare A and B member was within 1.2%. The GRS numbers were lower, and we consider both of these a reasonable match, as the retirement benefit decrement consists of approximately 90% of the total PVB. The retirees match to within 1.0% and inactive to within 1.5%. This would be considered as an overall match for purposes of the valuation for retirees and inactives.

ALASKA RETIREMENT MANAGEMENT BOARD
Actuarial Review of Pension and Health Plans - June 30, 2009
Comparison of Present Value of Benefits - **PERS Pension**

Actives	**Test Case 1 - PF Tier 3**		
Basic Data:	Current Age 48.0710	Credited Service 3.0027	Sex Female
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 3 - Ret AK COLA	5,142.06	5,142.06	0.0%
Tier 3 - Ret	158,906.18	158,906.10	0.0%
Total Retirement PVB	**164,048.24**	**164,048.16**	**0.0%**
Disability:			
Dis Dth Ben AK COLA	-	-	0.0%
Dis Dth Ben	-	-	0.0%
Non-vested LS Ben	41.23	41.24	0.0%
Tier 3 Def Dis Nocc AK COLA	78.09	78.09	0.0%
Tier 3 Def Dis Nocc	1,569.68	1,569.68	0.0%
Tier 3 Def Dis Occ AK COLA	310.60	310.61	0.0%
Tier 3 Def Dis Occ	6,248.50	6,248.52	0.0%
Tier 3 Temp Dis AK COLA	211.60	211.60	0.0%
Tier 3 Temp Dis	3,746.49	3,746.49	0.0%
Tier 3 Temp Occ Dis AK COLA	68.20	68.20	0.0%
Tier 3 Temp Occ Dis	1,263.29	1,263.29	0.0%
Total Disability PVB	**13,537.68**	**13,537.72**	**0.0%**
Death:			
Vested NonOcc Single LS Dth	109.99	109.98	0.0%
Occ Single LS Dth	329.98	329.97	0.0%
Non Vested NonOcc <1 svc LS Dth	1.64	1.64	0.0%
Non Vested LS Dth	21.58	21.58	0.0%
Tier 3 Act Dth Def Marr AK COLA	120.08	120.08	0.0%
Tier 3 Act Dth Def Marr	2,355.10	2,355.11	0.0%
Tier 3 Act Dth Occ Temp Marr AK COLA	-	-	0.0%
Tier 3 Act Dth Occ Temp Marr	559.04	553.10	1.1%
Tier 3 Act Dth Temp Marr AK COLA	-	-	0.0%
Tier 3 Act Dth Temp Marr	1,536.97	1,531.51	0.4%
Vested LS (NonOcc) Dth	38.50	38.49	0.0%
Total Death PVB	**5,072.88**	**5,061.46**	**0.2%**
Withdrawal:			
Non-Vested Term	3,795.00	3,794.99	0.0%
Tier 3 - DV Dth AK COLA upd	3.20	4.25	-24.7%
Tier 3 - DV Dth upd	22.26	19.56	13.8%
Tier 3 - Term AK COLA	316.40	316.40	0.0%
Tier 3 - Term	16,242.71	16,155.65	0.5%
Vested LS Term	1,522.48	1,522.46	0.0%
Total Withdrawal PVB	**21,902.05**	**21,813.31**	**0.4%**
GRAND TOTAL PVB	**204,560.85**	**204,460.65**	**0.0%**

Actives	**Test Case 2 - Other Tier 2**		
Basic Data:	Current Age 57.4809	Credited Service 7.8411	Sex Female
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 2 - Ret AK COLA	4,112.70	4,112.70	0.0%
Tier 2 - Ret	105,926.22	105,926.24	0.0%
Total Retirement PVB	**110,038.92**	**110,038.94**	**0.0%**
Disability:			
Tier 2 Def Dis Death Ben AK COLA	-	-	0.0%
Tier 2 Def Dis Death Ben	-	-	0.0%
Non-vested LS Ben	-	-	0.0%
Tier 2 Def Dis Nocc AK COLA	56.68	56.67	0.0%
Tier 2 Def Dis Nocc	1,129.10	1,129.10	0.0%
Tier 2 Def Dis Occ AK COLA	58.48	58.47	0.0%
Tier 2 Def Dis Occ	1,165.36	1,165.36	0.0%
Tier 2 Temp Dis AK COLA	7.10	7.10	0.0%
Tier 2 Temp Dis	119.89	119.89	0.0%
Tier 2 Temp Occ Dis AK COLA	-	-	0.0%
Tier 2 Temp Occ Dis	-	-	0.0%
Total Disability PVB	**2,536.61**	**2,536.59**	**0.0%**
Death:			
Vested NonOcc Single LS Dth	76.99	76.98	0.0%
Occ Single LS Dth	76.99	76.98	0.0%
Non Vested NonOcc <1 svc LS Dth	-	-	0.0%
Non Vested LS Dth	-	-	0.0%
Tier 2 Act Dth Def Marr AK COLA	28.93	28.93	0.0%
Tier 2 Act Dth Def Marr	567.28	567.26	0.0%
Tier 2 Act Dth Occ Temp Marr AK COLA	-	-	0.0%
Tier 2 Act Dth Occ Temp Marr	-	-	0.0%
Tier 2 Act Dth Temp Marr AK COLA	-	-	0.0%
Tier 2 Act Dth Temp Marr	41.17	41.16	0.0%
Vested LS (NonOcc) Dth	26.95	26.93	0.1%
Total Death PVB	**818.31**	**818.24**	**0.0%**
Withdrawal:			
Non-Vested Term	-	-	0.0%
Tier 2 - DV Dth AK COLA upd	-	-	0.0%
Tier 2 - DV Dth upd	-	-	0.0%
Tier 2 - Term AK COLA	-	-	0.0%
Tier 2 - Term	-	-	0.0%
Vested LS Term	-	-	0.0%
Total Withdrawal PVB	**-**	**-**	**0.0%**
GRAND TOTAL PVB	**113,393.84**	**113,393.77**	**0.0%**

Inactives - PVB	**GRS***	**Buck**	**% Diff**
Retiree - PF Tier 2 - Male	245,852	246,133	-0.1%
Retiree - Other Tier 2 - Male	647,719	647,179	0.1%
Vested Termination - PF Tier 3 - Female	16,481	16,481	0.0%

** GRS' audit of Buck's calculation includes review of the benefit amounts, annuity values, assumptions and other factors related to the PVB calculation at each projected age. Differences may exist due to different interpretations of the statutes, as well as additional items as discussed throughout this audit report.*

ALASKA RETIREMENT MANAGEMENT BOARD
Actuarial Review of Pension and Health Plans - 2009

Comparison of Present Value of Benefits - **PERS Pension**

Benefits - Buck Valuation Terminology	Description*
Retirement:	
Tier x - Ret AK COLA	Alaska Cost of Living Allowance (10% of Ret base benefit)
Tier x - Ret NA - mod cash ref	Early/Normal Retirement (base) Benefit
Disability:	
Dis Dth Ben AK COLA	Alaska Cost of Living Allowance (10% of Dis Dth base benefit)
Dis Dth Ben	Death (base) Benefit payable upon death after occupational disability
Non-vested LS Ben	Refund of employee contributions payable upon nonoccupational disability before vested
Tier x Def Dis Nocc AK COLA	Alaska Cost of Living Allowance (10% of Def Dis Nocc base benefit)
Tier x Def Dis Nocc	Disability (base) Benefit payable upon eligibility for retirement
Tier x Def Dis Occ AK COLA	Alaska Cost of Living Allowance (10% of Def Dis Occ base benefit)
Tier x Def Dis Occ	Disability (base) Benefit payable upon eligibility for retirement
Tier x Temp Dis AK COLA	Alaska Cost of Living Allowance (10% of Temp Dis base benefit)
Tier x Temp Dis	Disability (base) Benefit payable until eligible for normal retirement
Tier x Temp Occ Dis AK COLA	Alaska Cost of Living Allowance (10% of Temp Occ Dis base benefit)
Tier x Temp Occ Dis	Disability (base) Benefit payable until eligible for normal retirement
Death:	
Vested NonOcc Single LS Dth	Refund of employee contributions upon death of single (vested) member - Non Occ
Occ Single LS Dth	Refund of employee contributions upon death of single (vested) member - Occupational
Non Vested NonOcc <1 svc LS Dth	Refund of EE contributions upon death of single (non-vested) member - Non Occ < 1 year of svc
Non Vested NonOcc 1 <svc<5 LS Dth	Refund of EE contributions upon death of single (non-vested) member - Non Occ 1<svc<5
Non Vested LS Dth	Refund of employee contributions upon death of non-vested member
Tier x Act Dth Def Marr AK COLA	Alaska Cost of Living Allowance (10% of Act Dth Def Marr base benefit)
Tier x Act Dth Def Marr	Death (base) benefit payable upon eligibility for normal retirement
Tier x Act Dth Occ Temp Marr AK COLA	Alaska Cost of Living Allowance (10% of Act Dth Occ Temp Marr base benefit)
Tier x Act Dth Occ Temp Marr	Occupational Death (base) benefit payable until eligible for normal retirement
Tier x Act Dth Temp Marr AK COLA	Alaska Cost of Living Allowance (10% of Act Dth Temp Marr base benefit)
Tier x Act Dth Temp Marr	Death (base) benefit payable until eligible for normal retirement
Vested LS (NonOcc) Dth	Refund of employee contributions upon death of married (vested) member
Withdrawal:	
Non-Vested Term	Refund of employee contributions upon termination of non-vested member
Tier x - DV Dth AK COLA upd	Alaska Cost of Living Allowance (10% of DV Dth base benefit)
Tier x - DV Dth upd	Death (base) Benefit payable upon death after withdrawal but before benefit commencement
Tier x - Term AK COLA	Alaska Cost of Living Allowance (10% of Term base benefit)
Tier x - Term	Deferred retirement (base) Benefit (deferred to early retirement eligibility)
Vested LS Term	Refund of employee contributions upon termination of (vested) member
	* Base benefits include PRPAs.

ALASKA RETIREMENT MANAGEMENT BOARD
Actuarial Review of Pension and Health Plans - June 30, 2009

Comparison of Present Value of Benefits - **TRS Pension**

Actives	**Test Case 1 - Tier 1**		
Basic Data:	Current Age	Credited Service	Sex
Sex	50.847	28.00	Female
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 1 - Ret AK COLA	29,343.40	29,361.32	-0.1%
Tier 1 - Ret	562,181.27	562,514.97	-0.1%
Ret Dth Supp Child Allow AK COLA	-	-	0.0%
Ret Dth Supp Child Allow	-	-	0.0%
Ret Dth Supp Surv Allow AK COLA	616.25	616.76	-0.1%
Ret Dth Supp Surv Allow	14,781.68	14,790.46	-0.1%
Total Retirement PVB	**606,922.60**	**607,283.51**	**-0.1%**
Disability:			
Dis Dth Ben AK Cola	-	-	0.0%
Dis Dth Ben	-	-	0.0%
Non-vested LS Ben	-	-	0.0%
Tier 1 Def Dis AK COLA	191.70	174.72	9.7%
Tier 1 Def Dis	3,902.52	3,544.97	10.1%
Tier 1 Temp Dis AK COLA	14.72	14.10	4.4%
Tier 1 Temp Dis	286.99	240.02	19.6%
Tier 1 Temp Dis Child AK COLA		-	0.0%
Tier 1 Temp Dis Child		-	0.0%
Total Disability PVB	**4,395.93**	**3,973.81**	**10.6%**
Death:			
Non Vested LS Dth	-	-	0.0%
Tier 1 Act Dth No Supp Marr AK COLA	-	-	0.0%
Tier 1 Act Dth No Supp Marr	-	-	0.0%
Vested LS Dth Marr	-	-	0.0%
Vested LS Dth Sing	-	-	0.0%
Act Dth Supp Child Allow AK COLA	-	-	0.0%
Act Dth Supp Child Allow	-	-	0.0%
Act Dth Supp Surv Allow AK COLA	111.74	111.70	0.0%
Act Dth Supp Surv Allow	2,106.78	2,115.67	-0.4%
Total Death PVB	**2,218.52**	**2,227.37**	**-0.4%**
Withdrawal:			
Non-Vested Term	-	-	0.0%
Term Dth Supp Child Allow AK COLA	-	-	0.0%
Term Dth Supp Child Allow	-	-	0.0%
Term Dth Supp Surv Allow AK COLA	-	-	0.0%
Term Dth Supp Surv Allow	-	-	0.0%
Tier 1 - DV Dth AK COLA	-	-	0.0%
Tier 1 - DV Dth	-	-	0.0%
Tier 1 - Term AK COLA	-	-	0.0%
Tier 1 - Term	-	-	0.0%
Vested LS Term	-	-	0.0%
Total Withdrawal PVB	**-**	**-**	**0.0%**
GRAND TOTAL PVB	**613,537.05**	**613,484.69**	**0.0%**

	Test Case 2 - Tier 2		
Basic Data:	Current Age	Credited Service	Sex
Sex	31.05	3.00	Female
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 2 - Ret AK COLA	1,025.40	1,025.46	0.0%
Tier 2 - Ret	51,051.43	51,049.93	0.0%
Ret Dth Supp Child Allow AK COLA	-	-	0.0%
Ret Dth Supp Child Allow	-	-	0.0%
Ret Dth Supp Surv Allow AK COLA	-	-	0.0%
Ret Dth Supp Surv Allow	-	-	0.0%
Total Retirement PVB	**52,076.83**	**52,075.39**	**0.0%**
Disability:			
Dis Dth Ben AK Cola	0.93	0.94	-1.1%
Dis Dth Ben	15.97	15.63	2.2%
Non-vested LS Ben	8.96	8.95	0.1%
Tier 2 Def Dis AK COLA	31.24	13.73	127.5%
Tier 2 Def Dis	644.41	276.39	133.2%
Tier 2 Temp Dis AK COLA	19.49	40.53	-51.9%
Tier 2 Temp Dis	357.85	787.97	-54.6%
Tier 2 Temp Dis Child AK COLA	4.73	4.73	0.0%
Tier 2 Temp Dis Child	85.88	85.89	0.0%
Total Disability PVB	**1,169.46**	**1,234.76**	**-5.3%**
Death:			
Non Vested LS Dth	22.95	23.35	-1.7%
Tier 2 Act Dth No Supp Marr AK COLA	3.31	3.43	-3.5%
Tier 2 Act Dth No Supp Marr	251.45	244.65	2.8%
Vested LS Dth Marr	20.77	20.74	0.1%
Vested LS Dth Sing	69.13	69.00	0.2%
Act Dth Supp Child Allow AK COLA	-	-	0.0%
Act Dth Supp Child Allow	-	-	0.0%
Act Dth Supp Surv Allow AK COLA	-	-	0.0%
Act Dth Supp Surv Allow	-	-	0.0%
Total Disability PVB	**367.61**	**361.17**	**1.8%**
Withdrawal:			
Non-Vested Term	7,203.27	7,200.48	0.0%
Term Dth Supp Child Allow AK COLA	-	-	0.0%
Term Dth Supp Child Allow	-	-	0.0%
Term Dth Supp Surv Allow AK COLA	-	-	0.0%
Term Dth Supp Surv Allow	-	-	0.0%
Tier 2 - DV Dth AK COLA	0.84	1.88	-55.3%
Tier 2 - DV Dth	26.11	25.22	3.5%
Tier 2 - DV Dth Single	19.72	19.72	0.0%
Tier 2 - Term AK COLA	110.53	110.52	0.0%
Tier 2 - Term	5,521.72	5,524.81	-0.1%
Vested LS Term	951.14	950.29	0.1%
Total Withdrawal PVB	**13,833.33**	**13,832.92**	**0.0%**
GRAND TOTAL PVB	**67,447.23**	**67,504.24**	**-0.1%**

Inactives - PVB	**GRS***	**Buck**	**% Diff**
Retiree - Tier 1 - Female	535,776	535,776	0.0%
Retiree - Tier 1 - Male	1,036,414	1,036,414	0.0%
Vested Termination - Tier 1 - Male	110,882	109,322	1.4%

** GRS' audit of Buck's calculation includes review of the benefit amounts, annuity values, assumptions and other factors related to the PVB calculation at each projected age. Differences may exist due to different interpretations of the statutes as well as additional items discussed throughout this audit report.*

ALASKA RETIREMENT MANAGEMENT BOARD
Actuarial Review of Pension and Health Plans - 2009

Comparison of Present Value of Benefits - **TRS Pension**

Benefits - Buck Valuation Terminology	Description*
Retirement:	
Tier x - Ret AK COLA	Alaska Cost of Living Allowance (10% of Ret base benefit)
Tier x - Ret	Early/Normal Retirement (base) Benefit
Ret Dth Supp Child Allow AK COLA	Alaska Cost of Living Allowance (10% of Ret Dth Supp Child Allow base benefit)
Ret Dth Supp Child Allow	Supplemental Contributions Children's Allowance (base) Benefit payable upon death after retirement
Ret Dth Supp Surv Allow AK COLA	Alaska Cost of Living Allowance (10% of Ret Dth Supp Surv Allow base benefit)
Ret Dth Supp Surv Allow	Supplemental Contributions Survivor's Allowance (base) Benefit payable upon death after retirement
Disability:	
Dis Dth Ben AK Cola	Alaska Cost of Living Allowance (10% of Dis Dth base benefit)
Dis Dth Ben	Death (base) Benefit payable upon death after occupational disability
Non-vested LS Ben	Refund of employee contributions payable upon nonoccupational disability before vested
Tier x Def Dis AK COLA	Alaska Cost of Living Allowance (10% of Def Dis Occ base benefit)
Tier x Def Dis	Disability (base) Benefit payable upon eligibility for retirement
Tier x Temp Dis AK COLA	Alaska Cost of Living Allowance (10% of Temp Dis base benefit)
Tier x Temp Dis	Disability (base) Benefit payable until eligible for normal retirement
Tier x Temp Dis Child AK COLA	Alaska Cost of Living Allowance (10% of Temp Dis Child base benefit)
Tier x Temp Dis Child	Disability (base) Child Benefit payable until eligible for normal retirement
Death:	
Non Vested LS Dth	Refund of employee contributions upon death of non-vested member
Tier x Act Dth No Supp Marr AK COLA	Alaska Cost of Living Allowance (10% of Act Dth No Supp Marr base benefit)
Tier x Act Dth No Supp Marr	Death (base) benefit
Vested LS Dth Marr	Refund of employee contributions upon death of married (vested) member
Vested LS Dth Sing	Refund of employee contributions upon death of single (vested) member
Act Dth Supp Child Allow AK COLA	Alaska Cost of Living Allowance (10% of Act Dth Supp Child Allow base benefit)
Act Dth Supp Child Allow	Supplemental Contributions Children's Allowance (base) Benefit payable upon death
Act Dth Supp Surv Allow AK COLA	Alaska Cost of Living Allowance (10% of Actt Dth Supp Surv Allow base benefit)
Act Dth Supp Surv Allow	Supplemental Contributions Survivor's Allowance (base) Benefit payable upon death
Withdrawal:	
Non-Vested Term	Refund of employee contributions upon termination of non-vested member
Term Dth Supp Child Allow AK COLA	Alaska Cost of Living Allowance (10% of Term Dth Supp Child Allow base benefit)
Term Dth Supp Child Allow	Supplemental Contributions Children's Allowance (base) Benefit payable upon death after retirement
Term Dth Supp Surv Allow AK COLA	Alaska Cost of Living Allowance (10% of Term Dth Supp Surv Allow base benefit)
Term Dth Supp Surv Allow	Supplemental Contributions Survivor's Allowance (base) Benefit payable upon death after retirement
Tier x - DV Dth AK COLA	Alaska Cost of Living Allowance (10% of DV Dth base benefit)
Tier x - DV Dth	Death (base) Benefit payable upon death after withdrawal but before benefit commencement
Tier x - Term AK COLA	Alaska Cost of Living Allowance (10% of Term base benefit)
Tier x - Term	Deferred retirement (base) Benefit (deferred to early retirement eligibility)
Vested LS Term	Refund of employee contributions upon termination of (vested) member
	* Base benefits include PRPAs.

ALASKA RETIREMENT MANAGEMENT BOARD
Actuarial Review of Pension and Health Plans - 2009

Comparison of Present Value of Benefits - **PERS Retiree Health**

Actives	**Test Case 1 - PF Tier 3**		
Basic Data:			
Sex	Female		
Current Age	47.07		
Current Credited Service	2.00		
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 3 <Member>	53,264.83	52,657.05	1.2%
Tier 3 <Spouse>	28,126.46	27,989.92	0.5%
Contrib Tier 3 <Member>	(6,436.91)	(6,329.28)	1.7%
Contrib Tier 3 <Spouse>	(4,447.62)	(4,387.73)	1.4%
Post 65 Part D Tier 3 <Member>	(3,665.67)	(3,618.90)	1.3%
Post 65 Part D Tier 3 <Spouse>	(2,275.50)	(2,260.44)	0.7%
Total Retirement PVB	64,565.59	64,050.62	**0.8%**

Actives	**Test Case 2 - Other Tier 2**		
Basic Data:			
Sex	Female		
Current Age	56.48		
Current Credited Service	6.84		
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 2 <Member>	81,496.51	81,118.12	0.5%
Tier 2 <Spouse>	41,588.87	41,747.75	-0.4%
Contrib Tier 2 <Member>	(2,941.15)	(2,945.92)	-0.2%
Contrib Tier 2 <Spouse>	(2,037.85)	(2,048.47)	-0.5%
Post 65 Part D Tier 2 <Member>	(6,818.38)	(6,766.81)	0.8%
Post 65 Part D Tier 2 <Spouse>	(4,103.20)	(4,104.33)	0.0%
Total Retirement PVB	107,184.81	107,000.34	**0.2%**

Inactives - PVB	**GRS***	**Buck**	**% Diff**
Retiree - PF Tier 2 - Male	203,252	202,439	0.4%
Retiree - Other Tier 2 - Male	154,226	153,523	0.5%
Vested Termination - PF Tier 3 - Female	89,097	88,891	0.2%

** GRS' audit of Buck's calculation includes review of the benefit amounts, annuity values, assumptions and other factors related to the PVB calculation at each projected age. Differences may exist due to different interpretations of the statutes, as well as additional items as discussed throughout this audit report.*

Benefits - Buck Valuation Terminology	**Description***
Retirement:	
Tier x <Member>	Base Benefit Paid to Employee
Tier x <Spouse>	Base Benefit Paid to Spouse
Contrib <Member>	Employee Pre-Retirement Contributions
Contrib <Spouse>	Spouse Pre-Retirement Contributions
Post 65 Part D <Member>	Employee Post-Age 65 Medicare Part D Reimbursement
Post 65 Part D <Spouse>	Spouse Post-Age 65 Medicare Part D Reimbursement

ALASKA RETIREMENT MANAGEMENT BOARD
Actuarial Review of Pension and Health Plans - 2009

Comparison of Present Value of Benefits - **TRS Retiree Health**

Actives	**Test Case 1 - Tier 1, high svc**		
Basic Data:			
Sex	Female		
Current Age	49.85		
Current Credited Service	27		
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 1 <Member>	165,758.16	170,578.00	-2.8%
Tier 1 <Spouse>	110,419.43	113,799.56	-3.0%
Total Retirement PVB	**276,177.59**	**284,377.56**	**-2.9%**

Actives	**Test Case 2 - Tier 2, low svc**		
Basic Data:			
Sex	Female		
Current Age	30.05		
Current Credited Service	2		
Present Value of Benefits (PVB)	**GRS***	**Buck**	**% Diff**
Retirement:			
Tier 2 <Member>	27,975.00	28,209.66	-0.8%
Tier 2 <Spouse>	18,159.09	18,356.56	-1.1%
Contrib Tier 2 <Member>	(6,107.63)	(6,105.47)	0.0%
Contrib Tier 2 <Spouse>	(4,550.98)	(4,536.84)	0.3%
Post 65 Part D Tier 2 <Member>	(1,378.48)	(1,405.50)	-1.9%
Post 65 Part D Tier 2 <Spouse>	(1,007.42)	(1,029.24)	-2.1%
Total Retirement PVB	**33,089.58**	**33,489.17**	**-1.2%**

Inactives - PVB	**GRS***	**Buck**	**% Diff**
Retiree - Female	137,162	137,048	0.1%
Retiree - Male	131,052	129,724	1.0%
Vested Termination - Male	254,663	250,984	1.5%

** GRS' audit of Buck's calculation includes review of the benefit amounts, annuity values, assumptions and other factors related to the PVB calculation at each projected age. Differences may exist due to different interpretations of the statutes, as well as additional items as discussed throughout this audit report.*

Benefits - Buck Valuation Terminology	**Description***
Retirement:	
Tier x <Member>	Base Benefit Paid to Employee
Tier x <Spouse>	Base Benefit Paid to Spouse
Contrib <Member>	Employee Pre-Retirement Contributions
Contrib <Spouse>	Spouse Pre-Retirement Contributions
Post 65 Part D <Member>	Employee Post-Age 65 Medicare Part D Reimbursement
Post 65 Part D <Spouse>	Spouse Post-Age 65 Medicare Part D Reimbursement

SECTION 6

REVIEW OF CONTRIBUTION RATE DETERMINATION

REVIEW OF CONTRIBUTION RATE DETERMINATION

GRS was to analyze the funding method being used and verify its computation (as shown in page 21 of the PERS valuation report and page 17 of the TRS valuation report). The goal here is to start with the Actuarial Accrued Liabilities and the Normal Costs that are developed from the data and valuation software and compare this to the Assets in the system. The difference between the two, the Unfunded Actuarial Accrued Liability (UAAL) in conjunction with the Normal Cost forms the basis of the contributions that the Actuary recommends the system make in order to ensure that benefits can be provided for current and future retirees. As noted in the Buck report, the compensation used to develop the rates is a combination of both this plan's compensation, as well as the DCR compensation.

FINDINGS:

The calculations were reasonable and consistent with actuarial practice. It is outside of the norm to use compensation other than the compensation that relates directly to the plan, however, the Buck report provides an adequate disclosure of this method in the determination of the rates.

SECTION 7

REVIEW OF ACTUARIAL VALUATION REPORT

REVIEW OF ACTUARIAL VALUATION REPORT

GASB No. 25 Disclosure:

GASB (Governmental Accounting Standards Board) sets out guidelines for financial accounting and reporting for state and local government entities. Under GASB No. 25, the actuarial valuation reports for PERS and TRS must disclose a set of financial statistics. These include:

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

Findings:

No issues to report.

Conclusion:

Buck has indicated that they do calculate the actuarial present value of assumed Part D Retiree Drug Subsidy (RDS) payments separately. For funding purposes, the total healthcare liability is offset by the RDS amounts to conform to the ARMB's current policy of funding discounted net cash flow. Figures used for GASB 43 purposes have been illustrated without the RDS offset.

Valuation Report:

GRS reviewed the June 30, 2009 valuation report for scope as well as content to determine if actuarial statistics were being reflected fairly and if the details of the plan were being correctly communicated.

Findings:

The June 30, 2009 draft valuation report submitted by Buck to the board had the following layout:

1. Actuarial Certification – This introduces the report, lists the valuation date in question, and provides a disclaimer that the results are predicated on the census data received from the Systems and the financial information received from KPMG. It also discusses the basic actuarial concepts and provides the funded ratios.

2. Report Highlights – Shows funding status, including a graph of the funding ratio history, and the employer recommended contribution rate.

3. Analysis of the Valuation – Explains the change in the funded status and calculated contribution rate. Includes retiree medical costs, investment return, and other factors. Within this section there are three sections that show the development of valuation results, basis of the valuation, and other historical information. These include projections which are beyond those commonly produced in actuarial valuation reports.

Conclusion:

We consider the scope and content of Buck's report to be effective in communicating the financial position and contribution requirements of PERS and TRS. We believe it is in accordance with standard actuarial reporting methodologies for public sector systems.

SECTION 8

POTENTIAL AREAS FOR FUTURE REVIEW

POTENTIAL AREAS FOR FUTURE REVIEW

Gabriel, Roeder, Smith & Co. will be conducting an actuarial review for each year through fiscal year 2010. Since we were able to complete a more thorough review of the TRS and PERS Systems, we have listed some suggestions of items which might warrant further review in future years.

In the gain/loss analysis we noticed that for the 2010 valuation, every demographic assumption had a loss, except for medical experience. The gain due to the medical experience overshadowed all the other losses, and made the overall gain to appear quite reasonable- around 1% of the liabilities. This observation caused us to look more closely at the gains and losses by source:

PERS Historical Gains and Losses by Source

Source	2010 Valuation	2009 Valuation	2008 Valuation	2007 Valuation
Retirement	$(6,440)	$(2,325)	$(2,716)	$(201)
Termination	(20,118)	(7,241)	(7,627)	(13,747)
Mortality	(23,756)	(6,842)	(6,426)	(8,218)
Disability	(60)	(1,217)	(267)	(534)
Other	(22,113)	(30,528)	(61,451)	(9909)
Salary	(20,132)	(60,440)	(65,045)	(20,209)
COLA	(19,481)	41,400		
Medical	281,237	118,978	844,548	601,238
Total	**$169,137**	**$51,815**	**$701,016**	**$548,420**

In general, we would expect that if the assumptions are matching the experience, then there would not be a persistent bias in one direction for any particular assumption. Based on the valuation for the last four years shown here, all demographic assumptions, except for the COLA, exhibit a persistent bias. It would appear that the non Medical assumptions are creating losses every year, while the Medical assumption creates a gain every year.

We would recommend that the Board work with Buck, through the use of an experience study as well as a liability analysis, to review each assumption and adopt individual assumptions that will more closely match the liability experience of that assumption. We also recommend a close look at the election rate assumption for retiree medical- the plan currently assumes 100% of members will elect the retiree medical plan. That would be viewed as a conservative assumption (meaning, the assumption will create gains) since rarely do all members stay in a retiree medical plan. We also note that "other" appears to be a fairly large liability loss each year. We recommend further exploration into what is in that number, so that any appropriate assumption change can be made and thus create an "other" that is of a smaller magnitude. A similar discussion applies to TRS as well.

SECTION 9

SUMMARY AND CONCLUSIONS

SUMMARY AND CONCLUSIONS

We have reviewed the testlives in this limited scope audit, the reports, assumptions and the methods. Based upon our review of the PERS and TRS actuarial pension and OPEB valuations as of June 30, 2009, we found the actuarial work performed by Buck appears to be reasonable and appropriate.

We recommend the Board consider working with Buck to update all the assumptions such that there will not be a persistent year by year bias for each assumption, and so that each assumption on its own does not have a particular bias year by year in one direction. (i.e. the assumption is not consistently creating either gains or losses).

Gabriel Roeder Smith & Company
Consultants & Actuaries

DRAFT

ALASKA RETIREMENT MANAGEMENT BOARD

ACTUARIAL REVIEW OF THE:

NATIONAL GUARD AND NAVAL MILITIA RETIREMENT SYSTEM PENSION PLAN; AND

JUDICIAL RETIREMENT SYSTEM PENSION AND HEALTH PLANS

MARCH 8, 2010

GRS Gabriel Roeder Smith & Company
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March 8, 2010

Mr. Gary Bader
Chief Investment Officer
Department of Revenue, Treasury Division
Alaska Retirement Management Board
P.O. Box 110405
Juneau, AK 99811-0405

Subject: Actuarial Review of the Roll-Forward June 30, 2009 valuations for the State of Alaska National Guard and Naval Militia Retirement System (NGNMRS) and Judicial Retirement System (JRS)

Dear Gary:

We have performed an actuarial review of the June 30, 2009 Roll-Forward Actuarial Valuation for NGNMRS and JRS.

This audit includes a review of the results of the roll forward calculations using actuarial methods, assumptions and procedures from the most recent actuarial valuation reports and Buck Consultants (Buck) letter dated December 11, 2009 (re: Roll Forward results for NGNMRS and JRS as of June 30, 2009). The steps of the process of our audit, including potential areas for future review, are as follows:

1. The first step in reviewing the calculations shown in the Roll-Forward letter was to confirm that the results shown as of June 30, 2008 in the Roll-Forward letter match Buck's June 30, 2008 actuarial valuation reports.

    a. GRS has confirmed that all results match.

2. The second step involved verification of Buck's June 30, 2009 Roll-Forward calculations using information from the most recent June 30, 2008 Buck actuarial valuations and Roll Forward letter. GRS completed this review by estimating these results using the appropriate methods, assumptions and procedures. Overall, the audit results were within a reasonable range. Several questions/comments arose:

    a. GRS questioned cash flow items used in the calculations:
        i. Buck provided cash flow items.
    b. GRS questioned JRS Pension and Healthcare Normal Cost items as Total Normal Cost of $4,239,822 in Roll-Forward letter did not match the sum of the Pension and Healthcare Normal Cost items of $4,199,560.

c.

i. Buck confirmed that Total Normal Cost in Roll Forward letter should be corrected to show $4,239,822. This correction does not impact the Employer Contribution Rates.

3. We assumed assets shown as of June 30, 2009 were appropriate, as we agree with the method of projecting the assets to June 30, 2009 stated in the Roll-Forward letter.

4. Finally we audited the contribution rate calculations using the past service base and payment information, and estimated FY09 Gain/Loss noted in Buck's Roll Forward letter.

   a. GRS questioned the split of the FY09 base for JRS between Pension and Healthcare.
      i. Buck confirmed the total net actuarial loss for JRS of $23,121,534 was split between Pension of $22,146,074 and Healthcare of $975,460.
   b. GRS noted a correction to Buck's JRS June 30, 2008 actuarial valuation report, Schedule of Past Service Cost Amortizations (page 14) for Healthcare. The FY07 Base is noted as a Loss however the Balances and Beginning-of-Year Payment show as a Gain.
      i. Buck confirmed that the Base should be labeled as a Gain. Buck has agreed they will make this correction in the June 30, 2010 JRS actuarial valuation.

We wish to thank the staff of the State of Alaska Treasury Division and Buck Consultants without whose willing cooperation this review could not have been completed.

Sincerely,

Gabriel, Roeder, Smith & Company

Leslie L Thompson | Susan M. Hogarth

Leslie L. Thompson, FSA, FCA, EA, MAAA
Senior Consultant

Susan M. Hogarth, EA, MAAA
Consultant

cc: Ms. Judy Hall

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ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Asset Allocations – Resolution 2010-05, 2010-06, 2010-07	ACTION:	X
DATE:	April 22, 2010	INFORMATION:	

<u>BACKGROUND</u>:

The Alaska Retirement Management Board (Board) sets and reviews the asset allocations on behalf of all plans for which it has fiduciary responsibility. This process incorporates five-year capital market assumptions, ARMB goals, actuarial assumptions, and other factors.

<u>STATUS:</u>

At the February 2010 meeting of the Board, Callan Associates, Inc. (Callan) presented the 2010 capital market projections that are the basis for the asset allocation and optimization process. In March, Chief Investment Officer Gary Bader conferred with Michael O'Leary of Callan and Dr. William Jennings, Mr. George Wilson and Dr. Jerrold Mitchell of the Investment Advisory Council (IAC) regarding asset allocation for the next fiscal year.

After considering current asset allocations and a range of optimal portfolios produced by Callan, staff, the IAC, and Callan recommend the following strategic asset allocations:

Resolution 2010-05 -	relating to the PERS, TRS, JRS Retirement Systems; the PERS, TRS, JRS Retirement Health Trust Funds; the Retiree Major Medical Health Insurance Fund; the Health Reimbursement Arrangement Funds; and the PERS Peace Officers/Firefighters Occupational Death & Disability Fund
Resolution 2010-06 -	relating to the Military Retirement System
Resolution 2010-07 -	relating to the PERS, TRS Holding Accounts

<u>RECOMMENDATION:</u>

That the Alaska Retirement Management Board adopt Resolutions 2010-05, 2010-06, and 2010-07, approving the asset allocations for fiscal year 2010.

Attachment: Callan Asset Mix Alternatives

Asset Mix Alternatives

Portfolio Component	Mix 1	Mix 2	Militia 2011	Mix 3	Mix 4	ARMB 2011	Mix 5	Mix 6
Broad Domestic Equity	8%	14%	27%	20%	26%	29%	32%	39%
Global (ex-US) Equity	5%	10%	15%	14%	19%	23%	23%	28%
Private Equity	5%	5%	0%	6%	6%	7%	7%	7%
Real Assets	6%	9%	0%	11%	13%	16%	15%	17%
Absolute Return	5%	5%	0%	5%	5%	5%	5%	5%
ARMB Bonds	70%	56%	57%	43%	30%	19%	17%	3%
Cash Equivalents	1%	1%	1%	1%	1%	1%	1%	1%
Totals	100%	100%	100%	100%	100%	100%	100%	100%
Projected Arithmetic Return	6.00%	6.70%	6.73%	7.40%	8.10%	8.68%	8.80%	9.50%
Projected Standard Deviation	6.00%	7.82%	8.02%	9.76%	11.76%	13.46%	13.80%	15.86%
5 Yr. Geometric Mean Return	5.96%	6.57%	6.59%	7.14%	7.66%	8.07%	8.15%	8.59%
5 Yr. Simulated Sharpe Ratio	0.49%	0.46%	0.45%	0.42%	0.40%	0.38%	0.37%	0.35%
10 Yr. Geometric Mean Return	5.96%	6.56%	6.58%	7.13%	7.65%	8.05%	8.12%	8.56%

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Asset Allocation
For the Public Employees', Teachers' and Judicial Retirement Systems
Public Employees', Teachers', and Judicial Retirement Health Trust Funds
Retiree Major Health Insurance Fund
Health Reimbursement Arrangement Fund
PERS Peace Officers/Fighters Occupational Death & Disability Fund
PERS, TRS, All Other Death & Disability Fund

Resolution 2010-05

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policies for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has reviewed the actuarial assumptions; and

WHEREAS, the Board has reviewed the asset allocation set forth in the study prepared by the external investment consulting firm of Callan Associates, Inc.; and

WHEREAS, a prudent, diversified portfolio reduces risk and volatility and considers short term and long term earnings requirements for the Funds; and

WHEREAS, the Board shall continue to review, evaluate and make appropriate adjustments to asset allocation for the retirement plans on a periodic basis;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD that the following asset allocation prepared by Callan Associates, Inc. be established for the Public Employees', Teachers' and Judicial Retirement Systems; Public Employees', Teachers', and Judicial Retirement Health Trust Funds; Retiree Major Health Insurance Fund; Health Reimbursement Arrangement Fund; PERS Peace Officers/Firefighters Occupational Death & Disability Fund; and the PERS, TRS, All Other Death & Disability Fund, effective July 1, 2010:

Long Term Target Asset Allocation

Asset class	Allocation	Range
Broad Domestic Equity	29%	± 6%
Global Equity Ex-U.S	23%	± 4%
Private Equity	7%	± 5%
Real Assets	16%	± 8%
Absolute Return	5%	± 4%
Fixed Income	19%	± 3%
Cash Equivalents	1%	– 1%/+5%
Total	100%	

Expected Return – 5 Year Geometric Mean	8.07%
Standard Deviation	13.46%

This resolution repeals and replaces Resolutions 2009-21.

DATED at Anchorage, Alaska this ____ day of June, 2010.

____
Chair

ATTEST:

____
Secretary

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Asset Allocation
For the Alaska National Guard and Naval Militia Retirement Systems

Resolution 2010-06

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has reviewed the actuarial assumptions for the Alaska National Guard and Naval Militia Retirement Systems; and

WHEREAS, the Board has reviewed the asset allocation set forth in the study prepared by the external investment consulting firm of Callan Associates, Inc.; and

WHEREAS, a prudent, diversified portfolio reduces risk and volatility and considers short term and long term earnings requirements for the Funds; and

WHEREAS, the Board shall continue to review, evaluate and make appropriate adjustments to asset allocation for the retirement plans on a periodic basis;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD that the following asset allocation prepared by Callan Associates, Inc. be established for the Alaska National Guard & Naval Militia Retirement System, effective July 1, 2010:

Long Term Target Asset Allocation

Asset class	Allocation	Range
Broad Domestic Equity	27%	± 5%
International Equity	15%	± 5%
Domestic Fixed-Income	57%	± 10%
Cash Equivalents	1%	– 1%/+3%
Total	100%	

Expected Return - 5 Year Geometric Mean	6.59%
Standard Deviation	8.02%

This resolution repeals and replaces Resolution 2009-22.

DATED at Anchorage, Alaska this ____ day of June, 2010.

____

Chair

ATTEST:

____

Secretary

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Asset Allocation
For the Public Employees' and Teachers' Retirement Systems Defined Contribution Holding Accounts

Resolution 2010-07

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has reviewed the actuarial assumptions for the Public Employees' Retirement System and the Teachers' Retirement System; and

WHEREAS, the Board has reviewed the asset allocation set forth in the study prepared by the external investment consulting firm of Callan Associates, Inc.; and

WHEREAS, a prudent, diversified portfolio reduces risk and volatility and considers short term and long term earnings requirements for the Funds; and

WHEREAS, the Board shall continue to review, evaluate and make appropriate adjustments to asset allocation for the retirement plans on a periodic basis.

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the following asset allocation prepared by Callan Associates, Inc. be established for the Public Employees' and Teachers' Retirement Systems Defined Contribution Holding Accounts, effective July 1, 2010:

Long Term Target Asset Allocation

Asset class	Allocation	Range
Cash Equivalents	100%	± 0%
Expected Return	3.00%	
Standard Deviation	0.80%	

This Resolution repeals and replaces Resolution 2009-23.

DATED at Anchorage, Alaska this ____ day of June, 2010.

____

Chair

ATTEST:

____

Secretary

ARMB Board Meeting
Calendar 2009 Investment Performance

Michael J. O'Leary CFA

Executive Vice President

Callan Associates Inc.

Prepared April 8, 2010

Preliminary real estate returns were utilized to prepare the report.

Overview & Agenda

- **Overview**
  - DB performance – good absolute but weak relative results for the full year. Weak relative results primarily attributable to real estate & private equity. We will identify & discuss challenging public market managers
  - Individual account programs – Good performance across participant choices during 2009.
- **Agenda**
  - Describe 2009 Market Environment
  - Brief update to 3/31/10
  - DB Plans Performance Review
  - Highlight actively managed individual account options & balance fund options (both risk based & time based).

Market Review – December Quarter

- **Strong risk oriented recovery continued in the 4th quarter**
  - S&P 500 up 6.04% for quarter & 26.47% for the year
  - EAFE up 2.18% for quarter & 31.78% for the year
- **Credit bonds continued strong recovery**
  - Barclay's High Yield up 6.19% for the quarter & 58.21% for the year
  - BC Credit Index up 1.03% for the quarter & 16.04% for the year
  - But Gov't bonds negative for both the quarter & year (-1% & 2.20%)
- **Real estate (private) continued to post negative returns**
  - NCREIF NPI had a negative return of 16.86% for the year and lost 2.11% for the quarter.
- **Emerging Markets enjoyed extraordinary returns**
  - MSCI Emerging Markets Index up 8.58% in the quarter and an amazing 79.02% for the year.
- **Hedge Funds recovered during the quarter & year**
  - Callan's Hedge Fund-of-Funds database up 2.4% for the quarter & 12.86% for the year.
  - CS/Tremont Hedge Fund Index up 3.14% for the quarter & 18.57% for the year.

The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices (1990–2009) Ranked in Order of Performance

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
BC Agg 8.96%	Russell 2000 Growth 51.19%	Russell 2000 Value 29.14%	MSCI EAFE 32.57%	MSCI EAFE 7.78%	S&P/Citi 500 Growth 38.13%	S&P/Citi 500 Growth 23.97%	S&P/Citi 500 Growth 36.52%	S&P/Citi 500 Growth 42.16%	Russell 2000 Growth 43.09%
S&P/Citi 500 Growth 0.20%	Russell 2000 46.04%	Russell 2000 18.41%	Russell 2000 Value 23.77%	S&P/Citi 500 Growth 3.13%	S&P 500 37.58%	S&P 500 22.96%	S&P 500 33.36%	S&P 500 28.58%	S&P/Citi 500 Growth 28.24%
S&P 500 -3.11%	Russell 2000 Value 41.70%	S&P/Citi 500 Value 10.52%	Russell 2000 18.88%	S&P 500 1.32%	S&P/Citi 500 Value 36.99%	S&P/Citi 500 Value 22.00%	Russell 2000 Value 31.78%	MSCI EAFE 20.00%	MSCI EAFE 26.96%
S&P/Citi 500 Value -6.85%	S&P/Citi 500 Growth 38.37%	Russell 2000 Growth 7.77%	S&P/Citi 500 Value 18.61%	S&P/Citi 500 Value -0.64%	Russell 2000 Growth 31.04%	Russell 2000 Value 21.37%	S&P/Citi 500 Value 29.98%	S&P/Citi 500 Value 14.69%	Russell 2000 21.26%
Russell 2000 Growth -17.42%	S&P 500 30.47%	S&P 500 7.62%	Russell 2000 Growth 13.37%	Russell 2000 Value -1.54%	Russell 2000 28.45%	Russell 2000 16.49%	Russell 2000 22.36%	BC Agg 8.70%	S&P 500 21.04%
Russell 2000 -19.48%	S&P/Citi 500 Value 22.56%	BC Agg 7.40%	S&P 500 10.08%	Russell 2000 -1.82%	Russell 2000 Value 25.75%	Russell 2000 Growth 11.26%	Russell 2000 Growth 12.95%	Russell 2000 Growth 1.23%	S&P/Citi 500 Value 12.73%
Russell 2000 Value -21.77%	BC Agg 16.00%	S&P/Citi 500 Growth 5.06%	BC Agg 9.75%	Russell 2000 Growth -2.43%	BC Agg 18.46%	MSCI EAFE 6.05%	BC Agg 9.64%	Russell 2000 -2.55%	BC Agg -0.82%
MSCI EAFE -23.45%	MSCI EAFE 12.14%	MSCI EAFE -12.18%	S&P/Citi 500 Growth 1.68%	BC Agg -2.92%	MSCI EAFE 11.21%	BC Agg 3.64%	MSCI EAFE 1.78%	Russell 2000 Value -6.45%	Russell 2000 Value -1.49%

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Russell 2000 Value 22.83%	Russell 2000 Value 14.02%	BC Agg 10.26%	Russell 2000 Growth 48.54%	Russell 2000 Value 22.25%	MSCI EAFE 13.54%	MSCI EAFE 26.34%	MSCI EAFE 11.17%	BC Agg 5.24%	Russell 2000 Growth 34.47%
BC Agg 11.63%	BC Agg 8.43%	Russell 2000 Value -11.43%	Russell 2000 47.25%	MSCI EAFE 20.25%	S&P/Citi 500 Value 5.82%	Russell 2000 Value 23.48%	S&P/Citi 500 Growth 9.13%	Russell 2000 Value -28.92%	MSCI EAFE 31.78%
S&P/Citi 500 Value 6.08%	Russell 2000 2.49%	MSCI EAFE -15.94%	Russell 2000 Value 46.03%	Russell 2000 18.33%	S&P 500 4.91%	S&P/Citi 500 Value 20.81%	Russell 2000 Growth 7.05%	Russell 2000 -33.79%	S&P/Citi 500 Growth 31.57%
Russell 2000 -3.02%	Russell 2000 Growth -9.23%	Russell 2000 -20.48%	MSCI EAFE 38.59%	S&P/Citi 500 Value 15.71%	Russell 2000 Value 4.71%	Russell 2000 18.37%	BC Agg 6.97%	S&P/Citi 500 Growth -34.92%	Russell 2000 27.17%
S&P 500 -9.11%	S&P/Citi 500 Value -11.71%	S&P/Citi 500 Value -20.85%	S&P/Citi 500 Value 31.79%	Russell 2000 Growth 14.31%	Russell 2000 4.55%	S&P 500 15.79%	S&P 500 5.49%	S&P 500 -37.00%	S&P 500 26.47%
MSCI EAFE -14.17%	S&P 500 -11.89%	S&P 500 -22.10%	S&P 500 28.68%	S&P 500 10.88%	Russell 2000 Growth 4.15%	Russell 2000 Growth 13.35%	S&P/Citi 500 Value 1.99%	Russell 2000 Growth -38.54%	S&P/Citi 500 Value 21.17%
S&P/Citi 500 Growth -22.08%	S&P/Citi 500 Growth -12.73%	S&P/Citi 500 Growth -23.59%	S&P/Citi 500 Growth 25.66%	S&P/Citi 500 Growth 6.13%	S&P/Citi 500 Growth 4.00%	S&P/Citi 500 Growth 11.01%	Russell 2000 -1.57%	S&P/Citi 500 Value -39.22%	Russell 2000 Value 20.58%
Russell 2000 Growth -22.43%	MSCI EAFE -21.44%	Russell 2000 Growth -30.26%	BC Agg 4.10%	BC Agg 4.34%	BC Agg 2.43%	BC Agg 4.33%	Russell 2000 Value -9.78%	MSCI EAFE -43.38%	BC Agg 5.93%

S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index performance directly proportional to that company's market value.

S&P/Citigroup 500 Growth and **S&P/Citigroup 500 Value Indices** measure the performance of the growth and value styles of investing in large cap U.S. stocks. The indices are constructed by dividing the market capitalization of the S&P 500 Index into Growth and Value indices, using style "factors" to make the assignment. The Value index contains those S&P 500 securities with a greater-than-average value orientation, while the Growth index contains those securities with a greater-than-average growth orientation. The indices are market-capitalization-weighted. The constituent securities are not mutually exclusive.

Russell 2000 Index measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ.

Russell 2000 Value and **Russell 2000 Growth Indices** measure the performance of the growth and value styles of investing in small cap U.S. stocks. The indices are constructed by dividing the market capitalization of the Russell 2000 Index into Growth and Value indices, using style "factors" to make the assignment. The Value index contains those Russell 2000 securities with a greater-than-average value orientation, while the Growth index contains those securities with a greater-than-average growth orientation. Securities in the Value index generally have lower price-to-book and price-earnings ratios than those in the Growth index. The constituent securities are not mutually exclusive.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia and the Far East.

BC Agg is the Barclays Capital Aggregate Bond Index (formerly the Lehman Brothers Aggregate Bond Index). This index includes U.S. government, corporate and mortgage-backed securities with maturities of at least one year.

Asset Class Performance

Market Reversal To Riskier Assets

2008 vs. 2009 Performance

Asset Class	Total Return (%) 2008	Total Return (%) 2009	Best/Worst
Treasury Bonds	14	-4	Best Since 1995/ Worst On Record
Municipal Bonds	-2	13	Worst Since 1994/ Best Since 1995
Investment-Grade Corporate Bonds	-3	16	Worst Since 1994/ Best Since 1995
High-Yield Corporate Bonds	-26	58	Worst On Record/ Best On Record
Small-Cap U.S. Stocks	-34	27	Worst Since 1937/ Best Since 2003
Large-Cap U.S. Stocks	-37	27	Worst Since 1931/ Best Since 2003
Foreign Developed-Country Stocks	-43	33	Worst On Record/ Best Since 2003
Emerging-Market Stocks	-53	79	Worst On Record/ Best On Record

Source: FMRCo (MARE) as of 12/31/09. You cannot invest directly in an index. See appendix for important index information. Asset classes represented by the following indices: Treasury Bonds – BC Treasury Index; Investment-Grade Corporate Bonds – BC Credit Index; Municipal Bonds – BC Municipal Index; High Yield Bonds – Merrill Lynch High Yield Master II Index; Small-Cap U.S. Stocks – Russell 2000 Index; Large-Cap U.S. Stocks – S&P 500 Index; Foreign Developed-Country Stocks – MSCI EAFE Index; Emerging-Market Stocks – MSCI Emerging Market Index.

U.S. Equity Style Returns
Periods ending December 31, 2009

4Q 2009

	Value	Core	Growth
Large	3.8% (worst)	6.1% (best)	8.4% (best)
Mid	5.2% (middle)	5.9% (middle)	6.7% (best)
Small	3.6% (worst)	3.9% (worst)	4.1% (middle)

Annualized 1 Year Returns

	Value	Core	Growth
Large	14.6% (worst)	24.2% (worst)	34.0% (middle)
Mid	34.2% (middle)	40.5% (best)	46.3% (best)
Small	20.6% (worst)	27.2% (middle)	34.5% (best)

Represents 3 best performing asset classes in time period (green)

Represents 3 middle performing asset classes in time period (yellow)

Represents 3 worst performing asset classes in time period (red)

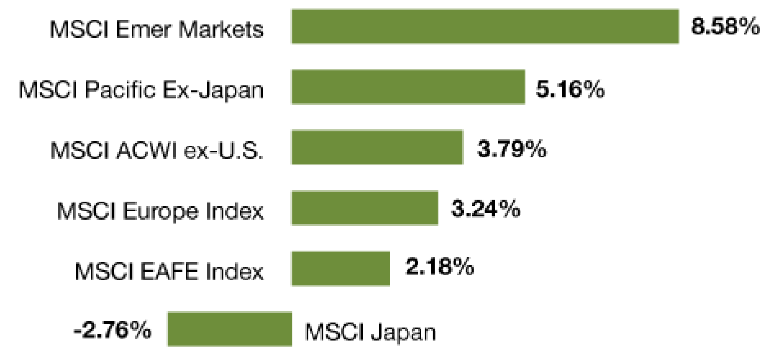
- **Last Quarter: Growth beat Value**
- **Last year: Growth beat Value; Mid was best; Small beat Large**

LargeCap Core is represented by the Russell Top 200 Index, LargeCap Value is represented by the Russell Top 200 Value Index and LargeCap Growth is represented by the Russell Top 200 Growth Index. Mid-Cap Core is represented by the Russell MidCap Index, Mid-Cap Value is represented by the Russell Midcap Value Index and Mid-Cap Growth is represented by the Russell Midcap Growth Index. SmallCap Core is represented by the Russell 2000 Index, SmallCap Value is represented by the Russell 2000 Value Index and SmallCap Growth is represented by the Russell 2000 Growth Index.

International Equity Returns

Quarter Ending December 31, 2009

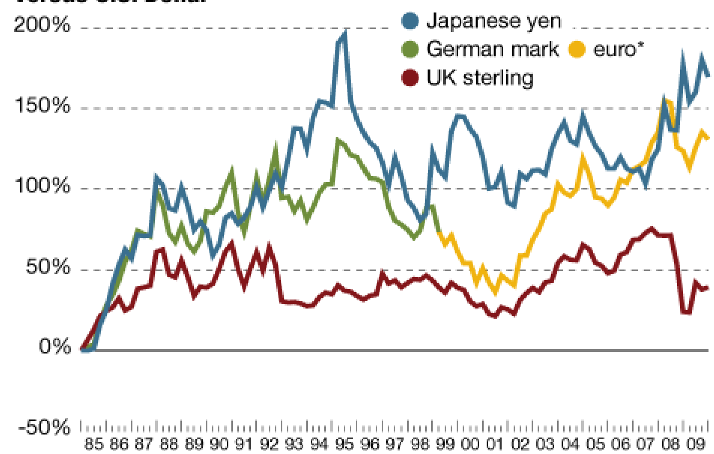
Regional Performance (U.S. Dollar)



Source: MSCI Inc.

Major Curencies Cumulative Returns

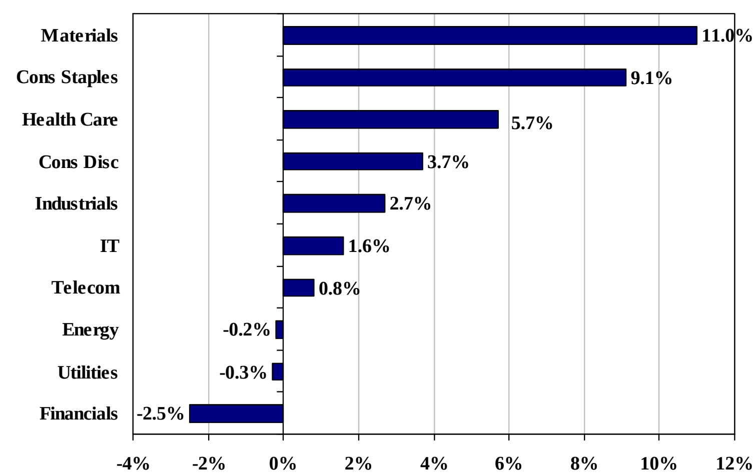
versus U.S. Dollar



*euro returns from 1Q99

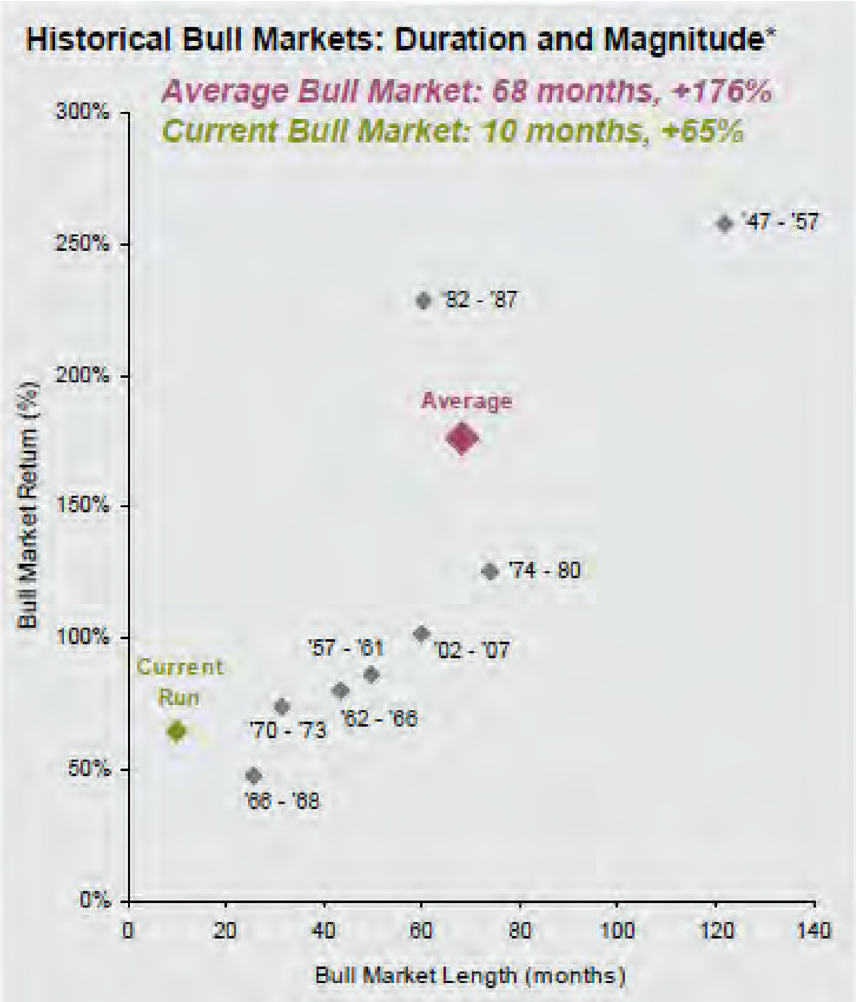
Source: MSCI Inc.

MSCI ACWI ex-US Sector Returns



- **Emerging markets slowed in 4Q but still led developed markets**
- **Dollar strength hurt U.S.-based investors**
- **Surging commodity prices boosted Materials sector**

Bull Market Comparisons

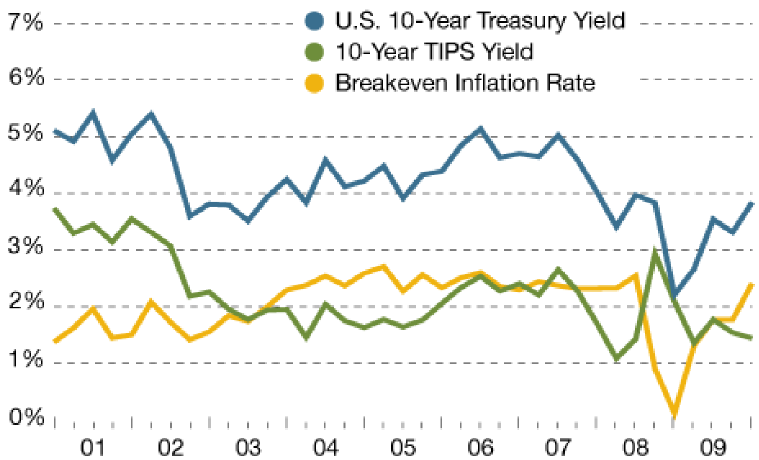


Source: Standard & Poor's, J.P. Morgan Asset Management. (Left chart) Data assume 2.5% annualized dividend yield. Implied values reflect the average geometric total returns required for the S&P 500 to reach its 10/9/07 peak of 1,565 over each stated time period. **Chart is for illustrative purposes only. Past performance does not guarantee future results.** (Right chart) The bull run data reflect the market expansion from the low to the subsequent market peak. All returns are S&P 500 Index returns and do not include dividends. *Please note: bull run of '87 – '00 (582% return, 148 months) not shown on chart due to scale constraints but is accounted for in the average calculation.

Source: JP Morgan

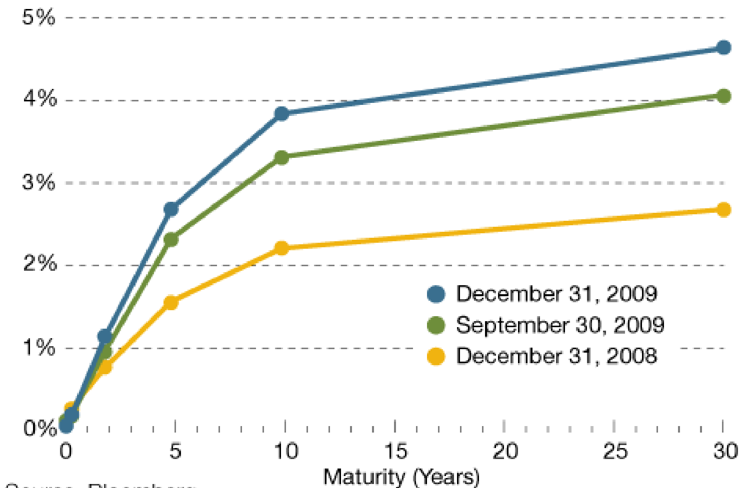
Yield Curve Changes

Historical 10-Year Yields



Source: Bloomberg

U.S. Treasury Yield Curves



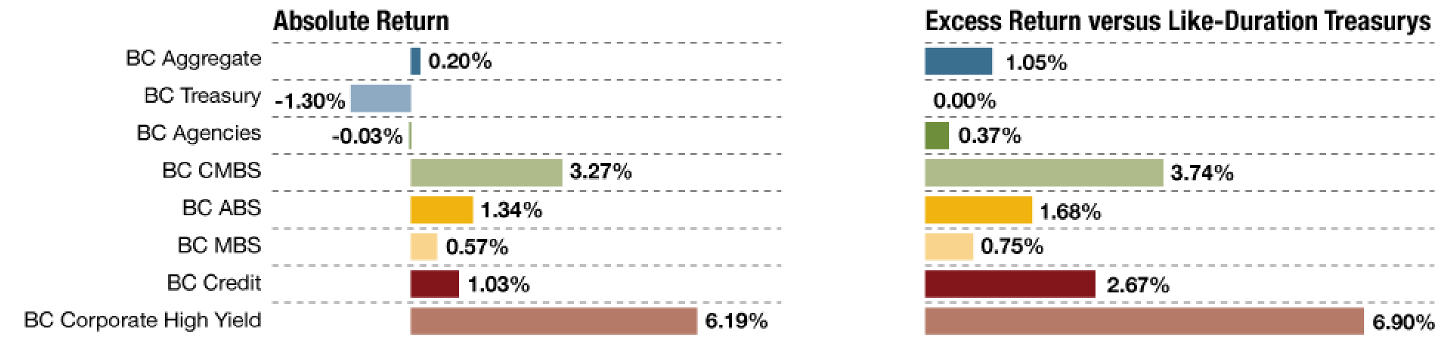
Source: Bloomberg

- **Breakeven rate was 2.40% at end of 4th Quarter**
- **Treasury yield curve steepened, spread between 2 & 10 yr Treasury widened to 2.7% (from 2.4% at start of quarter)**

Bond Returns

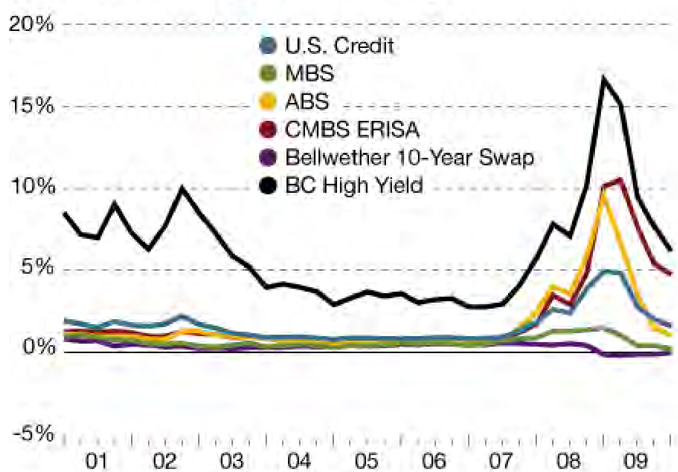
Quarter ending December 31, 2009

Fixed Income Index Returns



Source: Barclays Capital Inc.

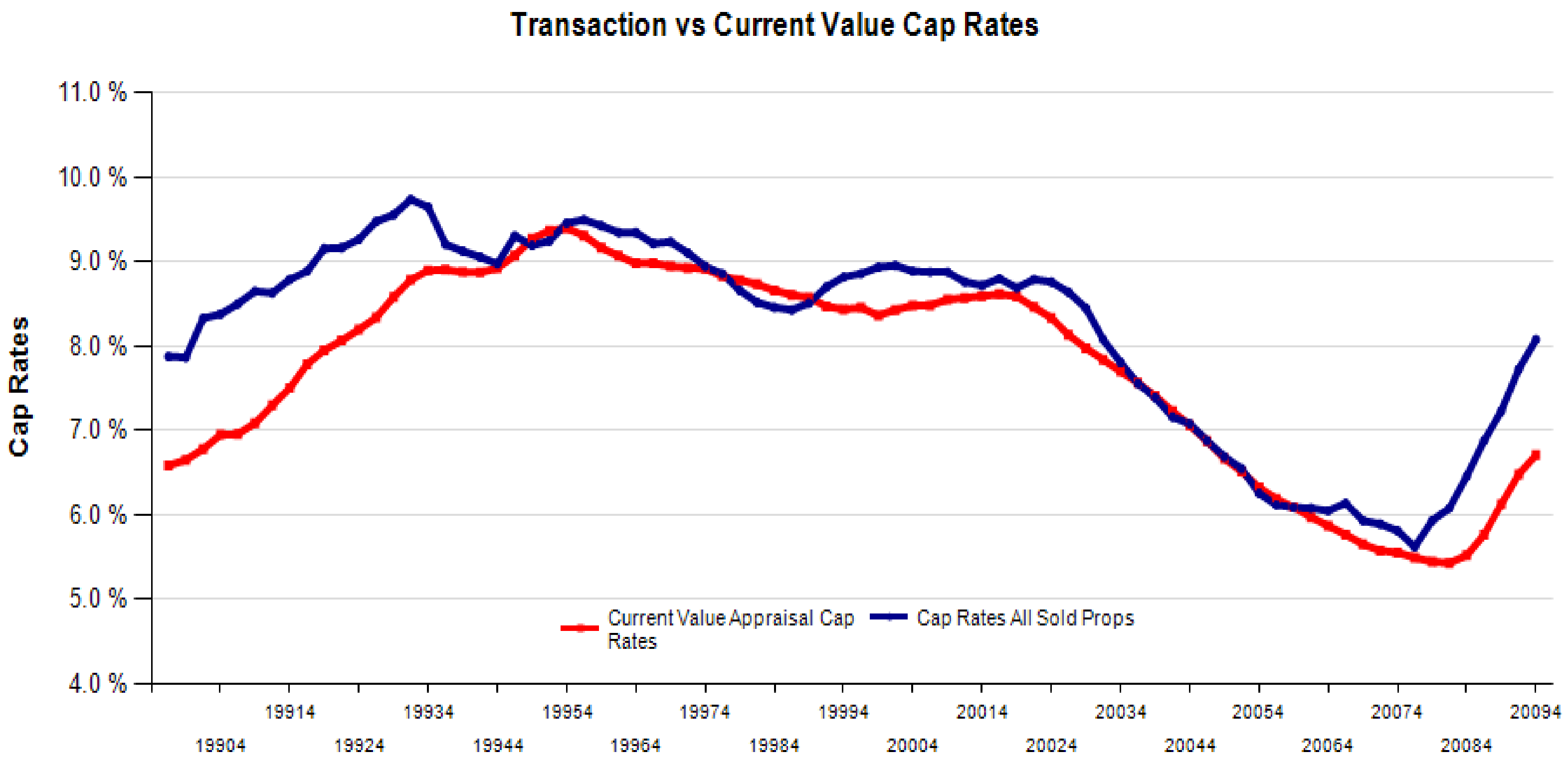
Effective Yield Over Treasurys



Source: Barclays Capital Inc.

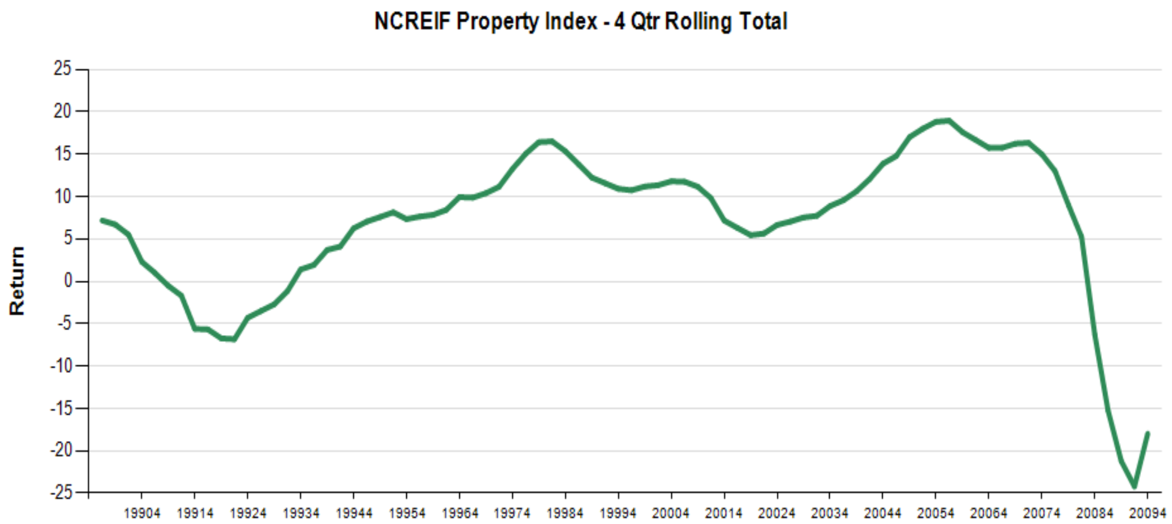
NCREIF Cap Rates

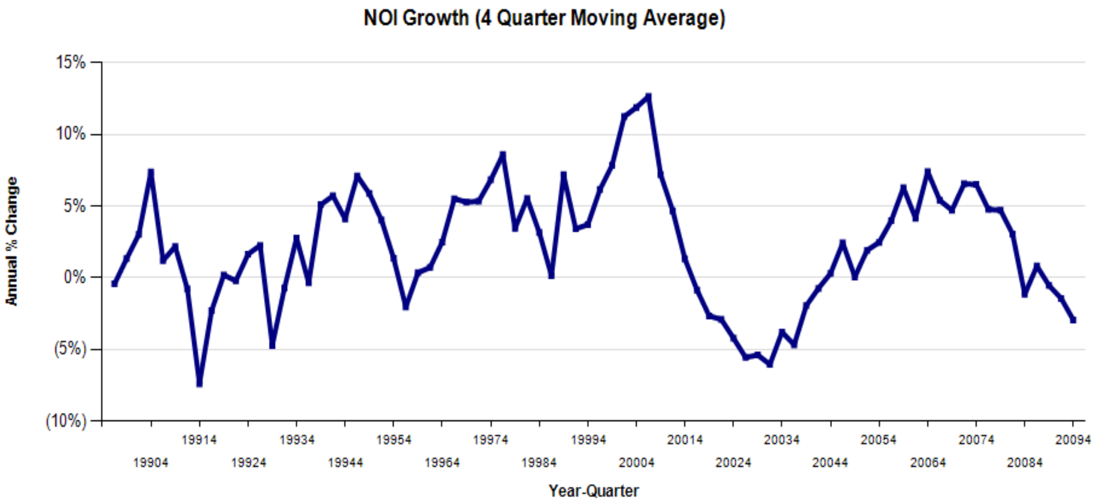
Transaction cap rates have moved up substantially and continued to advance in the quarter



- Fourth quarter 2009

NCREIF Returns & Income





- Fourth quarter 2009

Recent Market Index Performance
Periods ended 3/31/10

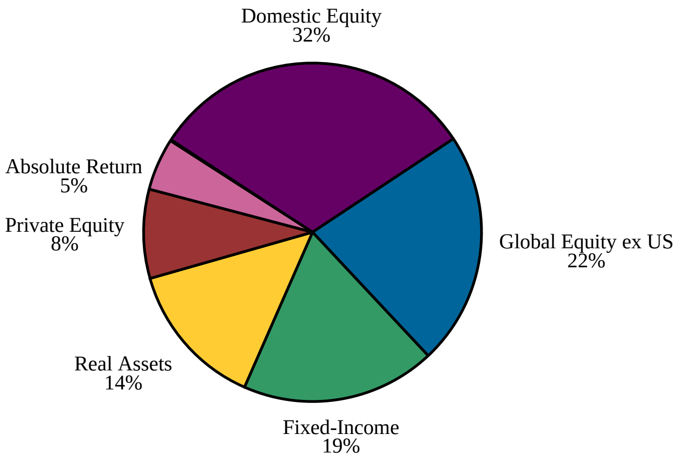
Index Data: 3/31/10

Advisor	Product	Asset Class	Style	Mar-10	3 Months	6 Months	1 Year
All Cap Domestic Equity							
Russell	*3000 Index*	*Dom Equity*	*Core*	*6.30%*	*5.94%*	*11.76%*	*52.44%*
S&P	*Supercomposite 1500*	*Dom Equity*	*Core*	*6.19%*	*5.80%*	*12.11%*	*51.35%*
Large Cap Domestic Equity							
Russell	*1000 Index*	*Dom Equity*	*Large Cap*	*6.14%*	*5.70%*	*11.74%*	*51.60%*
S&P	*500 Index*	*Dom Equity*	*Large Cap*	*6.03%*	*5.39%*	*11.75%*	*49.77%*
Russell	*1000 Growth Index*	*Dom Equity*	*Large Growth*	*5.78%*	*4.65%*	*12.93%*	*49.75%*
Russell	*1000 Value Index*	*Dom Equity*	*Large Value*	*6.51%*	*6.78%*	*10.56%*	*53.56%*
Mid Cap Domestic Equity							
S&P	*400 Index*	*Dom Equity*	*Mid Cap*	*7.13%*	*9.09%*	*15.16%*	*64.07%*
Russell	*Mid Cap Index*	*Dom Equity*	*Mid Cap*	*7.07%*	*8.67%*	*14.65%*	*67.71%*
Small Cap Domestic Equity							
Russell	*2000 Index*	*Dom Equity*	*Small Cap*	*8.14%*	*8.85%*	*11.93%*	*62.76%*
Russell	*2000 Growth Index*	*Dom Equity*	*Small Growth*	*7.94%*	*7.61%*	*11.32%*	*60.32%*
Russell	*2000 Value Index*	*Dom Equity*	*Small Value*	*8.32%*	*10.02%*	*12.51%*	*65.07%*
S&P	*600 Index*	*Dom Equity*	*Small Cap*	*7.78%*	*8.61%*	*14.17%*	*64.00%*
International Equity							
MSCI	*EAFE*	*Int'l Equity*	*Non-US*	*6.24%*	*0.87%*	*3.06%*	*54.44%*
MSCI	*EAFE Small Cap*	*Int'l Equity*	*Non-US*	*7.30%*	*4.76%*	*3.69%*	*70.02%*
MSCI	*Emerging Markets Index*	*Int'l Equity*	*Emerging Mkt*	*8.08%*	*2.45%*	*11.24%*	*81.55%*
MSCI	*ACWI ex-US*	*Int'l Equity*	*Global ex-US*	*6.85%*	*1.66%*	*5.51%*	*61.67%*
MSCI	*ACWI*	*Int'l Equity*	*Global*	*6.48%*	*3.24%*	*8.11%*	*56.31%*
Fixed Income							
Barclays	*Aggregate Index*	*Fixed Income*	*Core Bond*	*-0.12%*	*1.78%*	*1.99%*	*7.69%*
Barclays	*High Yield 2% Constrained*	*Fixed Income*	*High Yield*	*3.03%*	*4.51%*	*10.97%*	*55.63%*

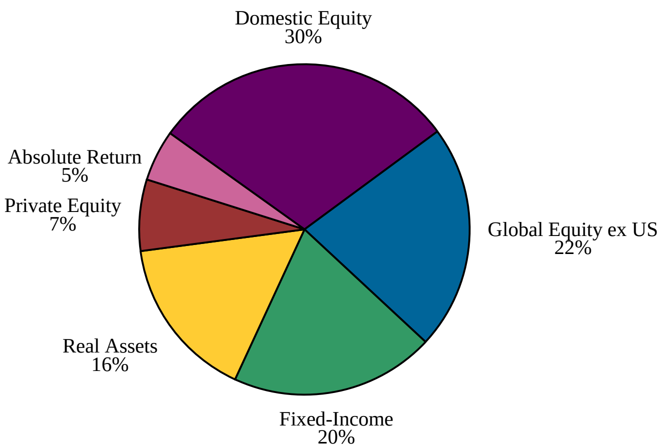
Asset Allocation – PERS

PERS is used as illustrative throughout the presentation. The other plans exhibit similar modest and understandable variations from strategic target allocations.

Actual Asset Allocation



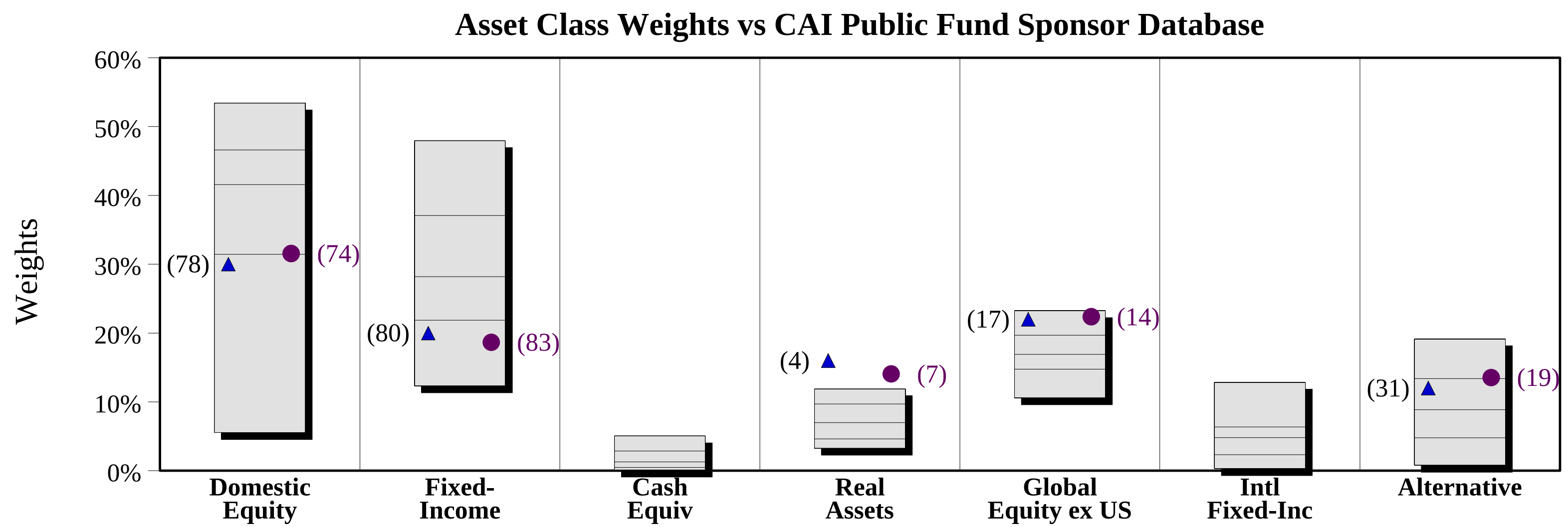
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	1,766,370	31.5%	30.0%	1.5%	84,909
Global Equity ex US	1,251,903	22.3%	22.0%	0.3%	18,831
Fixed-Income	1,043,590	18.6%	20.0%	(1.4%)	(77,384)
Real Assets	786,249	14.0%	16.0%	(2.0%)	(110,530)
Private Equity	475,555	8.5%	7.0%	1.5%	83,220
Absolute Return	281,203	5.0%	5.0%	0.0%	959
Total	5,604,869	100.0%	100.0%		

Asset Allocation Versus Public Funds

Callan Public Fund Database



	Domestic Equity	Fixed-Income	Cash Equiv	Real Assets	Global Equity ex US	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	31.51	18.62	-	14.03	22.34	-	13.50
Target ▲	30.00	20.00	-	16.00	22.00	-	12.00
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

Note that “alternative” includes private equity and absolute return

PERS Performance
December Quarter

PERS

Attribution for Quarter ended December 31, 2009

Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	30%	6.00%	5.90%	0.03%	0.05%
Fixed-Income	19%	20%	0.86%	0.40%	0.08%	0.04%
Real Assets	15%	16%	(0.84%)	(1.10%)	0.04%	0.04%
Global Equity ex US	22%	22%	3.45%	3.79%	(0.07%)	(0.00%)
Private Equity	8%	7%	5.45%	4.03%	0.12%	0.02%
Absolute Return	5%	5%	2.42%	1.29%	0.05%	0.01%

Total	**3.26%**	**=**	**2.85%**	**+**	**0.25%**	**+**	**0.15%**

- Real estate had a negative return of 2.55% for the quarter (preliminary) versus a target return of +0.96%.

Trailing 12 months

PERS

One Year Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	32%	26.90%	28.34%	(0.45%)	0.08%
Fixed-Income	17%	19%	12.79%	9.35%	0.61%	0.14%
Real Assets	18%	16%	(12.70%)	(8.18%)	(1.02%)	(0.90%)
Global Equity	19%	21%	36.35%	42.14%	(0.95%)	(0.61%)
Private Equity	10%	7%	(9.47%)	28.57%	(3.97%)	(0.01%)
Absolute Return	5%	6%	7.11%	5.21%	0.09%	(0.00%)

Total 13.28% = 20.28% + (5.66%) + (1.34%)

- The trailing 1-year return was primarily driven by the weak performance of both real estate and private equity.
  - Real estate was down 26.37% while the index was down 11.96%
  - Private equity was down 9.47% while the public market equity recovered strongly. Much of this difference appears to be a timing issue.

PERS Intermediate Term Performance

Five Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	36%	35%	0.18%	0.35%	(0.08%)	0.05%
Fixed-Income	19%	21%	5.04%	5.19%	(0.03%)	0.07%
High Yield	1%	2%	-	-	0.00%	0.00%
Real Assets	13%	11%	4.38%	7.09%	(0.46%)	(0.04%)
International Equity	18%	17%	6.05%	4.96%	0.15%	0.07%
Int'l Fixed-Income	2%	1%	-	-	(0.01%)	(0.07%)
Private Equity	7%	7%	11.63%	1.65%	0.44%	(0.07%)
Absolute Return	4%	4%	2.81%	7.64%	(0.19%)	(0.08%)
Other	1%	2%	-	-	0.02%	(0.00%)

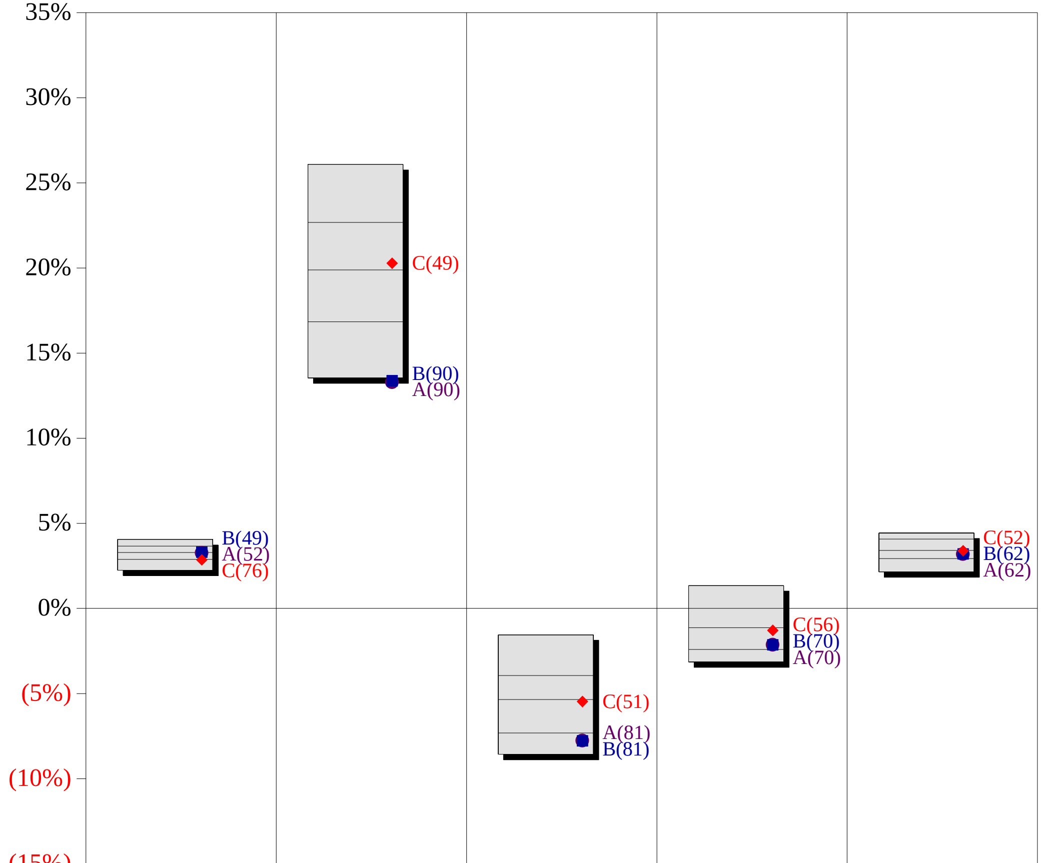
Total 3.19% = 3.39% + (0.14%) + (0.06%)

Seven Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	37%	35%	5.30%	5.99%	(0.29%)	0.08%
Fixed-Income	22%	23%	4.93%	4.91%	0.02%	0.08%
High Yield	1%	1%	-	-	0.00%	0.00%
Real Assets	11%	11%	6.42%	8.53%	(0.35%)	(0.01%)
International Equity	18%	17%	12.20%	11.35%	0.12%	0.12%
Int'l Fixed-Income	2%	2%	-	-	0.03%	(0.04%)
Private Equity	6%	6%	11.31%	8.29%	0.18%	(0.13%)
Absolute Return	3%	3%	2.19%	5.96%	(0.14%)	(0.05%)
Other	0%	2%	-	-	0.02%	0.02%

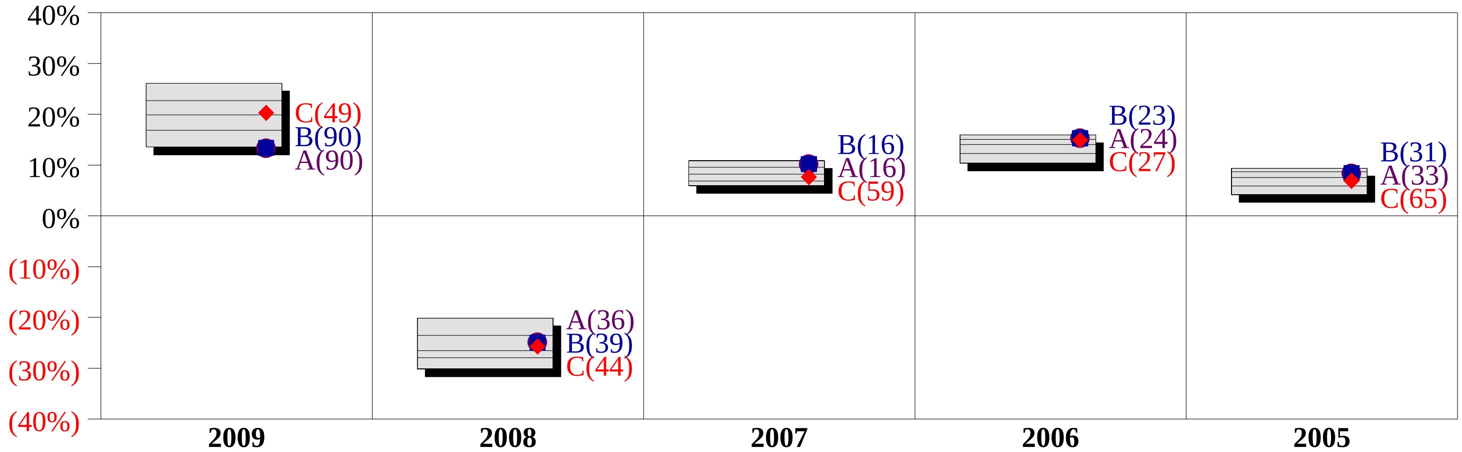
Total 6.65% = 7.00% + (0.41%) + 0.06%

Cumulative Total Fund Returns



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	4.06	26.09	(1.55)	1.34	4.44
25th Percentile	3.66	22.67	(3.94)	0.01	4.08
Median	3.29	19.88	(5.35)	(1.13)	3.41
75th Percentile	2.89	16.84	(7.31)	(2.40)	2.93
90th Percentile	2.25	13.54	(8.57)	(3.15)	2.15
PERS Total Plan ● A	3.26	13.28	(7.77)	(2.14)	3.19
TRS Total Plan ■ B	3.31	13.38	(7.78)	(2.14)	3.20
Target Index ◆ C	2.85	20.28	(5.47)	(1.29)	3.39

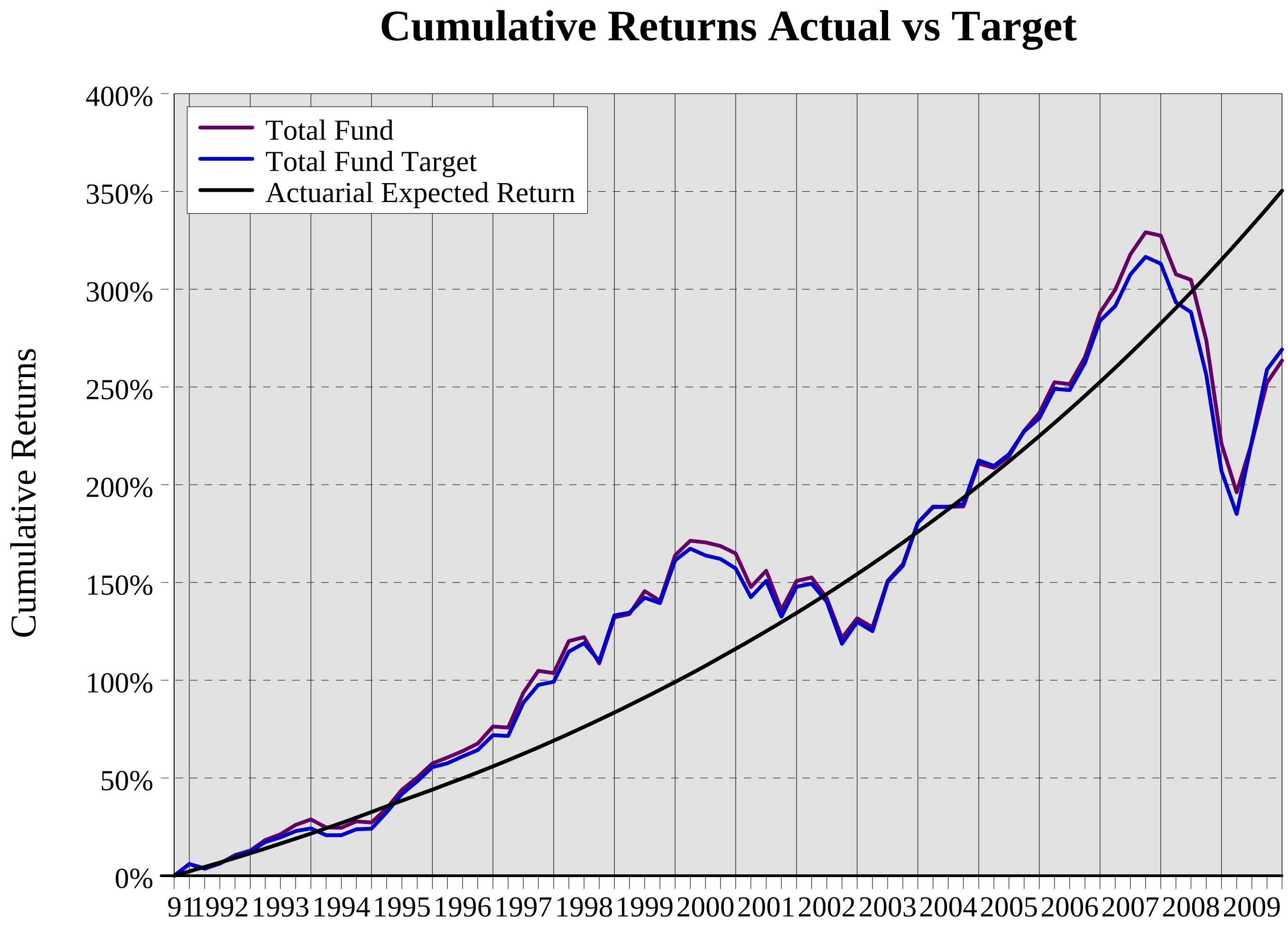
Calendar Period Performance Relative to Public Fund Database



		2009	2008	2007	2006	2005
10th Percentile		26.09	(20.12)	10.87	15.94	9.34
25th Percentile		22.67	(23.51)	9.57	15.05	8.68
Median		19.88	(26.54)	8.20	14.04	7.54
75th Percentile		16.84	(27.91)	6.86	12.29	5.89
90th Percentile		13.54	(30.14)	5.96	10.37	4.20
PERS Total Plan	● A	13.28	(24.91)	10.17	15.24	8.31
TRS Total Plan	■ B	13.38	(24.98)	10.20	15.26	8.38
Target Index	◆ C	20.28	(25.71)	7.64	14.91	6.89

Long-term Return Relative to Target
7.33% versus 7.41% 0ver 18 & 1/4 years

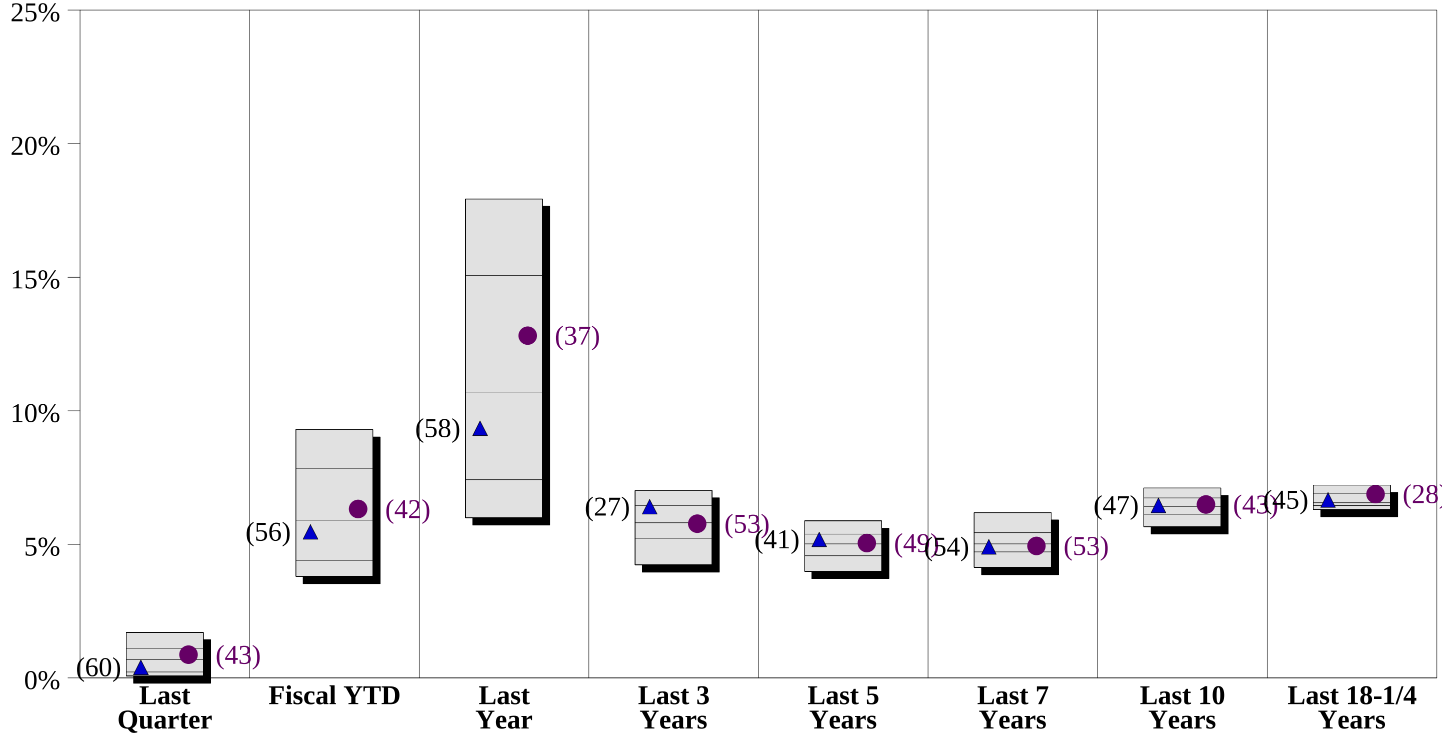
PERS



Total Bond Performance

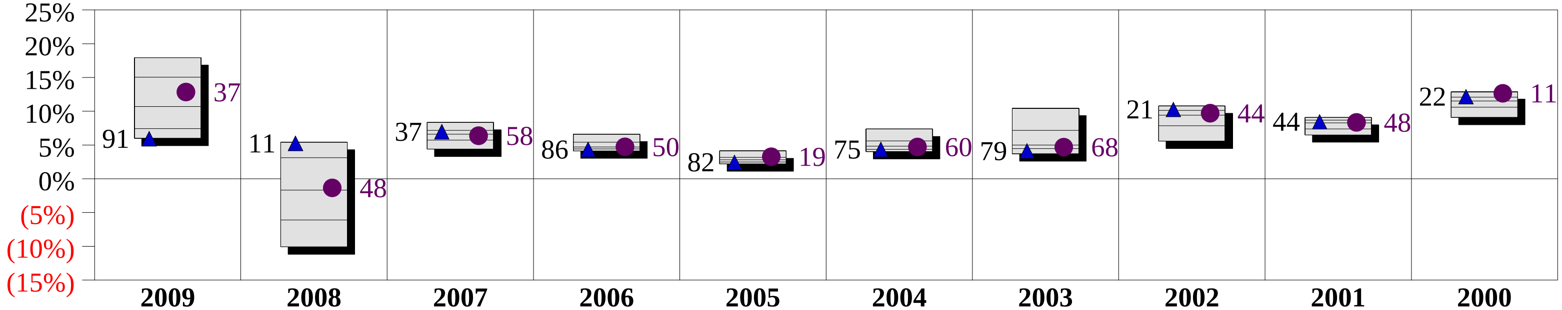
(includes in-house portfolio & external portfolios)

Performance vs Public Fund - Domestic Fixed (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	1.71	9.30	17.93	7.02	5.88	6.19	7.11	7.22
25th Percentile	1.11	7.85	15.06	6.46	5.38	5.44	6.74	6.92
Median	0.69	5.90	10.70	5.81	5.02	5.02	6.42	6.56
75th Percentile	0.23	4.40	7.42	5.23	4.58	4.72	6.13	6.45
90th Percentile	0.07	3.80	5.99	4.23	3.99	4.14	5.66	6.31
Total Fixed-Income Pool ●	0.86	6.32	12.80	5.76	5.04	4.93	6.48	6.87
Fixed-Income Target ▲	0.40	5.47	9.35	6.41	5.19	4.91	6.46	6.66

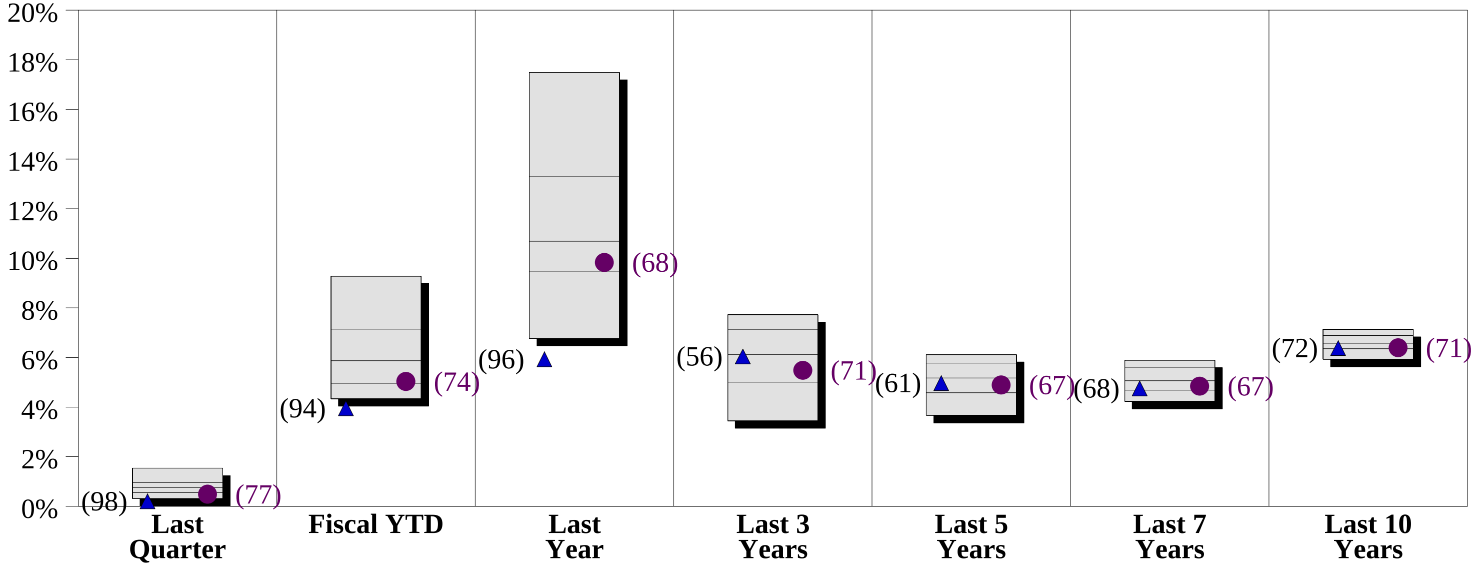
Performance vs Public Fund - Domestic Fixed (Gross)



	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
10th Percentile	17.93	5.40	8.36	6.59	4.14	7.37	10.43	10.79	9.11	12.88
25th Percentile	15.06	3.13	7.18	5.40	3.17	5.61	7.16	10.12	8.69	12.09
Median	10.70	(1.68)	6.59	4.71	2.81	4.83	5.00	9.42	8.29	11.51
75th Percentile	7.42	(6.11)	5.73	4.41	2.47	4.35	4.48	7.87	7.37	10.60
90th Percentile	5.99	(10.08)	4.39	4.13	2.21	4.03	3.70	5.57	6.49	9.09
Total Fixed-Income Pool ●	12.80	(1.39)	6.35	4.69	3.24	4.67	4.65	9.67	8.32	12.63
Custom Index ▲	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.43	12.15

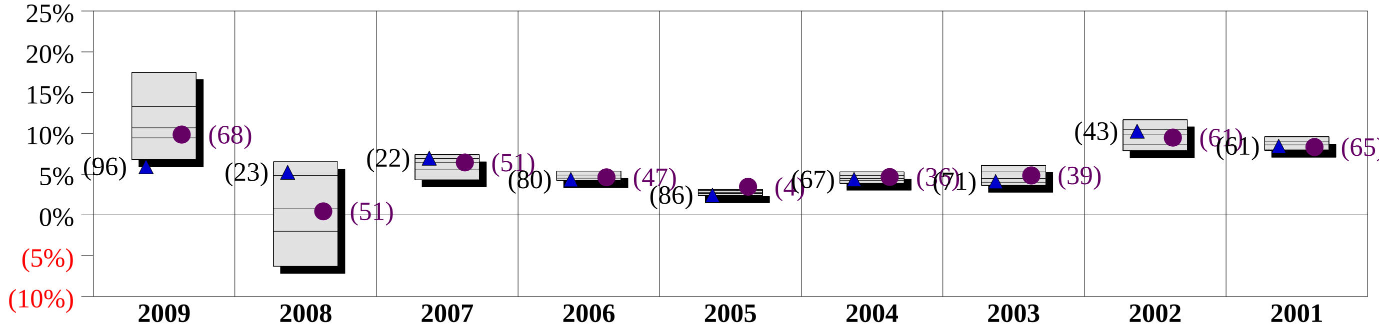
In-house Portfolio –compared to Core Bond Style

Performance vs CAI Core Bond Fixed-Inc Style (Gross)



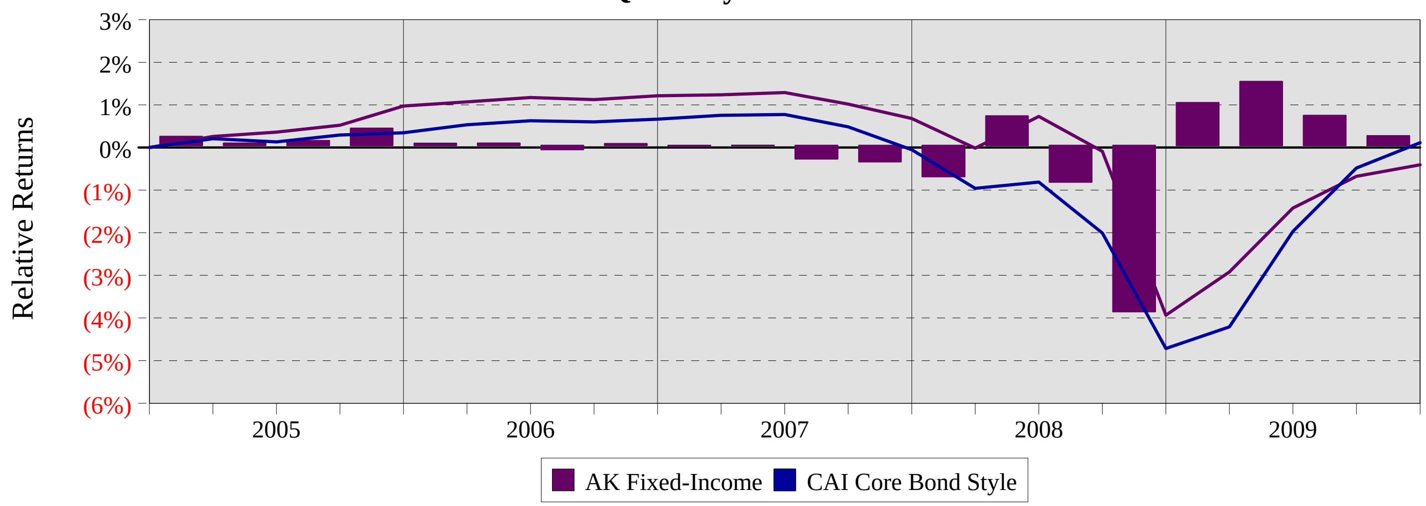
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	1.54	9.28	17.49	7.73	6.12	5.89	7.14
25th Percentile	0.95	7.14	13.29	7.14	5.78	5.61	6.89
Median	0.76	5.87	10.68	6.13	5.17	5.06	6.58
75th Percentile	0.55	4.96	9.45	5.00	4.59	4.68	6.35
90th Percentile	0.31	4.34	6.77	3.45	3.67	4.24	5.93
AK Fixed-Income ●	0.48	5.03	9.82	5.47	4.88	4.84	6.39
Custom Index ▲	0.20	3.95	5.93	6.04	4.97	4.75	6.38

Performance vs CAI Core Bond Fixed-Inc Style (Gross)

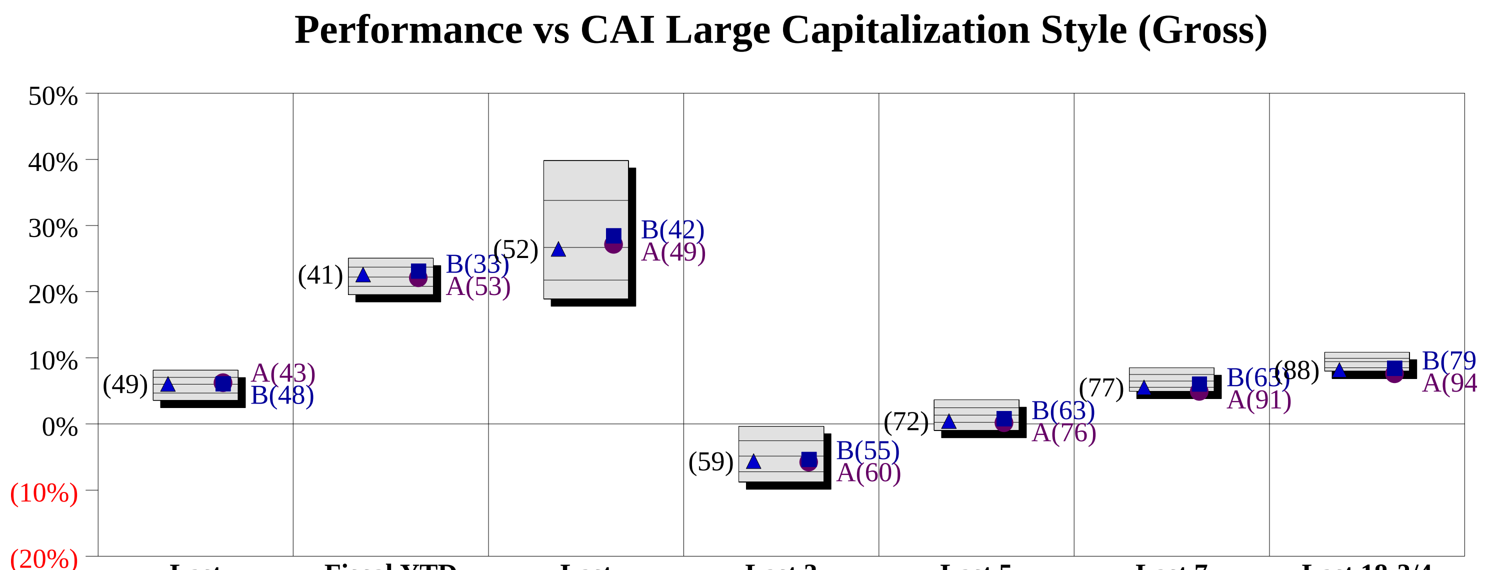


		2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile		17.49	6.51	7.39	5.38	3.14	5.28	6.08	11.67	9.58
25th Percentile		13.29	4.83	6.93	4.90	3.01	4.84	5.27	10.50	9.05
Median		10.68	0.76	6.46	4.54	2.77	4.49	4.48	9.92	8.59
75th Percentile		9.45	(2.02)	5.61	4.42	2.64	4.25	4.00	8.68	8.07
90th Percentile		6.77	(6.30)	4.30	4.22	2.37	3.90	3.64	7.86	7.94
AK Fixed-Income	●	9.82	0.42	6.40	4.58	3.43	4.63	4.81	9.46	8.30
Custom Index	▲	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.43

Cumulative and Quarterly Relative Return vs Custom Index



Large Cap Equity Portfolios
Good quarter & year

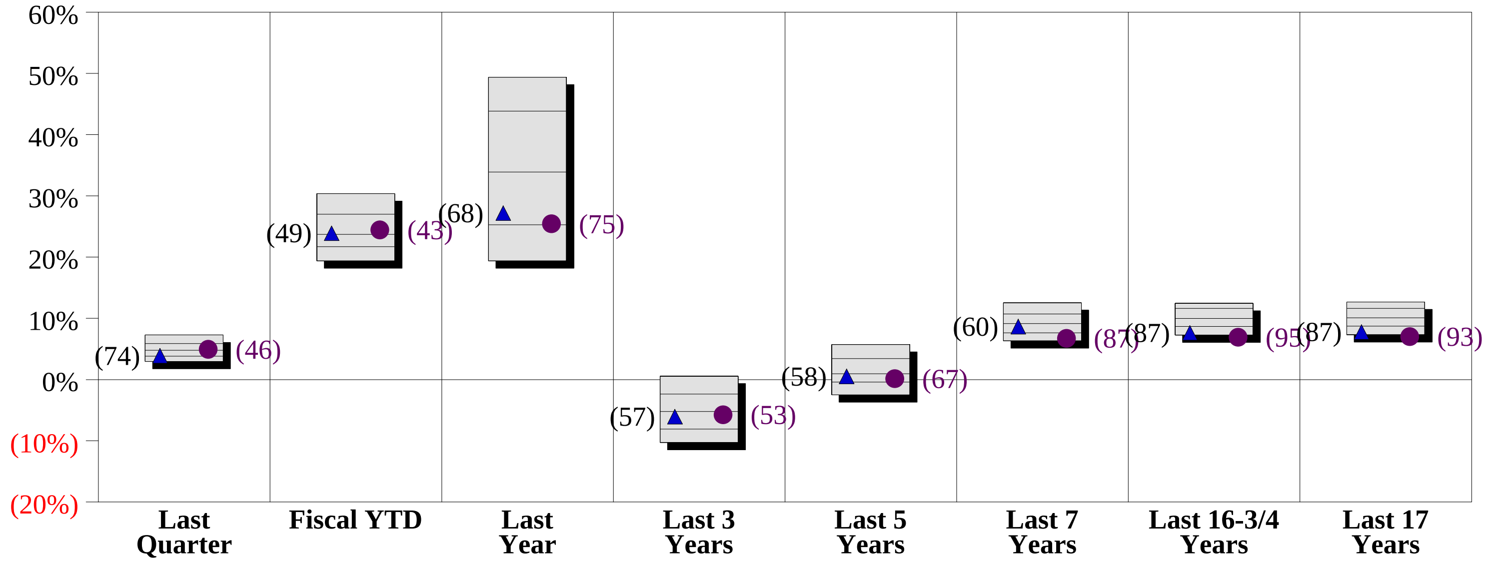


		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 18-3/4 Years
10th Percentile		8.14	25.06	39.81	(0.36)	3.67	8.50	10.84
25th Percentile		7.05	23.72	33.80	(2.54)	2.46	7.46	9.94
Median		5.99	22.21	26.69	(4.86)	1.35	6.48	9.40
75th Percentile		4.68	20.80	21.75	(7.21)	0.27	5.55	8.49
90th Percentile		3.56	19.56	18.90	(8.76)	(0.99)	4.94	7.98
Large Cap Pool	● A	6.19	22.06	27.13	(5.80)	0.15	4.88	7.55
Russell 1000	■ B	6.07	23.11	28.43	(5.36)	0.79	6.02	8.41
S&P 500 Index	▲	6.04	22.59	26.47	(5.63)	0.42	5.52	8.18

- Barrow Hanley, QMA, Capital Guardian & Relational all had strong full year results
- McKinley’s returns were weak
- Longer-term problem children = McKinley, Capital (3-7 years) & Relational (since inception)

Small Cap Performance

Performance vs CAI Small Capitalization Style (Gross)

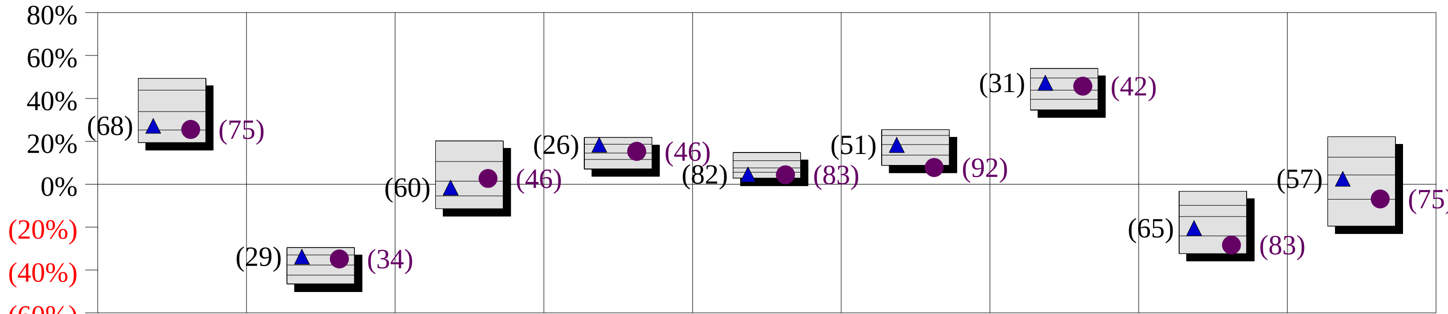


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 16-3/4 Years	Last 17 Years
10th Percentile	7.28	30.36	49.37	0.56	5.71	12.54	12.45	12.67
25th Percentile	5.89	27.00	43.85	(2.38)	3.40	10.72	11.63	11.64
Median	4.77	23.70	33.87	(5.22)	0.94	9.13	9.98	10.09
75th Percentile	3.81	21.72	25.27	(8.09)	(0.41)	7.61	8.65	8.72
90th Percentile	2.96	19.38	19.39	(10.28)	(2.50)	6.33	7.25	7.31
Small Cap Pool ●	4.89	24.39	25.40	(5.79)	0.10	6.71	6.87	6.97
Russell 2000 Index ▲	3.87	23.90	27.17	(6.07)	0.51	8.65	7.62	7.77

- Strong year & long-term = Jennison
- OK year & strong long-term = Lord Abbett & slightly less exciting = Luther King
- Troubled = Turner

Calendar Period Performance

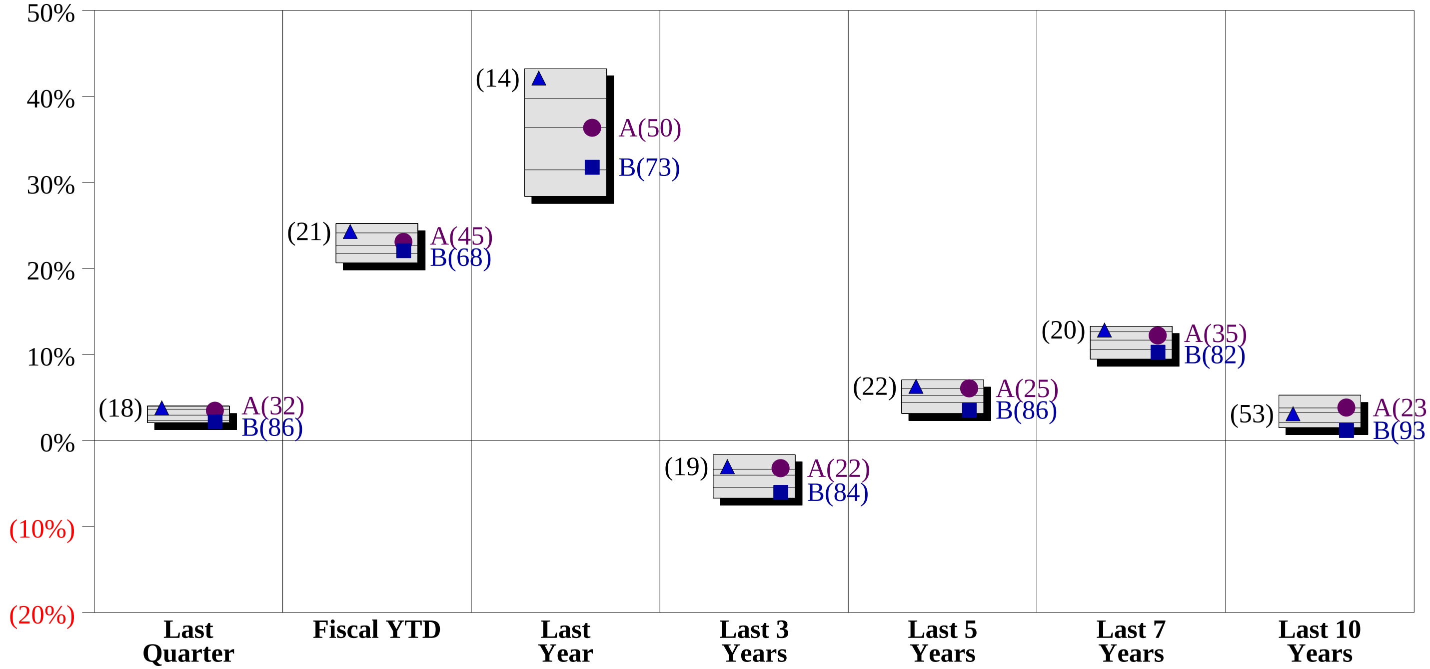
Performance vs CAI Small Capitalization Style (Gross)



	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	49.37	(29.54)	20.20	21.82	14.77	25.42	54.03	(3.26)	22.13
25th Percentile	43.85	(33.02)	10.55	18.62	10.97	22.73	49.55	(9.81)	12.60
Median	33.87	(37.70)	1.39	14.59	7.55	18.56	43.84	(15.13)	4.31
75th Percentile	25.27	(42.41)	(5.47)	11.58	5.55	13.61	39.60	(24.07)	(7.02)
90th Percentile	19.39	(46.49)	(11.43)	7.13	2.77	8.83	34.55	(32.36)	(19.54)
Small Cap Pool ●	25.40	(34.97)	2.53	15.24	4.28	7.65	45.62	(28.43)	(7.00)
Russell 2000 Index ▲	27.17	(33.79)	(1.57)	18.37	4.55	18.33	47.25	(20.48)	2.49

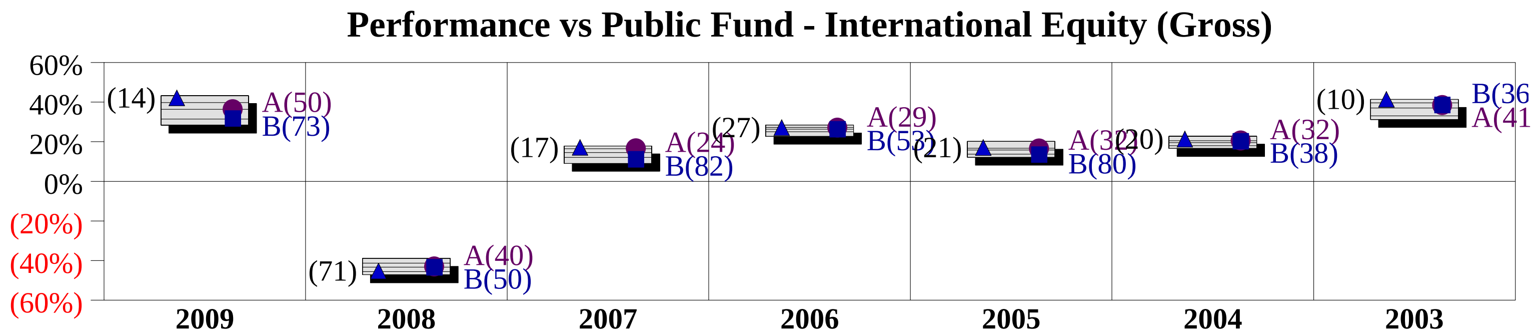
International Equity – Median Versus Public Funds for Full Year

Performance vs Public Fund - International Equity (Gross)



		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile		4.00	25.24	43.24	(1.65)	7.06	13.30	5.28
25th Percentile		3.64	24.13	39.80	(3.32)	6.03	12.66	3.78
Median		2.95	22.69	36.39	(4.02)	5.26	11.66	3.24
75th Percentile		2.34	21.71	31.49	(5.46)	4.43	10.59	2.13
90th Percentile		2.09	20.67	28.40	(6.70)	3.14	9.46	1.52
Employees' Total Int'l Equity	● A	3.45	23.06	36.35	(3.24)	6.05	12.20	3.81
MSCI EAFE Index	■ B	2.18	22.07	31.78	(6.04)	3.54	10.27	1.17
MSCI ACWI ex-US Index	▲	3.79	24.30	42.14	(3.04)	6.31	12.84	3.12

International - Calendar Periods

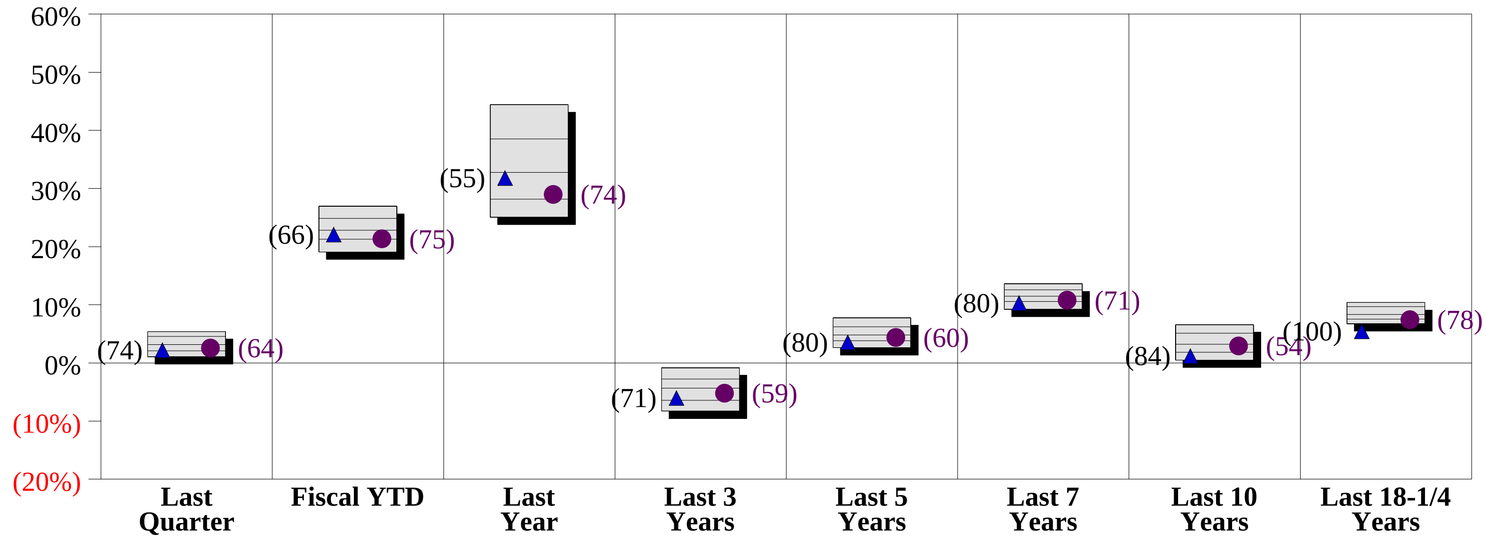


		2009	2008	2007	2006	2005	2004	2003
10th Percentile		43.24	(38.84)	17.89	28.48	20.22	22.79	41.38
25th Percentile		39.80	(41.28)	16.50	27.22	16.81	20.59	39.66
Median		36.39	(43.30)	14.59	26.44	15.89	19.59	37.09
75th Percentile		31.49	(45.51)	12.13	25.15	13.76	18.04	33.07
90th Percentile		28.40	(47.15)	9.11	22.70	12.19	16.65	31.23
Total International Equity	● A	36.35	(43.03)	16.61	27.06	16.53	20.54	38.42
MSCI EAFE Index	■ B	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59
MSCI ACWI ex-US Index	▲	42.14	(45.24)	17.12	27.16	17.11	21.36	41.41

- McKinley had weak 2009 & also weak longer-term. Brandes had weak 2009 but still is well above average for longer periods. Capital was slightly below benchmark for 2009 and slightly above for longer-term periods.
- SSgA passive portfolio helped in the quarter. EM exposure helped total international despite fact that EM managers lagged EM index.

International ex EM versus Managers

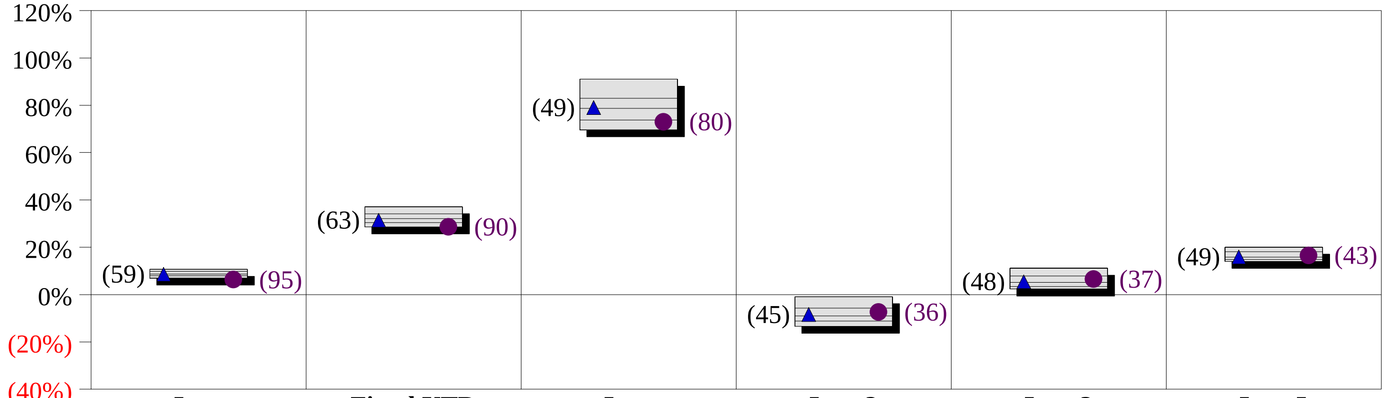
Performance vs CAI Non-U.S. Equity Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	5.39	26.93	44.41	(0.84)	7.77	13.60	6.58	10.38
25th Percentile	4.56	24.88	38.53	(2.76)	6.23	12.57	5.11	9.69
Median	3.15	22.84	32.75	(4.33)	4.82	11.48	3.20	8.32
75th Percentile	2.08	21.26	28.15	(6.43)	3.83	10.57	1.83	7.53
90th Percentile	1.06	19.07	25.05	(8.28)	2.62	9.21	0.49	6.72
Int'l Equity Pool (ex Emerging. Mkt) ●	2.52	21.28	28.94	(5.23)	4.34	10.74	2.89	7.41
MSCI EAFE Index ▲	2.18	22.07	31.78	(6.04)	3.54	10.27	1.17	5.42

Emerging Markets Pool – Relatively strong longer-term results but below par calendar year. Extraordinary absolute return in 2009

Performance vs CAI Emerging Markets Equity DB (Gross)

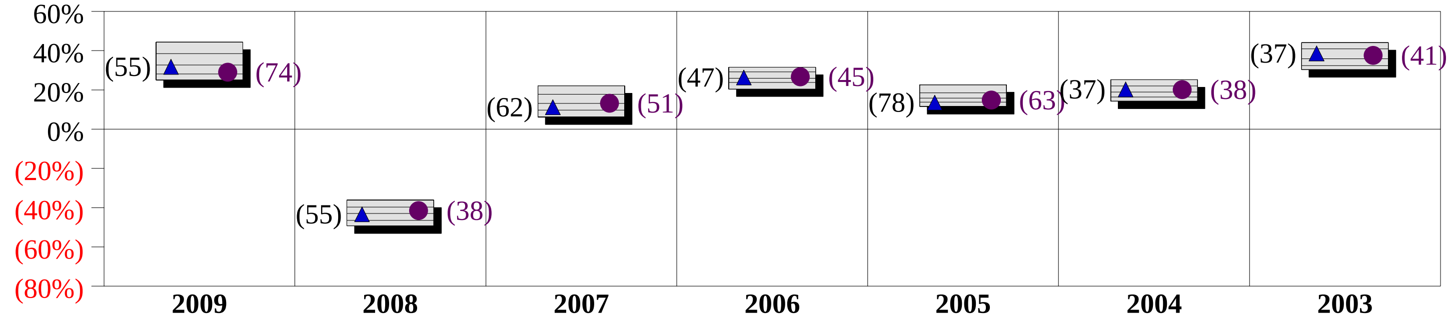


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	10.68	37.11	91.04	(0.89)	11.16	20.02
25th Percentile	9.80	34.12	82.96	(5.70)	7.85	18.09
Median	8.72	32.05	78.68	(9.01)	5.16	15.84
75th Percentile	8.03	30.46	73.71	(11.18)	3.36	14.86
90th Percentile	6.95	28.58	69.56	(13.38)	2.33	14.01
Emerging Markets Pool ●	6.22	28.54	72.93	(7.47)	6.48	16.48
MSCI Emerging Mkts Idx ▲	8.58	31.42	79.02	(8.45)	5.42	15.88

- All three EM managers trailed benchmark with Capital doing the best & Eaton Vance the worst. Lazard was up 70.2%, Eaton 62.1% & Capital 77.8%.
- Only Capital has a longer-term record for ARMB (which fortunately is strong).

Emerging Markets Pool – Calendar Periods

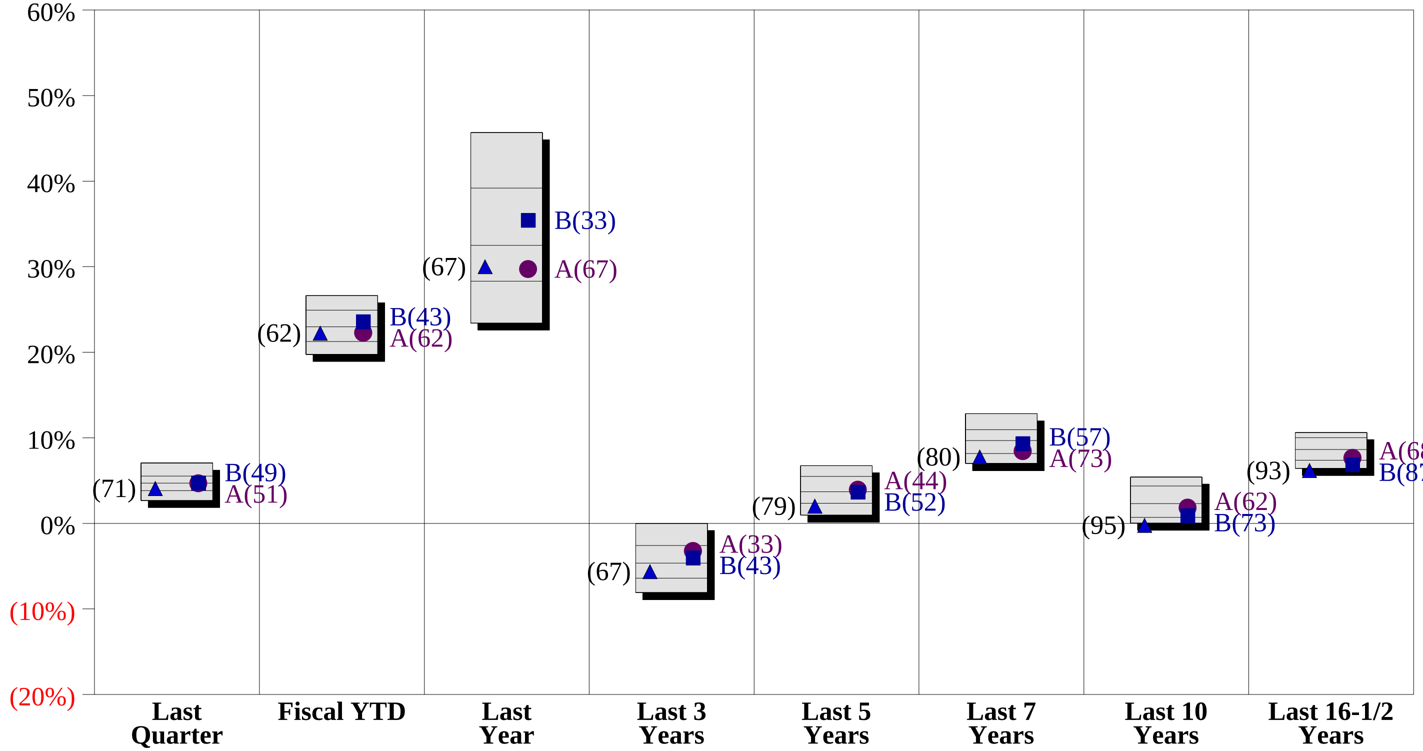
Performance vs CAI Non-U.S. Equity Style (Gross)



	2009	2008	2007	2006	2005	2004	2003
10th Percentile	44.41	(36.13)	22.08	31.57	22.67	25.22	44.12
25th Percentile	38.53	(39.67)	17.77	29.21	18.58	22.05	40.89
Median	32.75	(42.91)	13.17	25.98	15.78	18.88	35.91
75th Percentile	28.15	(46.51)	9.68	23.91	13.78	16.48	32.32
90th Percentile	25.05	(49.26)	6.23	20.44	11.55	14.28	30.36
Int'l Equity Pool (ex Emerging. Mkt) ●	28.94	(41.64)	13.12	26.64	14.74	20.11	37.52
MSCI EAFE Index ▲	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59

Global (Lazard) – Benchmark like year

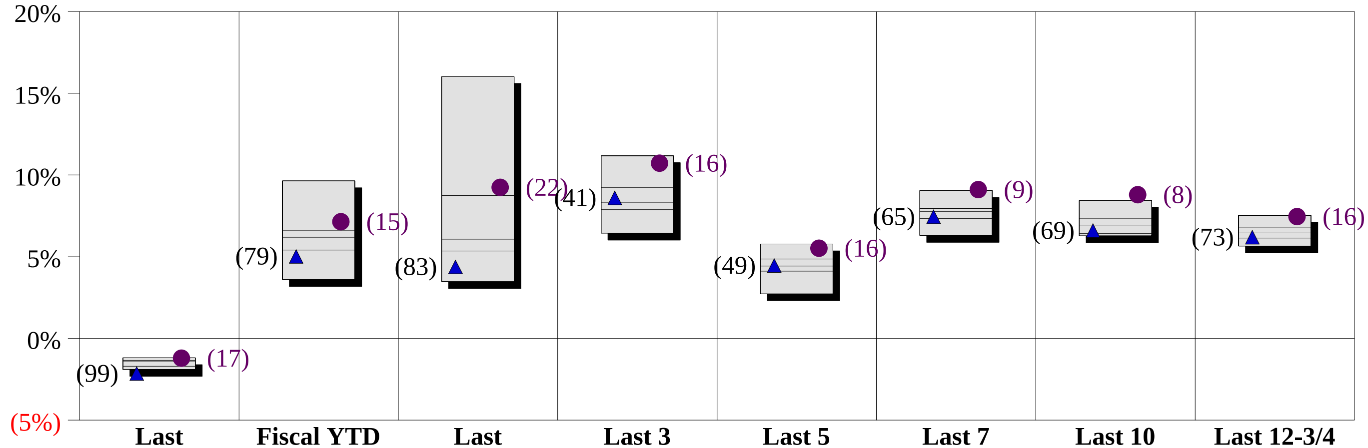
Performance vs CAI Global Equity Broad Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 16-1/2 Years
10th Percentile	7.06	26.62	45.68	(0.00)	6.74	12.81	5.41	10.63
25th Percentile	5.53	24.92	39.19	(2.59)	5.48	10.95	4.37	10.02
Median	4.70	22.96	32.49	(4.64)	3.69	9.68	2.31	8.64
75th Percentile	3.83	21.24	28.31	(6.41)	2.35	8.17	0.70	7.39
90th Percentile	2.68	19.75	23.42	(8.08)	0.96	7.01	0.02	6.42
Lazard Global ● A	4.65	22.26	29.70	(3.25)	3.90	8.42	1.80	7.63
MSCI ACWI Idx ■ B	4.72	23.56	35.41	(4.05)	3.64	9.30	0.89	6.85
MSCI World Index ▲	4.07	22.23	29.99	(5.63)	2.01	7.75	(0.24)	6.17

International Bonds - Mondrian

Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)

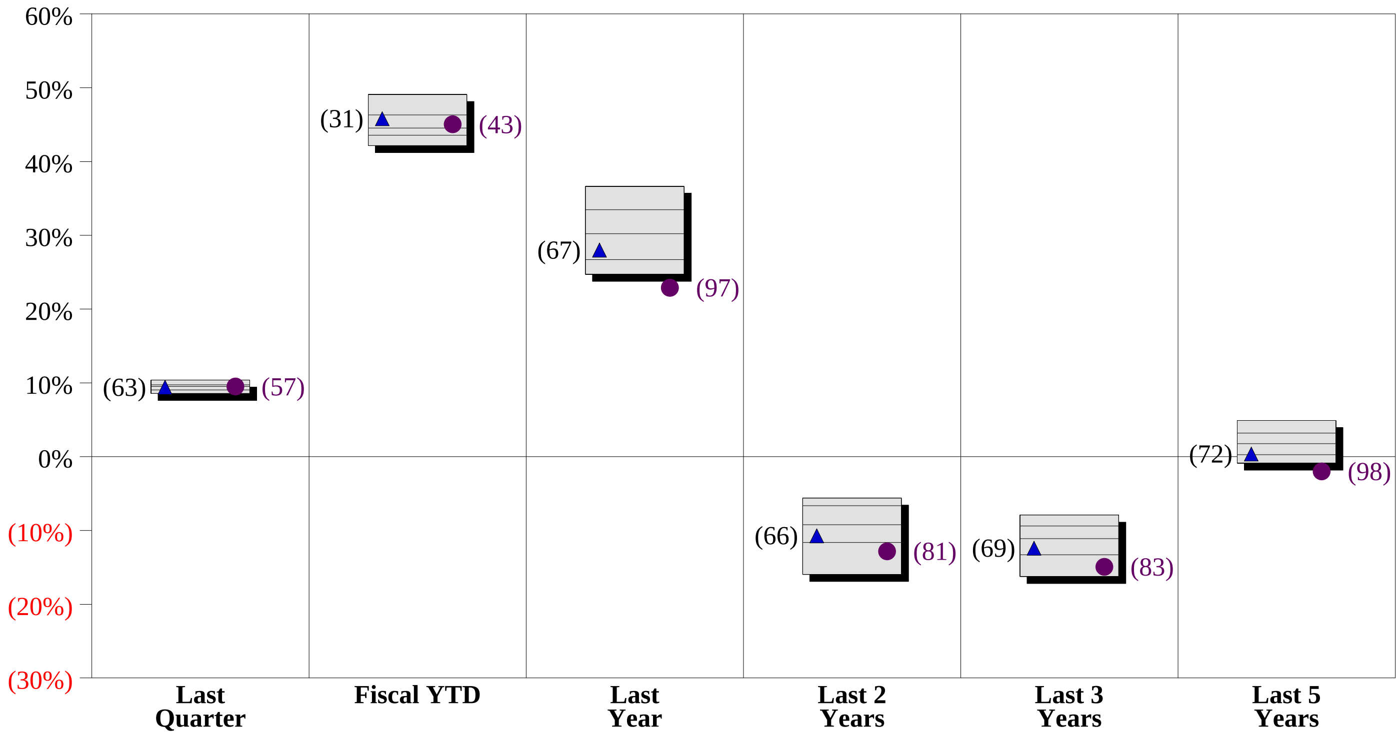


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 12-3/4 Years
10th Percentile	(1.18)	9.64	16.03	11.18	5.78	9.05	8.44	7.52
25th Percentile	(1.34)	6.59	8.74	9.25	4.86	7.94	7.33	6.77
Median	(1.43)	6.19	6.08	8.34	4.44	7.77	6.89	6.45
75th Percentile	(1.70)	5.41	5.35	7.88	4.11	7.34	6.41	6.14
90th Percentile	(1.89)	3.60	3.47	6.44	2.73	6.30	6.28	5.66
Mondrian Investment Partners ●	(1.22)	7.13	9.24	10.71	5.51	9.10	8.78	7.44
Citi Non-US Gvt Bd Idx ▲	(2.15)	5.02	4.38	8.60	4.46	7.45	6.60	6.20

- Terrific year & very attractive long-term results

REIT Portfolio – strong absolute quarter & six months.

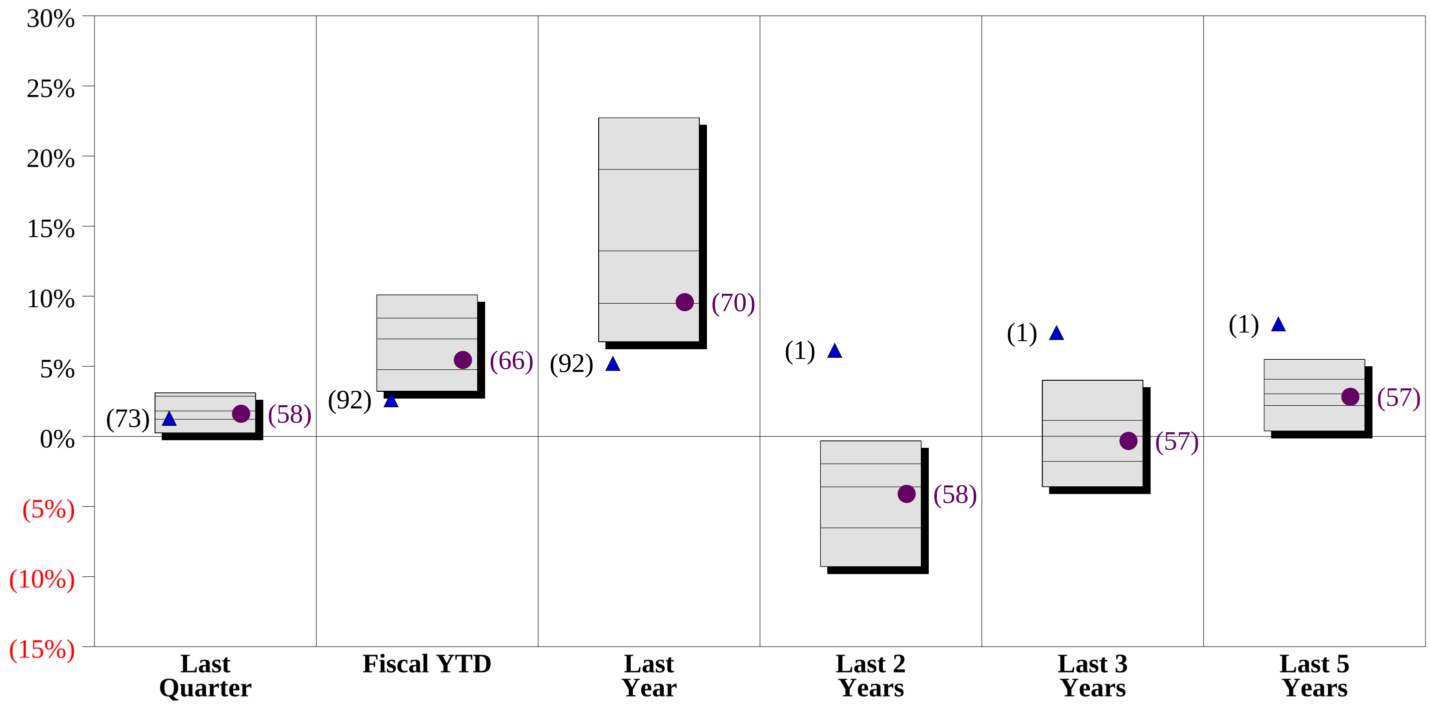
Performance vs CAI Real Estate-REIT DB (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	10.38	49.10	36.64	(5.60)	(7.92)	4.90
25th Percentile	9.74	46.30	33.45	(6.65)	(9.39)	3.19
Median	9.52	44.55	30.21	(9.23)	(11.11)	1.76
75th Percentile	9.05	43.57	26.69	(11.62)	(13.29)	0.26
90th Percentile	8.57	42.17	24.71	(15.96)	(16.24)	(0.88)
REIT Holdings ●	9.47	45.00	22.87	(12.85)	(14.97)	(2.02)
NAREIT Equity Index ▲	9.39	45.80	27.99	(10.72)	(12.41)	0.36

Absolute Return Composite

Performance vs Absolute Return Hedge FoFs Style (Net)

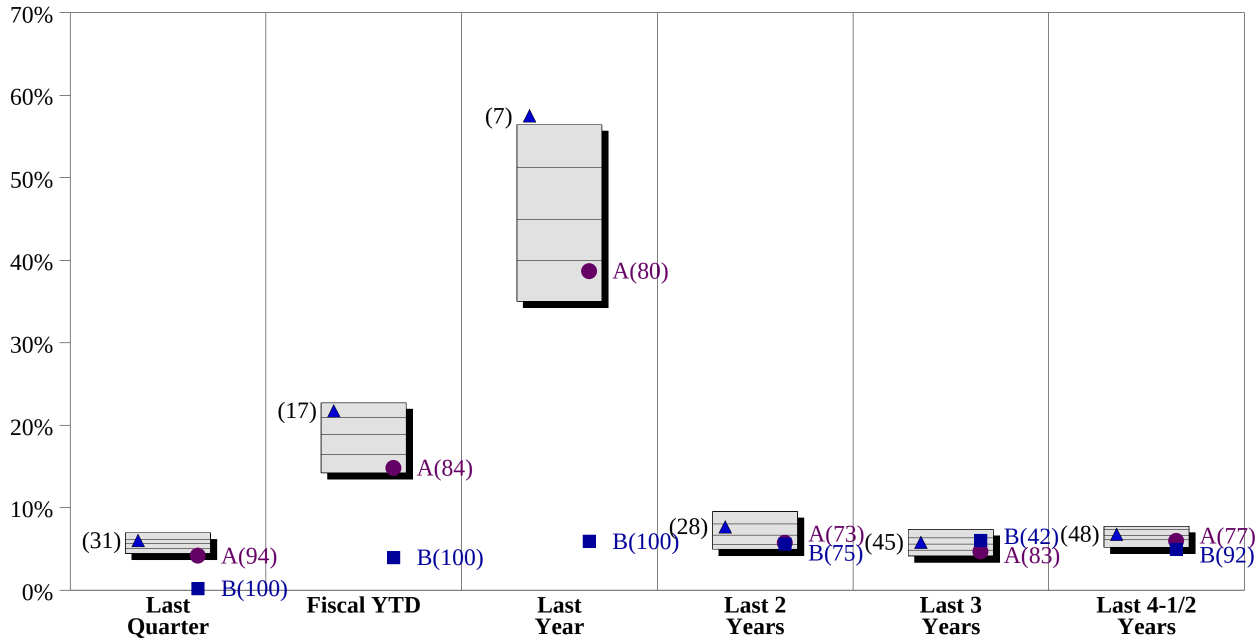


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.10	10.09	22.72	(0.33)	4.00	5.49
25th Percentile	2.87	8.44	19.05	(1.96)	1.14	4.08
Median	1.81	6.96	13.24	(3.60)	0.01	3.03
75th Percentile	1.21	4.75	9.49	(6.52)	(1.78)	2.19
90th Percentile	0.25	3.22	6.75	(9.29)	(3.58)	0.38
Absolute Return Composite ●	1.60	5.42	9.55	(4.13)	(0.34)	2.80
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

- Two of three managers beat targets. The 3rd , Cadogan, is in termination mode.

High Yield Composite

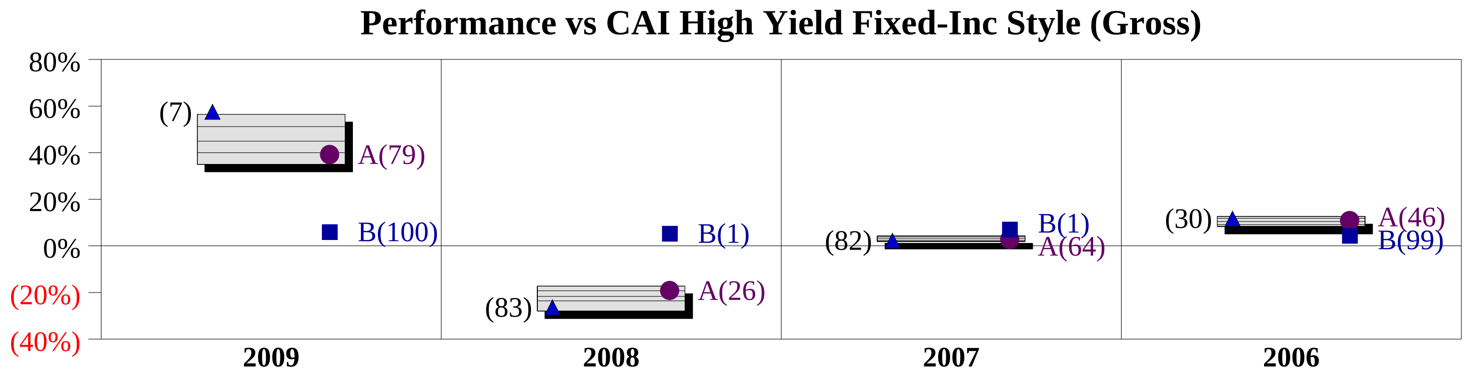
Performance vs CAI High Yield Fixed-Inc Style (Gross)



		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		6.96	22.73	56.44	9.56	7.39	7.76
25th Percentile		6.18	20.97	51.23	8.04	6.34	7.34
Median		5.67	18.87	44.95	6.68	5.59	6.67
75th Percentile		5.02	16.47	40.00	5.58	4.86	6.12
90th Percentile		4.46	14.24	35.02	4.97	4.15	5.21
High Yield Composite	● A	4.17	14.81	38.67	5.72	4.68	5.96
BC Aggregate Index	■ B	0.20	3.95	5.93	5.58	6.04	4.96
High Yield Target	▲	6.04	21.75	57.51	7.68	5.82	6.79

- Both high yield managers, Rogge & MacKay, have a higher quality orienetation and understandably lagged target in 2009 after outperforming strongly in 2008 (see next page)
- Longer-term MacKay looks ok while Rogge’s results are poor.

High Yield Composite – Calendar Periods



		2009	2008	2007	2006
10th Percentile		56.44	(17.22)	4.32	12.66
25th Percentile		51.23	(19.20)	4.09	11.86
Median		44.95	(21.68)	3.37	10.45
75th Percentile		40.00	(23.52)	2.41	9.09
90th Percentile		35.02	(27.93)	1.90	8.38
High Yield Composite	● A	39.12	(19.22)	2.67	10.77
BC Aggregate Index	■ B	5.93	5.24	6.97	4.33
High Yield Target	▲	57.51	(26.39)	2.19	11.66

SBS, Deferred Comp – primary vehicles

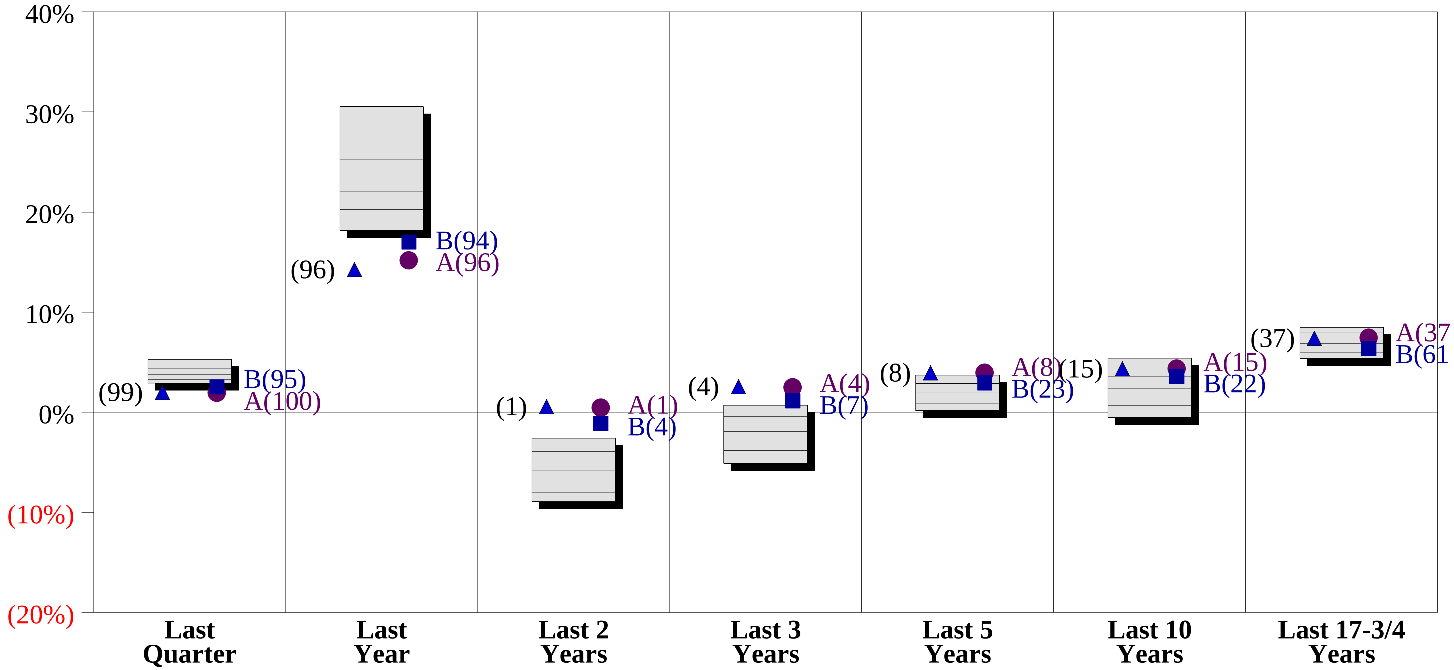
- **Each quarter we will highlight certain segments of the various participant directed programs.**
- **This quarter, we will highlight the diversified options (both risk oriented and target maturity) and the actively managed asset class specific options.**
- **This is the first time that we will present target maturity relative performance. We do this by contrasting your individual target maturity trust performance to both their unique target indexes but also to other collective vehicles with similar stated target maturities.**
- **This relative performance comparison should be viewed as a secondary objective since the primary objective is the target index. Nonetheless, participants may compare your Target Maturity Trust vehicles with other vehicles with the same apparent maturity.**
- **Important to note that different target maturity vehicles employ different strategies and glidepaths.**

SBS Asset Allocation

	December 31, 2009				September 30, 2009	
	Market Value	Percent	Net New Inv.	Inv. Return	Market Value	Percent
Balanced/Target Funds						
Alaska Balanced Fund	999,965,763	44.59%	(9,370,115)	18,971,207	990,364,671	45.50%
Long Term Balanced Fund	251,764,922	11.23%	(4,746,823)	12,114,977	244,396,768	11.23%
Target 2010 Fund	31,874,188	1.42%	(1,450,867)	(102,701)	33,427,756	1.54%
Target 2010 Trust	3,606,464	0.16%	1,102,452	(10,202)	2,514,214	0.12%
Target 2015 Trust	78,276,880	3.49%	653,540	2,657,725	74,965,615	3.44%
Target 2020 Trust	27,697,728	1.24%	106,859	1,650,744	25,940,125	1.19%
Target 2025 Trust	10,964,925	0.49%	439,022	854,346	9,671,557	0.44%
Target 2030 Trust	1,528,427	0.07%	556,496	429,125	542,806	0.02%
Target 2035 Trust	2,374,133	0.11%	760,523	616,466	997,144	0.05%
Target 2040 Trust	2,060,824	0.09%	214,099	672,749	1,173,976	0.05%
Target 2045 Trust	946,224	0.04%	182,845	621,188	142,191	0.01%
Target 2050 Trust	1,107,674	0.05%	222,643	751,470	133,561	0.01%
Target 2055 Trust	462,275	0.02%	240,106	85,601	136,568	0.01%
Domestic Equity Funds						
State Street S&P	212,394,657	9.47%	4,380,076	12,050,287	195,964,294	9.00%
RCM Socially Responsible	26,857,397	1.20%	6,651,221	1,419,101	18,787,076	0.86%
Russell 3000 Index	5,970,622	0.27%	1,027,527	298,558	4,644,537	0.21%
T. Rowe Price Small Cap	58,088,059	2.59%	(420,147)	2,840,778	55,667,428	2.56%
International Equity Funds						
Brandes Int'l Fund	-	-	(91,990,132)	(1,356,571)	93,346,704	4.29%
Brandes Int'l Fund (new)*	93,325,296	4.16%	93,008,599	316,697	-	-
World Eq Ex-US Index	12,031,405	0.54%	368,293	390,568	11,272,544	0.52%
Fixed-Income Funds						
BlackRock Govt/Credit Fd	48,254,123	2.15%	(672,776)	(152,143)	49,079,043	2.25%
Intermediate Bond Fund	13,917,106	0.62%	166,666	(73,980)	13,824,420	0.64%
Long US Treasury Bond	5,129,993	0.23%	(86,964)	(308,195)	5,525,152	0.25%
US TIPS	11,410,246	0.51%	2,088,815	149,877	9,171,554	0.42%
World Gov't Bond Ex-US	2,480,031	0.11%	(53,424)	(63,814)	2,597,270	0.12%
Global Balanced Funds						
SSgA Global Balanced	50,369,937	2.25%	(254,406)	1,304,394	49,319,949	2.27%
Real Estate Funds						
US REITS	12,625,208	0.56%	1,097,041	775,711	10,752,456	0.49%
Short Term Funds						
T. Rowe Price Stable Value	265,727,755	11.85%	2,386,937	2,610,306	260,730,512	11.98%
SSgA Inst Trsry MM	11,224,036	0.50%	(188,818)	916	11,411,938	0.52%
Total Fund	**$2,242,436,297**	**100.0%**	**$6,419,287**	**$59,515,184**	**$2,176,501,827**	**100.0%**

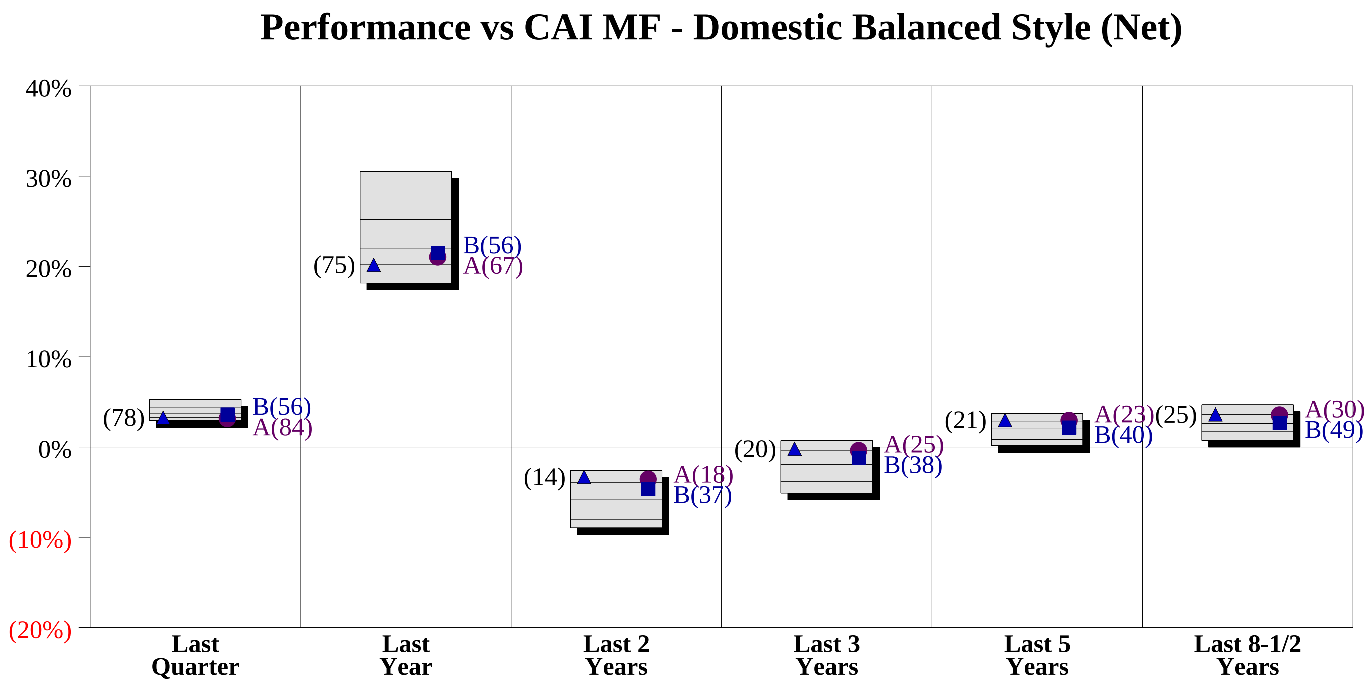
Balanced Trust

Performance vs CAI MF - Domestic Balanced Style (Net)



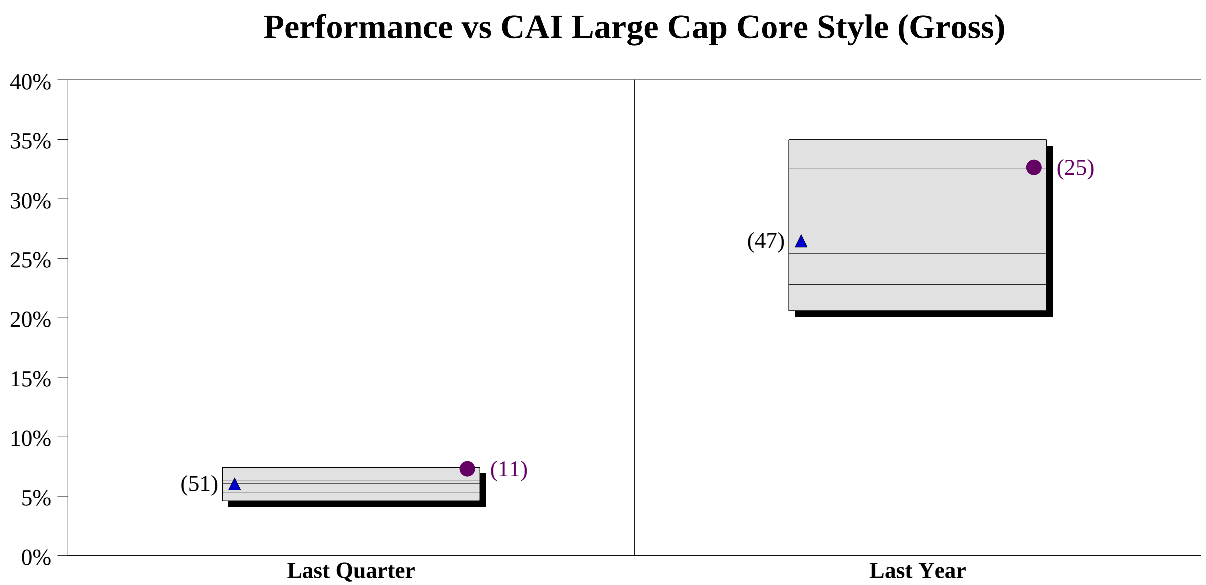
		Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 17-3/4 Years
10th Percentile		5.29	30.53	(2.59)	0.71	3.72	5.41	8.50
25th Percentile		4.41	25.21	(3.92)	(0.40)	2.88	3.55	7.92
Median		3.74	22.03	(5.78)	(1.92)	2.01	2.33	6.86
75th Percentile		3.27	20.24	(8.05)	(3.82)	0.84	0.68	5.92
90th Percentile		2.92	18.17	(8.94)	(5.11)	0.15	(0.50)	5.34
Alaska Balanced Fund	● A	1.91	15.16	0.43	2.47	3.94	4.33	7.43
Active Target	■ B	2.54	17.01	(1.12)	1.14	2.92	3.58	6.36
Passive Target	▲	1.99	14.24	0.56	2.55	3.93	4.34	7.40

Long-Term Balanced Trust



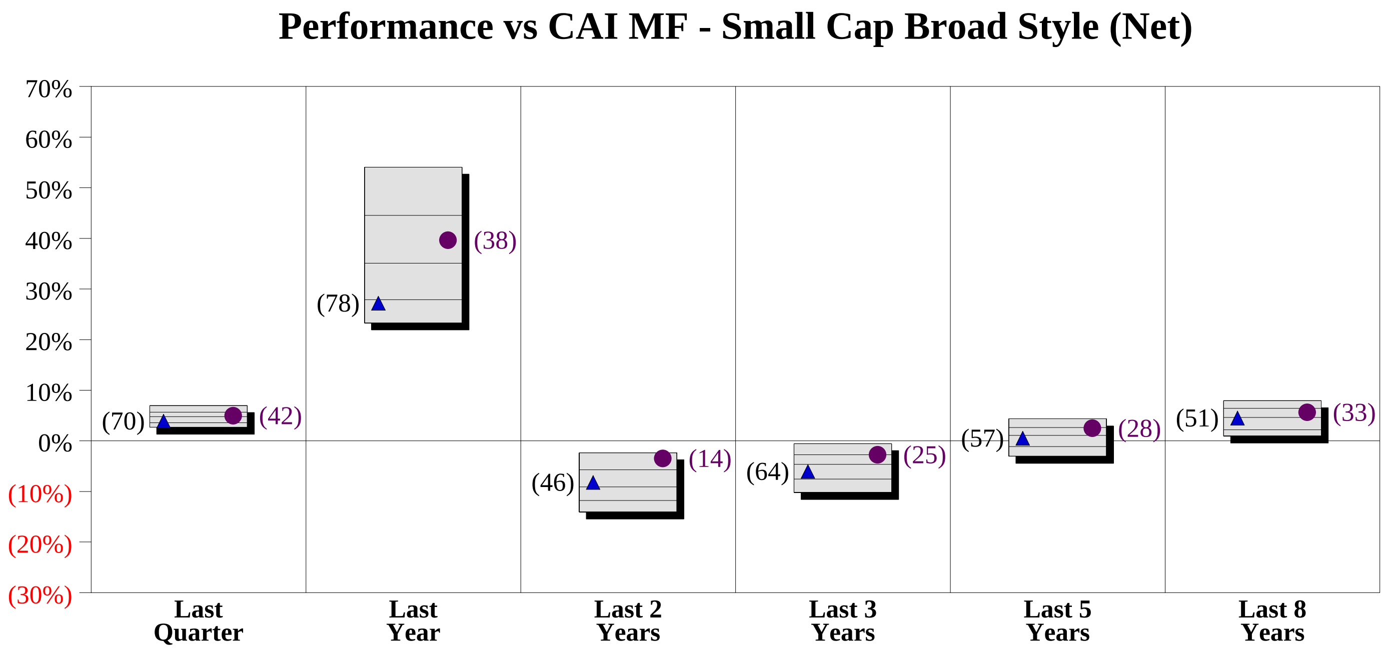
	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 8-1/2 Years
10th Percentile	5.29	30.53	(2.59)	0.71	3.72	4.67
25th Percentile	4.41	25.21	(3.92)	(0.40)	2.88	3.60
Median	3.74	22.03	(5.78)	(1.92)	2.01	2.61
75th Percentile	3.27	20.24	(8.05)	(3.82)	0.84	1.70
90th Percentile	2.92	18.17	(8.94)	(5.11)	0.15	0.74
Long Term Balanced Fund ● A	3.14	21.03	(3.59)	(0.42)	2.92	3.52
Active Target ■ B	3.59	21.52	(4.67)	(1.19)	2.15	2.64
Passive Target ▲	3.26	20.19	(3.31)	(0.20)	2.99	3.61

RCM Socially Responsible Equity



	Last Quarter	Last Year
10th Percentile	7.44	34.96
25th Percentile	6.36	32.58
Median	6.09	25.38
75th Percentile	5.29	22.82
90th Percentile	4.61	20.59
RCM Socially Resp Inv Fund ●	7.29	32.62
S&P 500 Index ▲	6.04	26.47

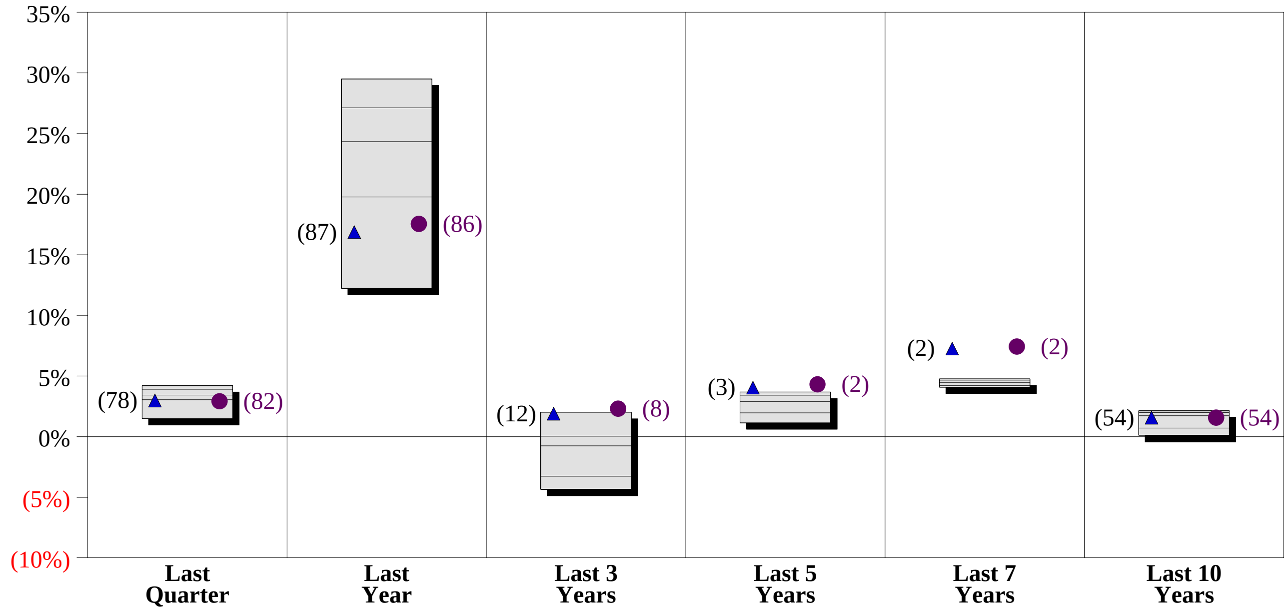
T. Rowe Price Small-Cap Trust



		Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 8 Years
10th Percentile		6.97	54.04	(2.35)	(0.55)	4.34	7.94
25th Percentile		5.67	44.52	(5.72)	(2.74)	2.62	6.42
Median		4.76	35.11	(9.07)	(4.63)	1.08	4.62
75th Percentile		3.58	27.89	(11.78)	(7.56)	(1.13)	2.18
90th Percentile		2.70	23.27	(14.07)	(10.22)	(3.05)	0.94
T. Rowe Price Small-Cap Stock Trust	●	4.93	39.59	(3.51)	(2.78)	2.45	5.59
Russell 2000 Index	▲	3.87	27.17	(8.24)	(6.07)	0.51	4.49

Select Target Maturity Trusts
Target 2015 Trust

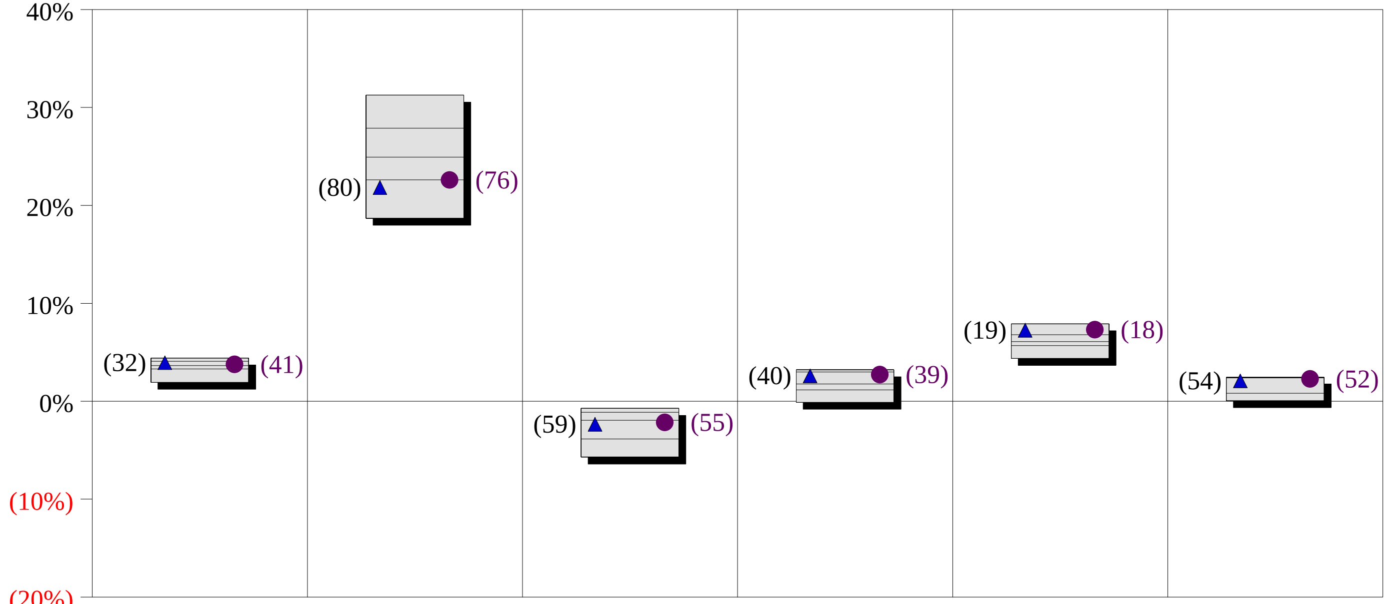
Performance vs CAI Target Date 2015 (Cheapest Net)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	4.21	29.51	2.01	3.68	4.77	2.14
25th Percentile	3.89	27.12	0.03	3.42	4.66	1.98
Median	3.44	24.33	(0.76)	2.90	4.47	1.72
75th Percentile	3.04	19.77	(3.26)	1.96	4.23	0.71
90th Percentile	1.50	12.23	(4.35)	1.13	4.08	0.10
Alaska SBS-Target 2015 ●	2.90	17.52	2.28	4.29	7.41	1.54
ARMB SBS 2015 Trust Index ▲	2.98	16.87	1.89	4.04	7.26	1.56

Target 2020 Trust

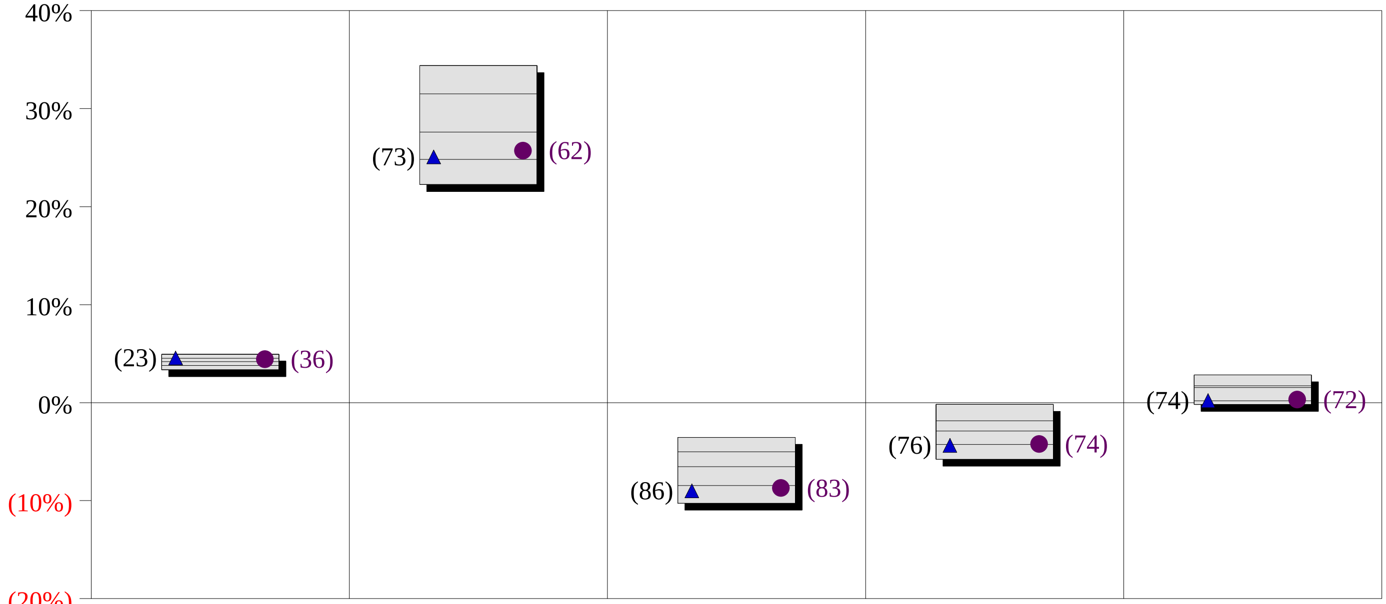
Performance vs CAI Target Date 2020 (Cheapest Net)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 9 Years
10th Percentile	4.42	31.26	(0.73)	3.21	7.90	2.46
25th Percentile	4.08	27.88	(1.12)	2.98	6.78	2.42
Median	3.64	24.94	(1.94)	1.76	6.09	2.39
75th Percentile	3.30	22.61	(3.85)	1.16	5.68	0.82
90th Percentile	1.92	18.68	(5.71)	(0.12)	4.38	0.06
Alaska SBS-Target 2020 ●	3.75	22.58	(2.18)	2.71	7.29	2.25
ARMB SBS 2020 Trust Index ▲	3.94	21.83	(2.36)	2.59	7.25	2.08

Target 2025 Trust

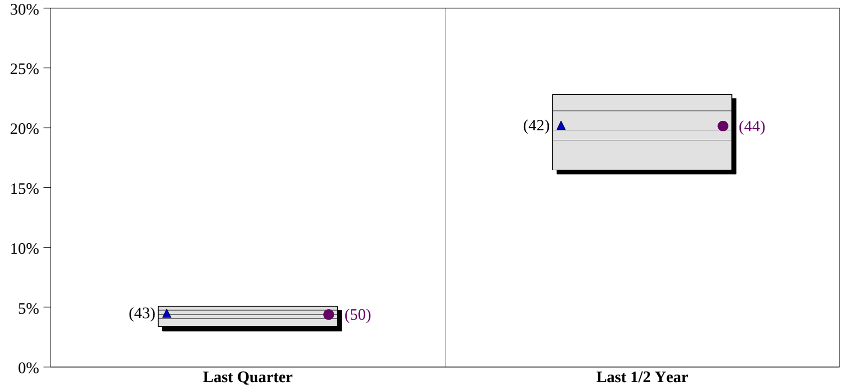
Performance vs CAI Target Date 2025 (Cheapest Net)



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years
10th Percentile	4.94	34.39	(3.54)	(0.17)	2.84
25th Percentile	4.53	31.51	(5.01)	(1.84)	1.72
Median	4.19	27.61	(6.54)	(2.90)	1.55
75th Percentile	3.78	24.81	(8.45)	(4.27)	0.18
90th Percentile	3.37	22.26	(10.26)	(5.79)	(0.18)
Alaska SBS-Target 2025 ●	4.41	25.69	(8.74)	(4.23)	0.29
ARMB SBS 2025 Trust Index ▲	4.56	25.06	(9.01)	(4.36)	0.20

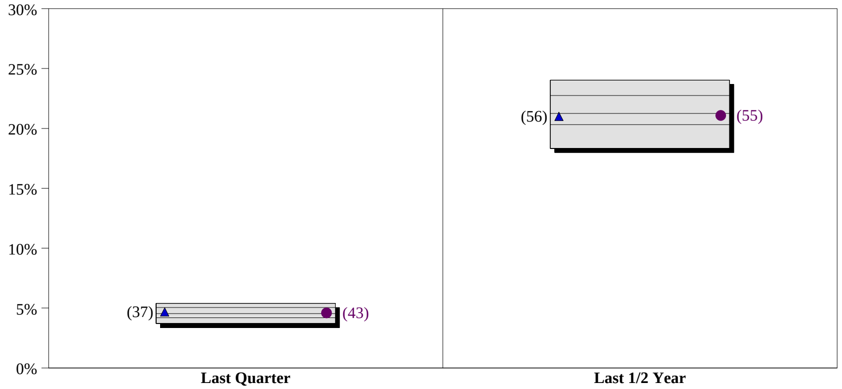
Target 2030 & 2035 Trusts

Performance vs CAI Target Date 2030 (Cheapest Net)



	Last Quarter	Last 1/2 Year
10th Percentile	5.08	22.79
25th Percentile	4.75	21.42
Median	4.37	19.80
75th Percentile	4.04	18.96
90th Percentile	3.37	16.47
Alaska SBS-Target Date Ret 2030 Trust ●	4.37	20.12
ARMB SBS 2030 Trust Index ▲	4.49	20.21

Performance vs CAI Target Date 2035 (Cheapest Net)

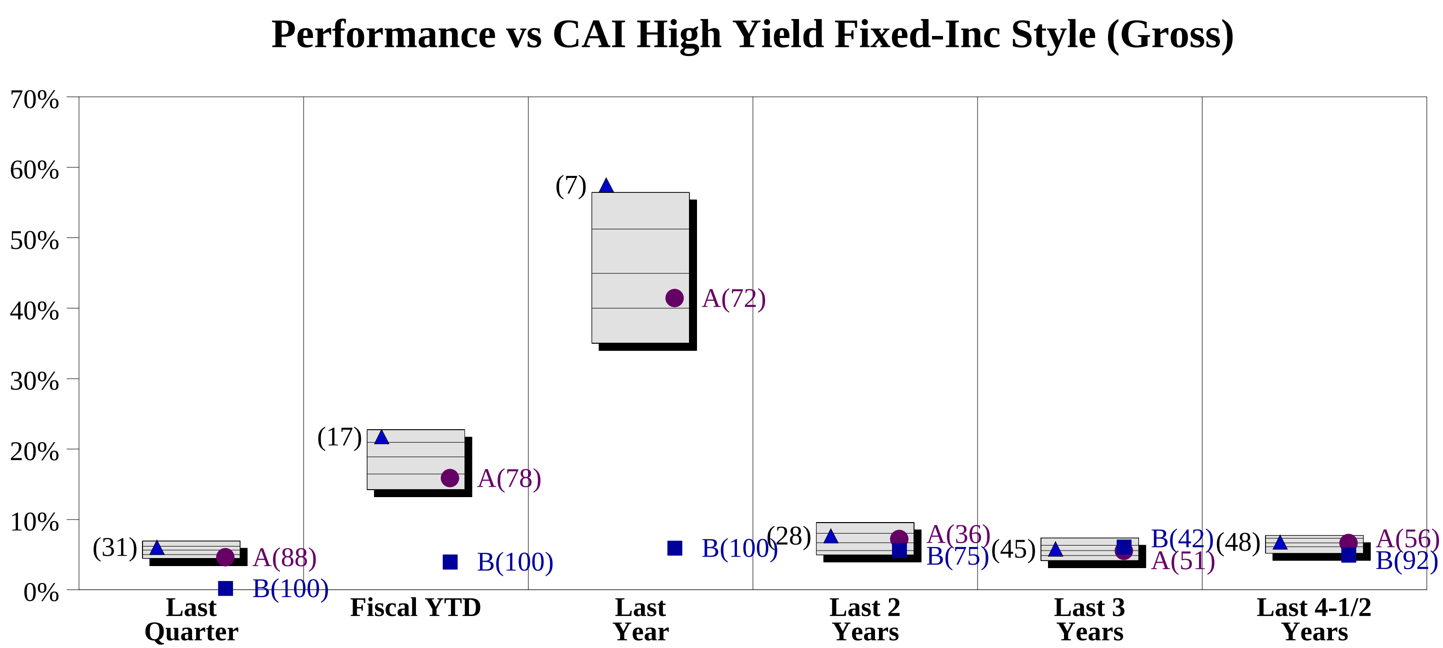


	Last Quarter	Last 1/2 Year
10th Percentile	5.40	24.03
25th Percentile	5.05	22.74
Median	4.54	21.25
75th Percentile	4.20	20.31
90th Percentile	3.72	18.32
Alaska SBS-Target Date Ret 2035 Trust ●	4.57	21.06
ARMB SBS 2035 Trust Index ▲	4.68	21.00

Manager Returns

- **High Yield**
- **Absolute Return**
- **Large Cap Domestic Equity**
- **Small Cap Domestic Equity**
- **International Equity**
- **Emerging Market Equity**

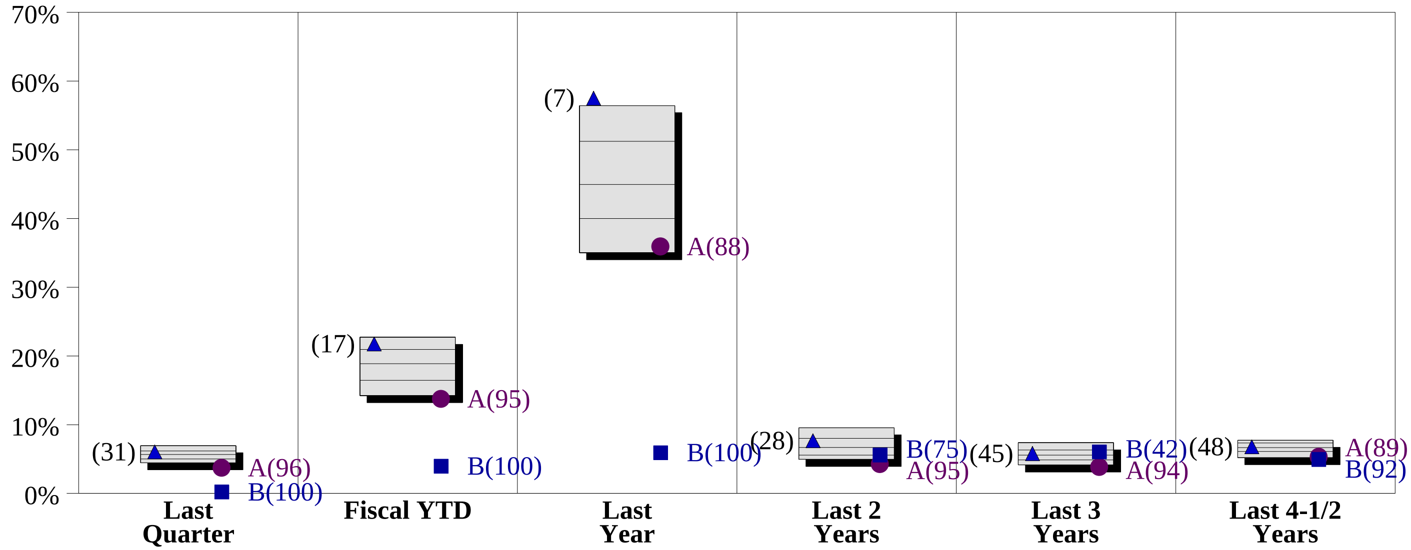
MacKay Shields High Yield



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	6.96	22.73	56.44	9.56	7.39	7.76
25th Percentile	6.18	20.97	51.23	8.04	6.34	7.34
Median	5.67	18.87	44.95	6.68	5.59	6.67
75th Percentile	5.02	16.47	40.00	5.58	4.86	6.12
90th Percentile	4.46	14.24	35.02	4.97	4.15	5.21
MacKay Shields ● A	4.61	15.85	41.42	7.19	5.51	6.62
BC Aggregate Index ■ B	0.20	3.95	5.93	5.58	6.04	4.96
High Yield Target ▲	6.04	21.75	57.51	7.68	5.82	6.79

Rogge (formerly ING) High Yield

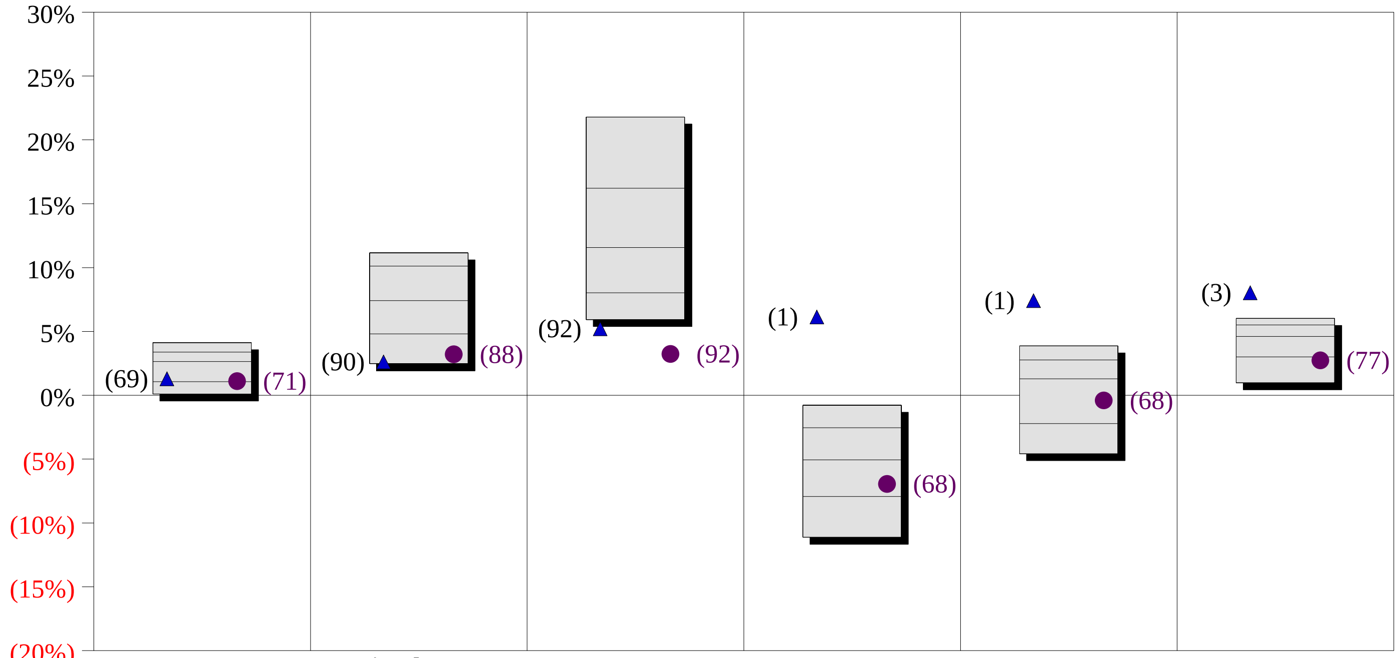
Performance vs CAI High Yield Fixed-Inc Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	6.96	22.73	56.44	9.56	7.39	7.76
25th Percentile	6.18	20.97	51.23	8.04	6.34	7.34
Median	5.67	18.87	44.95	6.68	5.59	6.67
75th Percentile	5.02	16.47	40.00	5.58	4.86	6.12
90th Percentile	4.46	14.24	35.02	4.97	4.15	5.21
Rogge Global Partners ● A	3.71	13.74	35.90	4.25	3.83	5.29
BC Aggregate Index ■ B	0.20	3.95	5.93	5.58	6.04	4.96
High Yield Target ▲	6.04	21.75	57.51	7.68	5.82	6.79

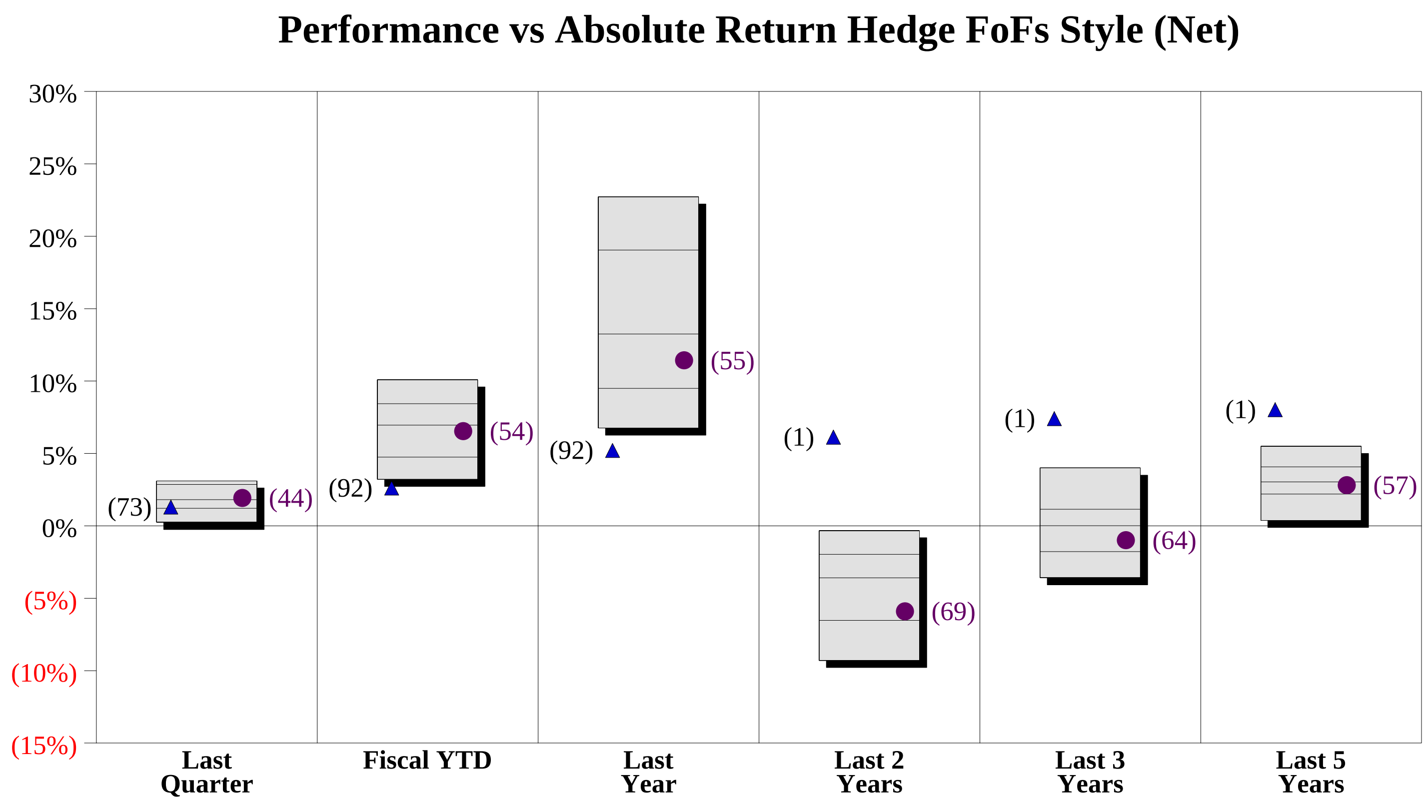
Absolute Return – Cadogan
Note peer group is L/S Fund of Funds

Performance vs Long Short Hedge FoF Style (Net)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	4.13	11.16	21.78	(0.78)	3.87	6.02
25th Percentile	3.38	10.11	16.21	(2.55)	2.77	5.50
Median	2.64	7.41	11.57	(5.07)	1.28	4.61
75th Percentile	1.07	4.81	8.02	(7.93)	(2.21)	3.00
90th Percentile	0.10	2.47	5.93	(11.12)	(4.58)	0.98
Cadogan Management ●	1.10	3.19	3.22	(6.95)	(0.42)	2.72
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

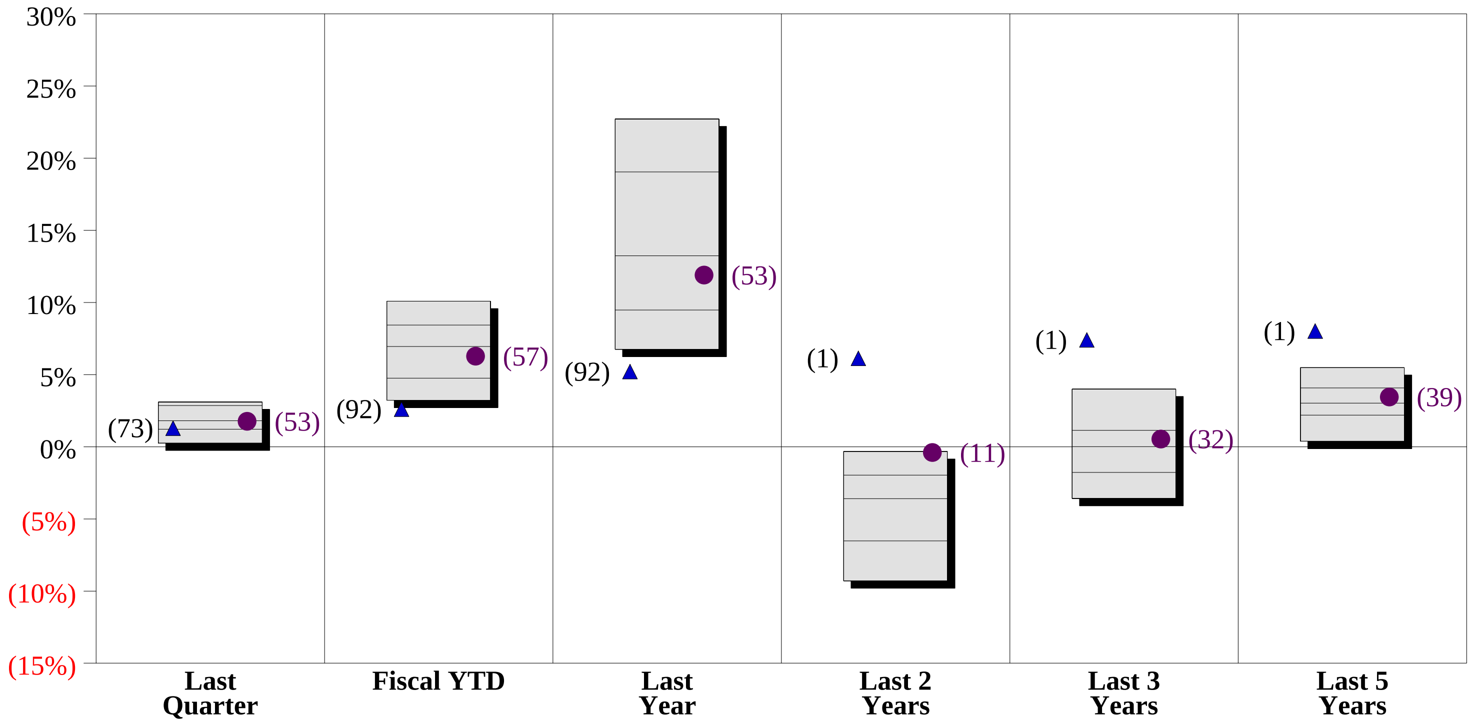
Absolute Return - Crestline



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.10	10.09	22.72	(0.33)	4.00	5.49
25th Percentile	2.87	8.44	19.05	(1.96)	1.14	4.08
Median	1.81	6.96	13.24	(3.60)	0.01	3.03
75th Percentile	1.21	4.75	9.49	(6.52)	(1.78)	2.19
90th Percentile	0.25	3.22	6.75	(9.29)	(3.58)	0.38
Crestline Investors ●	1.92	6.53	11.41	(5.91)	(1.01)	2.79
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

Absolute Return - Mariner

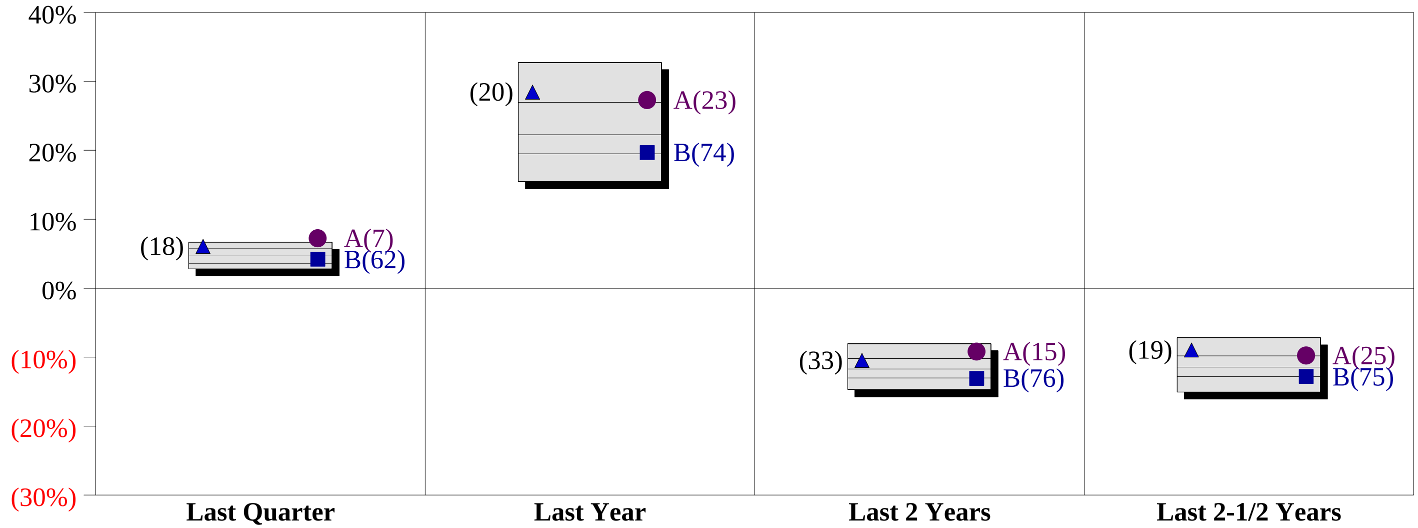
Performance vs Absolute Return Hedge FoFs Style (Net)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.10	10.09	22.72	(0.33)	4.00	5.49
25th Percentile	2.87	8.44	19.05	(1.96)	1.14	4.08
Median	1.81	6.96	13.24	(3.60)	0.01	3.03
75th Percentile	1.21	4.75	9.49	(6.52)	(1.78)	2.19
90th Percentile	0.25	3.22	6.75	(9.29)	(3.58)	0.38
Mariner Investment Group ●	1.75	6.26	11.89	(0.41)	0.52	3.44
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

Domestic Large Cap Equity
Barrow Hanley

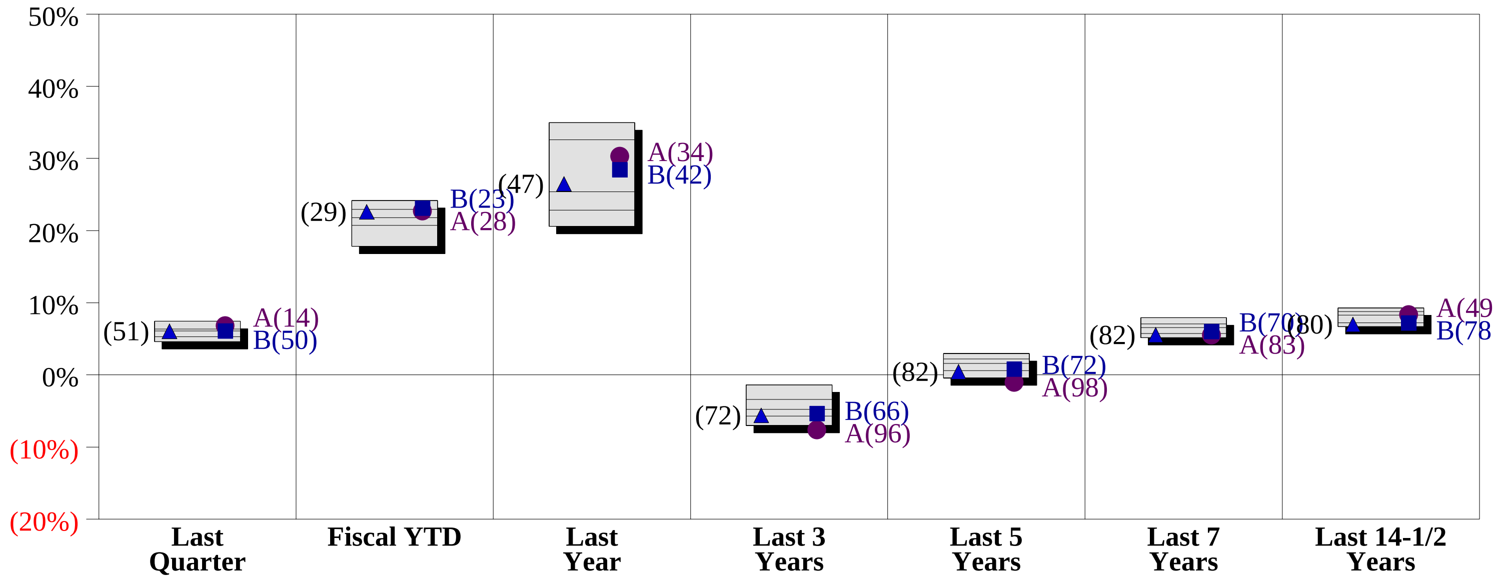
Performance vs CAI Large Cap Value Style (Gross)



		Last Quarter	Last Year	Last 2 Years	Last 2-1/2 Years
10th Percentile		6.70	32.76	(8.04)	(7.16)
25th Percentile		5.73	26.94	(10.18)	(9.81)
Median		4.69	22.29	(11.69)	(11.43)
75th Percentile		3.63	19.50	(13.01)	(12.79)
90th Percentile		2.83	15.46	(14.70)	(15.04)
Barrow, Hanley	● A	7.21	27.26	(9.20)	(9.79)
Russell 1000 Value	■ B	4.22	19.69	(13.06)	(12.79)
Russell 1000 Index	▲	6.07	28.43	(10.48)	(8.95)

Capital Guardian – Domestic Large Cap

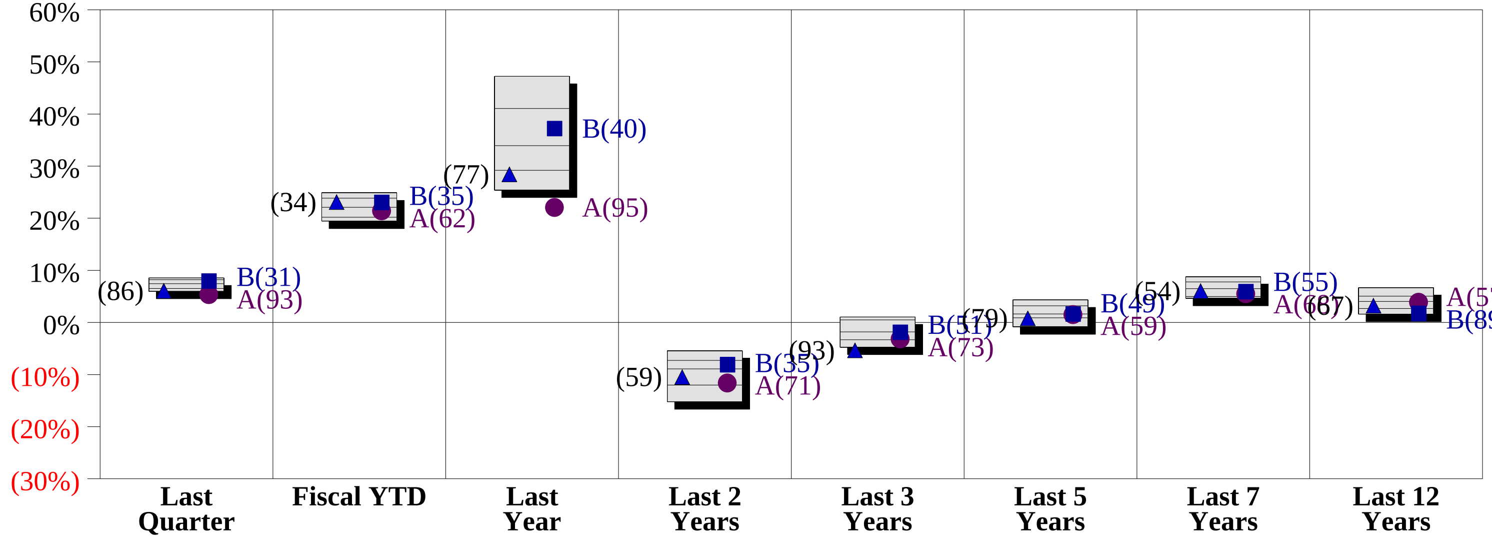
Performance vs CAI Large Cap Core Style (Gross)



		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 14-1/2 Years
10th Percentile		7.44	24.18	34.96	(1.39)	2.96	7.92	9.27
25th Percentile		6.36	22.95	32.58	(3.39)	2.22	7.08	8.77
Median		6.09	21.80	25.38	(4.78)	1.60	6.53	8.29
75th Percentile		5.29	20.72	22.82	(5.72)	0.58	5.73	7.21
90th Percentile		4.61	17.83	20.59	(7.02)	(0.43)	5.17	6.69
Capital Guardian	● A	6.79	22.67	30.28	(7.67)	(1.07)	5.50	8.31
Russell 1000	■ B	6.07	23.11	28.43	(5.36)	0.79	6.02	7.18
S&P 500 Index	▲	6.04	22.59	26.47	(5.63)	0.42	5.52	6.97

McKinley Capital – Large Cap Growth

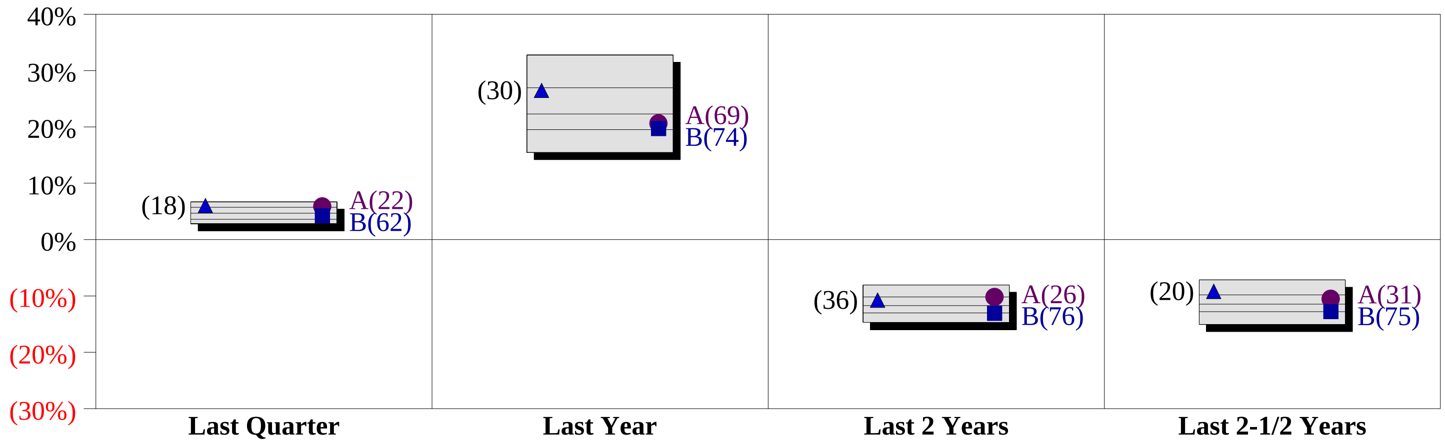
Performance vs CAI Large Cap Growth Style (Gross)



		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 12 Years
10th Percentile		8.56	24.89	47.25	(5.42)	1.07	4.34	8.78	6.69
25th Percentile		8.22	23.87	41.07	(7.27)	0.51	3.18	7.79	5.06
Median		7.45	22.10	33.95	(8.91)	(1.78)	1.63	6.47	4.04
75th Percentile		6.51	20.21	29.20	(11.99)	(3.32)	0.90	4.99	2.70
90th Percentile		5.98	19.46	25.40	(15.20)	(4.76)	(0.83)	4.64	1.60
McKinley Capital	● A	5.32	21.36	22.03	(11.67)	(3.19)	1.46	5.46	3.81
Russell 1000 Growth	■ B	7.94	23.03	37.21	(8.09)	(1.89)	1.63	5.92	1.74
Russell 1000 Index	▲	6.07	23.11	28.43	(10.48)	(5.36)	0.79	6.02	3.22

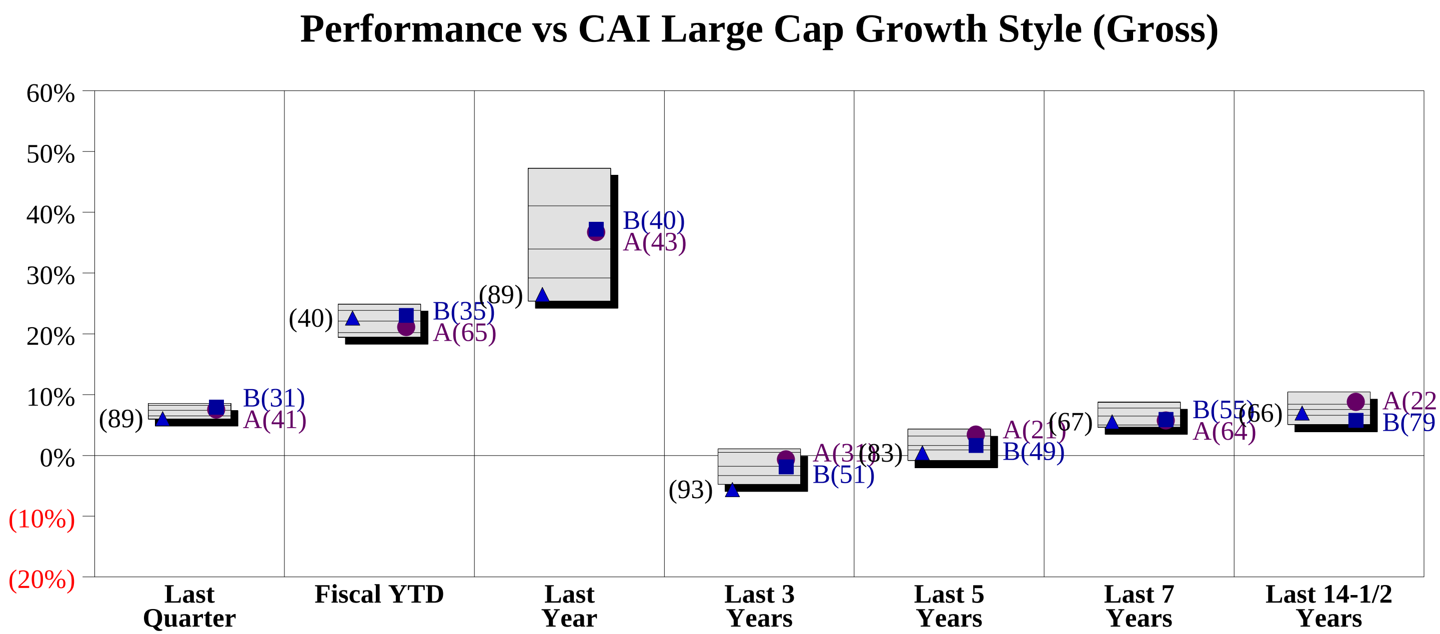
Quantitative Mgmt. Associates
Large Cap Value

Performance vs CAI Large Cap Value Style (Gross)



		Last Quarter	Last Year	Last 2 Years	Last 2-1/2 Years
10th Percentile		6.70	32.76	(8.04)	(7.16)
25th Percentile		5.73	26.94	(10.18)	(9.81)
Median		4.69	22.29	(11.69)	(11.43)
75th Percentile		3.63	19.50	(13.01)	(12.79)
90th Percentile		2.83	15.46	(14.70)	(15.04)
Quantitative Mgmt Assoc	● A	5.86	20.60	(10.22)	(10.55)
Russell 1000 Value	■ B	4.22	19.69	(13.06)	(12.79)
S&P 500 Index	▲	6.04	26.47	(10.74)	(9.19)

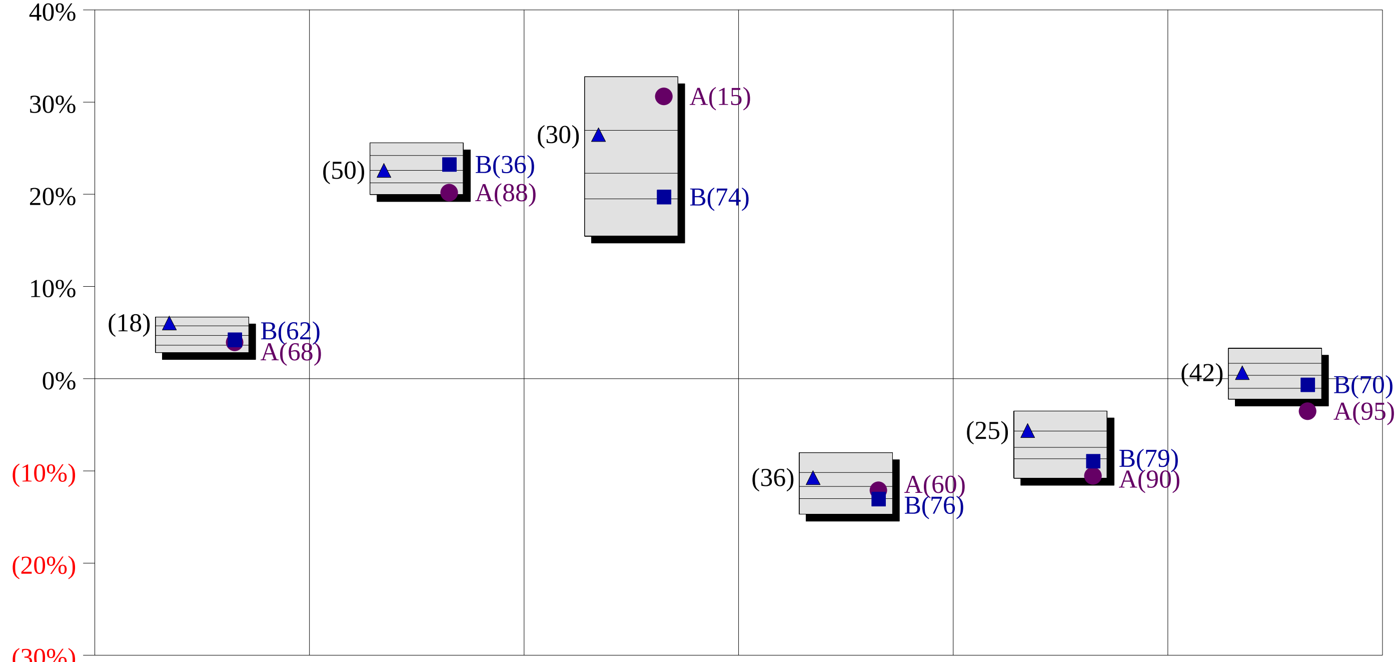
RCM Large Cap Growth



		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 14-1/2 Years
10th Percentile		8.56	24.89	47.25	1.07	4.34	8.78	10.44
25th Percentile		8.22	23.87	41.07	0.51	3.18	7.79	8.41
Median		7.45	22.10	33.95	(1.78)	1.63	6.47	7.55
75th Percentile		6.51	20.21	29.20	(3.32)	0.90	4.99	6.62
90th Percentile		5.98	19.46	25.40	(4.76)	(0.83)	4.64	5.07
RCM	● A	7.52	21.08	36.69	(0.70)	3.37	5.70	8.76
Russell 1000 Growth	■ B	7.94	23.03	37.21	(1.89)	1.63	5.92	5.76
S&P 500 Index	▲	6.04	22.59	26.47	(5.63)	0.42	5.52	6.97

Relational – Compared to Large Cap Value

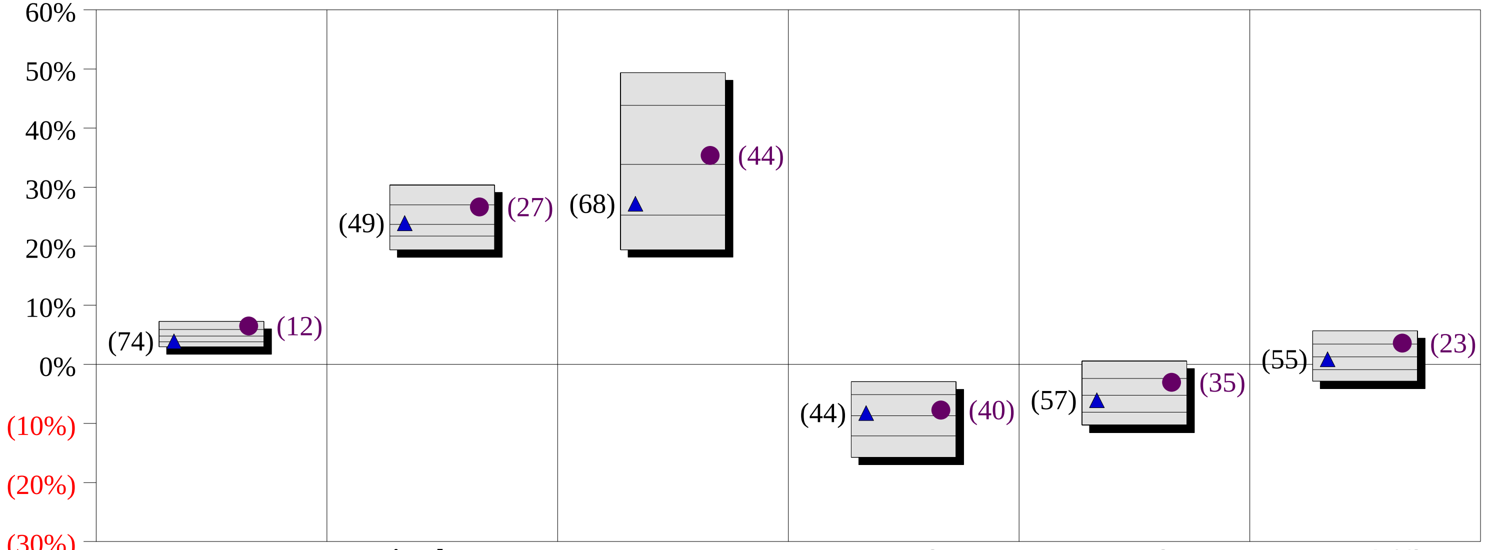
Performance vs CAI Large Cap Value Style (Gross)



		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		6.70	25.58	32.76	(8.04)	(3.50)	3.31
25th Percentile		5.73	24.21	26.94	(10.18)	(5.68)	1.67
Median		4.69	22.59	22.29	(11.69)	(7.46)	0.36
75th Percentile		3.63	21.23	19.50	(13.01)	(8.68)	(1.04)
90th Percentile		2.83	19.96	15.46	(14.70)	(10.81)	(2.23)
Relational Investors	● A	3.91	20.16	30.60	(12.12)	(10.56)	(3.56)
Russell 1000 Value Index	■ B	4.22	23.23	19.69	(13.06)	(8.96)	(0.67)
S&P 500 Index	▲	6.04	22.59	26.47	(10.74)	(5.63)	0.65

Jennison Associates – Small Cap

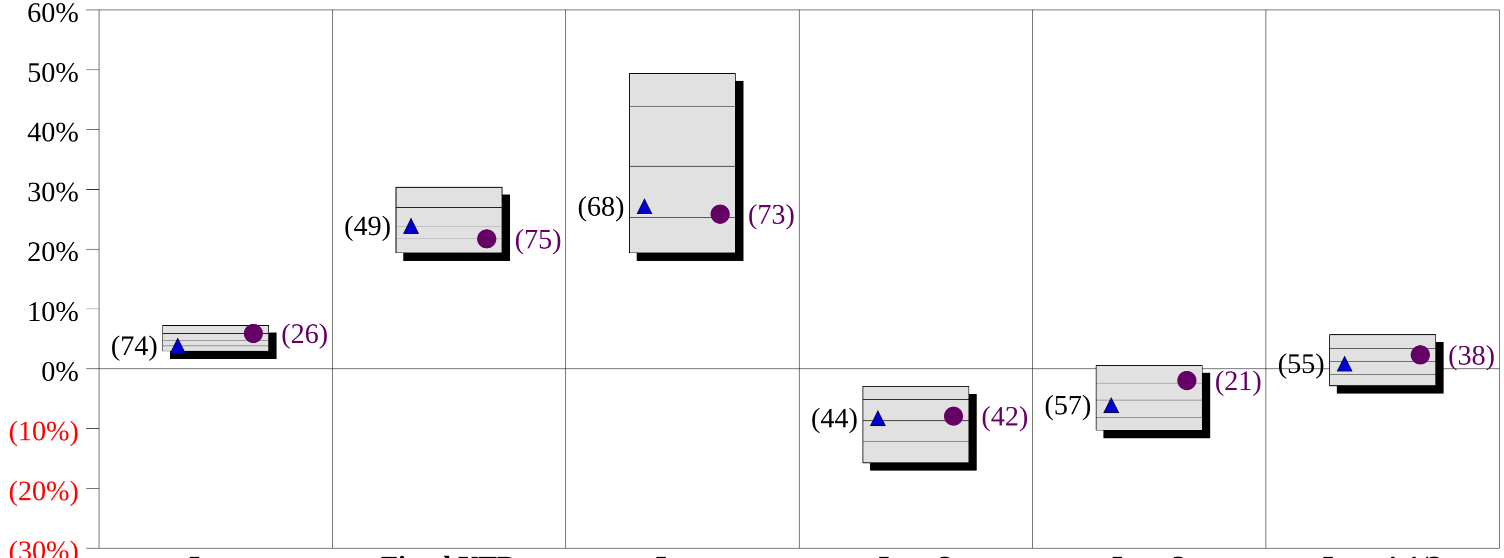
Performance vs CAI Small Capitalization Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.70
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.43
Median	4.77	23.70	33.87	(8.70)	(5.22)	1.27
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.92)
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.85)
Jennison Associates ●	6.47	26.61	35.34	(7.78)	(3.08)	3.56
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.85

Lord Abbett – Small Cap

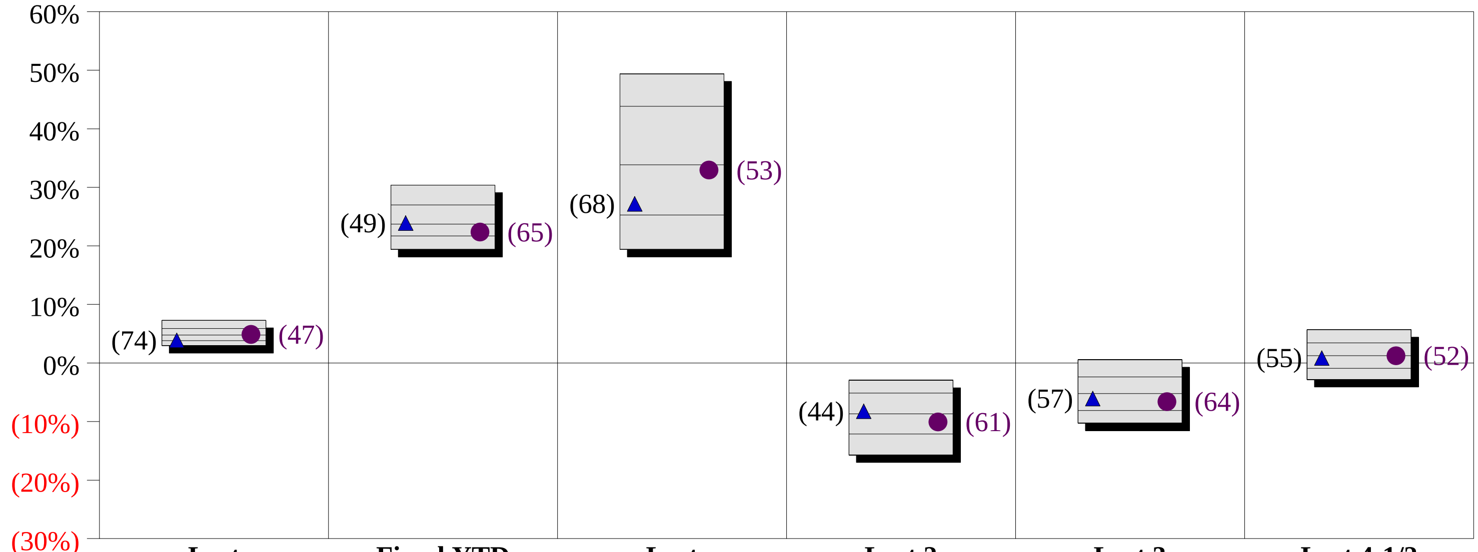
Performance vs CAI Small Capitalization Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.70
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.43
Median	4.77	23.70	33.87	(8.70)	(5.22)	1.27
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.92)
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.85)
Lord, Abbett ●	5.88	21.70	25.81	(7.96)	(1.98)	2.28
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.85

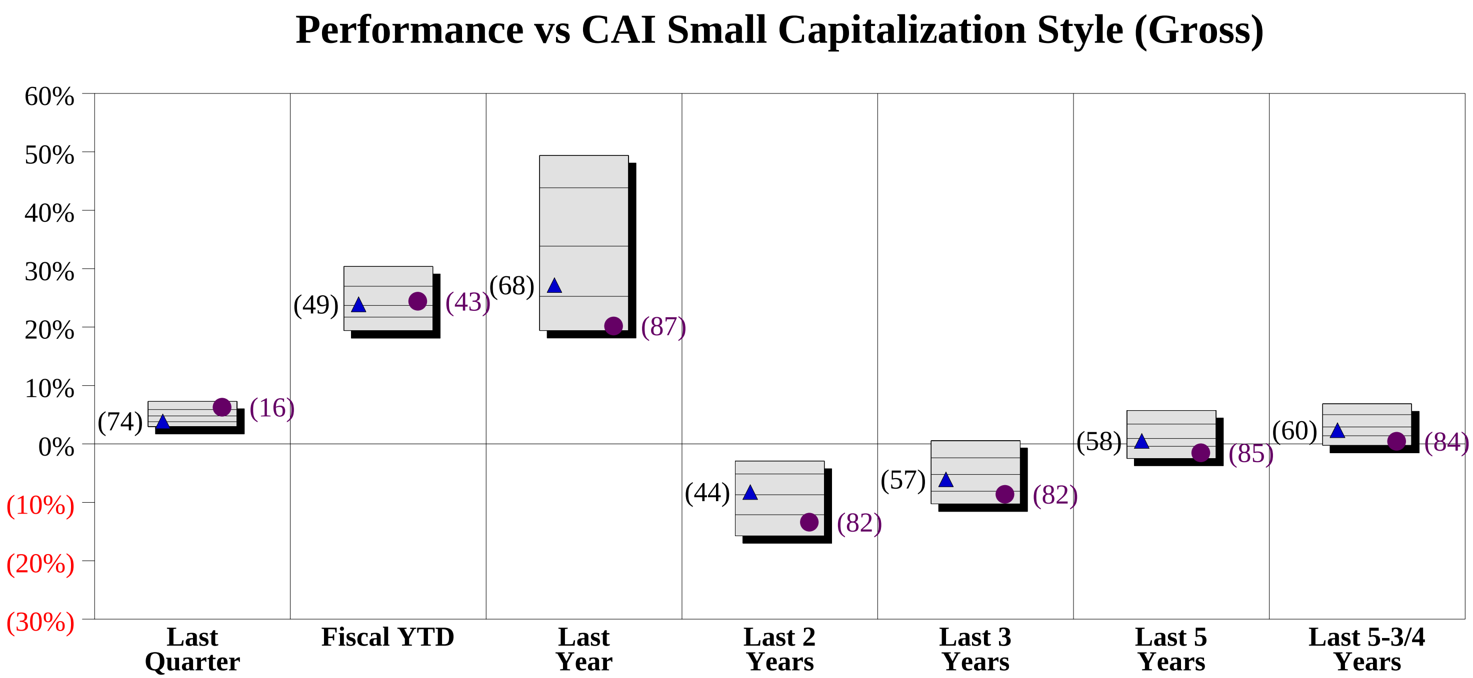
Luther King - Small Cap

Performance vs CAI Small Capitalization Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.70
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.43
Median	4.77	23.70	33.87	(8.70)	(5.22)	1.27
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.92)
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.85)
Luther King ●	4.84	22.33	32.92	(10.09)	(6.62)	1.22
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.85

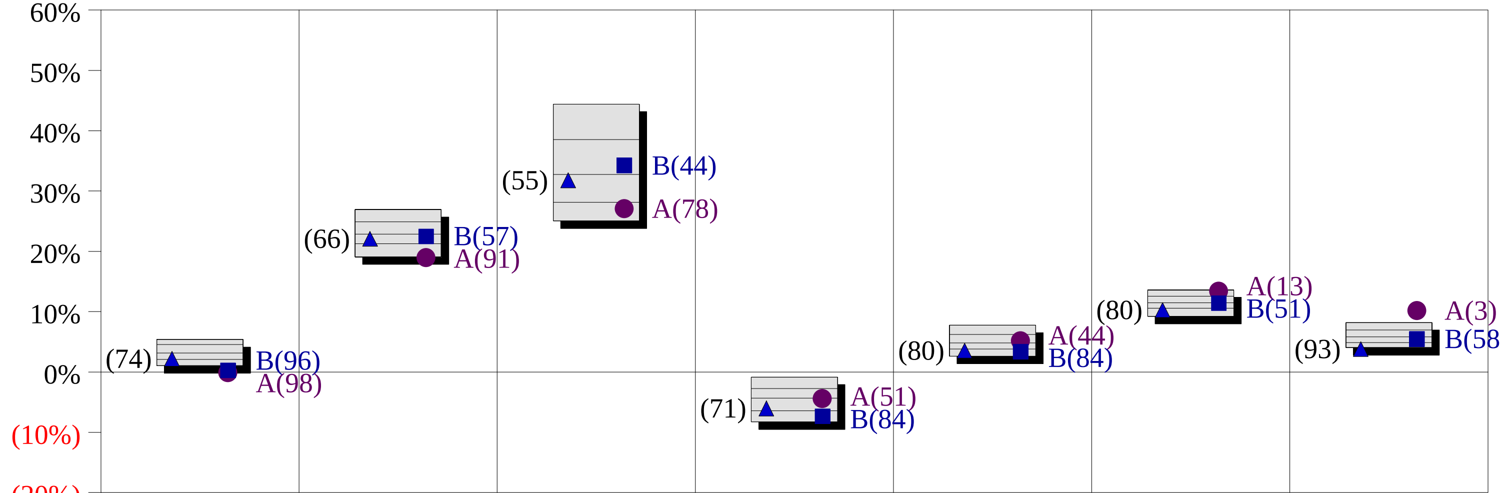
Turner Inv. Partners – Small Cap



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 5-3/4 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.71	6.86
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.40	5.03
Median	4.77	23.70	33.87	(8.70)	(5.22)	0.94	2.91
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.41)	1.41
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.50)	(0.25)
Turner Inv. Partners ●	6.25	24.39	20.16	(13.44)	(8.65)	(1.55)	0.41
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.51	2.34

International Equity – Brandes Inv.

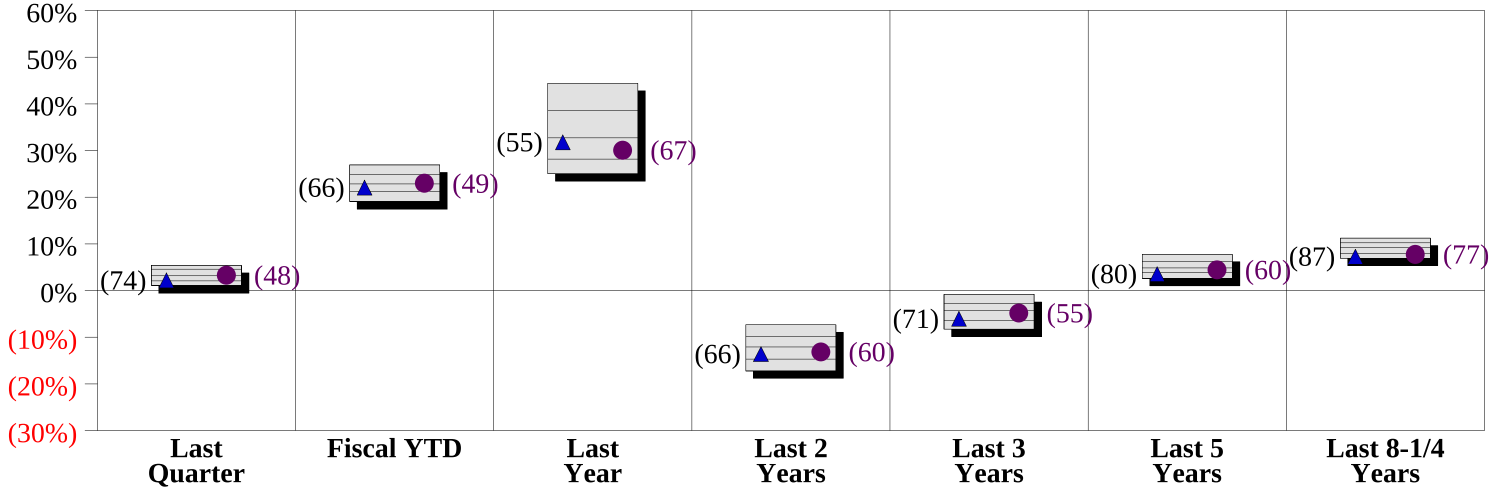
Performance vs CAI Non-U.S. Equity Style (Gross)



		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 12-1/4 Years
10th Percentile		5.39	26.93	44.41	(0.84)	7.77	13.60	8.20
25th Percentile		4.56	24.88	38.53	(2.76)	6.23	12.57	6.94
Median		3.15	22.84	32.75	(4.33)	4.82	11.48	5.83
75th Percentile		2.08	21.26	28.15	(6.43)	3.83	10.57	4.89
90th Percentile		1.06	19.07	25.05	(8.28)	2.62	9.21	4.06
Brandes	● A	(0.14)	18.93	27.06	(4.45)	5.15	13.38	10.16
MSCI EAFE Val w/ net div	■ B	0.28	22.47	34.23	(7.35)	3.36	11.42	5.47
MSCI EAFE Index	▲	2.18	22.07	31.78	(6.04)	3.54	10.27	3.79

International – Capital Guardian

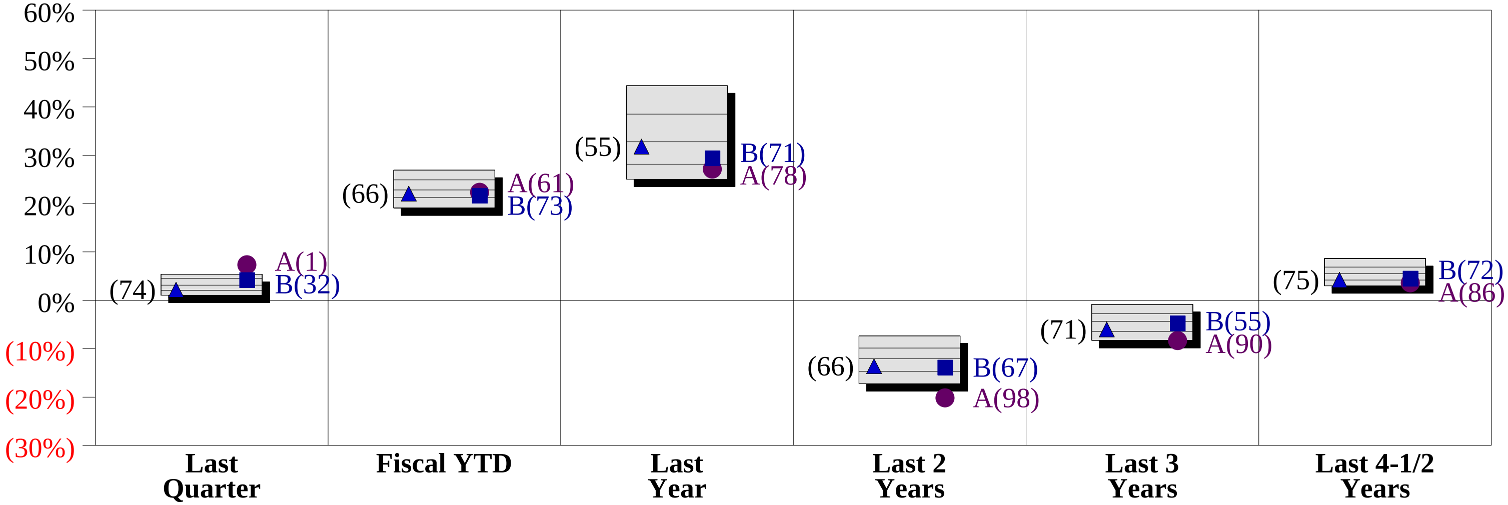
Performance vs CAI Non-U.S. Equity Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 8-1/4 Years
10th Percentile	5.39	26.93	44.41	(7.32)	(0.84)	7.77	11.24
25th Percentile	4.56	24.88	38.53	(9.86)	(2.76)	6.23	10.23
Median	3.15	22.84	32.75	(12.08)	(4.33)	4.82	9.18
75th Percentile	2.08	21.26	28.15	(14.68)	(6.43)	3.83	7.89
90th Percentile	1.06	19.07	25.05	(17.22)	(8.28)	2.62	6.93
Capital Guardian ●	3.25	22.94	30.04	(13.20)	(4.88)	4.40	7.72
MSCI EAFE Index ▲	2.18	22.07	31.78	(13.62)	(6.04)	3.54	7.26

International – McKinley Capital

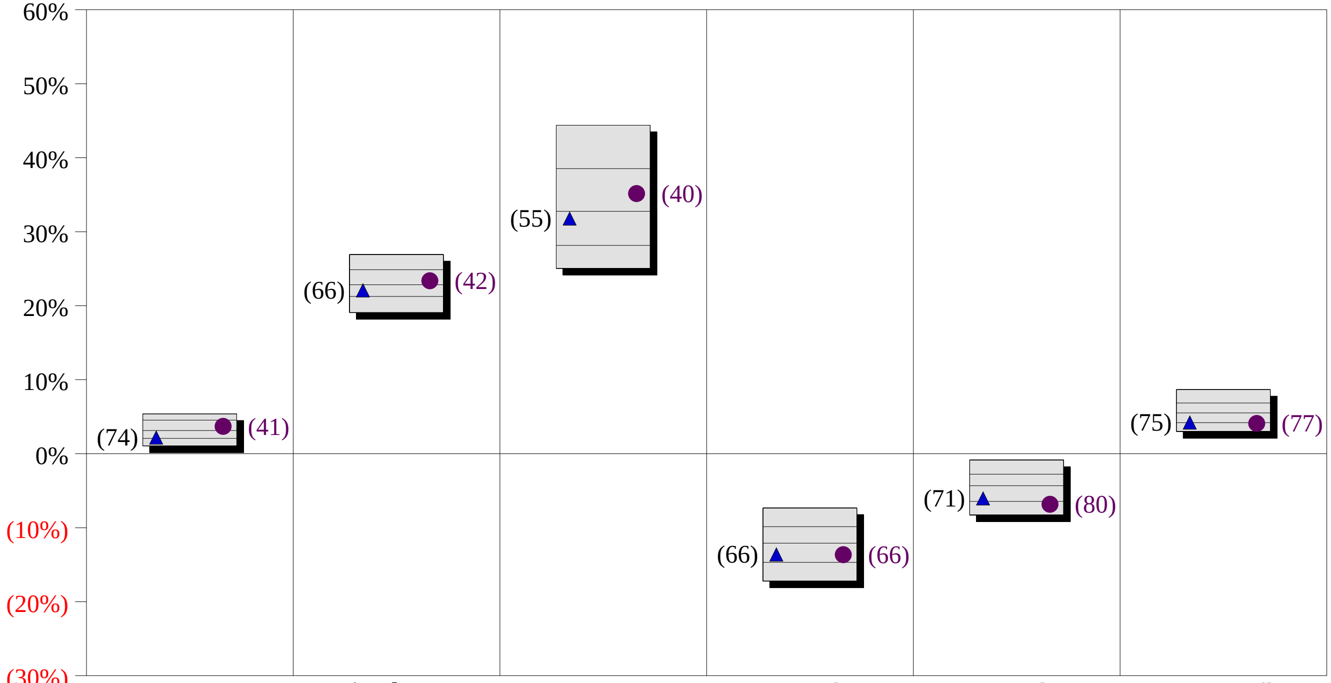
Performance vs CAI Non-U.S. Equity Style (Gross)



		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		5.39	26.93	44.41	(7.32)	(0.84)	8.69
25th Percentile		4.56	24.88	38.53	(9.86)	(2.76)	6.86
Median		3.15	22.84	32.75	(12.08)	(4.33)	5.52
75th Percentile		2.08	21.26	28.15	(14.68)	(6.43)	4.18
90th Percentile		1.06	19.07	25.05	(17.22)	(8.28)	2.99
McKinley Capital	● A	7.30	22.29	27.08	(20.23)	(8.38)	3.58
MSCI EAFE Growth	■ B	4.17	21.65	29.36	(13.90)	(4.78)	4.46
MSCI EAFE Index	▲	2.18	22.07	31.78	(13.62)	(6.04)	4.21

International – SSgA Active

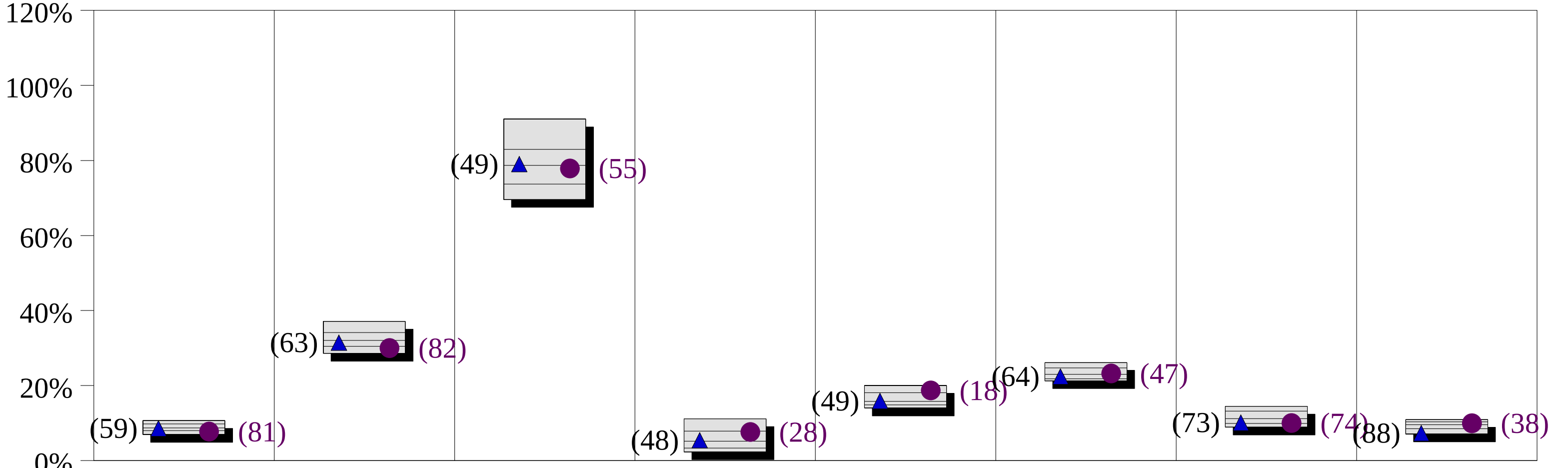
Performance vs CAI Non-U.S. Equity Style (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	5.39	26.93	44.41	(7.32)	(0.84)	8.69
25th Percentile	4.56	24.88	38.53	(9.86)	(2.76)	6.86
Median	3.15	22.84	32.75	(12.08)	(4.33)	5.52
75th Percentile	2.08	21.26	28.15	(14.68)	(6.43)	4.18
90th Percentile	1.06	19.07	25.05	(17.22)	(8.28)	2.99
SSGA Intl ●	3.66	23.34	35.12	(13.68)	(6.86)	4.08
MSCI EAFE Index ▲	2.18	22.07	31.78	(13.62)	(6.04)	4.21

Capital Emerging Market

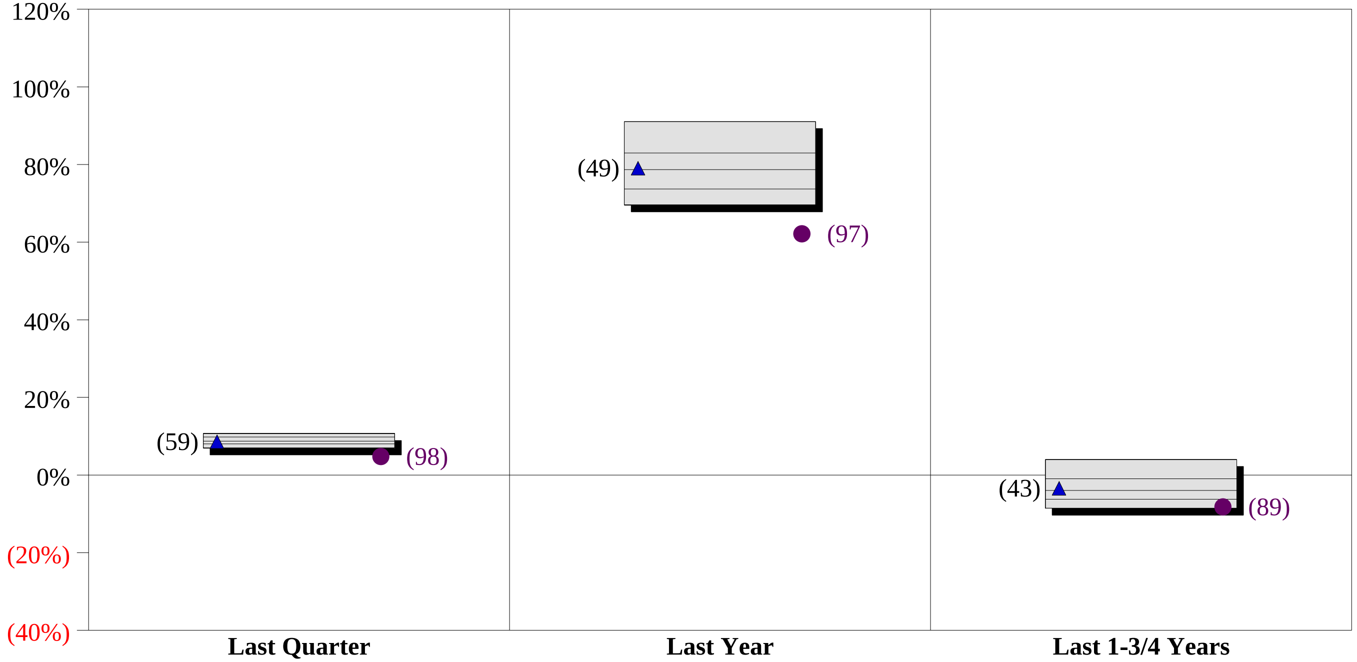
Performance vs CAI Emerging Markets Equity DB (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 15-1/2 Years
10th Percentile	10.68	37.11	91.04	11.16	20.02	26.14	14.47	10.94
25th Percentile	9.80	34.12	82.96	7.85	18.09	24.74	13.23	10.34
Median	8.72	32.05	78.68	5.16	15.84	23.01	11.21	9.56
75th Percentile	8.03	30.46	73.71	3.36	14.86	21.78	9.91	8.50
90th Percentile	6.95	28.58	69.56	2.33	14.01	21.27	8.95	7.10
Capital Guardian ●	7.66	29.93	77.82	7.57	18.64	23.17	9.95	9.90
MSCI Emerging Mkts Idx ▲	8.58	31.42	79.02	5.42	15.88	22.39	10.11	7.32

Eaton Vance

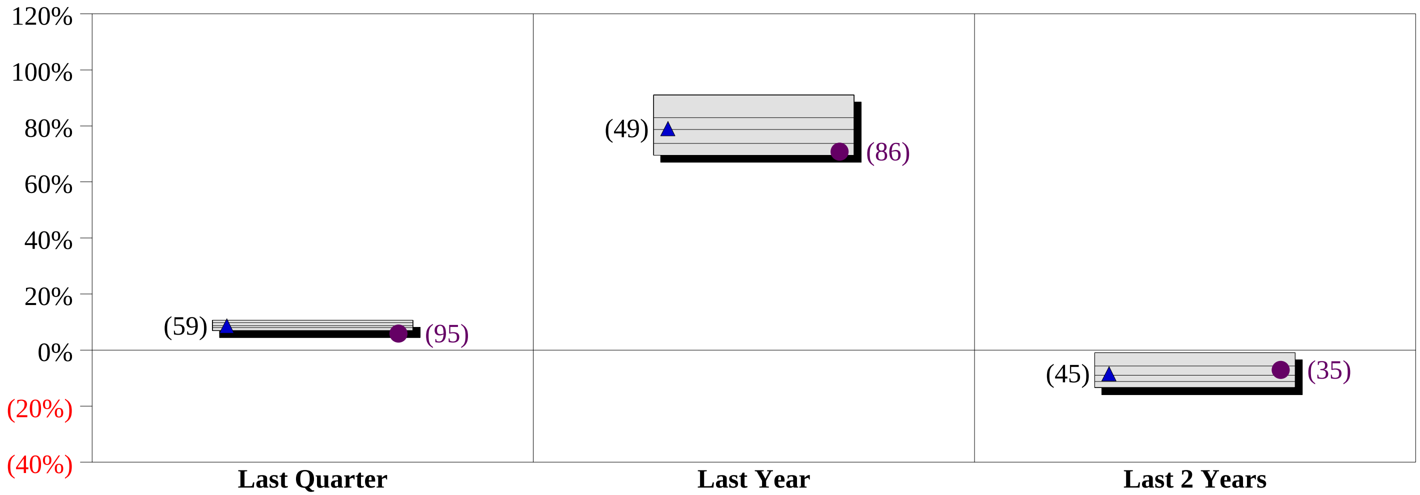
Performance vs CAI Emerging Markets Equity DB (Gross)



	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	10.68	91.04	3.99
25th Percentile	9.80	82.96	(0.94)
Median	8.72	78.68	(3.97)
75th Percentile	8.03	73.71	(6.24)
90th Percentile	6.95	69.56	(8.57)
Eaton Vance ●	4.70	62.11	(8.28)
MSCI Emerging Mkts Idx ▲	8.58	79.02	(3.42)

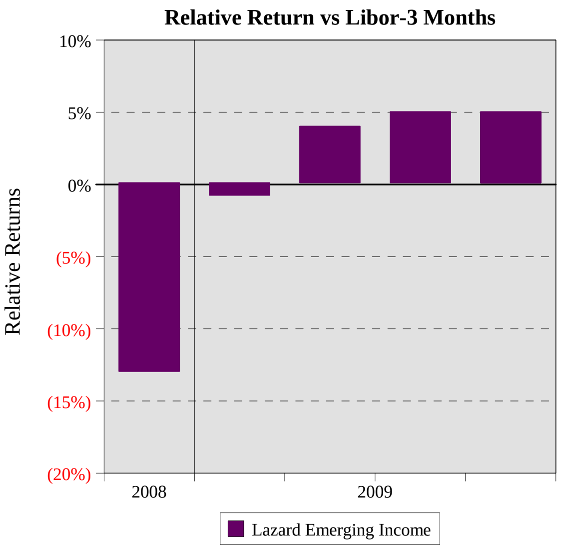
Lazard - EM

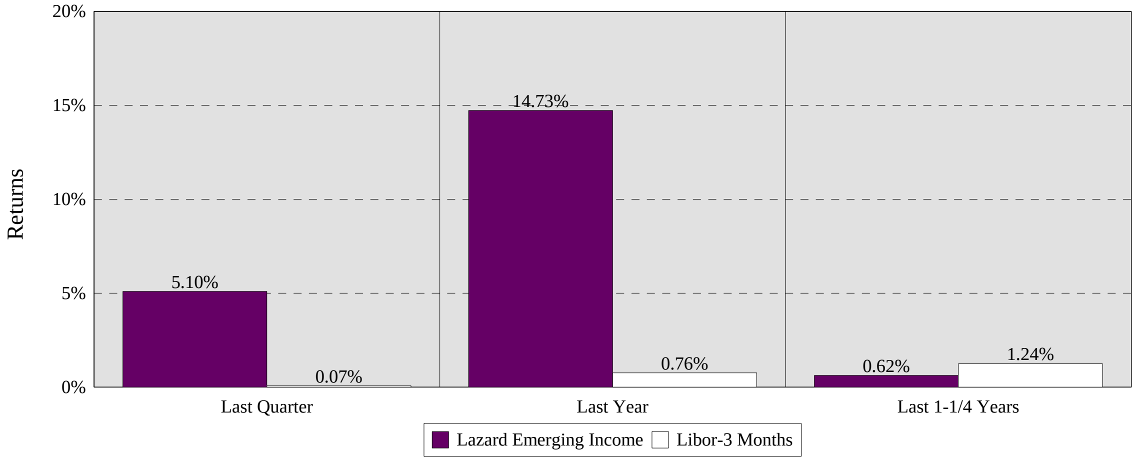
Performance vs CAI Emerging Markets Equity DB (Gross)

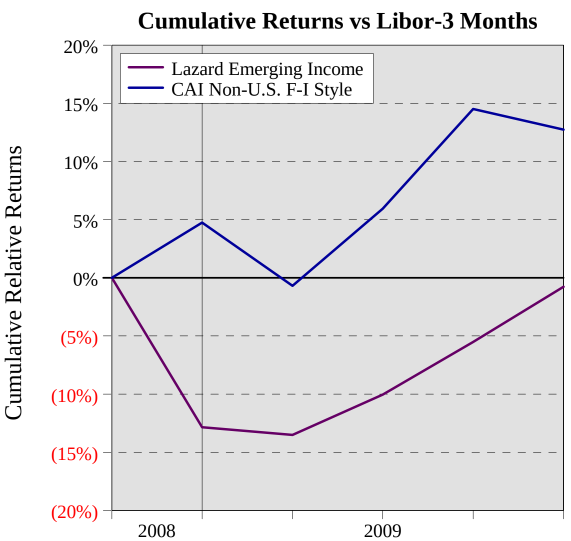


	Last Quarter	Last Year	Last 2 Years
10th Percentile	10.68	91.04	(0.89)
25th Percentile	9.80	82.96	(5.70)
Median	8.72	78.68	(9.01)
75th Percentile	8.03	73.71	(11.18)
90th Percentile	6.95	69.56	(13.38)
Lazard Emerging ●	5.82	70.73	(7.18)
MSCI Emerging Mkts Idx ▲	8.58	79.02	(8.45)

Lazard – EM Debt







Callan Associates Inc.
Investment Measurement Service
Quarterly Review

Alaska Retirement Management Board
Executive Summary
with Preliminary Real Estate
December 31, 2009

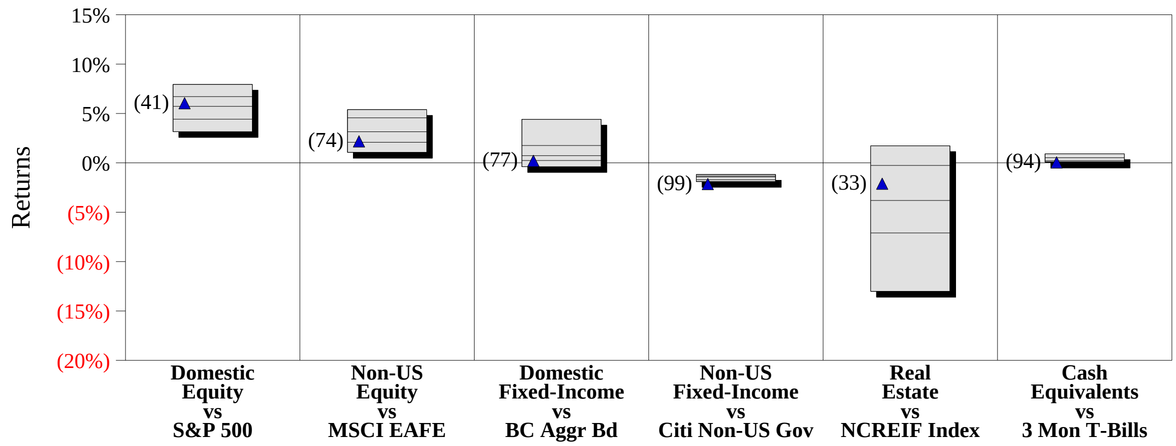
Active Management
Overview

MARKET OVERVIEW
ACTIVE MANAGEMENT VS INDEX RETURNS

Market Overview

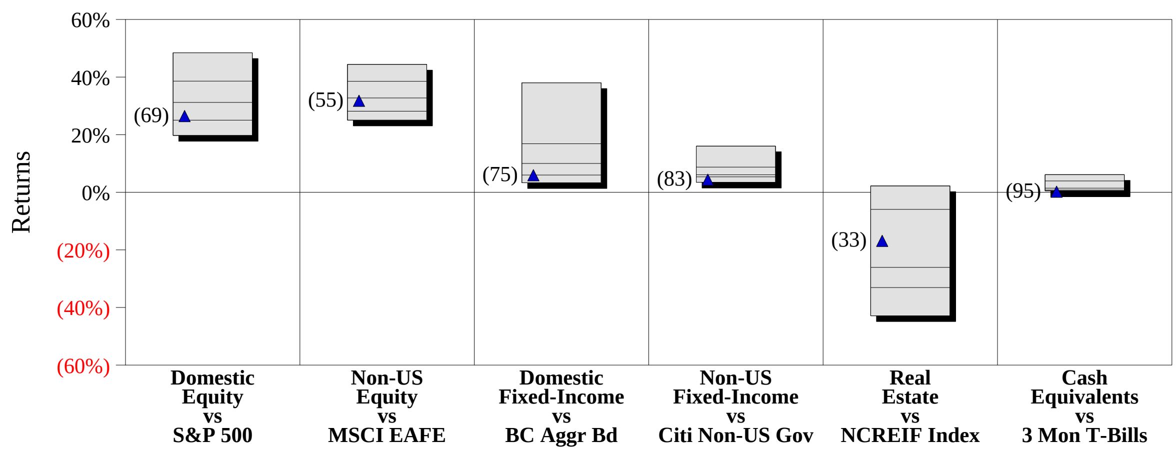
The charts below illustrate the range of returns across managers in Callan's Separate Account database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the domestic equity manager database.

Range of Separate Account Manager Returns by Asset Class
One Quarter Ended December 31, 2009



	Domestic Equity vs S&P 500	Non-US Equity vs MSCI EAFE	Domestic Fixed-Income vs BC Aggr Bd	Non-US Fixed-Income vs Citi Non-US Gov	Real Estate vs NCREIF Index	Cash Equivalents vs 3 Mon T-Bills
10th Percentile	7.95	5.39	4.41	(1.18)	1.73	0.92
25th Percentile	6.71	4.56	1.76	(1.34)	(0.26)	0.52
Median	5.72	3.15	0.73	(1.43)	(3.81)	0.22
75th Percentile	4.42	2.08	0.24	(1.70)	(7.10)	0.11
90th Percentile	3.15	1.06	(0.39)	(1.89)	(13.02)	0.06
Index ▲	6.04	2.18	0.20	(2.15)	(2.11)	0.04

Range of Separate Account Manager Returns by Asset Class
One Year Ended December 31, 2009



	Domestic Equity vs S&P 500	Non-US Equity vs MSCI EAFE	Domestic Fixed-Income vs BC Aggr Bd	Non-US Fixed-Income vs Citi Non-US Gov	Real Estate vs NCREIF Index	Cash Equivalents vs 3 Mon T-Bills
10th Percentile	48.44	44.41	38.00	16.03	2.22	6.13
25th Percentile	38.59	38.53	16.86	8.74	(5.93)	3.94
Median	31.20	32.75	10.01	6.08	(26.08)	1.43
75th Percentile	25.04	28.15	5.99	5.35	(33.08)	0.79
90th Percentile	19.72	25.05	3.31	3.47	(42.89)	0.49
Index ▲	26.47	31.78	5.93	4.38	(16.86)	0.21

DOMESTIC EQUITY
Active Management Overview

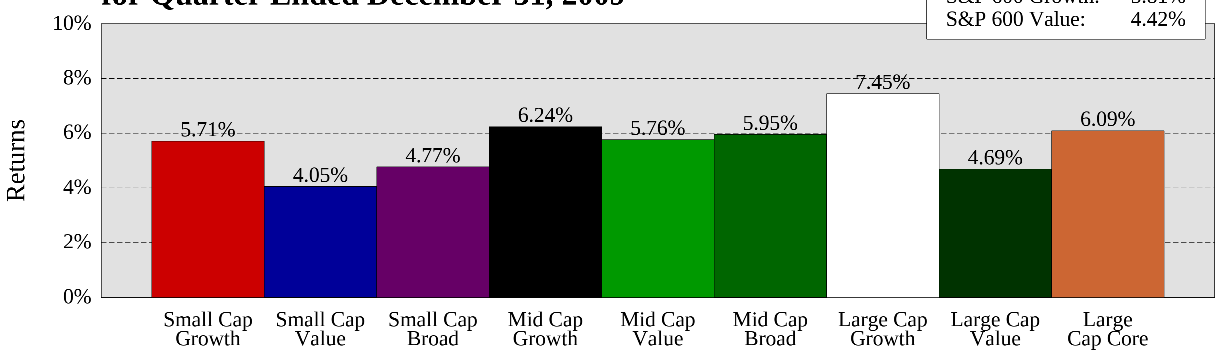
Active vs. the Index
During the quarter ended December 31, 2009, the domestic equity market continued to surge ahead, as the Dow Jones was able to sustain a position above the 10,000 threshold. The NASDAQ, S&P 500 and the Dow continued to advance for the third straight quarter, but slowed significantly in the last quarter. The median Large Cap Core manager outperformed the S&P 500 by 5 basis points with a return of 6.09%. The median Small Cap Broad manager posted a return of 4.77% for the quarter, 35 basis points lower than the 5.12% return generated by the S&P 600 index. For the year ended December 31, 2009, all indexes and style groups were able to generate positive returns, with the median Large Cap Value Fund trailing all other groups with a return of 22.29%.

Large Cap vs. Small Cap
The fourth quarter of 2009 saw the median Large Cap Core manager's return of 6.09% outperform the median Small Cap Broad manager, which posted a return of 4.77%. Similarly, the median Large Cap Growth manager outperformed the median Small Cap Growth manager with returns of 7.45% and 5.71%, respectively. Large Cap Value was also able to outperform Small Cap Value posting a return 4.69%, 64 basis points higher than Small Cap's 4.05% return. For the year ended December 31, 2009, Small Cap beat out Large Cap handily across all capitalizations. However, the Large Cap segment of the market, so badly hit by the collapse of financial firms, may become more attractive as that sector recovers.

Growth vs. Value
Unlike last quarter, Growth managers were able to outperform Value managers for the quarter ended December 31, 2009. The median Small Cap Growth manager posted a return of 5.71%, beating its Value counterpart by 166 basis points. The median Large Cap Growth manager, on the other hand, was able to distance itself from the median Large Cap Value manager by posting a return of 7.45% compared to Value's return of 4.69%. For the twelve months ended December 31, 2009, Growth managers were able to maintain their dominance over Value managers. Historically, growth stocks outperform as the economy moved towards a recession, but many believe that growth stocks outperform at the start of economic expansions and bull markets. Let us hope, in this case, that the latter is true.

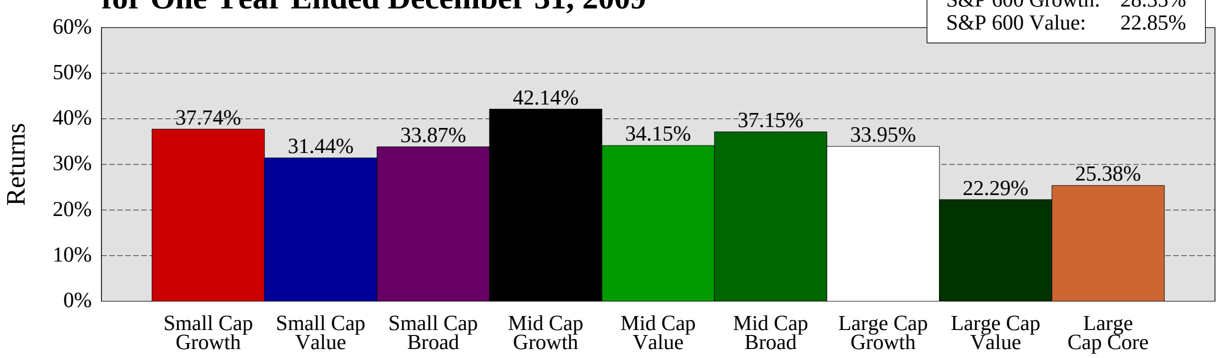
S&P 500:	6.04%
S&P 500 Growth:	7.76%
S&P 500 Value:	4.22%
S&P Mid Cap:	5.56%
S&P 600:	5.12%
S&P 600 Growth:	5.81%
S&P 600 Value:	4.42%

Separate Account Style Group Median Returns for Quarter Ended December 31, 2009



S&P 500:	26.47%
S&P 500 Growth:	31.57%
S&P 500 Value:	21.17%
S&P Mid Cap:	37.38%
S&P 600:	25.57%
S&P 600 Growth:	28.35%
S&P 600 Value:	22.85%

Separate Account Style Group Median Returns for One Year Ended December 31, 2009

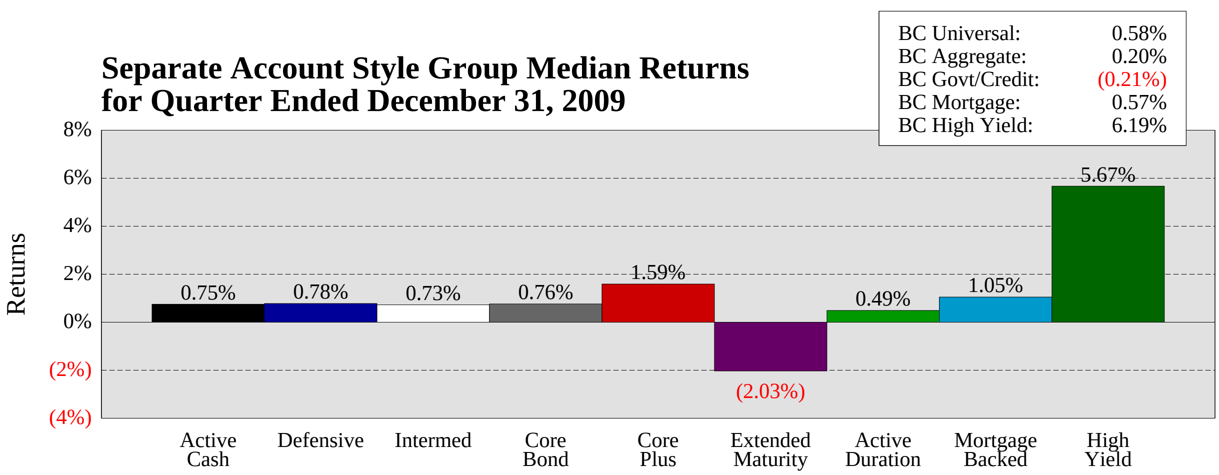


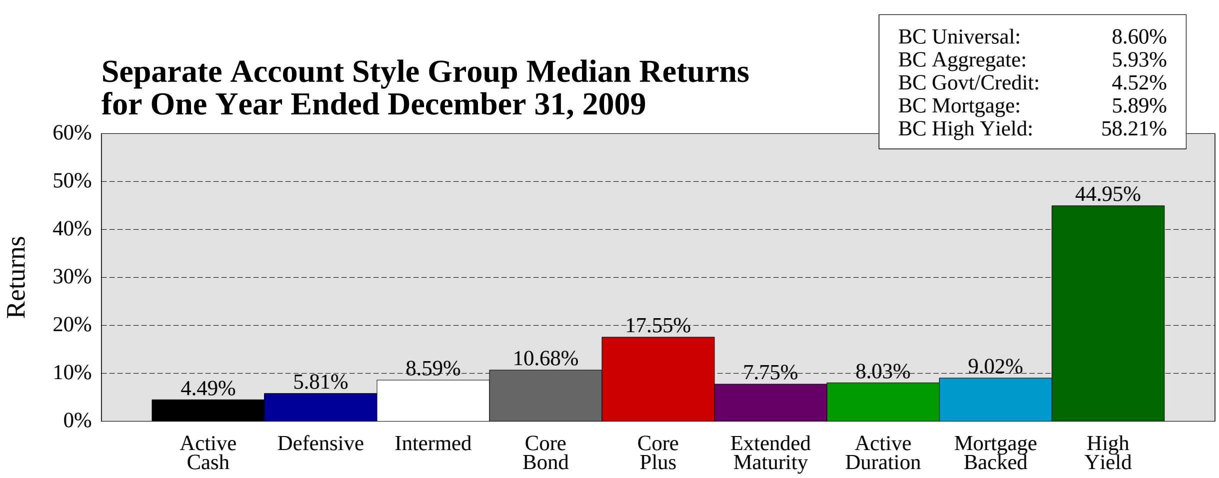
DOMESTIC FIXED-INCOME
Active Management Overview

Active vs. the Index
Since the Federal Open Market Committee meeting in November 2009, market data suggests that economic activity has continued to pick up and that the deterioration in the labor market is abating. The housing sector has shown signs of improvement given positive expansion numbers in household spending. However, the housing sector continues to be constrained by a weak labor market, modest income growth, lower housing wealth and tight credit conditions. The FOMC will be maintaining the Fed Funds rate between 0.00% and 0.25%. The median Core Bond fund had a return of 0.76% for the quarter ended December 31, 2009, 56 basis points higher than the Barclays Capital Aggregate Bond index's return of 0.20%. For the year ended December 31, 2009, the median Core Bond fund outperformed the Barclays Capital Aggregate index by 475 basis points returning 10.68%.

Short vs. Long Duration
For the year ended December 31, 2009, the spread between corporate bonds and Treasury securities continued to ease showing 0.8% and 2.3% for AAA and BBB grade bonds, respectively. The FOMC reiterated that inflation is expected to remain subdued. The Intermediate Fund outperformed the Extended Maturity fund by 276 basis points for the fourth quarter of 2009 and by 84 basis points for the year ended December 31, 2009.

Mortgages and High Yield
At its November 2009 meeting, the FOMC stated that they were in the process of buying $1.25 trillion of agency mortgage-backed securities and $175 billion of agency debt. The Committee will be gradually slowing the pace of these purchases, estimating that these transactions will be executed by the first quarter of 2010. For the fourth quarter of 2009, the median Mortgage Backed fund outperformed the Barclays Mortgage Index by 48 basis points with a return of 1.05%. For the year ended December 31, 2009, the median Mortgage Backed fund outperformed the index by 313 basis points returning 9.02%. The median High Yield fund underperformed the Barclays Capital High Yield index both for the quarter and year ended December 31, 2009, with returns of 5.67% and 44.95%, differing from its index by 52 and 1,326 basis points, respectively.





INTERNATIONAL EQUITY
Active Management Overview

Active vs. the Index
During the fourth quarter of 2009, the median Core International fund outperformed the MSCI EAFE index returning 2.73% and 2.18%, respectively. Both generated substantial gains for the year ending December 31, 2009, as the median Core International fund had a return of 31.33%, 45 basis points lower than the MSCI EAFE index's return of 31.78%. The creditworthiness of countries such as Greece, Spain, and Ireland came into question during the quarter. Also, November's announcement that Dubai was seeking to delay some debt repayment created global concern.

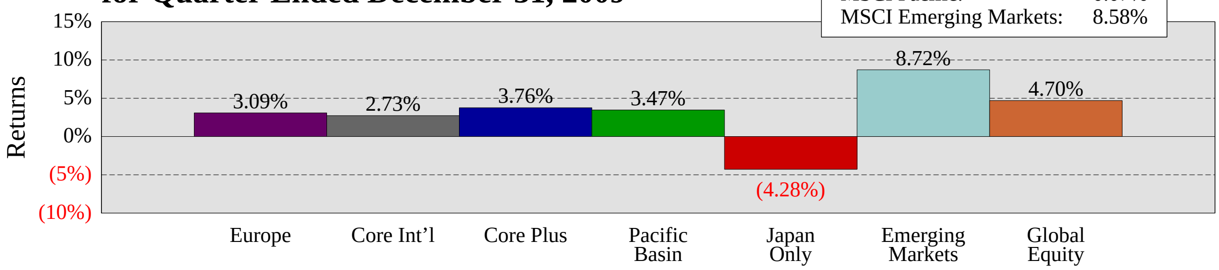
Europe
While British bank stocks remain the most exposed to the Middle East and Dubai's credit woes, Europe continued to see positive economic activity. The median Europe fund trailed the MSCI Europe Index for the fourth quarter of 2009 with returns of 3.09% and 3.24%, respectively. In addition to questionable credit for multiple European countries, underperformance can also be partially attributed to the risk considerations related to Europe's domestic banking systems. On a more positive note, for the year ended December 31, 2009, the median Europe fund posted a return of 35.78%, yet underperformed the MSCI Europe index which posted a return of 35.83%.

Pacific
The median Pacific Basin fund outperformed the MSCI Pacific Index in the fourth quarter of 2009 posting a return of 3.47% versus the index's 0.07% return. For the twelve months ended December 31, 2009, the median Pacific Basin fund outperformed the index with a return of 28.88% versus the MSCI Pacific index's return of 24.18%. Recovery in Australia helped contribute to the success of the Pacific markets, as Pacific/Asia ex-Japan stocks were one of the top five performing international categories. China also saw the return of investors due to its long-term growth potential. The median Japan Only fund ended in the red for the fourth quarter of 2009 with a loss of 4.28%, but managed to post a positive return of 5.80% for the year ended December 31, 2009. Though the yen remains strong, Japanese markets are facing the risk of deflation.

Emerging Markets
The increased willingness of investors to return to Emerging Markets led to big returns for both the fourth quarter of 2009 and the year ended December 31, 2009. The median Emerging Markets fund had a return of 8.72% in the fourth quarter of 2009, outperforming the MSCI Emerging Markets index by 14 basis points. For the year ended December 31, 2009, the median Emerging Markets fund posted a whopping 78.68% return, which was bested by the MSCI Emerging Markets index's return of 79.02%. Latin American funds contributed to this performance, posting the top returns.

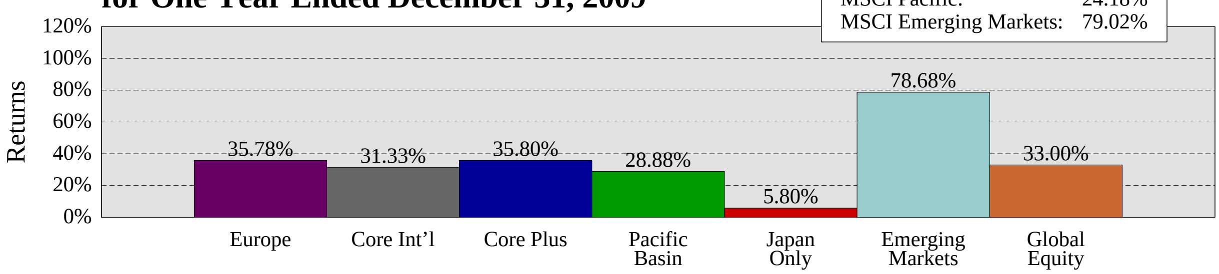
MSCI AC World Index	4.72%
MSCI ACW ex US Free:	3.79%
MSCI EAFE:	2.18%
MSCI Europe:	3.24%
MSCI Pacific:	0.07%
MSCI Emerging Markets:	8.58%

Separate Account Style Group Median Returns for Quarter Ended December 31, 2009



MSCI AC World Index	35.41%
MSCI ACW ex US Free:	42.14%
MSCI EAFE:	31.78%
MSCI Europe:	35.83%
MSCI Pacific:	24.18%
MSCI Emerging Markets:	79.02%

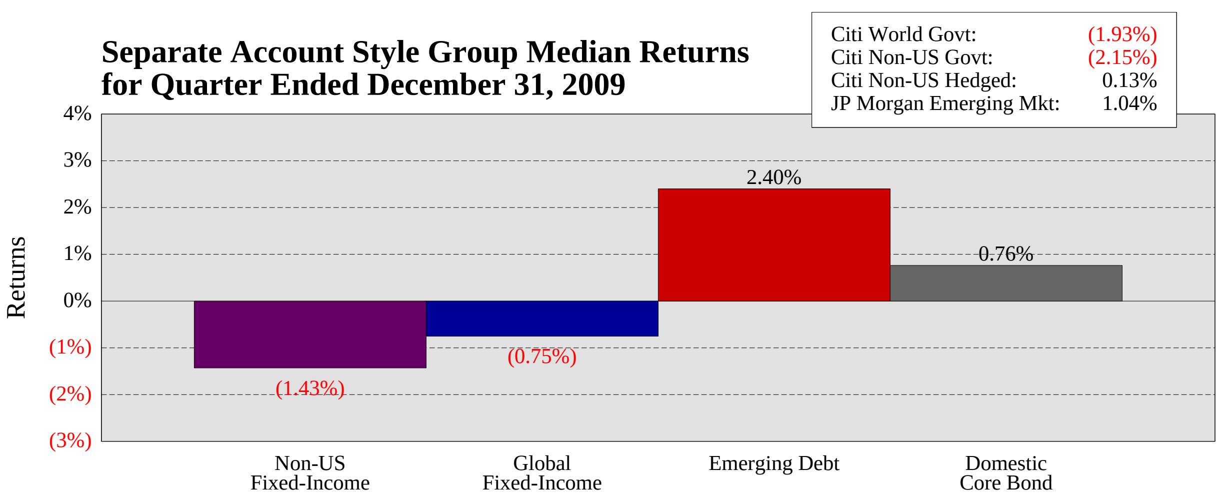
Separate Account Style Group Median Returns for One Year Ended December 31, 2009

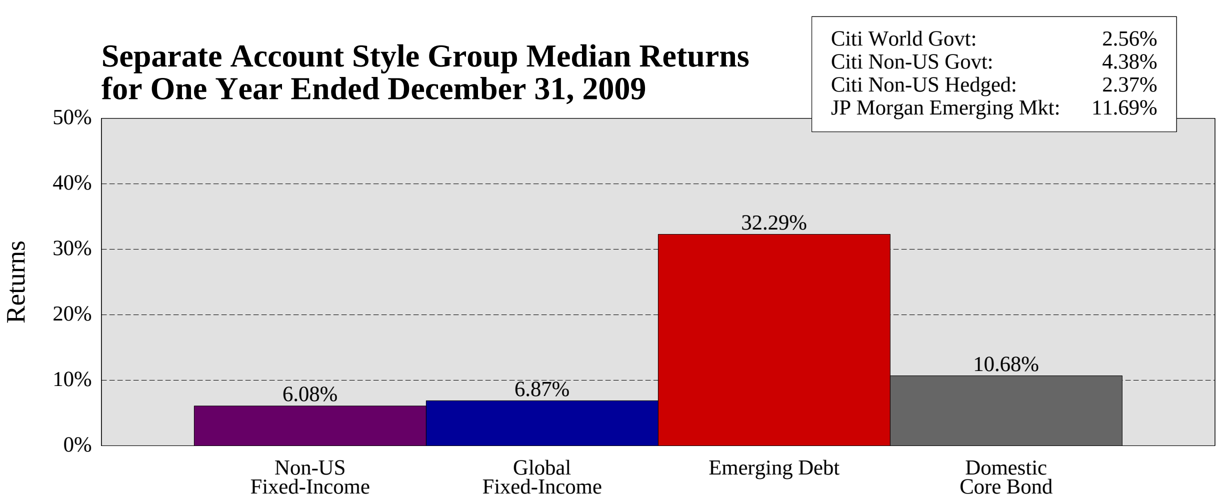


INTERNATIONAL FIXED-INCOME
Active Management Overview

Active vs. the Index
The Global Fixed Income markets continued improving, given a strong market demand for risk and improving economic fundamentals. Worldwide economic activity continued to show improvement through the fourth quarter with the emerging markets taking the lead in global recovery. As such, the recent financial crisis saw unprecedented coordination between central banks in an effort to restore stability to world markets. Emergence from the recession will inevitably lead to a tightening of monetary and fiscal policies, increasing the risk of holding long duration assets. The export-driven economies of France and Germany responded well to a turn-around in global manufacturing demand, and Japan posted a positive growth story while the United Kingdom's economy continued to lag. In the fourth quarter, the median Non-U.S. Fixed Income manager lost 1.43%, outpacing its index by a margin of 72 basis points. The median Global manager lost 0.75%, beating its index by 118 basis points. For the year ended December 31, 2009, the median Non-U.S. Fixed Income manager beat its index by 170 basis points, while the median Global Fixed-Income manager returned 6.87%, outperforming its index by 431 basis points.

Emerging Markets
The credit markets witnessed a brief hiccup as Dubai World, a state-owned investment company, sought a standstill agreement on all of its debt until June 2010. The markets calmed after the United Arab Emirates offered support to the region's credit markets. In Asia, the People's Bank of China decided to continue with its relatively easy monetary policy in order to ensure proper money and credit growth so as to avoid dramatic fluctuations in lending. Sovereign debt of countries in Latin America, such as Peru and Brazil, got credit upgrades from rating agencies. The median Emerging Debt manager once again outpaced all other managers with a fourth quarter return of 2.40%, besting the JP Morgan Emerging Market index's return of 1.04%. For the year ended December 31, 2009, the median Emerging Debt manager gained 32.29%, almost triple its index return of 11.69%.

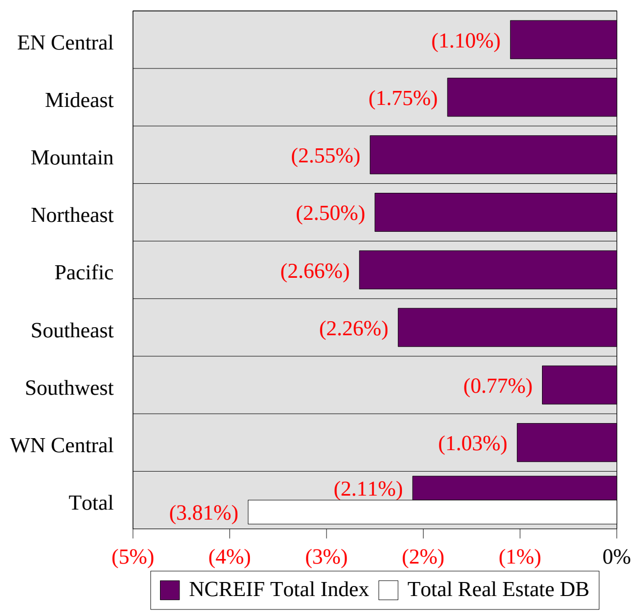




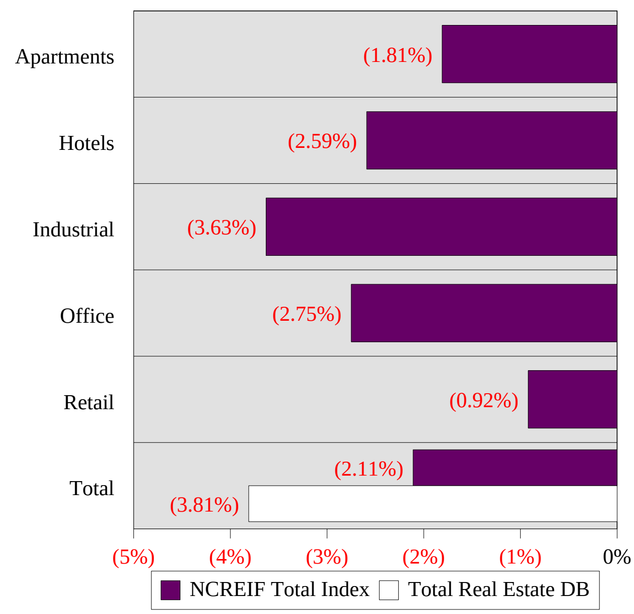
REAL ESTATE
MARKET OVERVIEW

The NCREIF Property Index (-2.11%) declined over the fourth quarter, recording a +1.60% income return and a -3.71% appreciation return. The overall index has exhibited a peak-to-current decline of 23.88%. Portfolio positioning remains primary concern in the face of weakening fundamentals and acquisition activity remains muted. The index recorded 102 transactions, up from 90 seen in the third quarter and average transaction price only modestly increased. Retail led sector performance with a -0.92% return, while Office lagged after declining by 2.75%. The Midwest led regional performance with a -1.60% quarterly return and the West fell behind with a -2.64% return. Preliminary quarterly returns of the NCREIF Open-End Diversified Core Equity Index (ODCE) showed a 3.40% decline as the index saw its sixth consecutive quarter of writedowns.

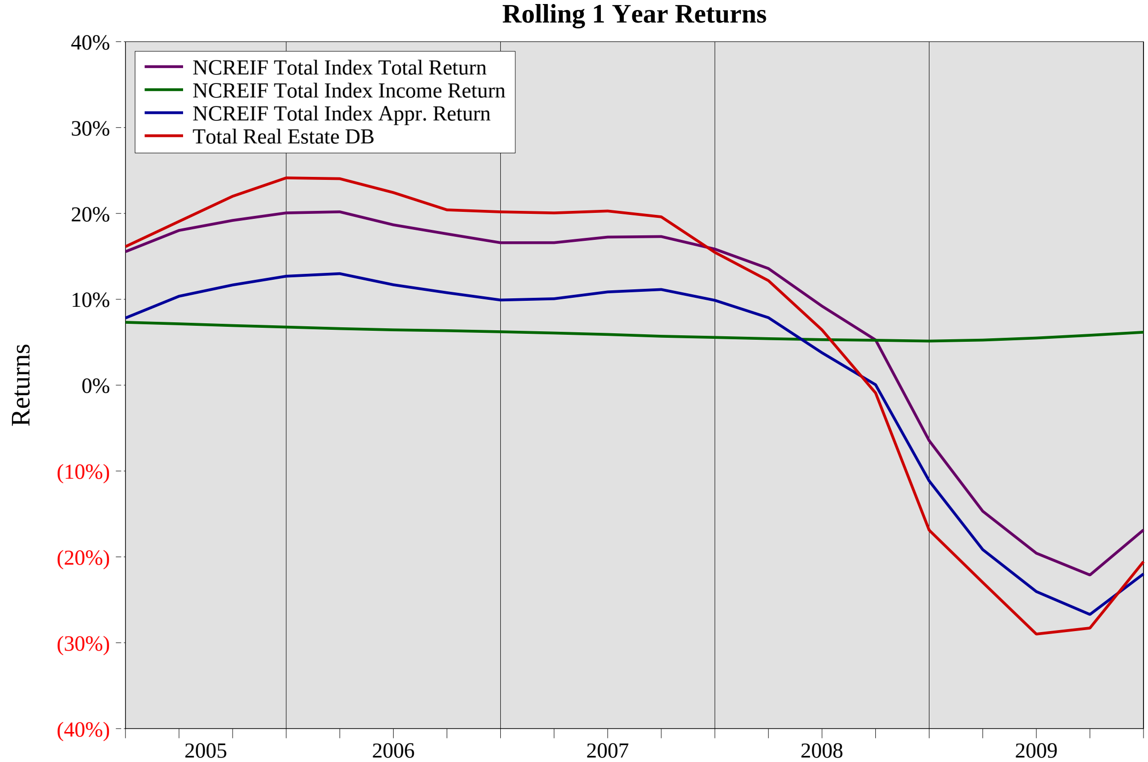
NCREIF Total Index Returns by Geographic Area
Quarter Ended December 31, 2009



NCREIF Total Index Returns by Property Type
Quarter Ended December 31, 2009



Rolling 1 Year Returns

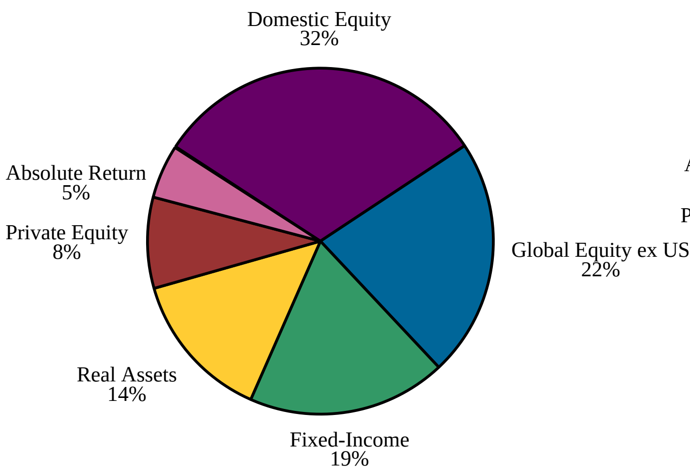


Employees' Retirement
Plan

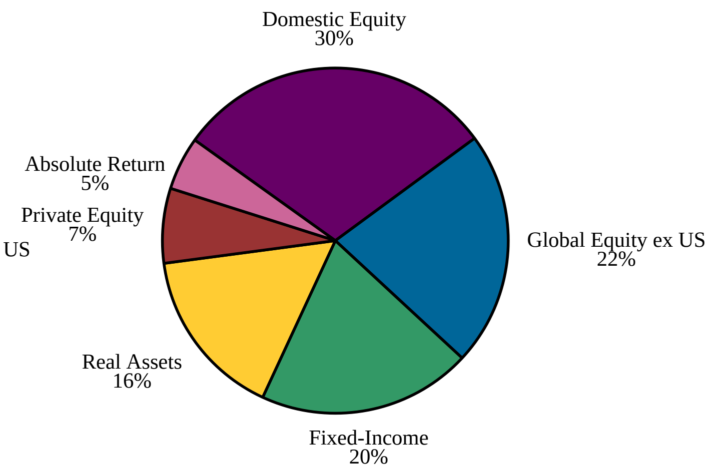
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of December 31, 2009. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

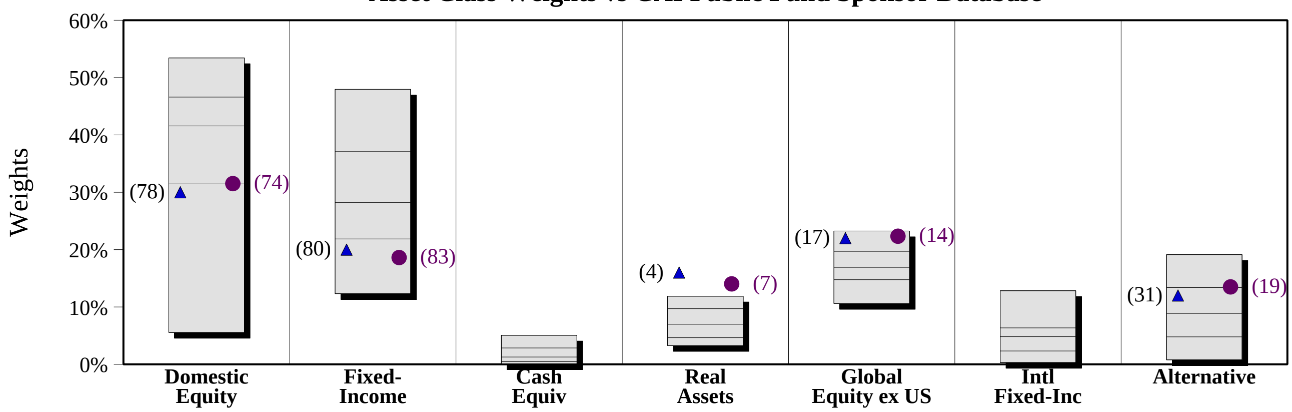


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	1,766,370	31.5%	30.0%	1.5%	84,909
Global Equity ex US	1,251,903	22.3%	22.0%	0.3%	18,831
Fixed-Income	1,043,590	18.6%	20.0%	(1.4%)	(77,384)
Real Assets	786,249	14.0%	16.0%	(2.0%)	(110,530)
Private Equity	475,555	8.5%	7.0%	1.5%	83,220
Absolute Return	281,203	5.0%	5.0%	0.0%	959
Total	5,604,869	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



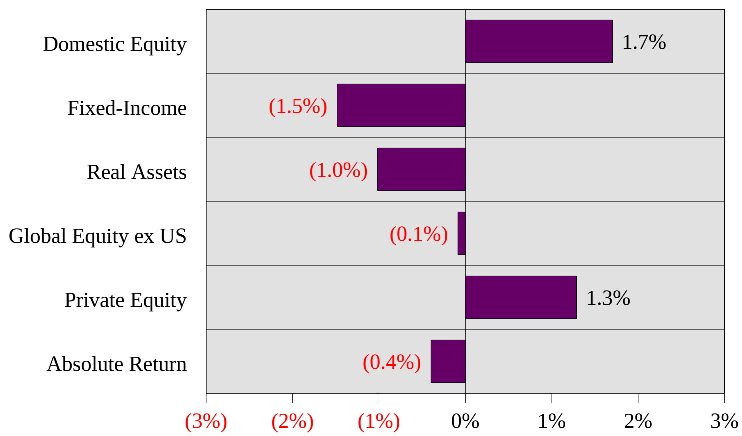
	Domestic Equity	Fixed-Income	Cash Equiv	Real Assets	Global Equity ex US	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	31.51	18.62	-	14.03	22.34	-	13.50
Target ▲	30.00	20.00	-	16.00	22.00	-	12.00
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

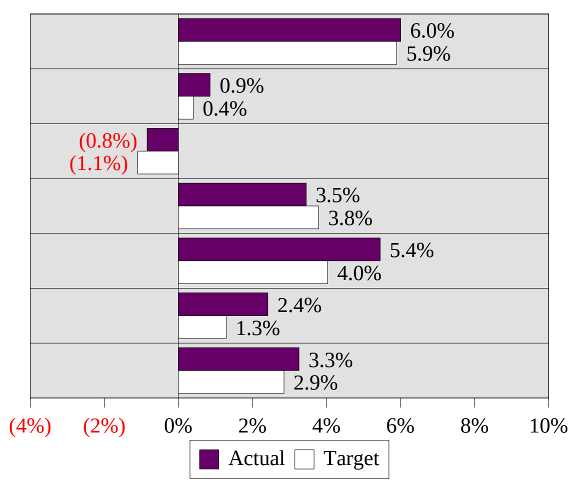
Quarterly Total Fund Attribution

In general, the actual return for the Total Fund will differ from the return for the Total Fund Target. This deviation is caused by two factors: The managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). The table and charts below dissect the Total Fund return into smaller components to quantify each of these effects over the most recent quarter.

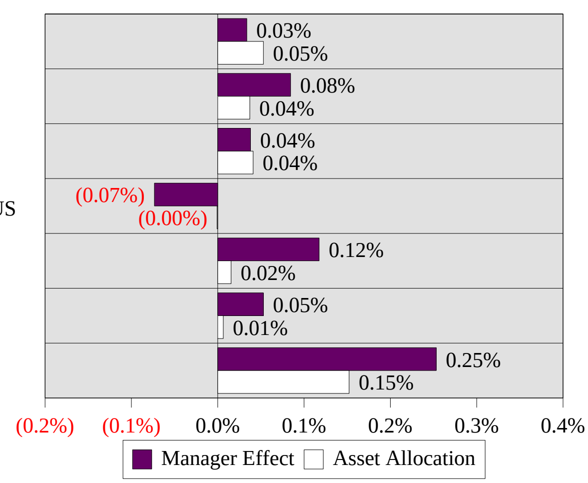
Asset Class Under or Overweighting



Actual vs Target Returns



Attribution by Asset Class



Attribution for Quarter ended December 31, 2009

Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	30%	6.00%	5.90%	0.03%	0.05%
Fixed-Income	19%	20%	0.86%	0.40%	0.08%	0.04%
Real Assets	15%	16%	(0.84%)	(1.10%)	0.04%	0.04%
Global Equity ex US	22%	22%	3.45%	3.79%	(0.07%)	(0.00%)
Private Equity	8%	7%	5.45%	4.03%	0.12%	0.02%
Absolute Return	5%	5%	2.42%	1.29%	0.05%	0.01%

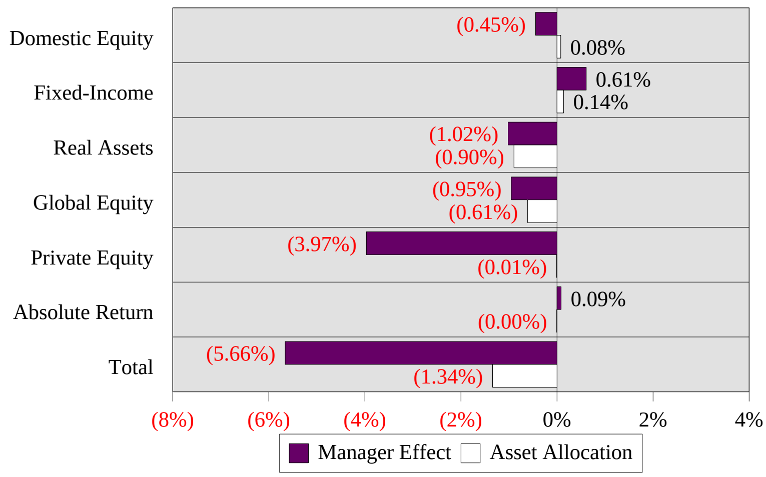
Total 3.26% = 2.85% + 0.25% + 0.15%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

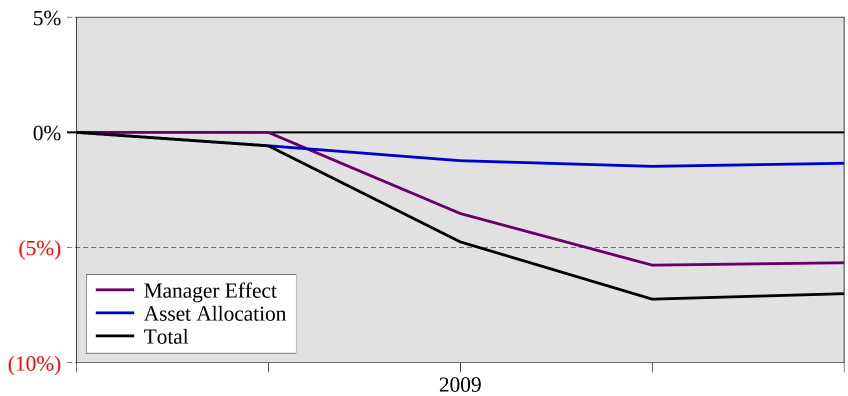
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One Year Cumulative Attribution Effects



Cumulative Attribution Effects



One Year Cumulative Attribution Effects

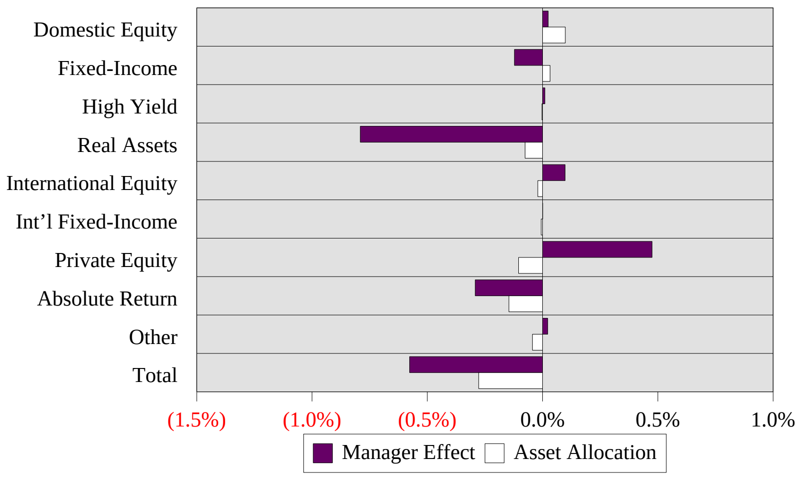
Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	32%	26.90%	28.34%	(0.45%)	0.08%
Fixed-Income	17%	19%	12.79%	9.35%	0.61%	0.14%
Real Assets	18%	16%	(12.70%)	(8.18%)	(1.02%)	(0.90%)
Global Equity	19%	21%	36.35%	42.14%	(0.95%)	(0.61%)
Private Equity	10%	7%	(9.47%)	28.57%	(3.97%)	(0.01%)
Absolute Return	5%	6%	7.11%	5.21%	0.09%	(0.00%)
Total			**13.28%**	**= 20.28%**	**+ (5.66%)**	**+ (1.34%)**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

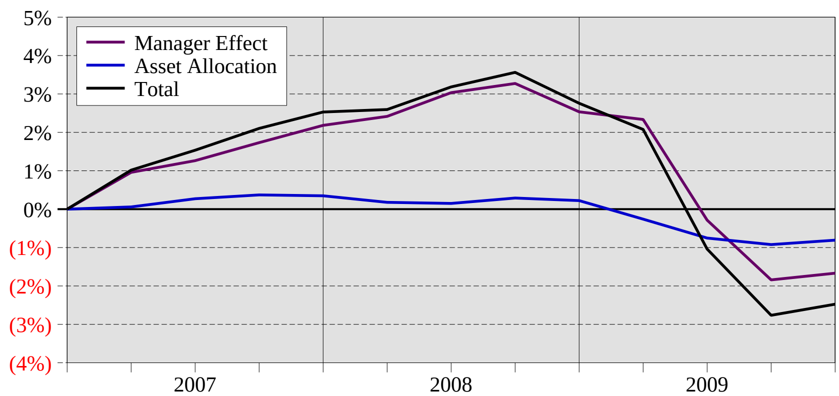
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Three Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Three Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	34%	35%	(5.75%)	(5.85%)	0.02%	0.10%
Fixed-Income	18%	19%	5.77%	6.41%	(0.12%)	0.03%
High Yield	1%	1%	-	-	0.01%	(0.00%)
Real Assets	14%	13%	(4.90%)	(0.17%)	(0.79%)	(0.08%)
International Equity	19%	18%	(3.24%)	(4.18%)	0.10%	(0.02%)
Int'l Fixed-Income	1%	1%	-	-	0.00%	(0.01%)
Private Equity	8%	7%	3.86%	(5.72%)	0.47%	(0.10%)
Absolute Return	4%	5%	(0.29%)	7.20%	(0.29%)	(0.15%)
Other	1%	1%	-	-	0.02%	(0.04%)

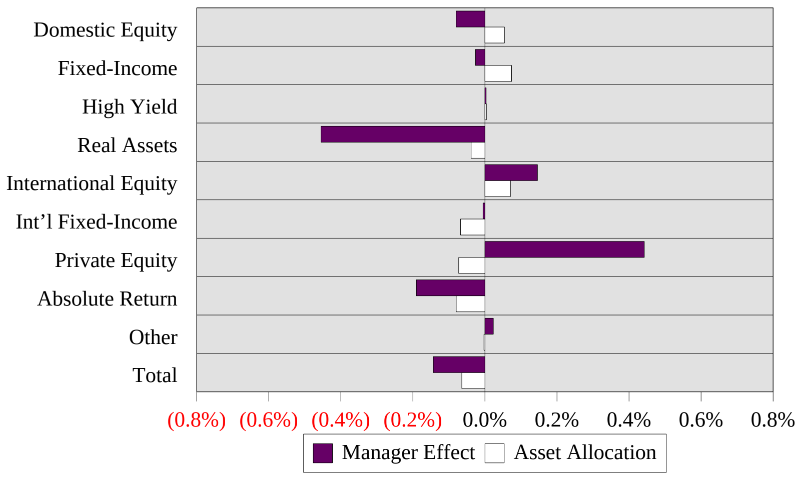
Total **(2.14%) = (1.29%) + (0.58%) + (0.28%)**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

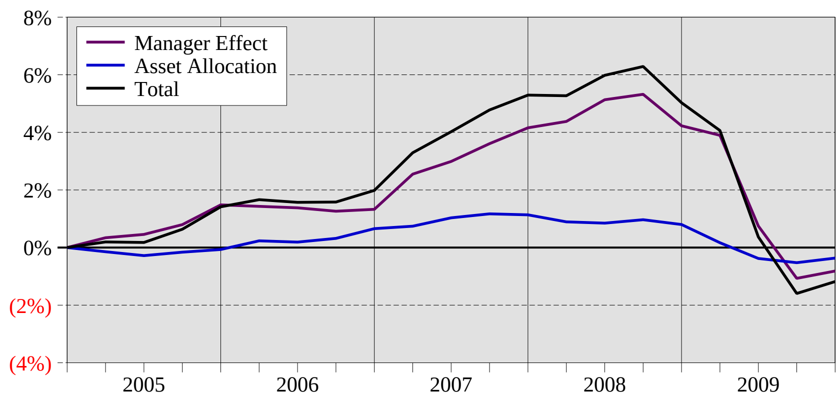
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Five Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Five Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	36%	35%	0.18%	0.35%	(0.08%)	0.05%
Fixed-Income	19%	21%	5.04%	5.19%	(0.03%)	0.07%
High Yield	1%	2%	-	-	0.00%	0.00%
Real Assets	13%	11%	4.38%	7.09%	(0.46%)	(0.04%)
International Equity	18%	17%	6.05%	4.96%	0.15%	0.07%
Int'l Fixed-Income	2%	1%	-	-	(0.01%)	(0.07%)
Private Equity	7%	7%	11.63%	1.65%	0.44%	(0.07%)
Absolute Return	4%	4%	2.81%	7.64%	(0.19%)	(0.08%)
Other	1%	2%	-	-	0.02%	(0.00%)

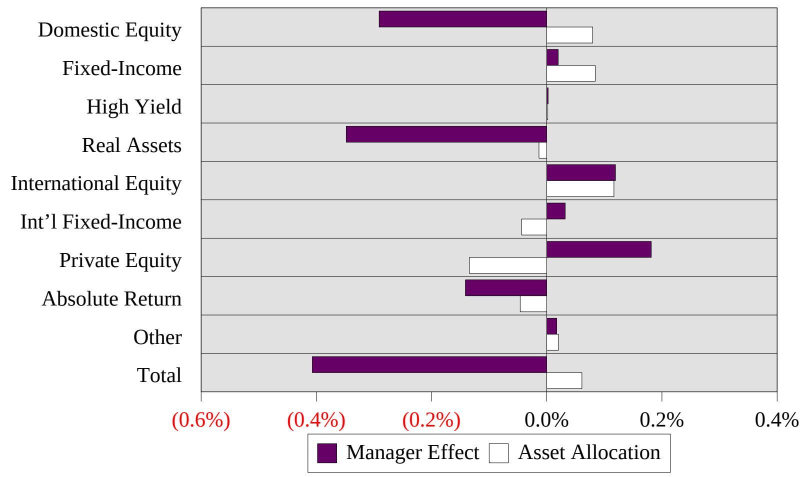
Total	**3.19%**	**=**	**3.39%**	**+**	**(0.14%)**	**+**	**(0.06%)**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

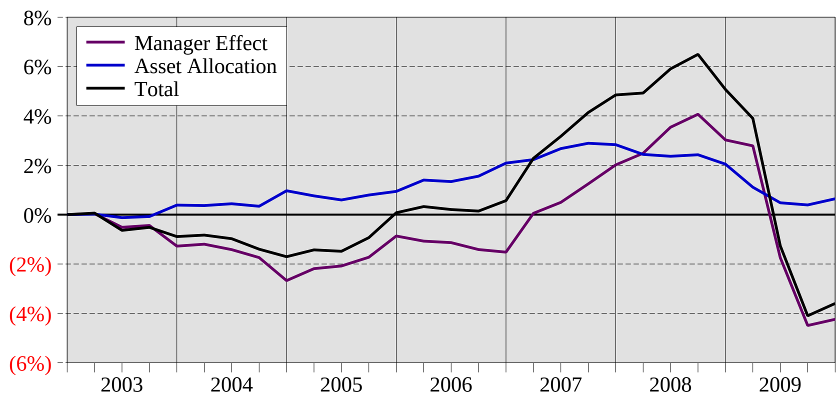
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Seven Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Seven Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	37%	35%	5.30%	5.99%	(0.29%)	0.08%
Fixed-Income	22%	23%	4.93%	4.91%	0.02%	0.08%
High Yield	1%	1%	-	-	0.00%	0.00%
Real Assets	11%	11%	6.42%	8.53%	(0.35%)	(0.01%)
International Equity	18%	17%	12.20%	11.35%	0.12%	0.12%
Int'l Fixed-Income	2%	2%	-	-	0.03%	(0.04%)
Private Equity	6%	6%	11.31%	8.29%	0.18%	(0.13%)
Absolute Return	3%	3%	2.19%	5.96%	(0.14%)	(0.05%)
Other	0%	2%	-	-	0.02%	0.02%

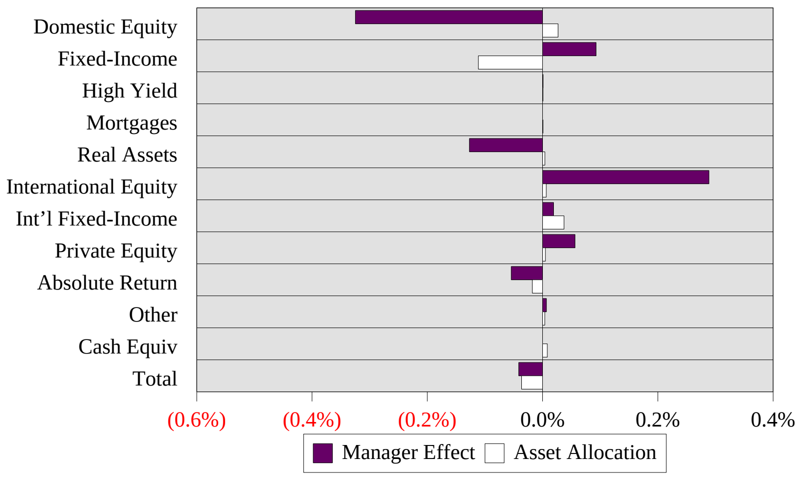
Total			**6.65%**	= **7.00%**	+ **(0.41%)**	+ **0.06%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

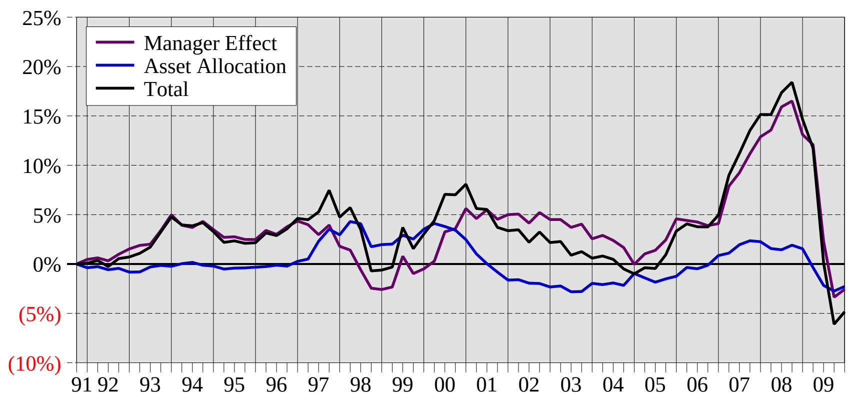
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Eighteen And One-Quarter Year Annualized Cumulative Attribution Effect



Cumulative Attribution Effects



Eighteen And One-Quarter Year Annualized Cumulative Attribution Effect

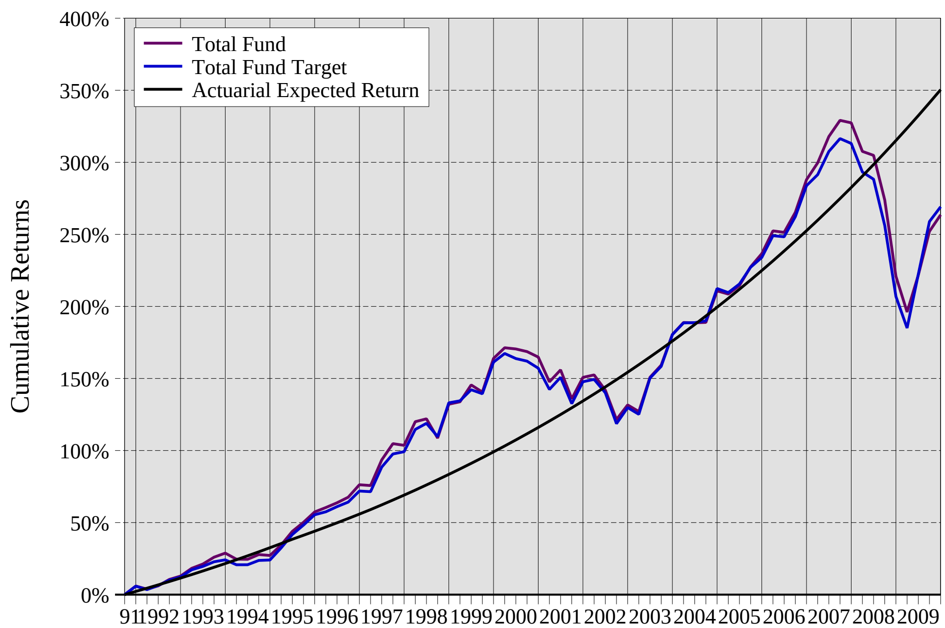
Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	39%	38%	7.43%	8.17%	(0.32%)	0.03%
Fixed-Income	33%	33%	6.88%	6.66%	0.09%	(0.11%)
High Yield	0%	0%	-	-	0.00%	0.00%
Mortgages	0%	0%	-	-	0.00%	0.00%
Real Assets	7%	8%	6.95%	7.45%	(0.13%)	0.00%
International Equity	15%	13%	7.81%	5.82%	0.29%	0.01%
Int'l Fixed-Income	2%	3%	-	-	0.02%	0.04%
Private Equity	3%	3%	-	-	0.06%	0.00%
Absolute Return	1%	1%	-	-	(0.05%)	(0.02%)
Other	0%	1%	-	-	0.01%	0.00%
Cash Equiv	0%	0%	-	-	0.00%	0.01%
Total			**7.33%**	**= 7.41%**	**+ (0.04%)**	**+ (0.04%)**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

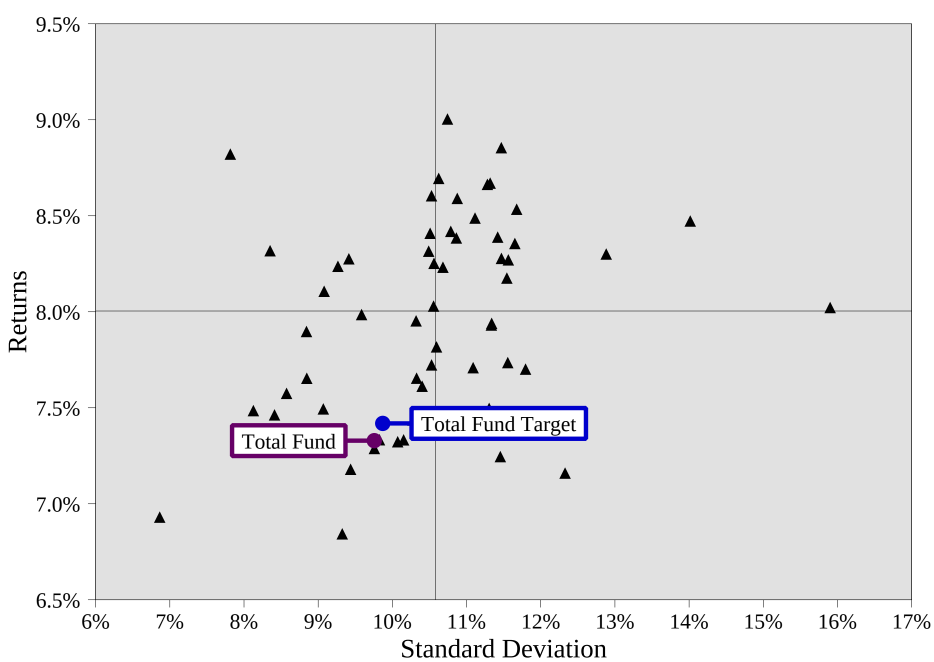
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Eighteen And One-Quarter Year Annualized Risk vs Return



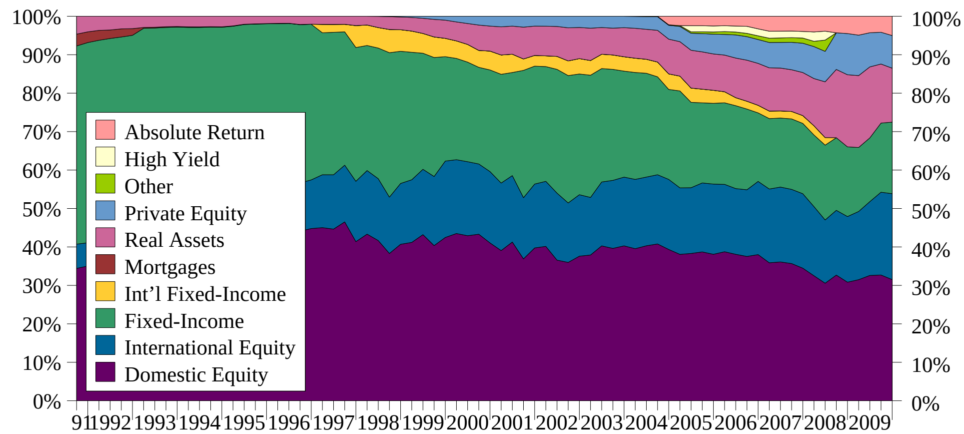
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

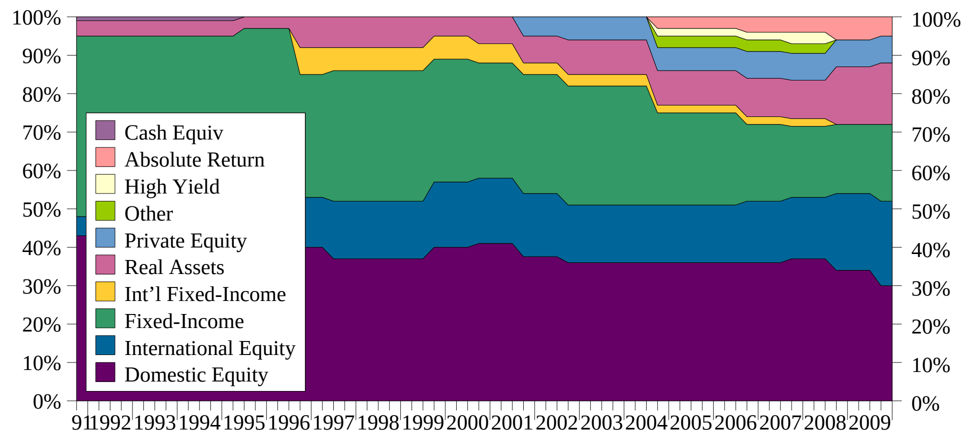
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

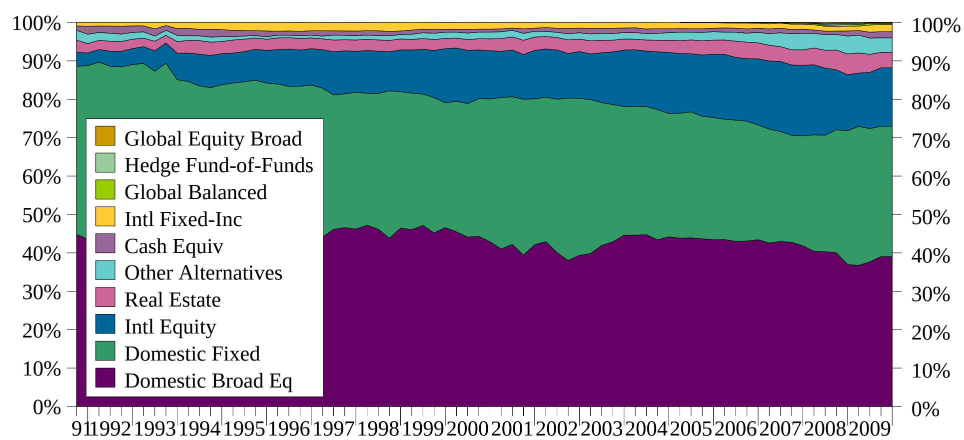
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

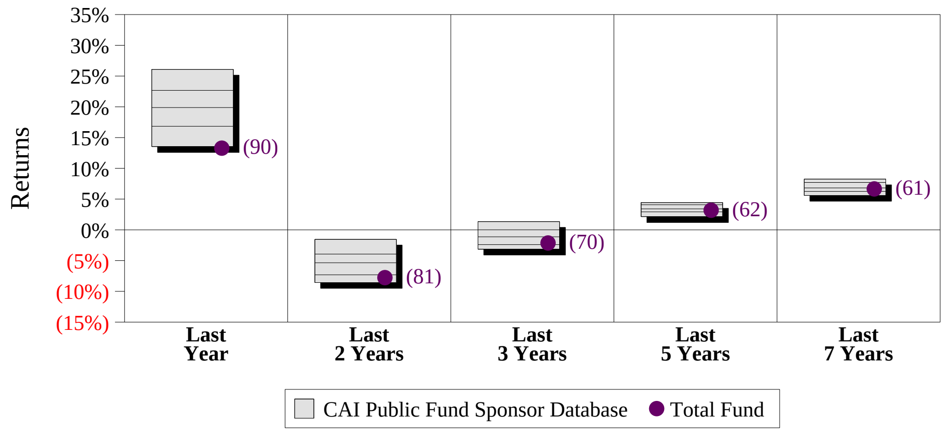


* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

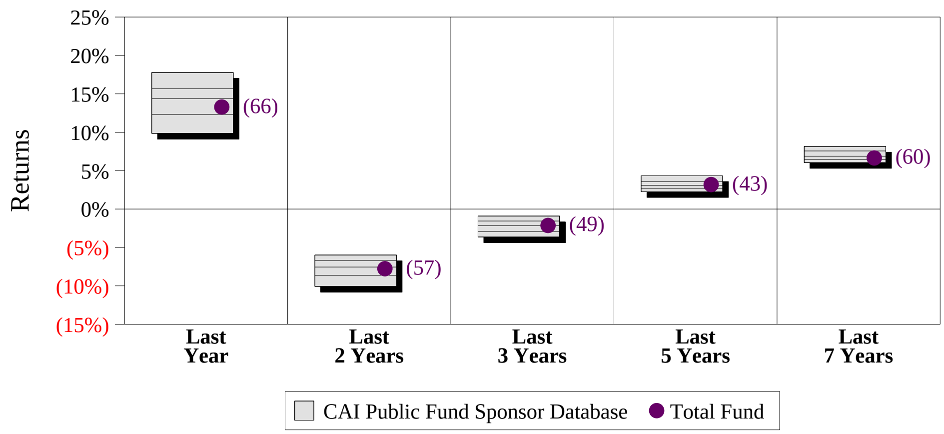
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended December 31, 2009. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

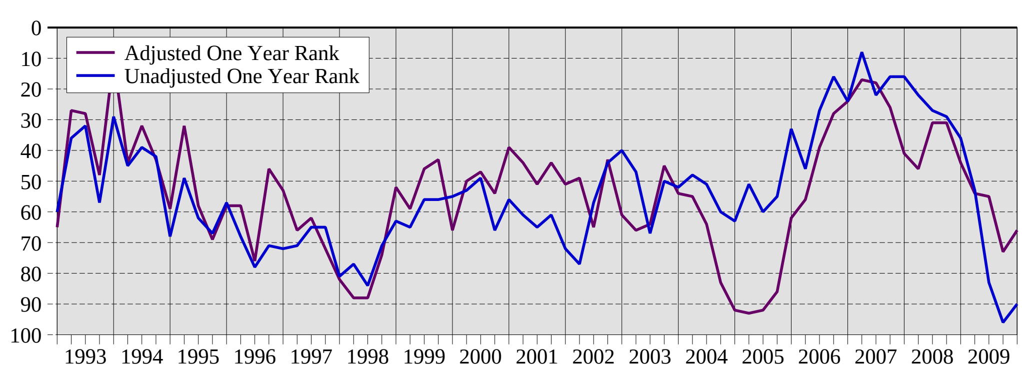
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



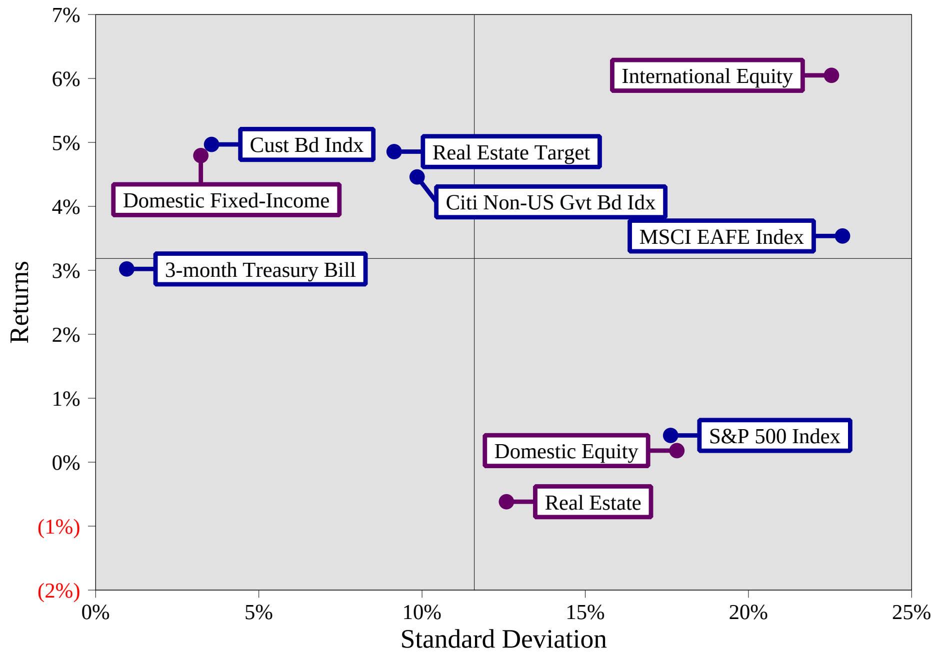
Rolling One Year Ranking vs CAI Public Fund Sponsor Database



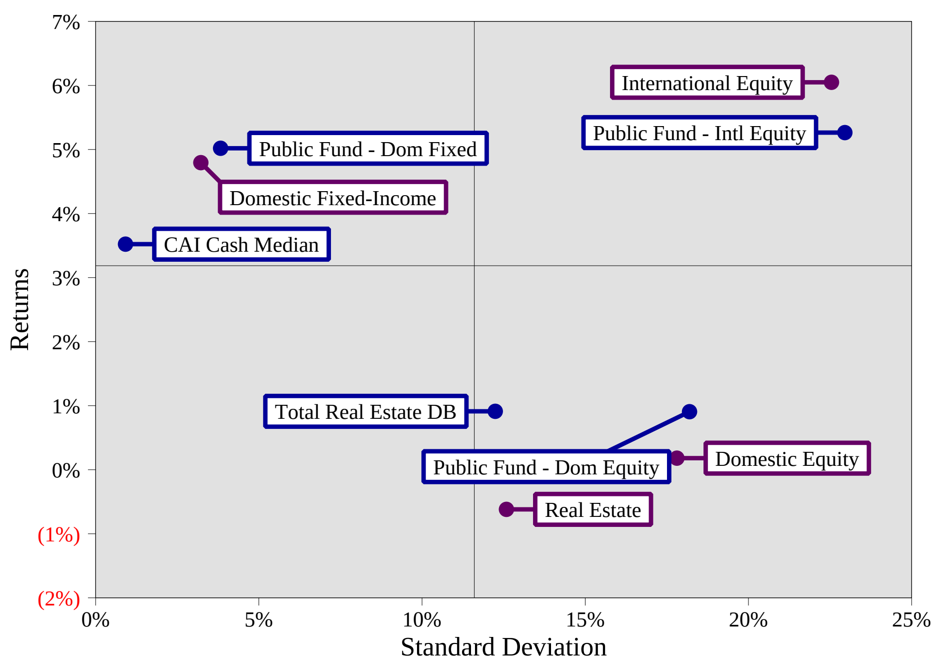
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



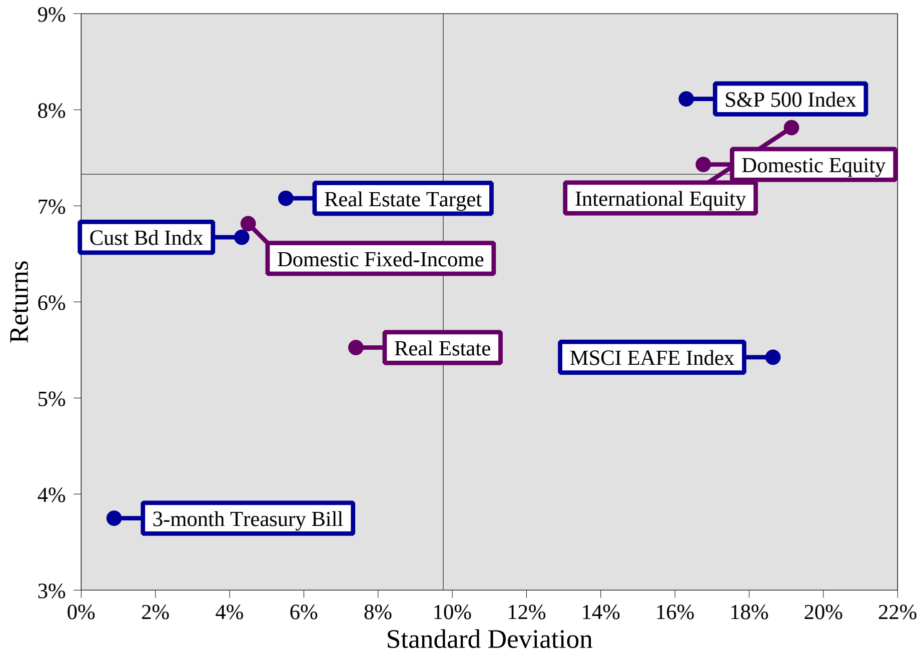
Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



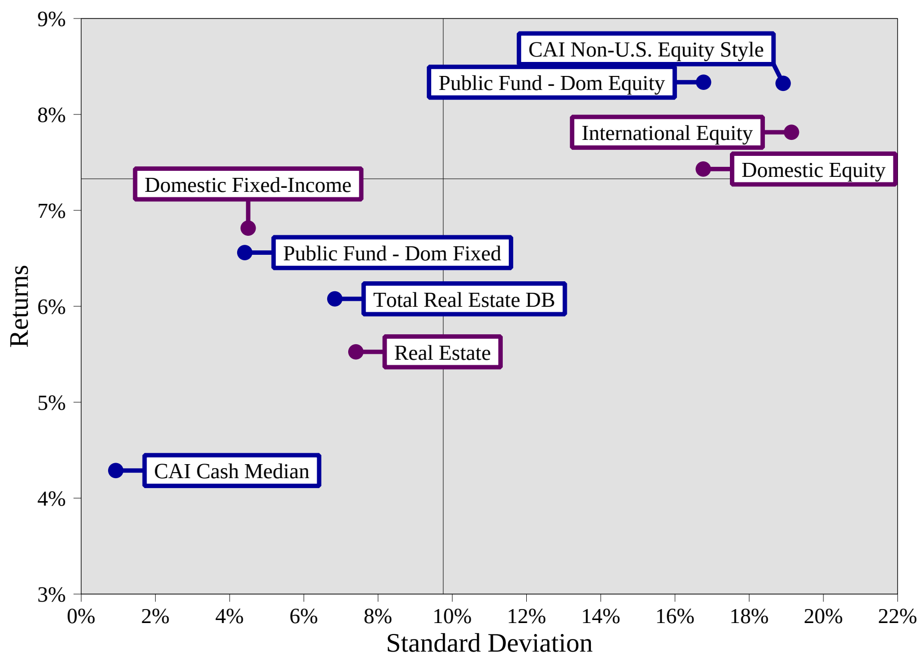
Asset Class Risk and Return

The charts below show the eighteen and one-quarter year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Eighteen And One-Quarter Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



Eighteen And One-Quarter Year Annualized Risk vs Return
Asset Classes vs Asset Class Median

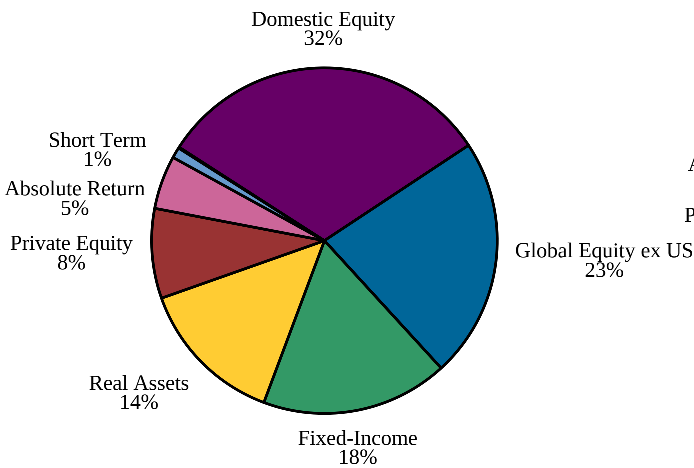


P E R S HEALTH CARE

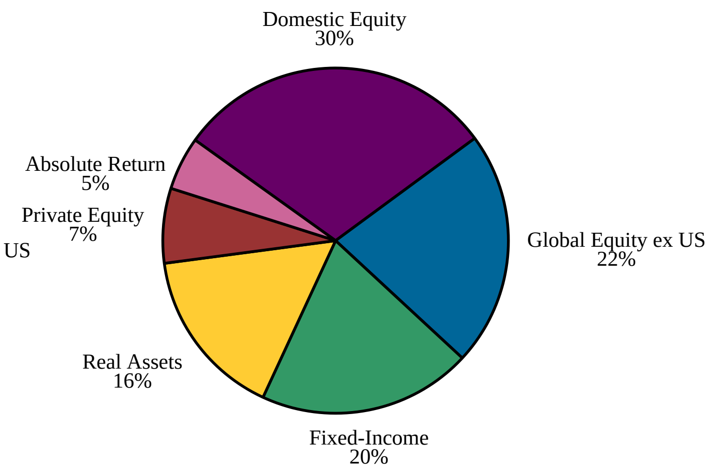
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of December 31, 2009. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

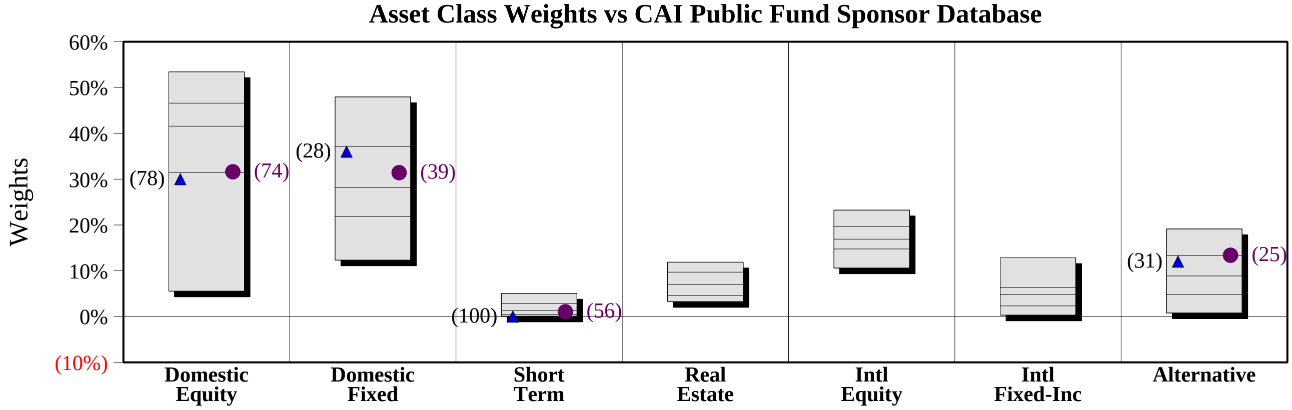


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	1,240,787	31.6%	30.0%	1.6%	63,002
Global Equity ex US	885,247	22.5%	22.0%	0.5%	21,539
Fixed-Income	687,299	17.5%	20.0%	(2.5%)	(97,891)
Real Assets	546,183	13.9%	16.0%	(2.1%)	(81,969)
Private Equity	329,813	8.4%	7.0%	1.4%	55,001
Absolute Return	195,754	5.0%	5.0%	0.0%	(543)
Short Term	40,865	1.0%	0.0%	1.0%	40,865
Total	3,925,949	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



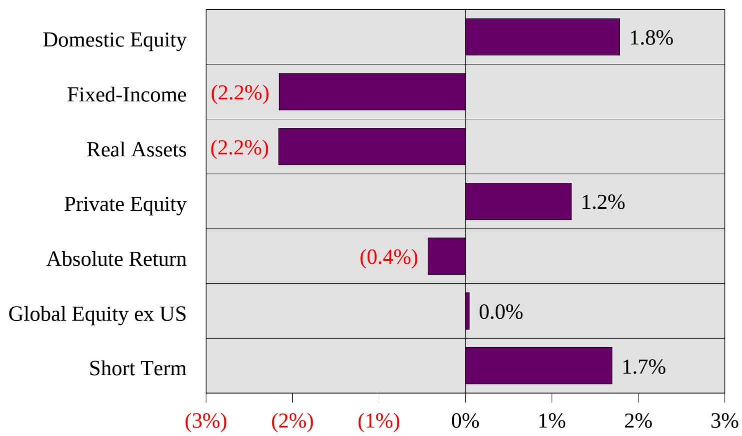
	Domestic Equity	Domestic Fixed	Short Term	Real Estate	Intl Equity	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	31.60	31.42	1.04	-	-	-	13.39
Target ▲	30.00	36.00	0.00	-	-	-	12.00
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

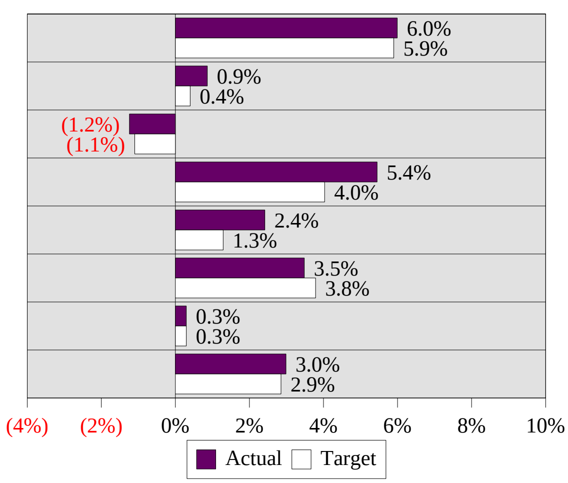
Quarterly Total Fund Attribution

In general, the actual return for the Total Fund will differ from the return for the Total Fund Target. This deviation is caused by two factors: The managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). The table and charts below dissect the Total Fund return into smaller components to quantify each of these effects over the most recent quarter.

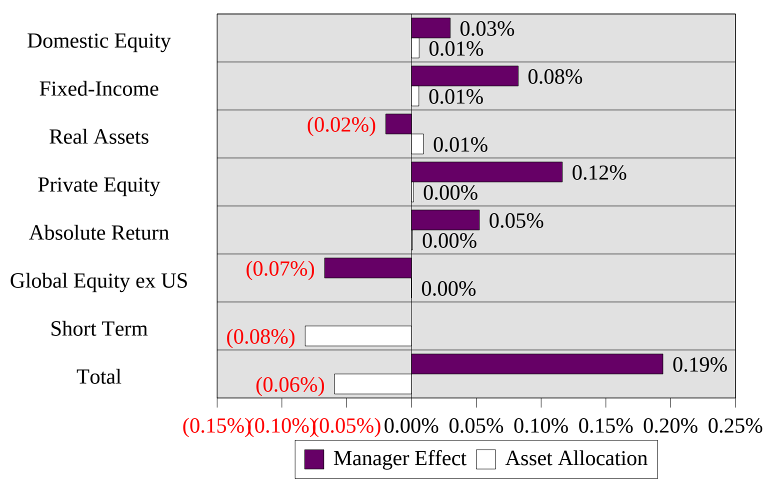
Asset Class Under or Overweighting



Actual vs Target Returns



Attribution by Asset Class



Attribution for Quarter ended December 31, 2009

Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	30%	5.99%	5.90%	0.03%	0.01%
Fixed-Income	18%	20%	0.86%	0.40%	0.08%	0.01%
Real Assets	14%	16%	(1.24%)	(1.10%)	(0.02%)	0.01%
Private Equity	8%	7%	5.45%	4.03%	0.12%	0.00%
Absolute Return	5%	5%	2.42%	1.29%	0.05%	0.00%
Global Equity ex US	22%	22%	3.48%	3.79%	(0.07%)	0.00%
Short Term	2%	0%	0.30%	0.30%	0.00%	(0.08%)

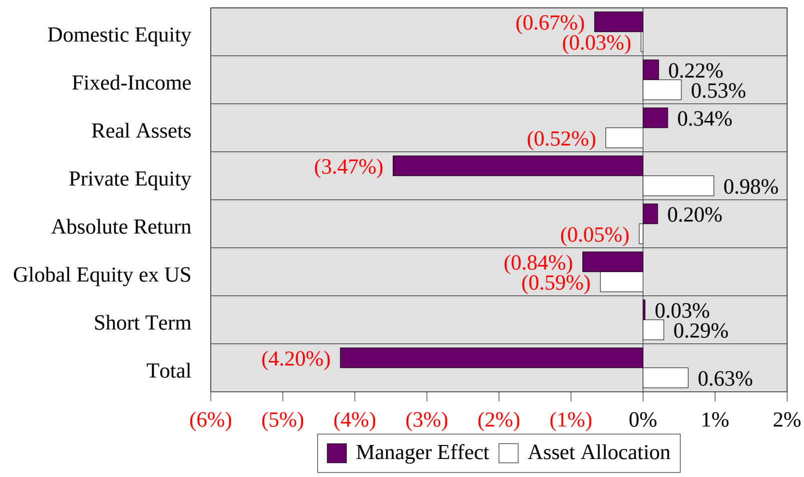
Total 2.99% = 2.85% + 0.19% + (0.06%)

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

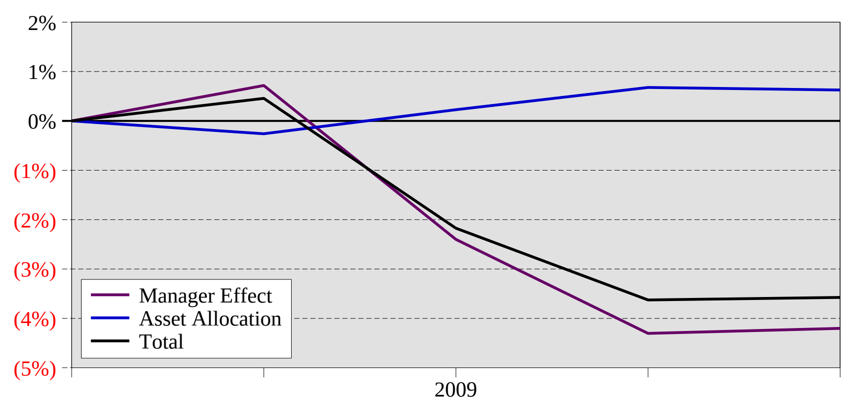
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One Year Cumulative Attribution Effects



Cumulative Attribution Effects



One Year Cumulative Attribution Effects

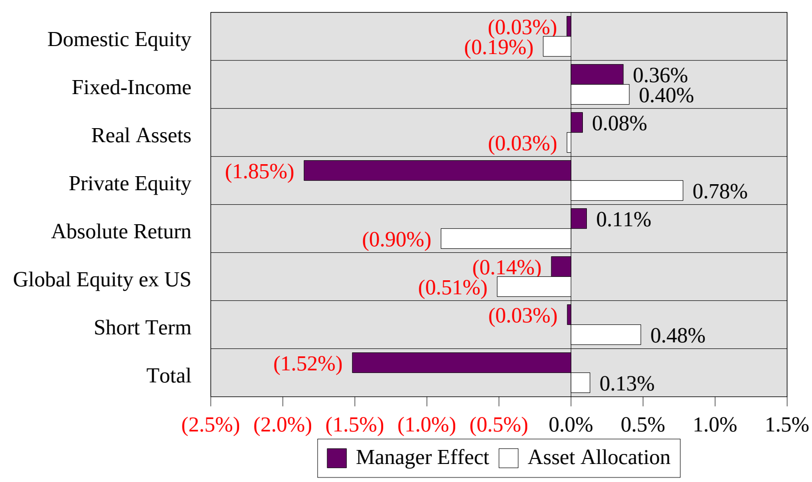
Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	35%	34%	26.32%	28.34%	(0.67%)	(0.03%)
Fixed-Income	19%	20%	10.94%	9.82%	0.22%	0.53%
Real Assets	13%	12%	(4.37%)	(8.18%)	0.34%	(0.52%)
Private Equity	6%	5%	4.99%	28.57%	(3.47%)	0.98%
Absolute Return	3%	6%	8.08%	5.21%	0.20%	(0.05%)
Global Equity ex US	22%	22%	37.60%	42.14%	(0.84%)	(0.59%)
Short Term	2%	2%	2.62%	1.08%	0.03%	0.29%
Total			**17.67%**	**= 21.25%**	**+ (4.20%) +**	**0.63%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

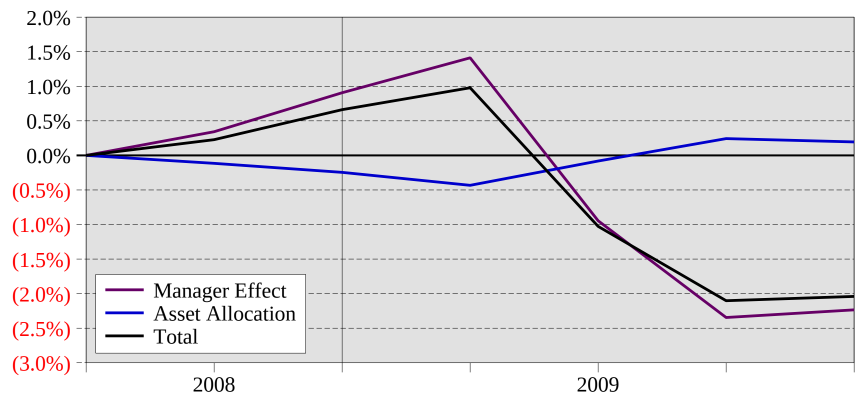
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One And One-Half Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



One And One-Half Year Annualized Cumulative Attribution Effects

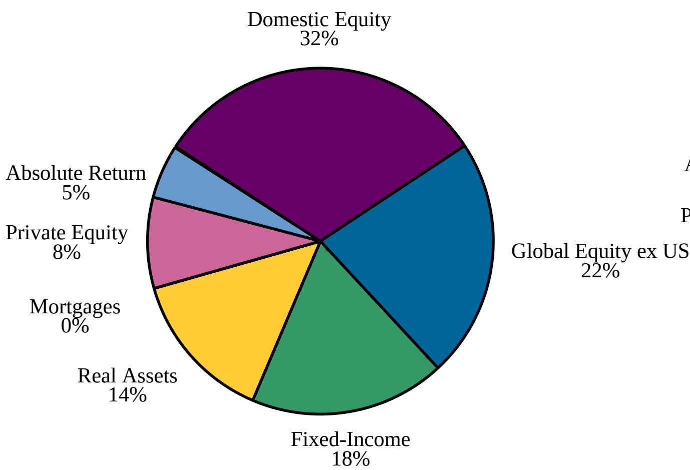
Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	37%	35%	(6.64%)	(6.47%)	(0.03%)	(0.19%)
Fixed-Income	19%	20%	8.78%	6.91%	0.36%	0.40%
Real Assets	12%	11%	(7.46%)	(8.80%)	0.08%	(0.03%)
Private Equity	4%	4%	3.30%	(7.15%)	(1.85%)	0.78%
Absolute Return	2%	6%	5.32%	5.70%	0.11%	(0.90%)
Global Equity ex US	22%	22%	(9.93%)	(9.33%)	(0.14%)	(0.51%)
Short Term	3%	2%	1.52%	1.29%	(0.03%)	0.48%
Total			**(4.37%)** =	**(2.98%)** +	**(1.52%)** +	**0.13%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

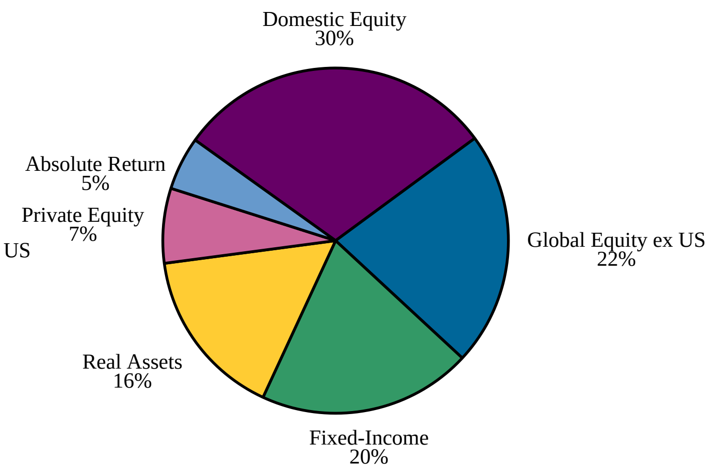
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of December 31, 2009. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

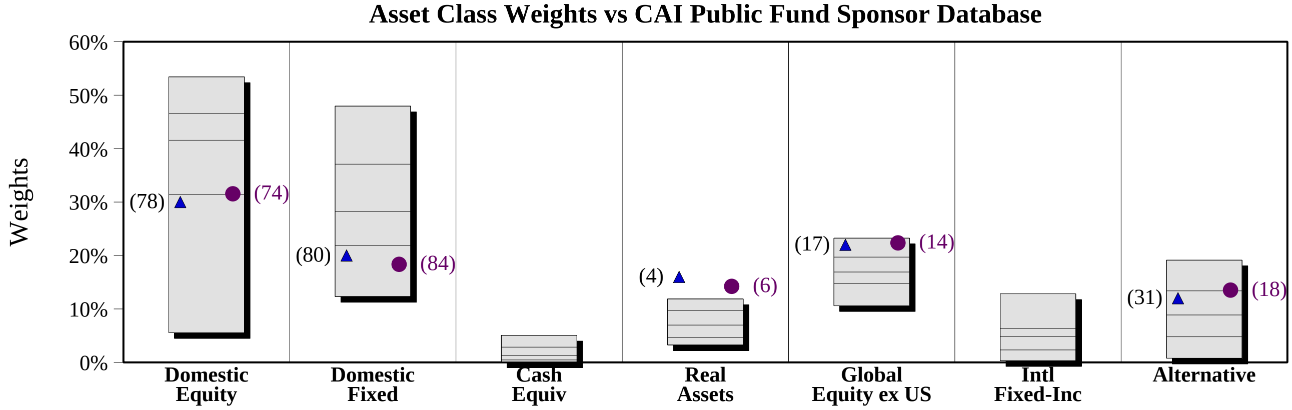


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	906,154	31.5%	30.0%	1.5%	44,367
Global Equity ex US	642,298	22.4%	22.0%	0.4%	10,321
Fixed-Income	527,080	18.3%	20.0%	(1.7%)	(47,445)
Real Assets	408,622	14.2%	16.0%	(1.8%)	(50,998)
Mortgages	8	0.0%	0.0%	0.0%	8
Private Equity	243,978	8.5%	7.0%	1.5%	42,897
Absolute Return	144,484	5.0%	5.0%	0.0%	853
Total	2,872,623	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



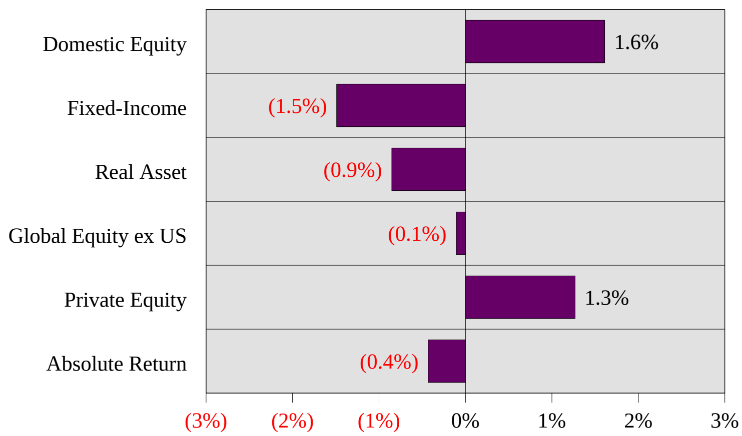
	Domestic Equity	Domestic Fixed	Cash Equiv	Real Assets	Global Equity ex US	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	31.54	18.35	-	14.22	22.36	-	13.52
Target ▲	30.00	20.00	-	16.00	22.00	-	12.00
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

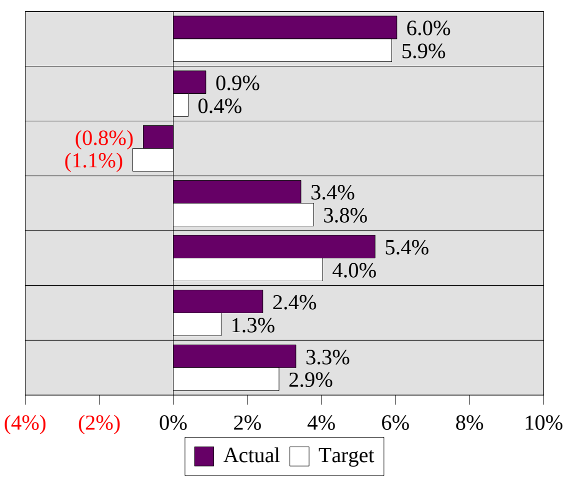
Quarterly Total Fund Attribution

In general, the actual return for the Total Fund will differ from the return for the Total Fund Target. This deviation is caused by two factors: The managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). The table and charts below dissect the Total Fund return into smaller components to quantify each of these effects over the most recent quarter.

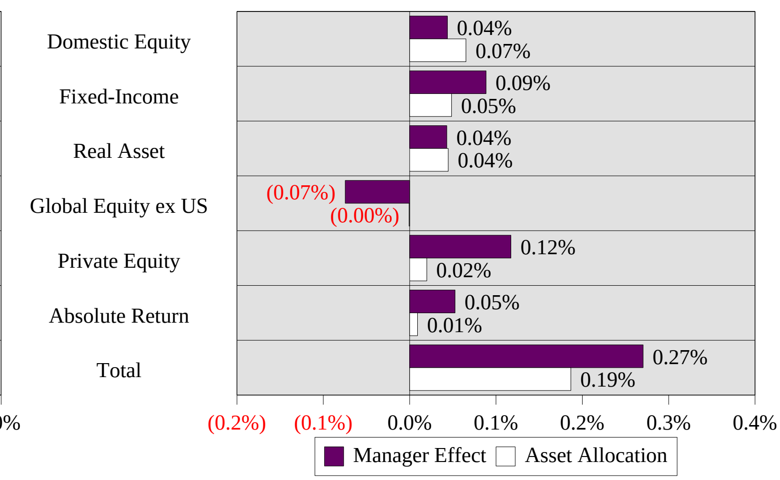
Asset Class Under or Overweighting



Actual vs Target Returns



Attribution by Asset Class



Attribution for Quarter ended December 31, 2009

Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	30%	6.04%	5.90%	0.04%	0.07%
Fixed-Income	19%	20%	0.88%	0.40%	0.09%	0.05%
Real Asset	15%	16%	(0.81%)	(1.10%)	0.04%	0.04%
Global Equity ex US	22%	22%	3.45%	3.79%	(0.07%)	(0.00%)
Private Equity	8%	7%	5.45%	4.03%	0.12%	0.02%
Absolute Return	5%	5%	2.42%	1.29%	0.05%	0.01%

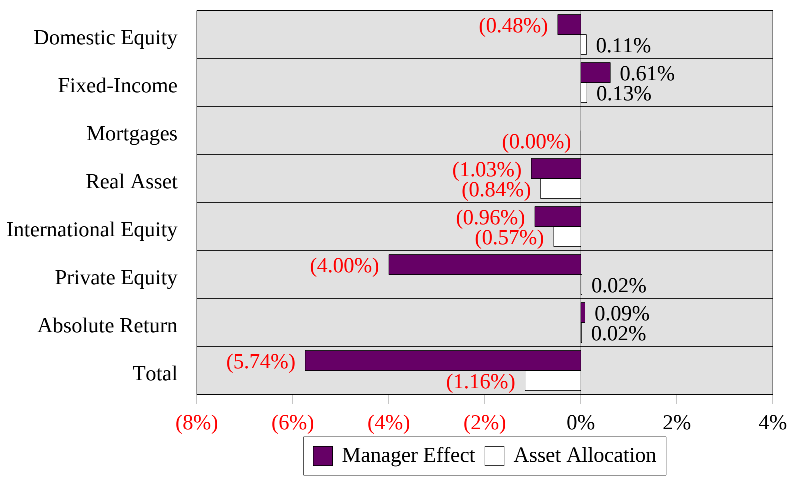
Total **3.31% = 2.85% + 0.27% + 0.19%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

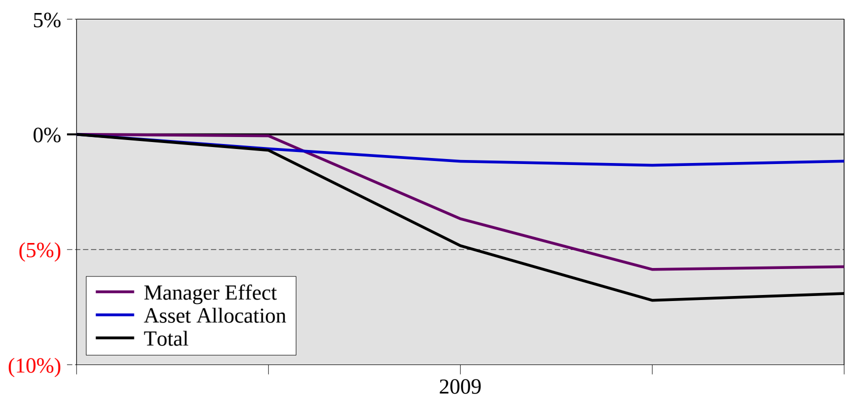
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One Year Cumulative Attribution Effects



Cumulative Attribution Effects



One Year Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	32%	26.78%	28.34%	(0.48%)	0.11%
Fixed-Income	17%	19%	12.92%	9.35%	0.61%	0.13%
Mortgages	0%	0%	-	-	0.00%	(0.00%)
Real Asset	18%	16%	(12.72%)	(8.18%)	(1.03%)	(0.84%)
International Equity	19%	21%	36.35%	42.14%	(0.96%)	(0.57%)
Private Equity	10%	7%	(9.46%)	28.57%	(4.00%)	0.02%
Absolute Return	5%	6%	7.13%	5.21%	0.09%	0.02%

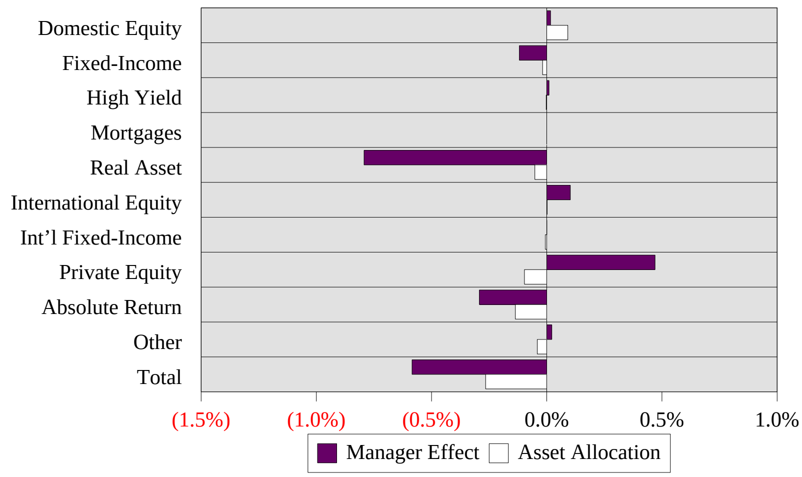
Total 13.38% = 20.28% + (5.74%) + (1.16%)

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

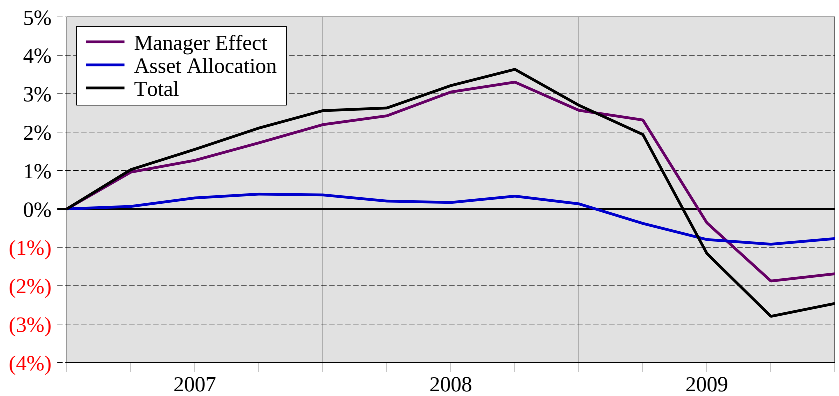
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Three Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Three Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	34%	35%	(5.78%)	(5.85%)	0.02%	0.09%
Fixed-Income	18%	19%	5.77%	6.41%	(0.12%)	(0.02%)
High Yield	1%	1%	-	-	0.01%	(0.00%)
Mortgages	0%	0%	-	-	0.00%	(0.00%)
Real Asset	14%	13%	(4.88%)	(0.17%)	(0.79%)	(0.05%)
International Equity	19%	18%	(3.21%)	(4.18%)	0.10%	0.00%
Int'l Fixed-Income	1%	1%	-	-	0.00%	(0.01%)
Private Equity	8%	7%	3.86%	(5.72%)	0.47%	(0.10%)
Absolute Return	4%	5%	(0.28%)	7.20%	(0.29%)	(0.14%)
Other	1%	1%	-	-	0.02%	(0.04%)

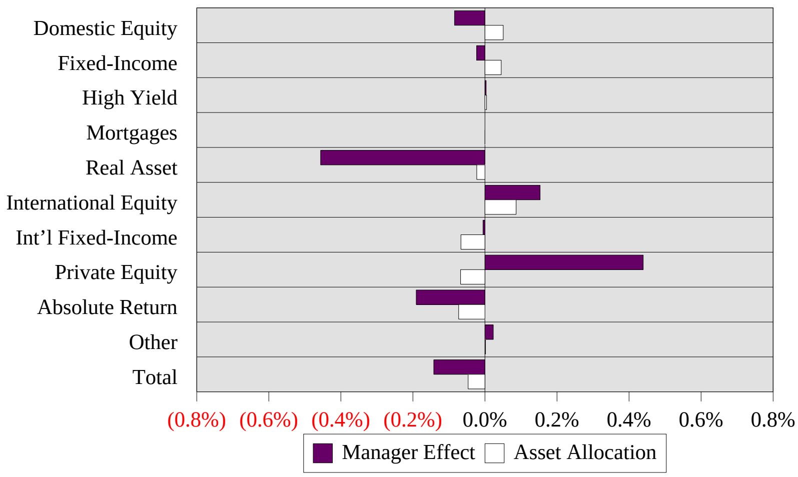
Total **(2.14%) = (1.29%) + (0.58%) + (0.27%)**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

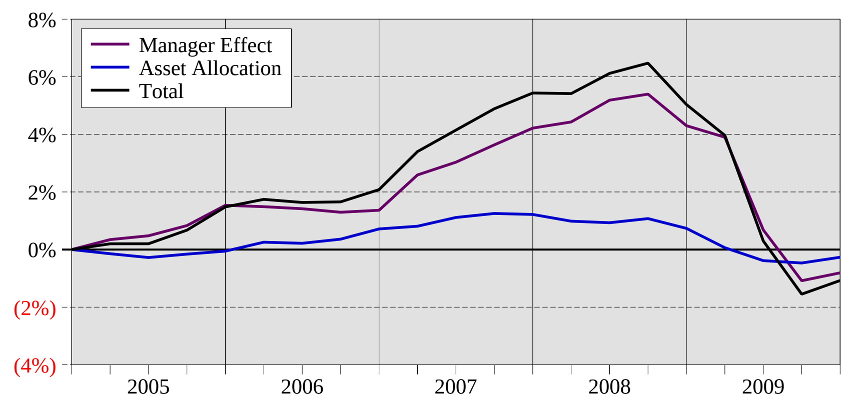
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Five Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Five Year Annualized Cumulative Attribution Effects

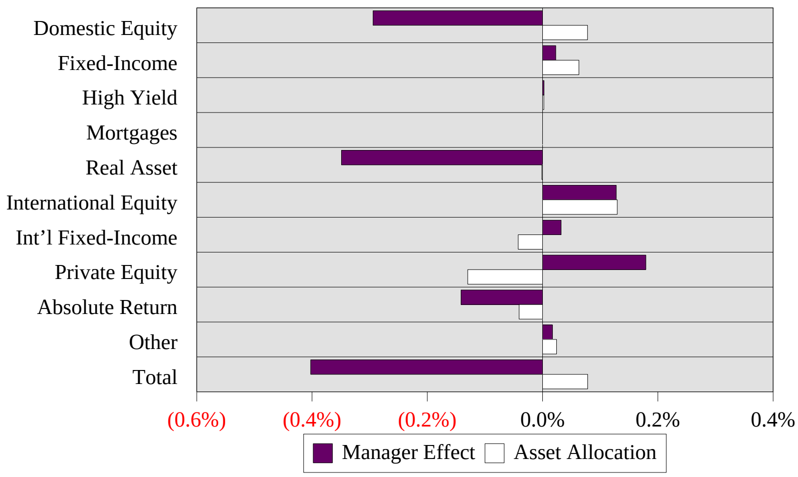
Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	36%	35%	0.16%	0.35%	(0.08%)	0.05%
Fixed-Income	19%	21%	5.05%	5.19%	(0.02%)	0.05%
High Yield	1%	2%	-	-	0.00%	0.00%
Mortgages	0%	0%	-	-	0.00%	(0.00%)
Real Asset	13%	11%	4.39%	7.09%	(0.46%)	(0.02%)
International Equity	18%	17%	6.09%	4.96%	0.15%	0.09%
Int'l Fixed-Income	2%	1%	-	-	(0.01%)	(0.07%)
Private Equity	7%	7%	11.64%	1.65%	0.44%	(0.07%)
Absolute Return	4%	4%	2.82%	7.64%	(0.19%)	(0.07%)
Other	1%	2%	-	-	0.02%	0.00%
Total			**3.20% =**	**3.39% +**	**(0.14%)+**	**(0.05%)**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

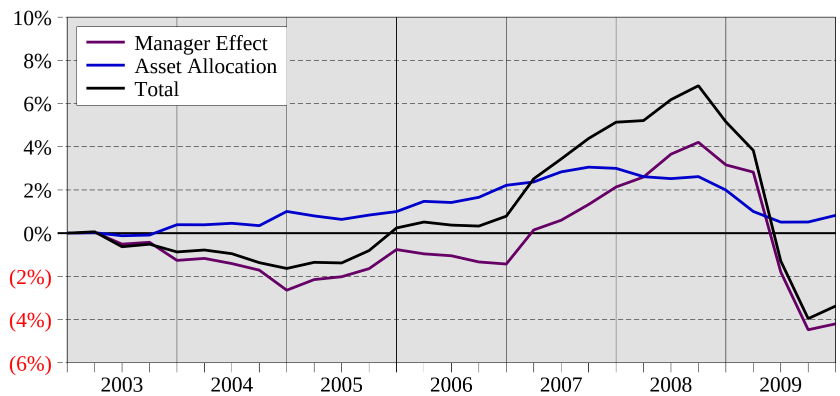
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Seven Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Seven Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	37%	35%	5.29%	5.99%	(0.29%)	0.08%
Fixed-Income	22%	23%	4.94%	4.91%	0.02%	0.06%
High Yield	1%	1%	-	-	0.00%	0.00%
Mortgages	0%	0%	-	-	0.00%	(0.00%)
Real Asset	11%	11%	6.43%	8.53%	(0.35%)	(0.00%)
International Equity	18%	17%	12.25%	11.35%	0.13%	0.13%
Int'l Fixed-Income	2%	2%	-	-	0.03%	(0.04%)
Private Equity	6%	6%	11.32%	8.29%	0.18%	(0.13%)
Absolute Return	3%	3%	2.19%	5.96%	(0.14%)	(0.04%)
Other	0%	2%	-	-	0.02%	0.02%

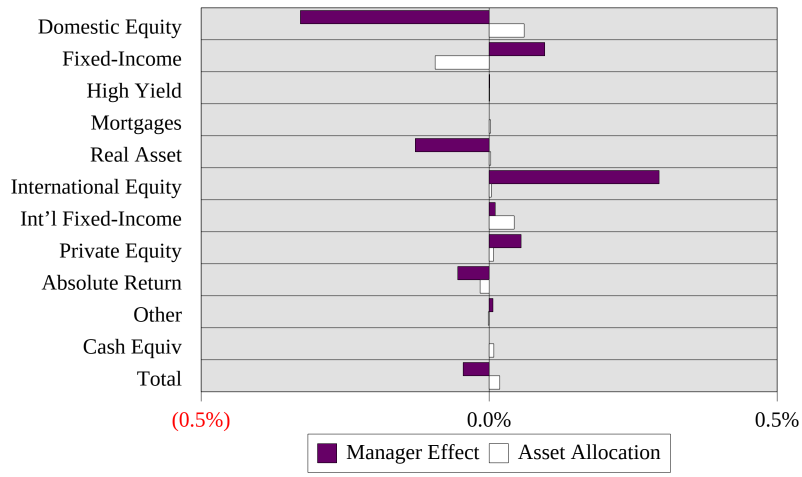
Total **6.67% = 7.00% + (0.40%)+ 0.08%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

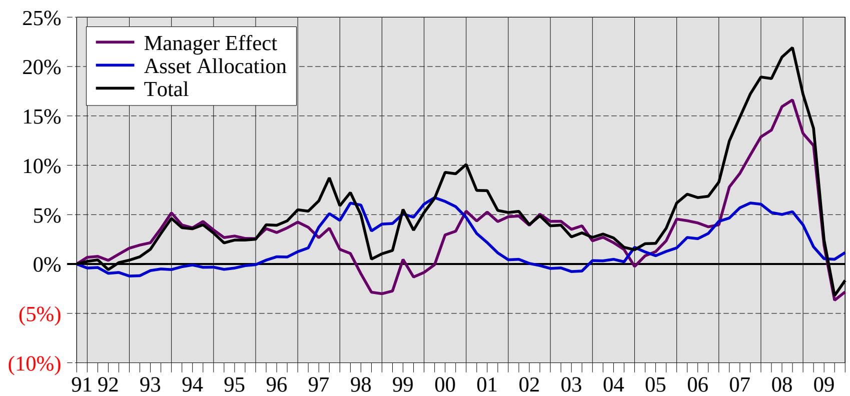
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Eighteen And One-Quarter Year Annualized Cumulative Attribution Effect



Cumulative Attribution Effects



Eighteen And One-Quarter Year Annualized Cumulative Attribution Effect

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	40%	38%	7.42%	8.17%	(0.33%)	0.06%
Fixed-Income	32%	33%	6.89%	6.66%	0.10%	(0.09%)
High Yield	0%	0%	-	-	0.00%	0.00%
Mortgages	0%	0%	-	-	0.00%	0.00%
Real Asset	7%	8%	6.92%	7.45%	(0.13%)	0.00%
International Equity	15%	13%	7.83%	5.82%	0.30%	0.00%
Int'l Fixed-Income	2%	3%	-	-	0.01%	0.04%
Private Equity	3%	3%	-	-	0.06%	0.01%
Absolute Return	1%	1%	-	-	(0.05%)	(0.02%)
Other	0%	1%	-	-	0.01%	(0.00%)
Cash Equiv	0%	0%	-	-	0.00%	0.01%

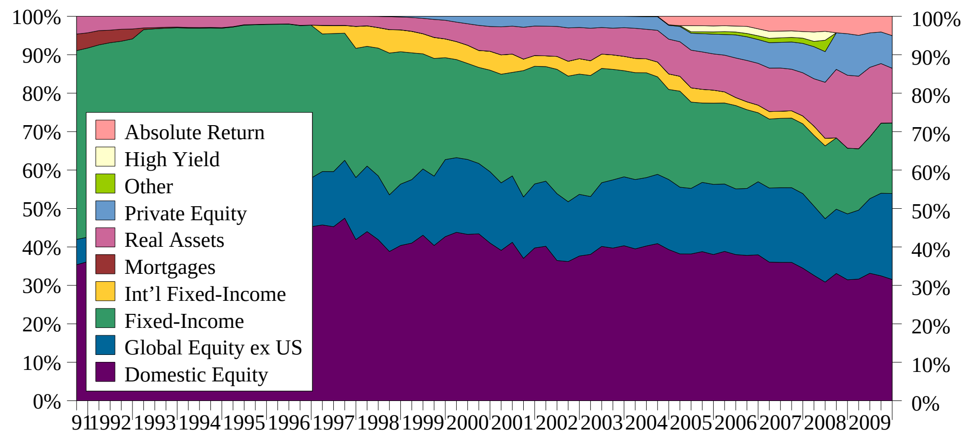
Total **7.38% = 7.41% + (0.05%) + 0.02%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

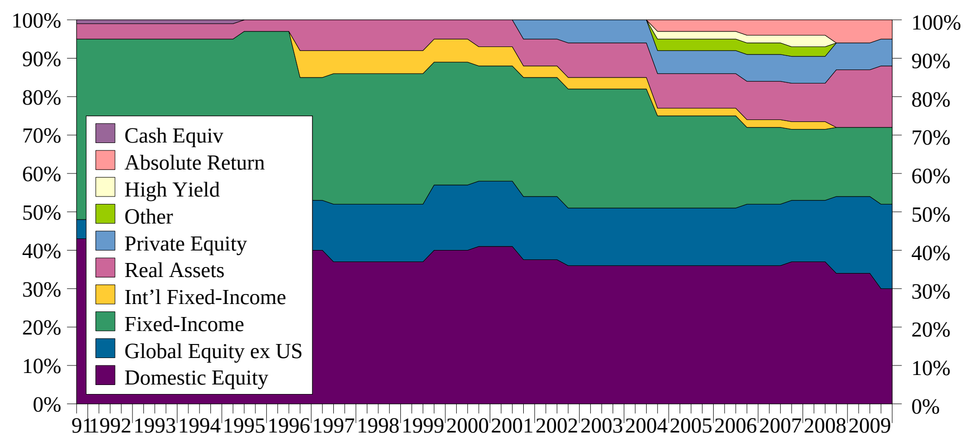
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

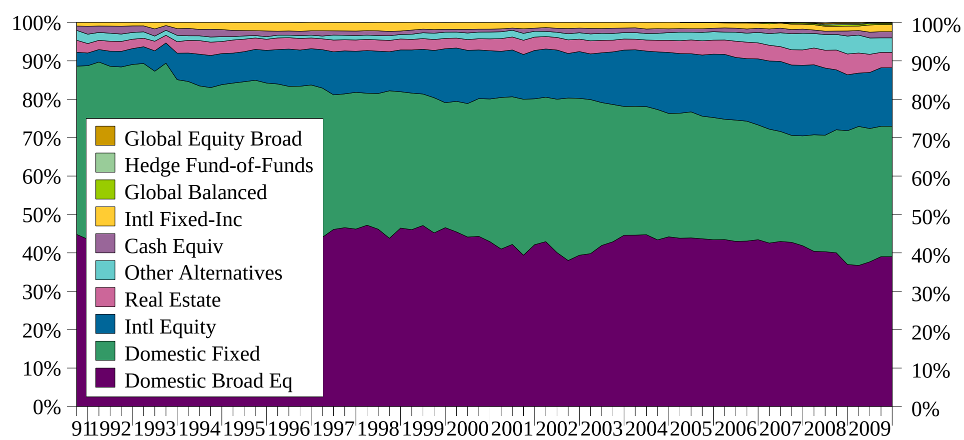
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

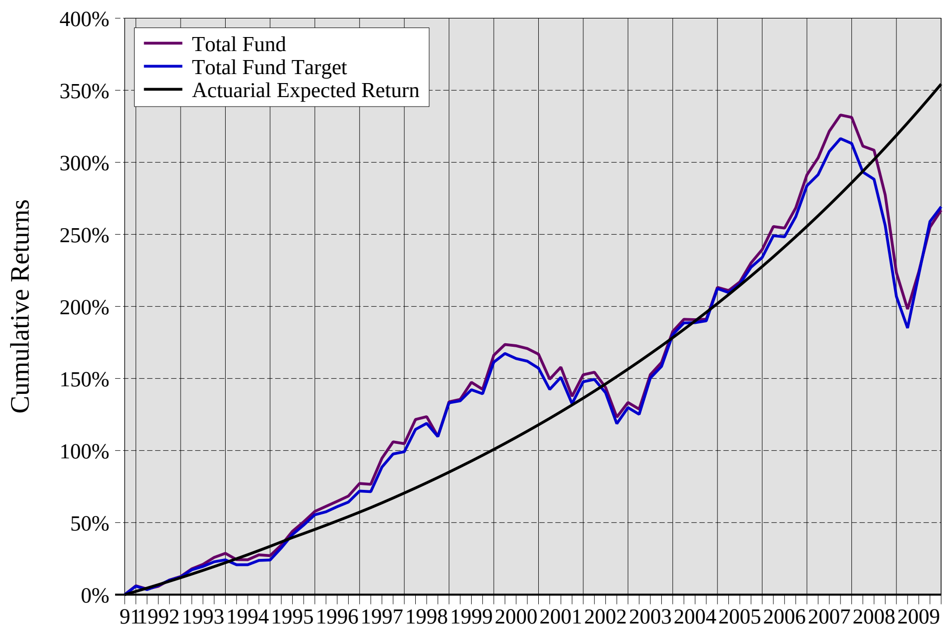


* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

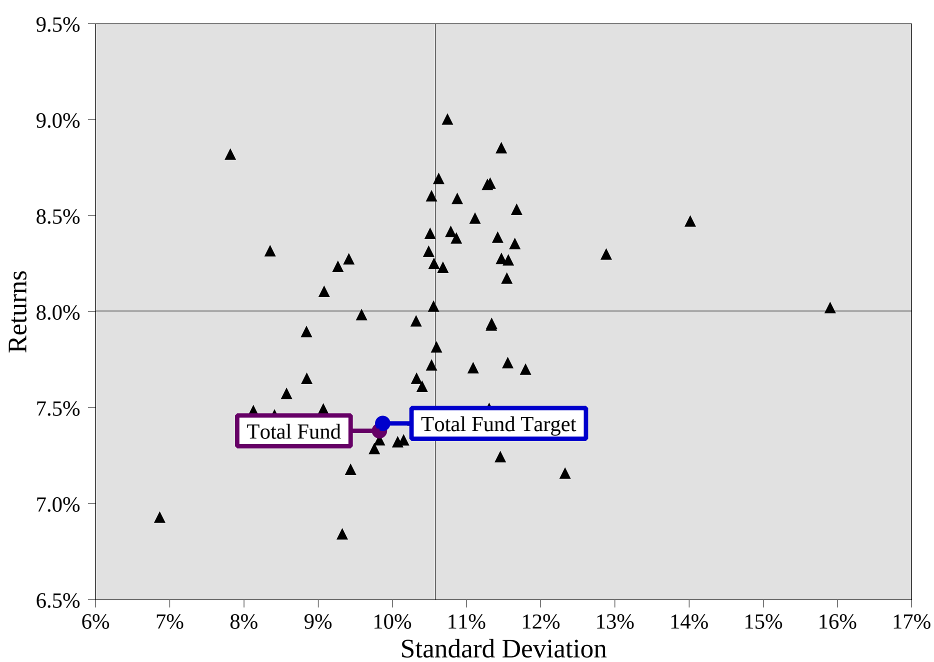
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Eighteen And One-Quarter Year Annualized Risk vs Return



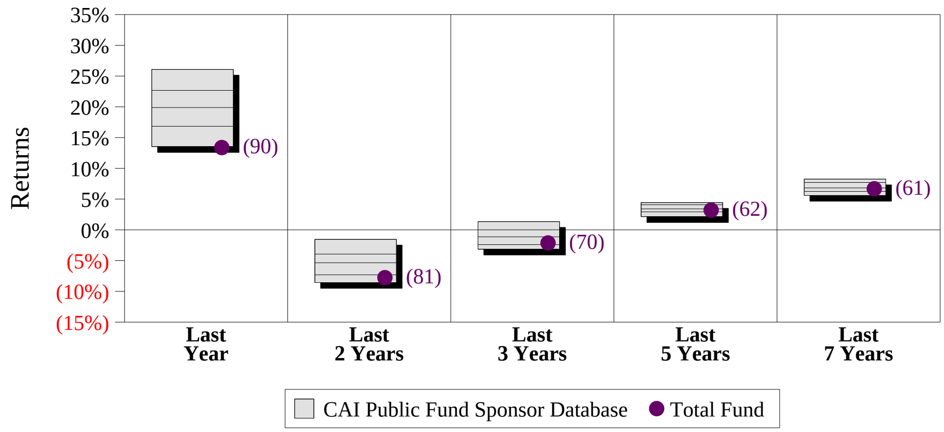
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

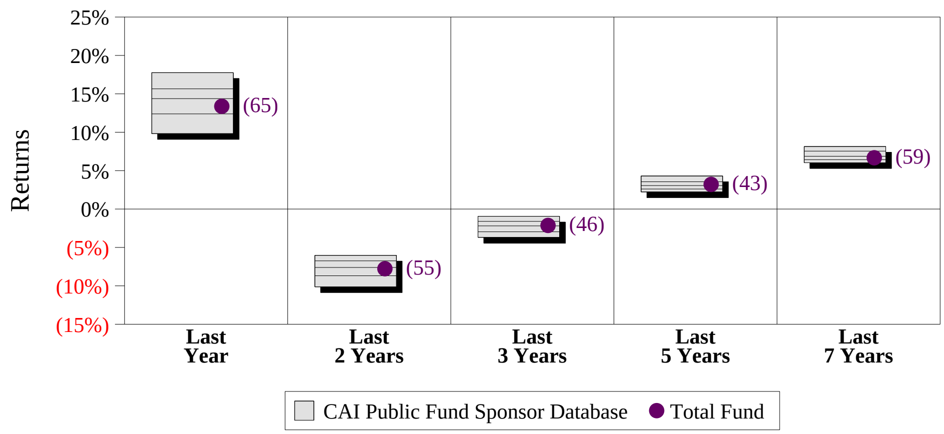
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended December 31, 2009. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

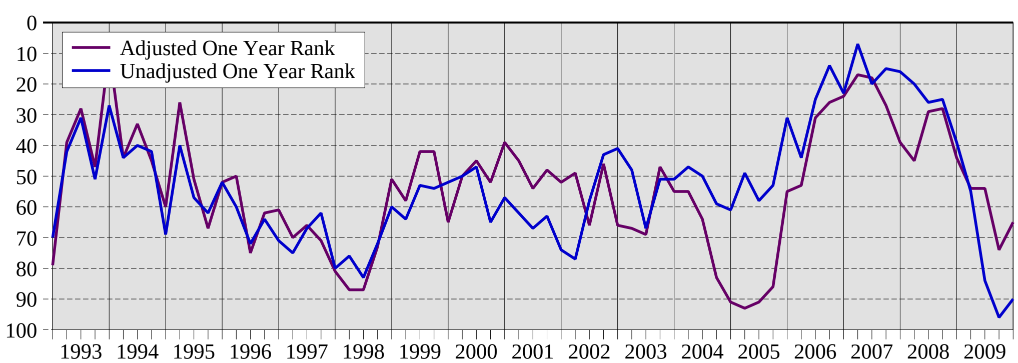
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



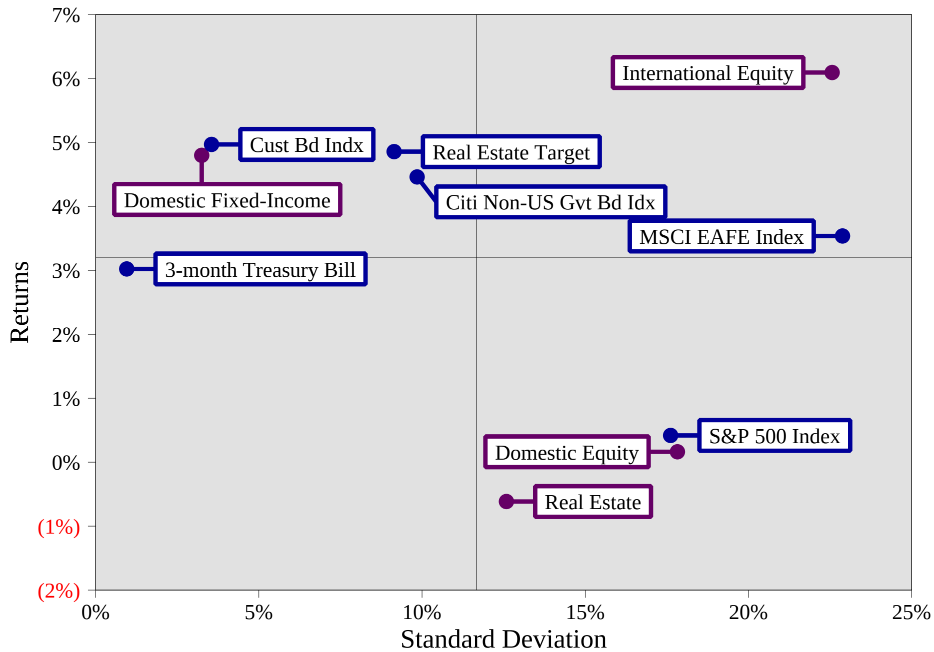
Rolling One Year Ranking vs CAI Public Fund Sponsor Database



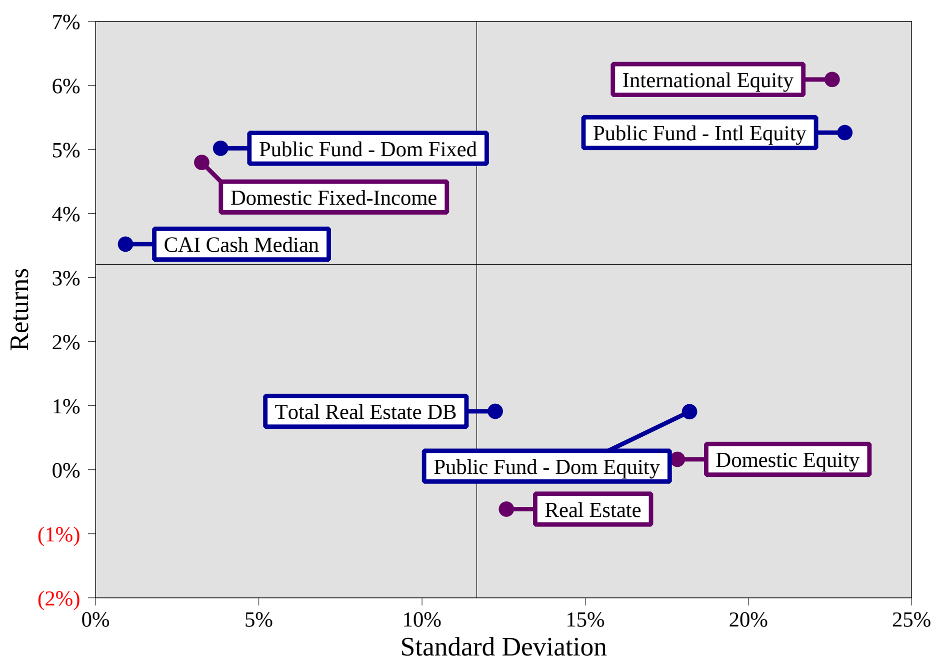
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



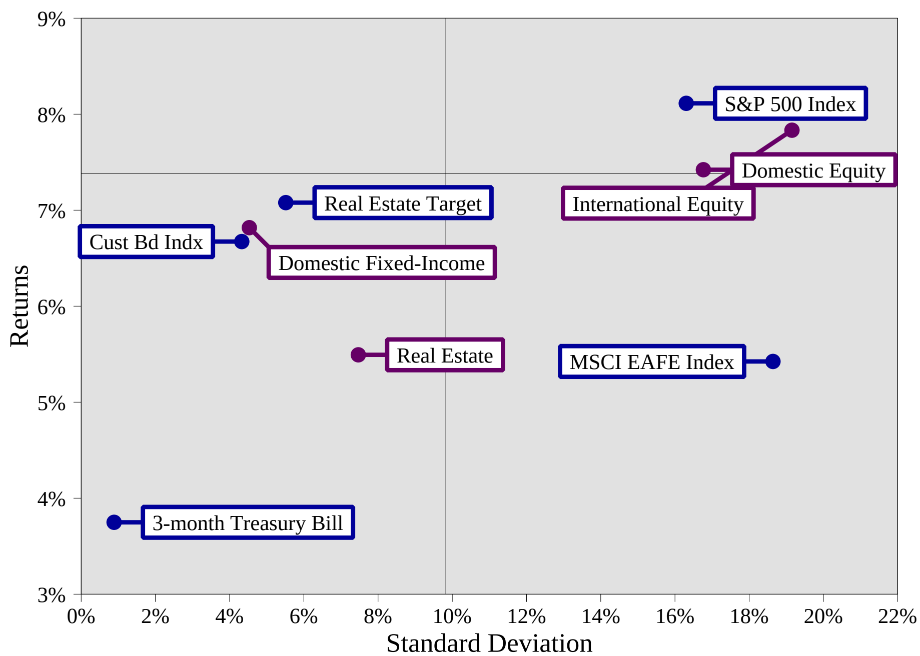
Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



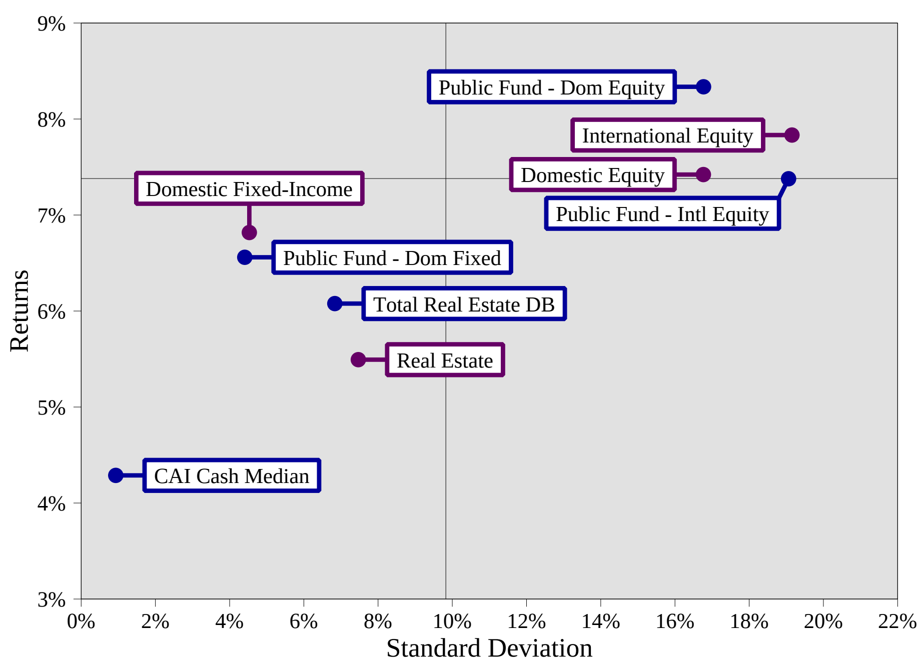
Asset Class Risk and Return

The charts below show the eighteen and one-quarter year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Eighteen And One-Quarter Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



Eighteen And One-Quarter Year Annualized Risk vs Return
Asset Classes vs Asset Class Median

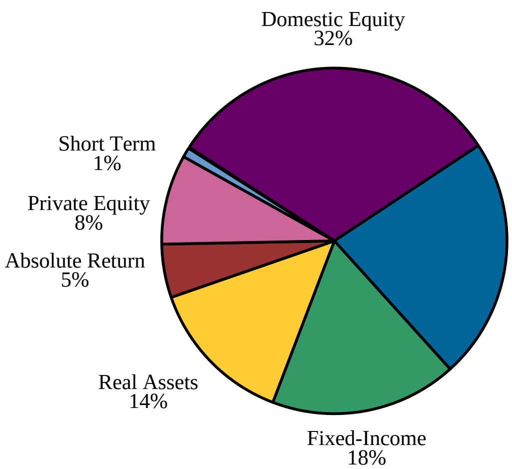


T R S HEALTH CARE

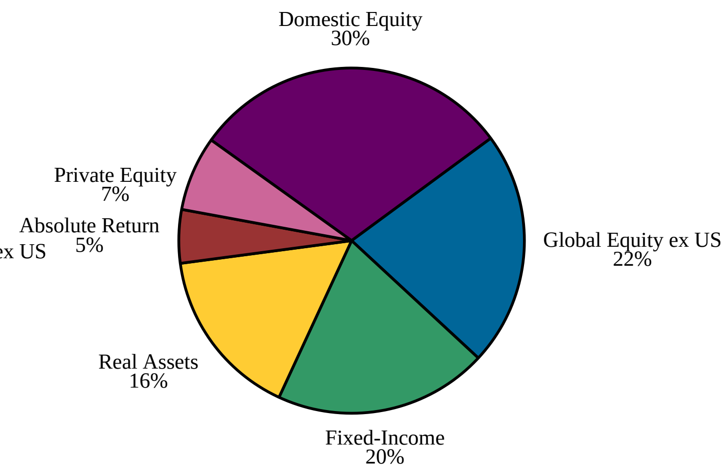
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of December 31, 2009. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

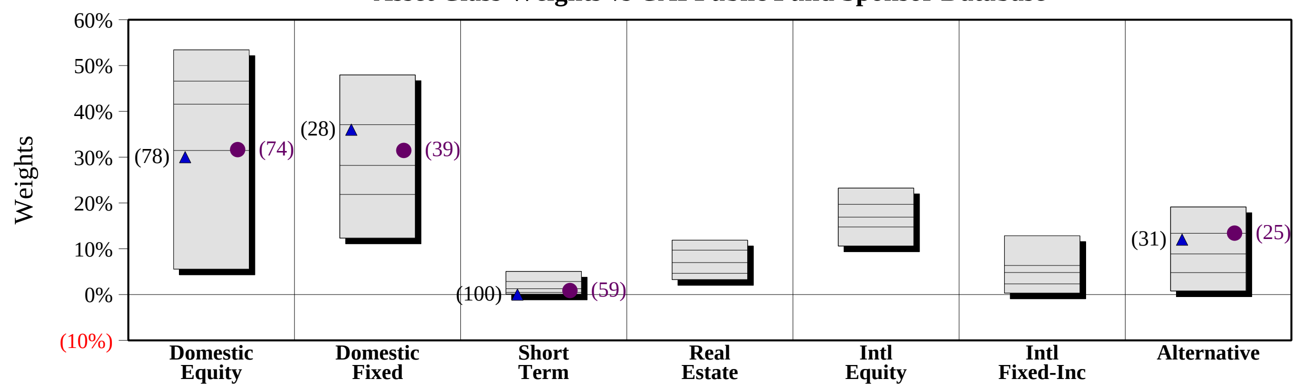


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	415,612	31.6%	30.0%	1.6%	21,630
Global Equity ex US	296,639	22.6%	22.0%	0.6%	7,719
Fixed-Income	230,257	17.5%	20.0%	(2.5%)	(32,398)
Real Assets	183,033	13.9%	16.0%	(2.1%)	(27,091)
Absolute Return	65,652	5.0%	5.0%	0.0%	(11)
Private Equity	110,515	8.4%	7.0%	1.4%	18,587
Short Term	11,566	0.9%	0.0%	0.9%	11,566
Total	1,313,275	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



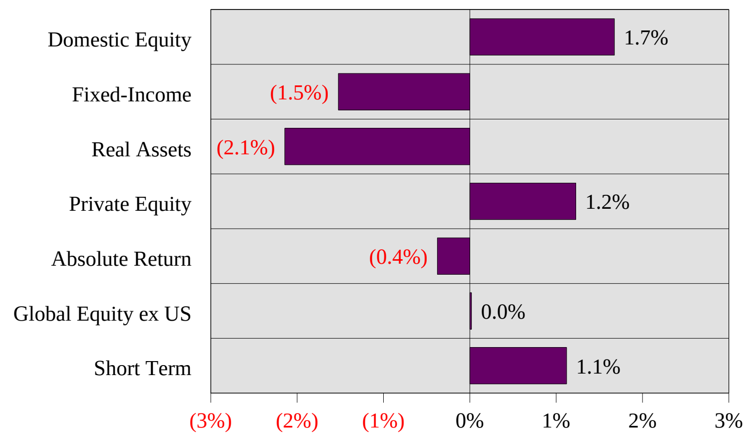
	Domestic Equity	Domestic Fixed	Short Term	Real Estate	Intl Equity	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	31.65	31.47	0.88	-	-	-	13.41
Target ▲	30.00	36.00	0.00	-	-	-	12.00
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

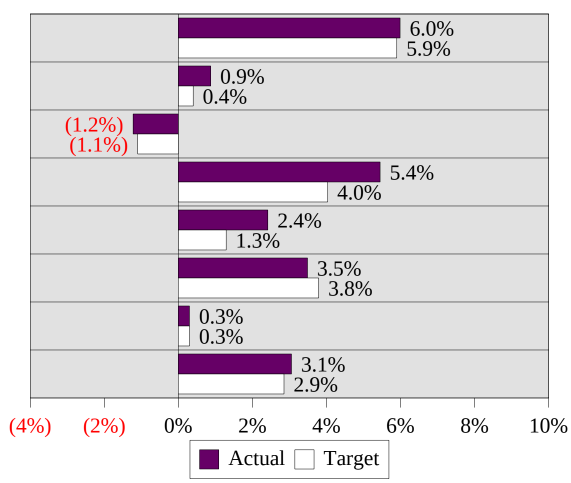
Quarterly Total Fund Attribution

In general, the actual return for the Total Fund will differ from the return for the Total Fund Target. This deviation is caused by two factors: The managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). The table and charts below dissect the Total Fund return into smaller components to quantify each of these effects over the most recent quarter.

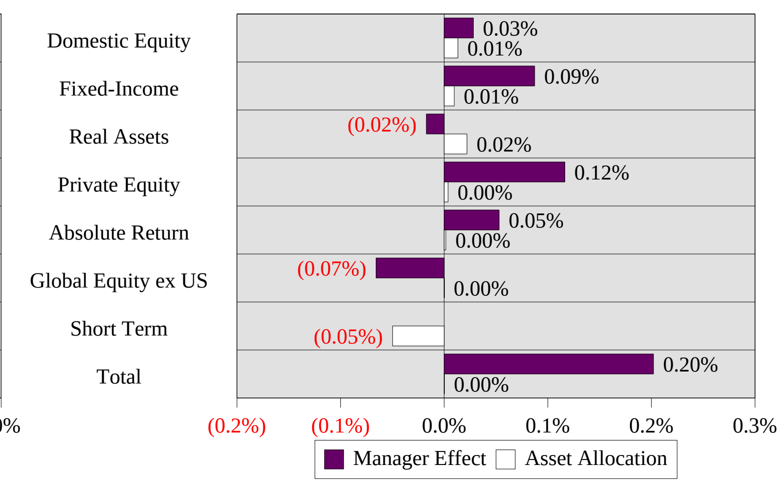
Asset Class Under or Overweighting



Actual vs Target Returns



Attribution by Asset Class



Attribution for Quarter ended December 31, 2009

Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	32%	30%	5.99%	5.90%	0.03%	0.01%
Fixed-Income	18%	20%	0.87%	0.40%	0.09%	0.01%
Real Assets	14%	16%	(1.22%)	(1.10%)	(0.02%)	0.02%
Private Equity	8%	7%	5.45%	4.03%	0.12%	0.00%
Absolute Return	5%	5%	2.42%	1.29%	0.05%	0.00%
Global Equity ex US	22%	22%	3.49%	3.79%	(0.07%)	0.00%
Short Term	1%	0%	0.30%	0.30%	0.00%	(0.05%)

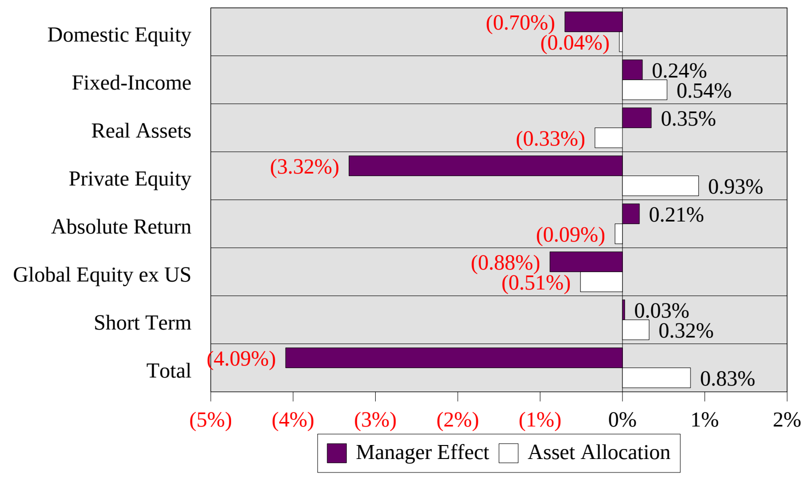
Total	**3.05%**	**=**	**2.85%**	**+**	**0.20%**	**+**	**0.00%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

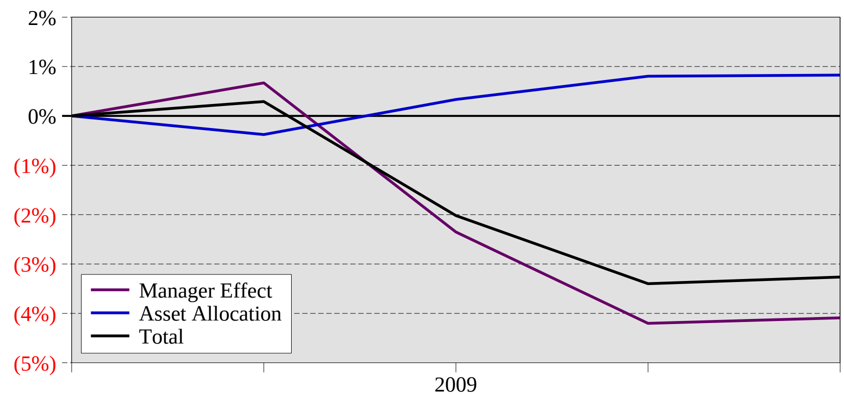
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One Year Cumulative Attribution Effects



Cumulative Attribution Effects



One Year Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	35%	34%	26.26%	28.34%	(0.70%)	(0.04%)
Fixed-Income	19%	20%	11.02%	9.82%	0.24%	0.54%
Real Assets	13%	12%	(4.51%)	(8.18%)	0.35%	(0.33%)
Private Equity	6%	5%	4.99%	28.57%	(3.32%)	0.93%
Absolute Return	3%	6%	8.08%	5.21%	0.21%	(0.09%)
Global Equity ex US	22%	22%	37.48%	42.14%	(0.88%)	(0.51%)
Short Term	1%	2%	4.47%	2.96%	0.03%	0.32%
Total			**17.98%**	**= 21.25%**	**+ (4.09%)**	**+ 0.83%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

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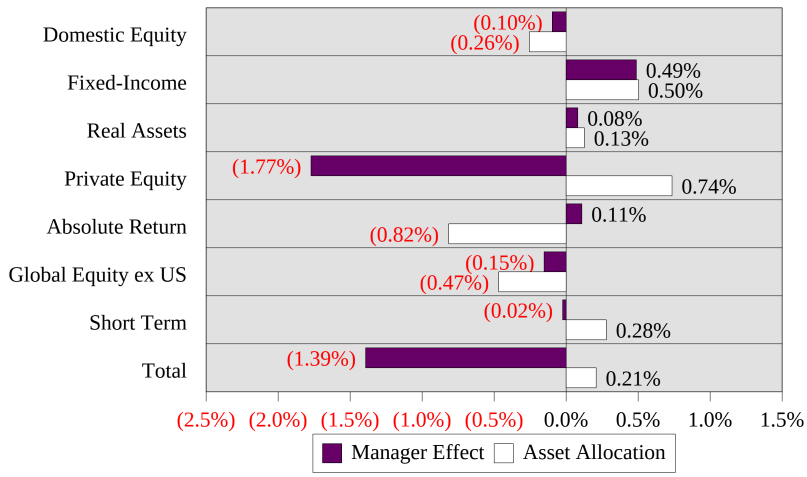
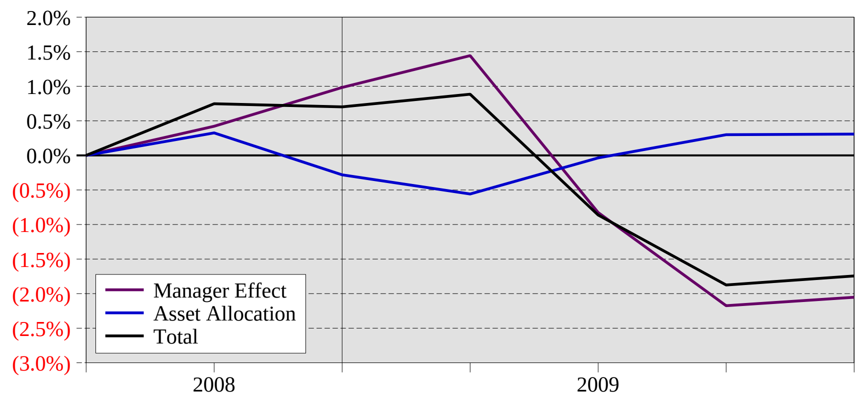
One And One-Half Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



One And One-Half Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	37%	35%	(6.83%)	(6.47%)	(0.10%)	(0.26%)
Fixed-Income	20%	20%	9.37%	6.91%	0.49%	0.50%
Real Assets	12%	11%	(7.55%)	(8.80%)	0.08%	0.13%
Private Equity	4%	4%	3.30%	(7.15%)	(1.77%)	0.74%
Absolute Return	2%	6%	5.32%	5.70%	0.11%	(0.82%)
Global Equity ex US	23%	22%	(9.96%)	(9.33%)	(0.15%)	(0.47%)
Short Term	2%	2%	2.38%	2.54%	(0.02%)	0.28%

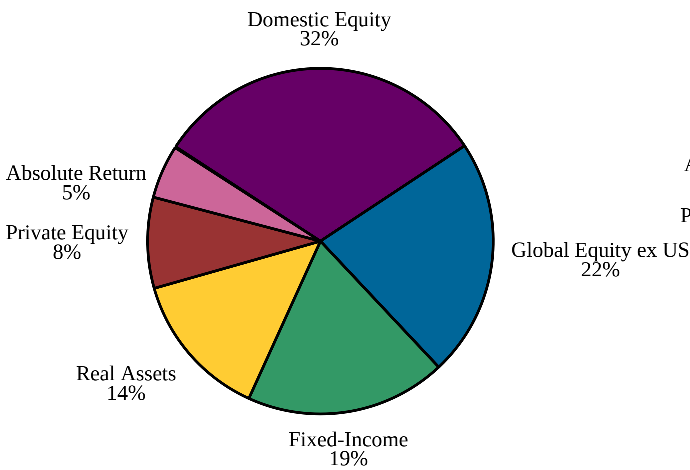
Total **(4.17%)= (2.98%)+ (1.39%)+ 0.21%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

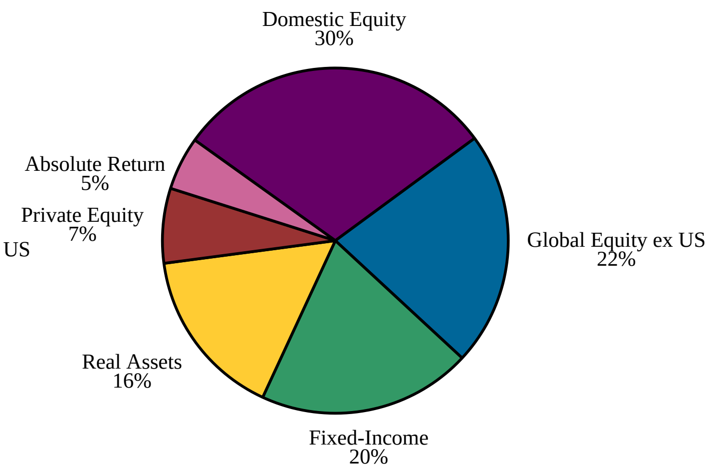
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of December 31, 2009. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

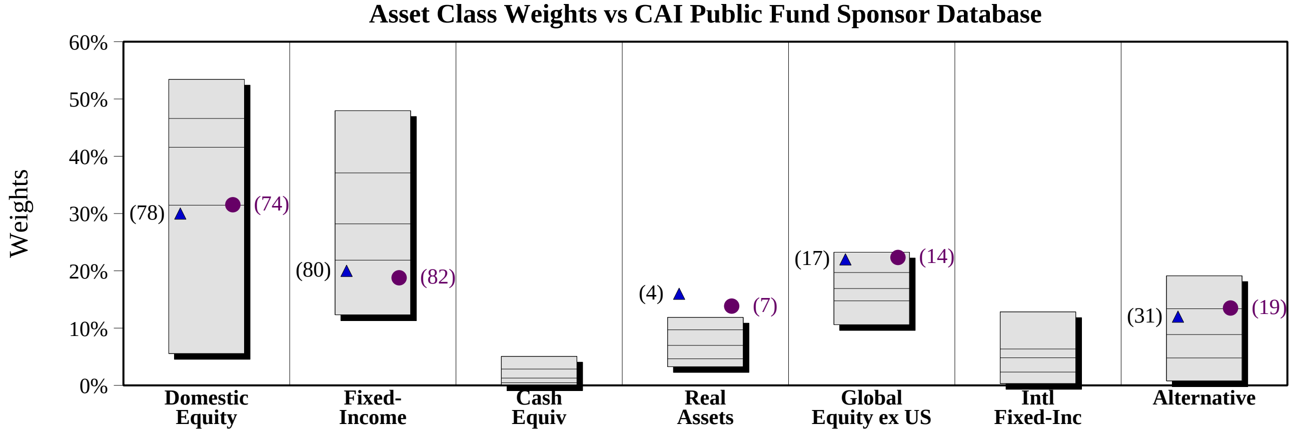


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	31,339	31.5%	30.0%	1.5%	1,525
Global Equity ex US	22,195	22.3%	22.0%	0.3%	331
Fixed-Income	18,670	18.8%	20.0%	(1.2%)	(1,206)
Real Assets	13,756	13.8%	16.0%	(2.2%)	(2,145)
Private Equity	8,430	8.5%	7.0%	1.5%	1,474
Absolute Return	4,990	5.0%	5.0%	0.0%	21
Total	99,381	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



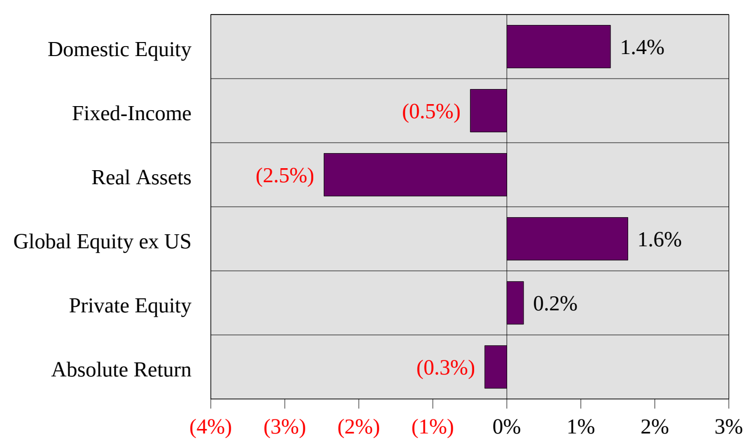
	Domestic Equity	Fixed-Income	Cash Equiv	Real Assets	Global Equity ex US	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	31.53	18.79	-	13.84	22.33	-	13.50
Target ▲	30.00	20.00	-	16.00	22.00	-	12.00
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

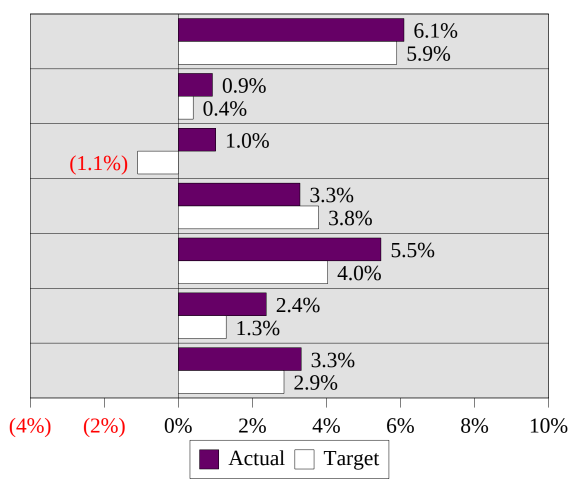
Quarterly Total Fund Attribution

In general, the actual return for the Total Fund will differ from the return for the Total Fund Target. This deviation is caused by two factors: The managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). The table and charts below dissect the Total Fund return into smaller components to quantify each of these effects over the most recent quarter.

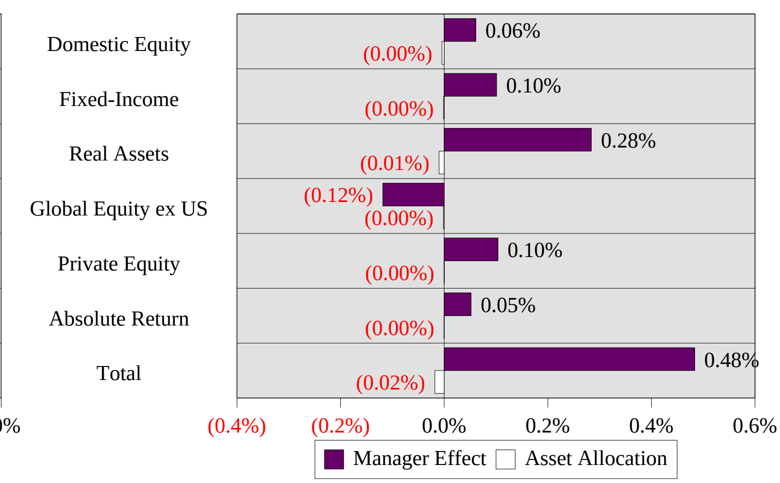
Asset Class Under or Overweighting



Actual vs Target Returns



Attribution by Asset Class



Attribution for Quarter ended December 31, 2009

Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	31%	30%	6.09%	5.90%	0.06%	(0.00%)
Fixed-Income	20%	20%	0.92%	0.40%	0.10%	(0.00%)
Real Assets	14%	16%	1.01%	(1.10%)	0.28%	(0.01%)
Global Equity ex US	24%	22%	3.28%	3.79%	(0.12%)	(0.00%)
Private Equity	7%	7%	5.47%	4.03%	0.10%	(0.00%)
Absolute Return	5%	5%	2.37%	1.29%	0.05%	(0.00%)

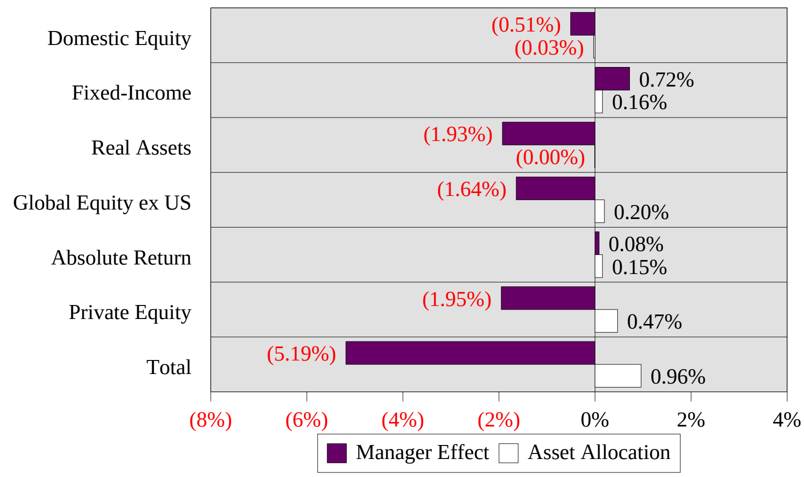
Total 3.32% = 2.85% + 0.48% + (0.02%)

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

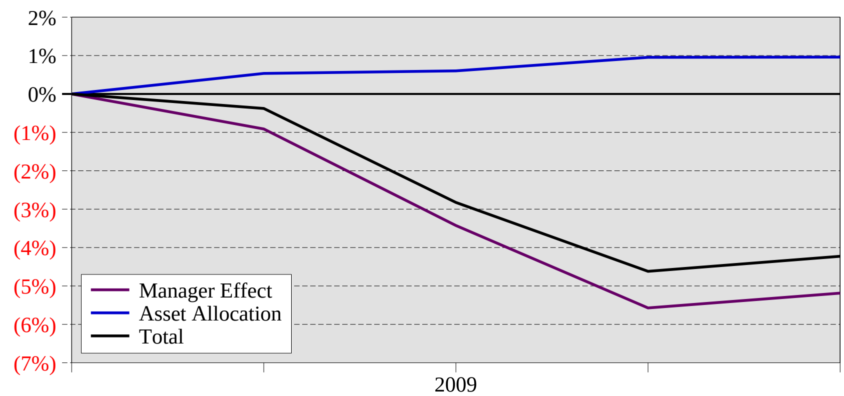
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One Year Cumulative Attribution Effects



Cumulative Attribution Effects



One Year Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	33%	32%	26.83%	28.34%	(0.51%)	(0.03%)
Fixed-Income	19%	19%	12.96%	9.35%	0.72%	0.16%
Real Assets	16%	16%	(16.90%)	(8.18%)	(1.93%)	(0.00%)
Global Equity ex US	22%	21%	33.82%	42.14%	(1.64%)	0.20%
Absolute Return	5%	6%	7.10%	5.21%	0.08%	0.15%
Private Equity	4%	7%	4.99%	28.57%	(1.95%)	0.47%

Total 16.06% = 20.28% + (5.19%) + 0.96%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

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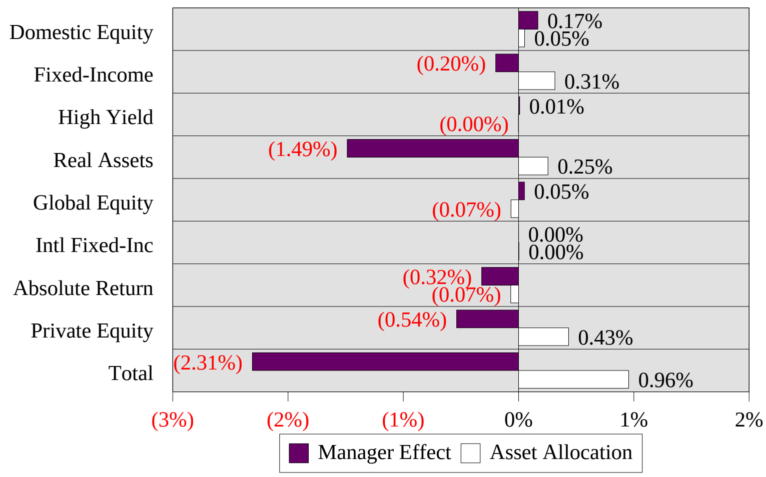
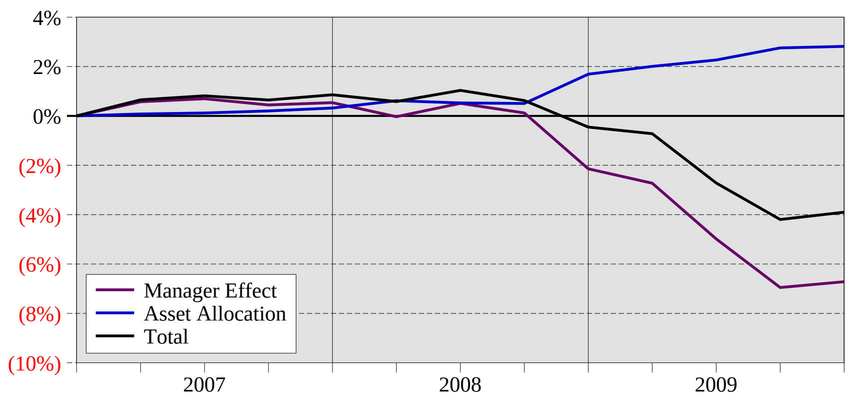
Three Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Three Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	37%	37%	(5.35%)	(5.92%)	0.17%	0.05%
Fixed-Income	20%	19%	6.15%	6.95%	(0.20%)	0.31%
High Yield	1%	1%	-	-	0.01%	(0.00%)
Real Assets	14%	13%	(8.50%)	(0.17%)	(1.49%)	0.25%
Global Equity	22%	20%	(3.52%)	(4.37%)	0.05%	(0.07%)
Intl Fixed-Inc	1%	1%	-	-	0.00%	0.00%
Absolute Return	4%	5%	(0.32%)	7.20%	(0.32%)	(0.07%)
Private Equity	1%	3%	-	-	(0.54%)	0.43%

Total **(2.69%) = (1.34%) + (2.31%) + 0.96%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

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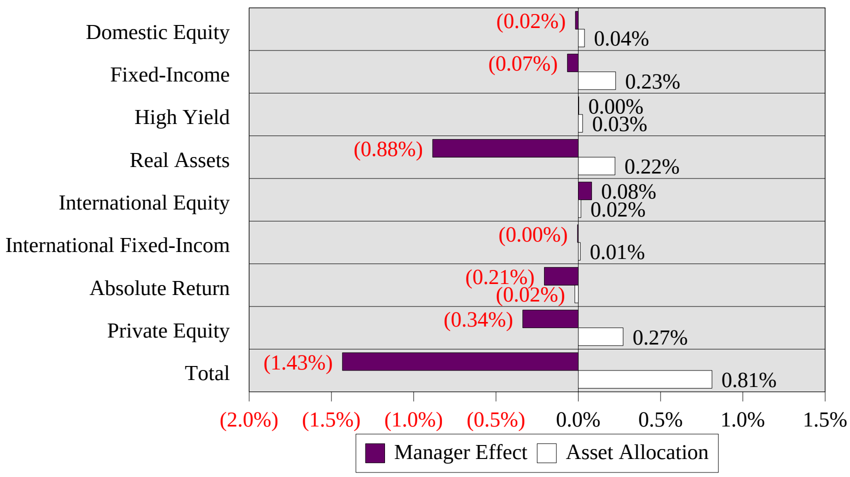
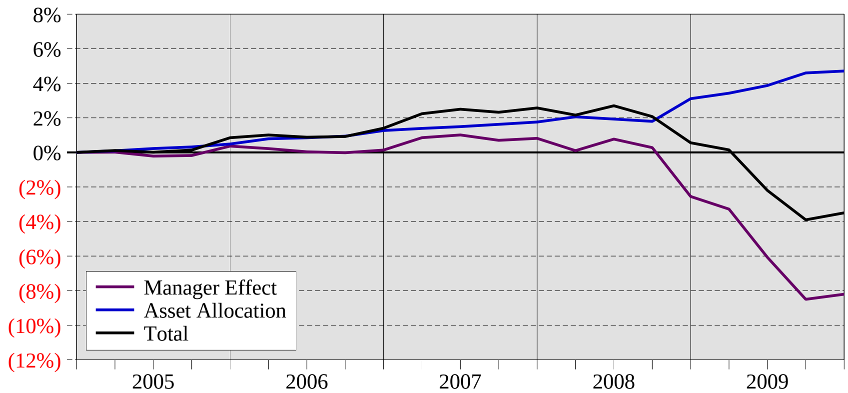
Five Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Five Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	38%	39%	0.42%	0.34%	(0.02%)	0.04%
Fixed-Income	21%	21%	5.15%	5.36%	(0.07%)	0.23%
High Yield	1%	1%	-	-	0.00%	0.03%
Real Assets	13%	11%	2.00%	7.09%	(0.88%)	0.22%
International Equity	21%	20%	5.61%	4.80%	0.08%	0.02%
International Fixed-Incom	2%	2%	-	-	(0.00%)	0.01%
Absolute Return	3%	4%	2.12%	7.09%	(0.21%)	(0.02%)
Private Equity	1%	2%	-	-	(0.34%)	0.27%

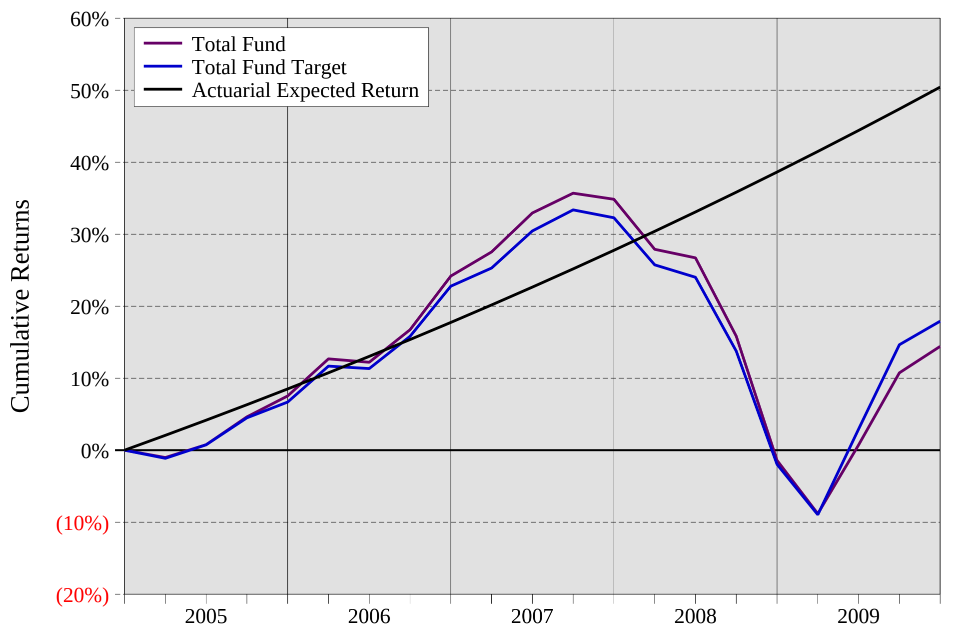
Total			**2.73%** =	**3.35%** +	**(1.43%)** +	**0.81%**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

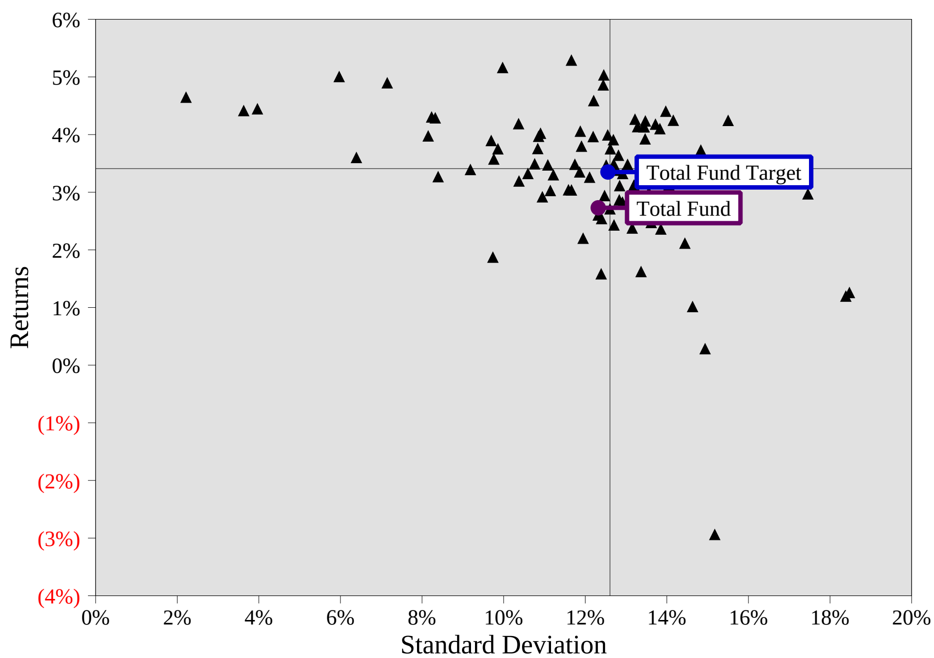
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Five Year Annualized Risk vs Return



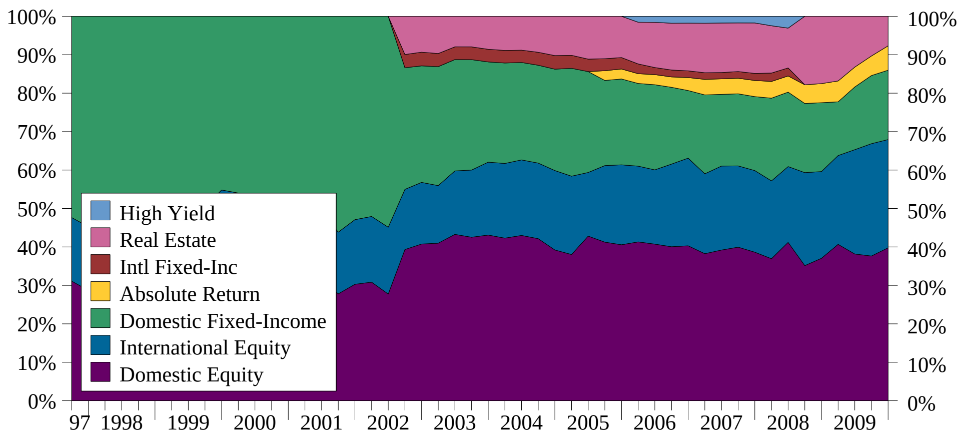
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

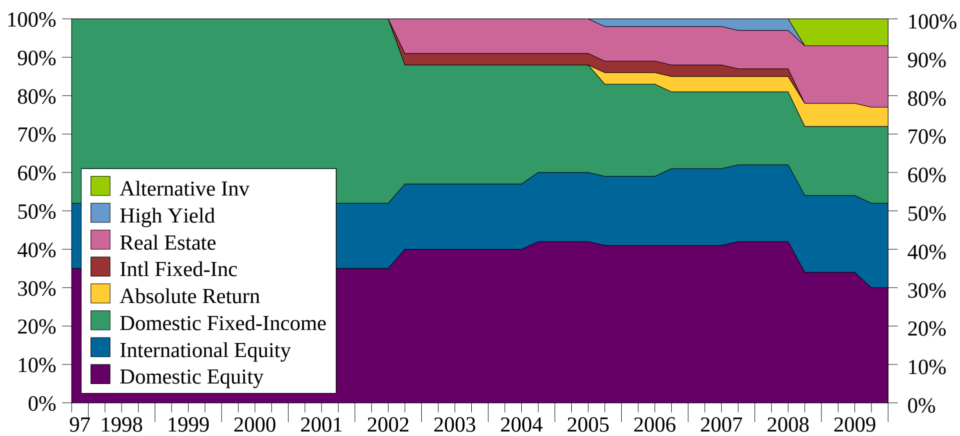
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

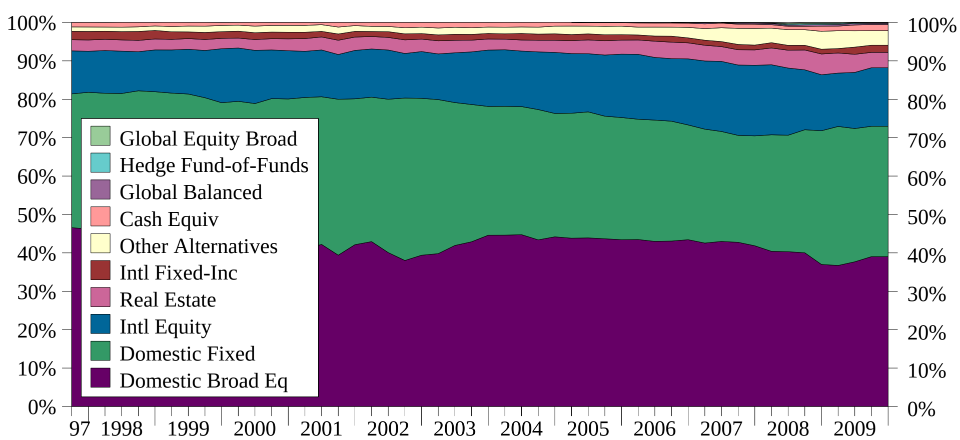
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

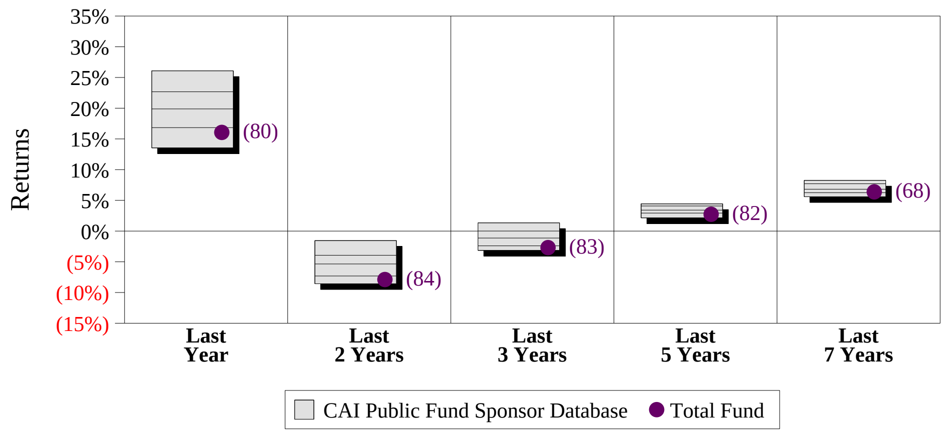


* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

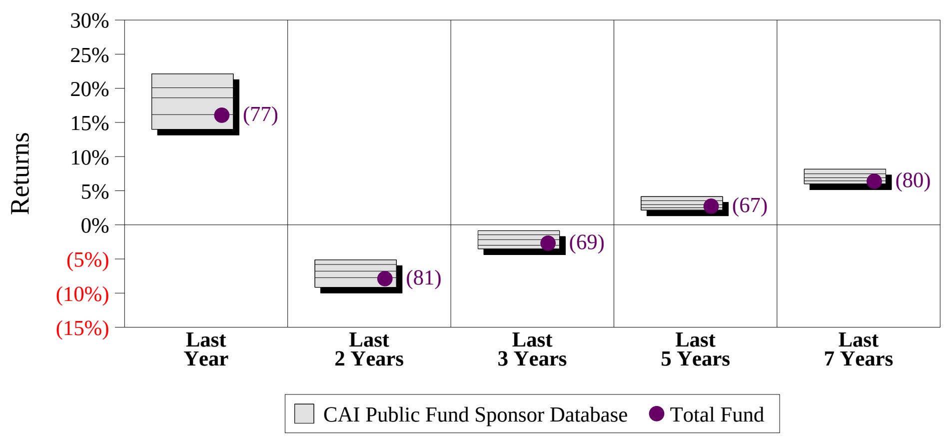
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended December 31, 2009. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

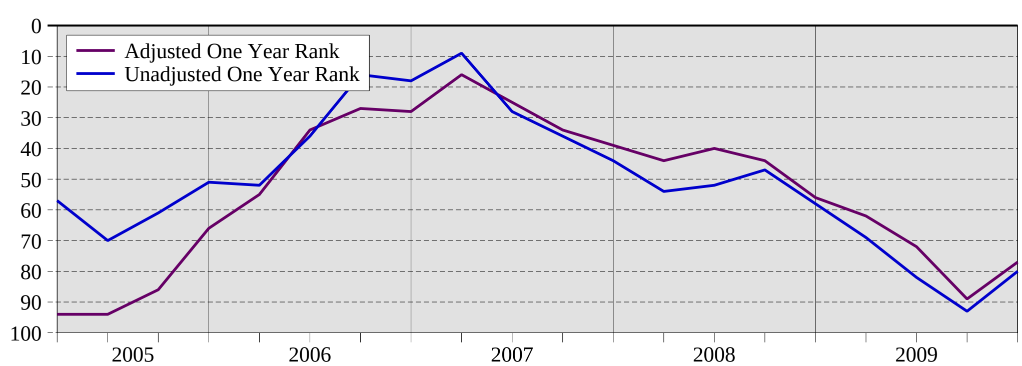
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



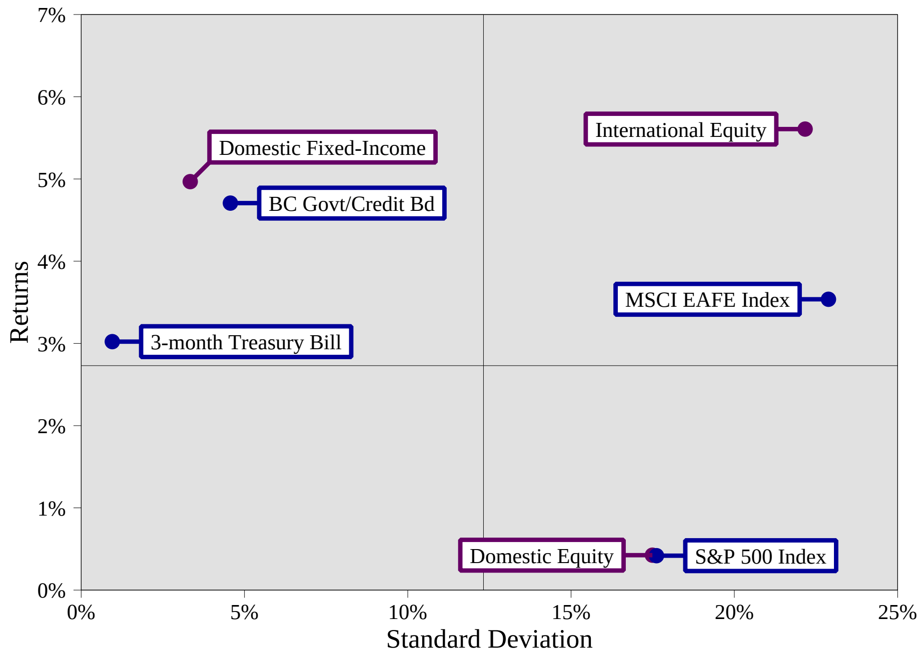
Rolling One Year Ranking vs CAI Public Fund Sponsor Database



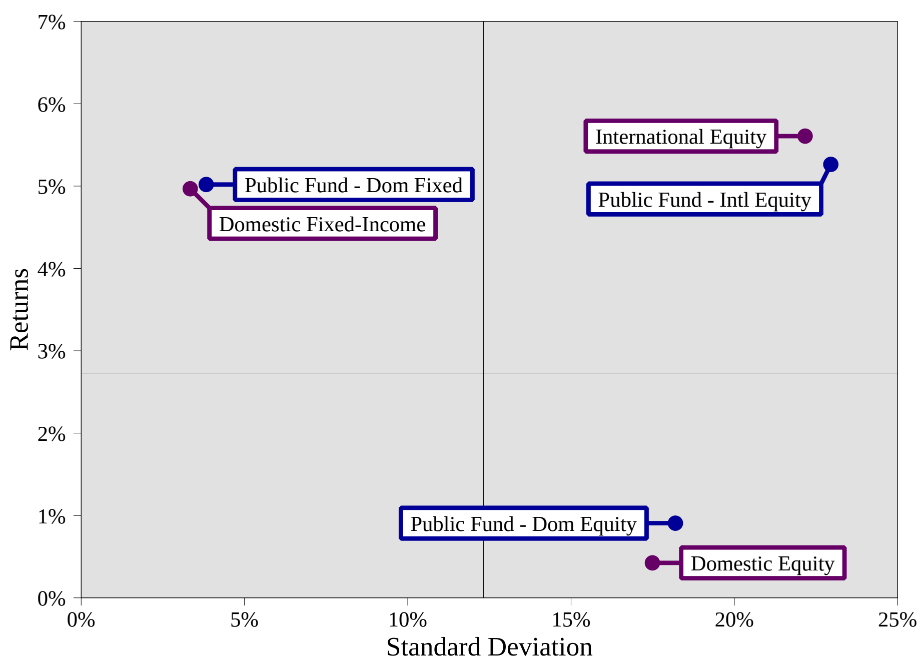
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median

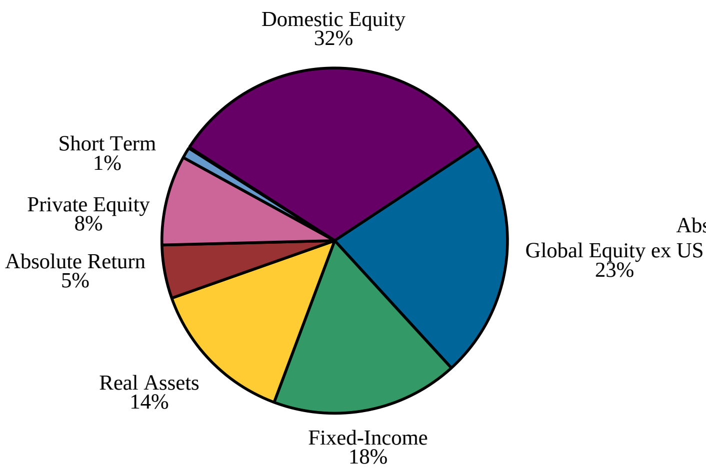


J R S HEALTH CARE

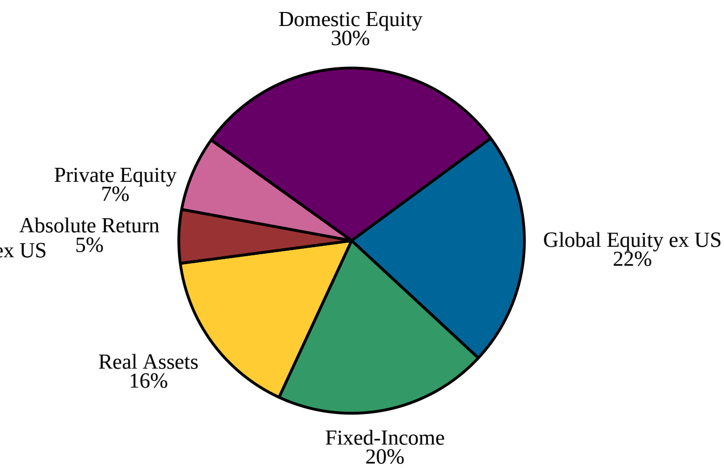
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of December 31, 2009. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

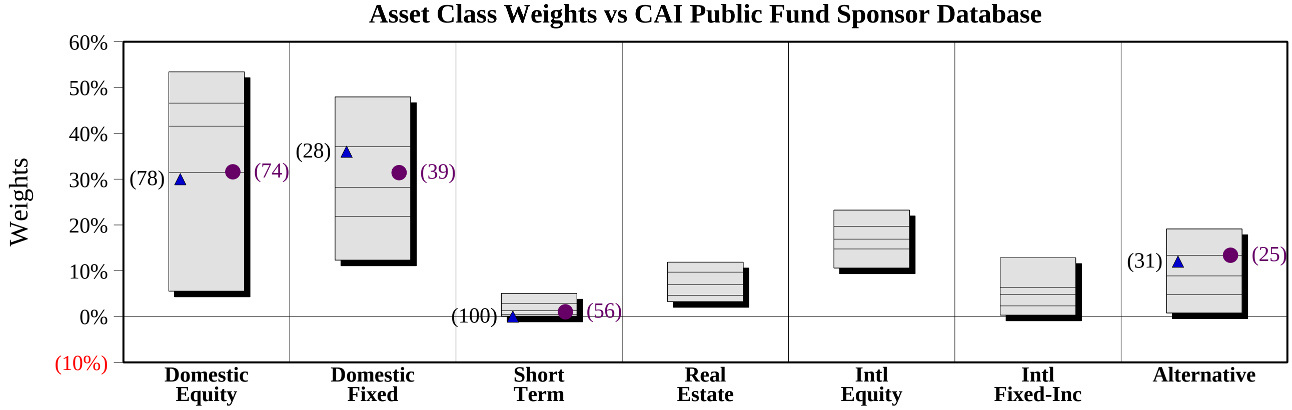


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	5,523	31.6%	30.0%	1.6%	280
Global Equity ex US	3,941	22.5%	22.0%	0.5%	96
Fixed-Income	3,060	17.5%	20.0%	(2.5%)	(435)
Real Assets	2,432	13.9%	16.0%	(2.1%)	(365)
Absolute Return	872	5.0%	5.0%	0.0%	(2)
Private Equity	1,468	8.4%	7.0%	1.4%	245
Short Term	182	1.0%	0.0%	1.0%	182
Total	17,478	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



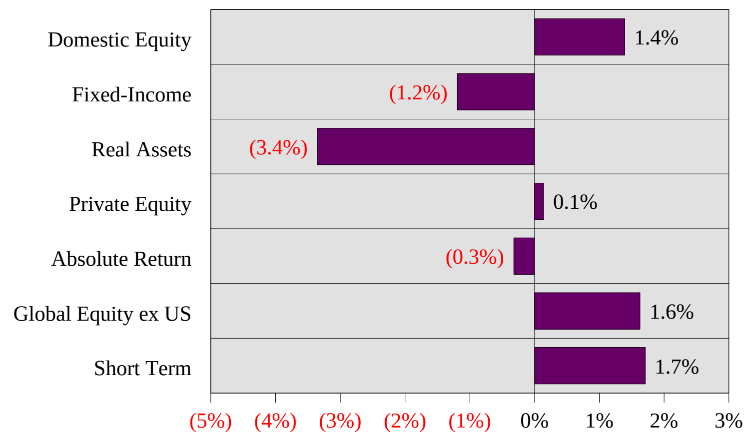
	Domestic Equity	Domestic Fixed	Short Term	Real Estate	Intl Equity	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	31.60	31.42	1.04	-	-	-	13.39
Target ▲	30.00	36.00	0.00	-	-	-	12.00
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

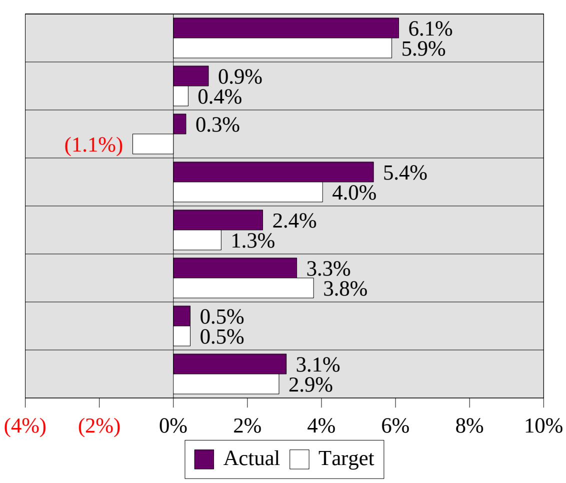
Quarterly Total Fund Attribution

In general, the actual return for the Total Fund will differ from the return for the Total Fund Target. This deviation is caused by two factors: The managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). The table and charts below dissect the Total Fund return into smaller components to quantify each of these effects over the most recent quarter.

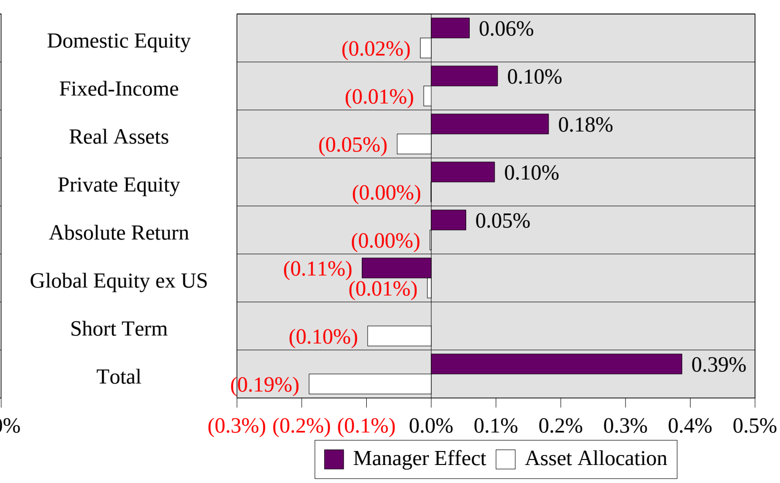
Asset Class Under or Overweighting



Actual vs Target Returns



Attribution by Asset Class



Attribution for Quarter ended December 31, 2009

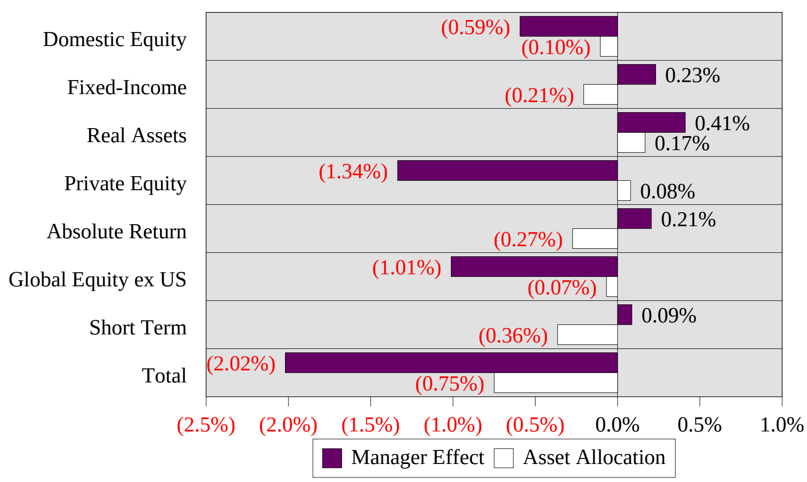
Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	31%	30%	6.09%	5.90%	0.06%	(0.02%)
Fixed-Income	19%	20%	0.95%	0.40%	0.10%	(0.01%)
Real Assets	13%	16%	0.34%	(1.10%)	0.18%	(0.05%)
Private Equity	7%	7%	5.41%	4.03%	0.10%	(0.00%)
Absolute Return	5%	5%	2.41%	1.29%	0.05%	(0.00%)
Global Equity ex US	24%	22%	3.33%	3.79%	(0.11%)	(0.01%)
Short Term	2%	0%	0.46%	0.46%	0.00%	(0.10%)
Total			**3.05%** =	**2.85%** +	**0.39%** +	**(0.19%)**

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

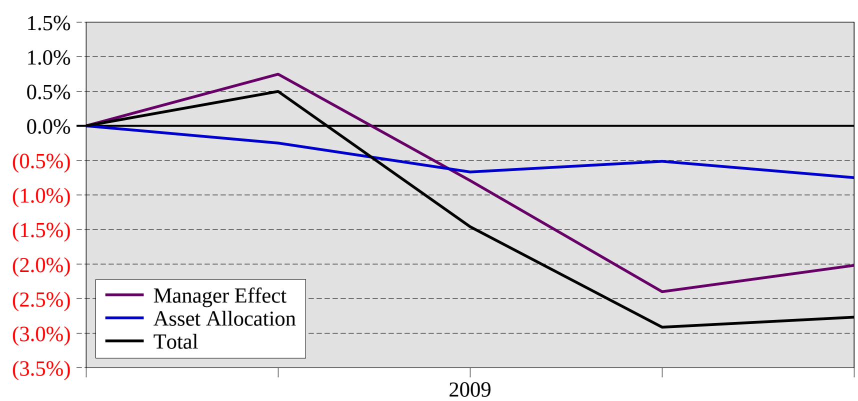
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One Year Cumulative Attribution Effects



Cumulative Attribution Effects



One Year Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	35%	34%	26.57%	28.34%	(0.59%)	(0.10%)
Fixed-Income	21%	20%	10.93%	9.82%	0.23%	(0.21%)
Real Assets	11%	12%	(5.86%)	(8.18%)	0.41%	0.17%
Private Equity	4%	5%	4.92%	28.57%	(1.34%)	0.08%
Absolute Return	4%	6%	8.08%	5.21%	0.21%	(0.27%)
Global Equity ex US	23%	22%	37.28%	42.14%	(1.01%)	(0.07%)
Short Term	3%	2%	3.27%	1.12%	0.09%	(0.36%)

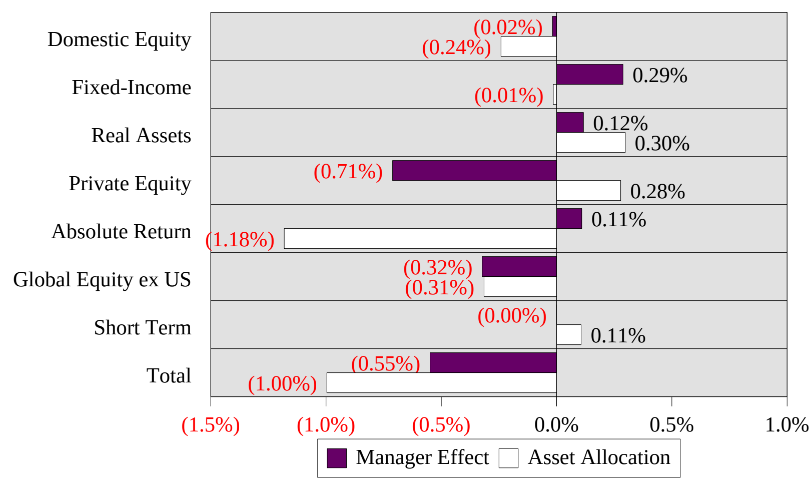
Total 18.48% = 21.25% + (2.02%) + (0.75%)

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

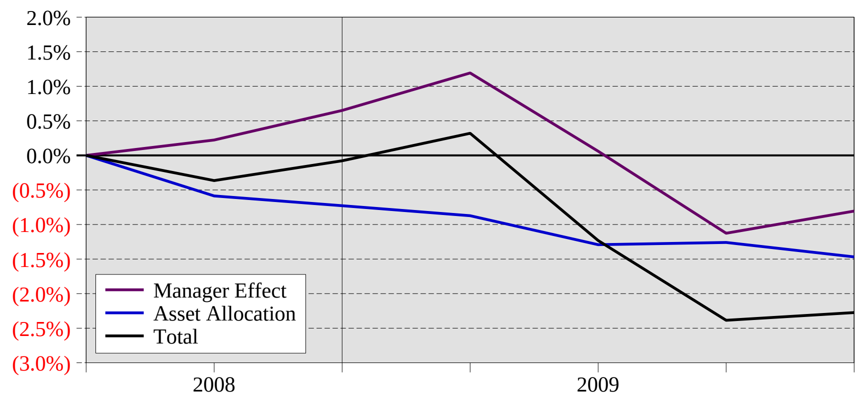
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One And One-Half Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



One And One-Half Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	37%	35%	(6.59%)	(6.47%)	(0.02%)	(0.24%)
Fixed-Income	21%	20%	8.40%	6.91%	0.29%	(0.01%)
Real Assets	11%	11%	(8.42%)	(8.80%)	0.12%	0.30%
Private Equity	2%	4%	3.26%	(7.15%)	(0.71%)	0.28%
Absolute Return	2%	6%	5.32%	5.70%	0.11%	(1.18%)
Global Equity ex US	24%	22%	(10.46%)	(9.33%)	(0.32%)	(0.31%)
Short Term	4%	2%	1.77%	1.31%	(0.00%)	0.11%

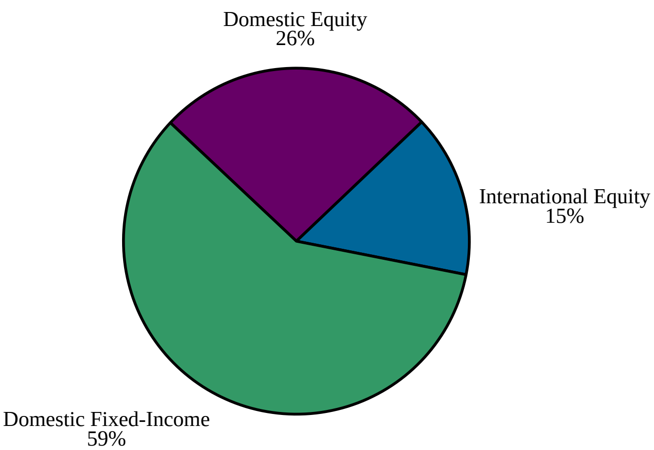
Total (4.53%) = (2.98%) + (0.55%) + (1.00%)

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

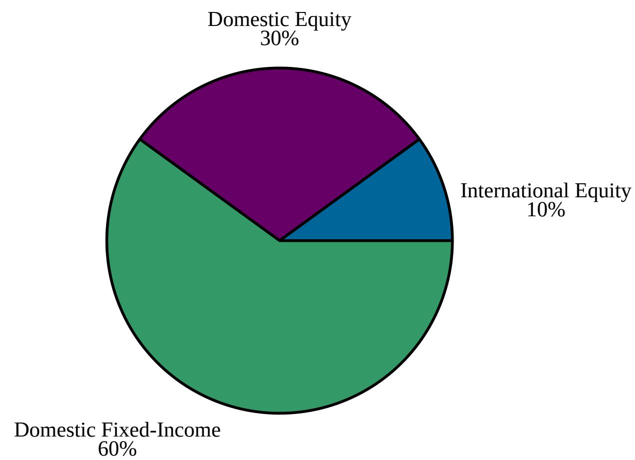
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of December 31, 2009. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

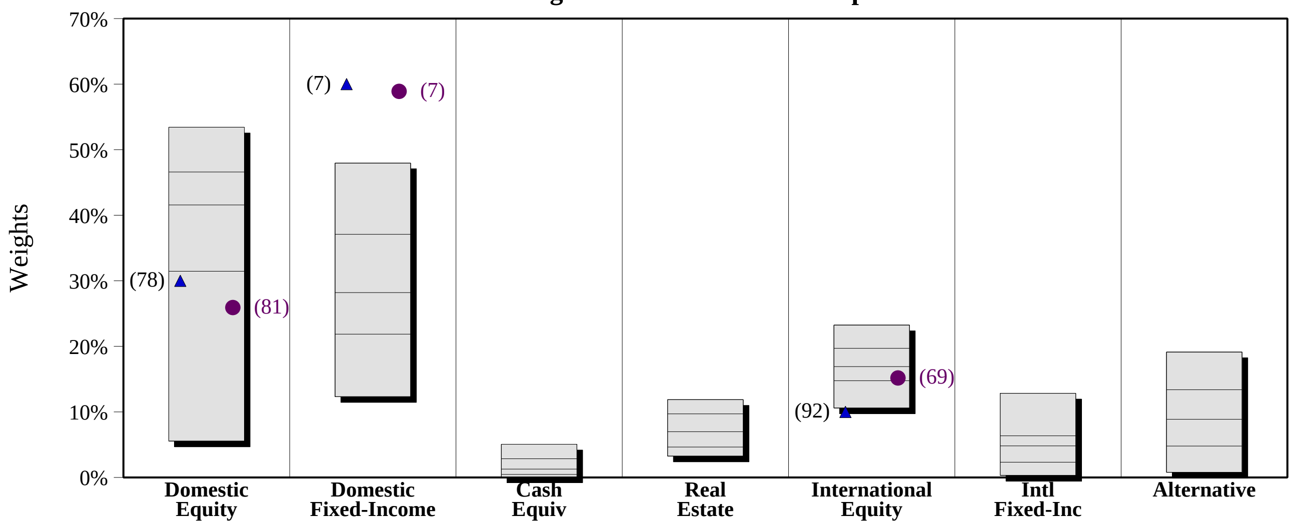


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	7,867	25.9%	30.0%	(4.1%)	(1,238)
International Equity	4,607	15.2%	10.0%	5.2%	1,572
Domestic Fixed-Income	17,876	58.9%	60.0%	(1.1%)	(334)
Total	30,350	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



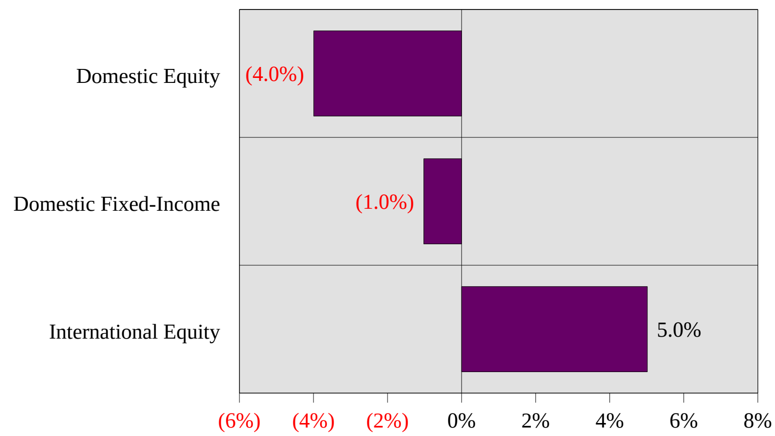
	Domestic Equity	Domestic Fixed-Income	Cash Equiv	Real Estate	International Equity	Intl Fixed-Inc	Alternative
10th Percentile	53.43	47.95	5.06	11.88	23.25	12.84	19.13
25th Percentile	46.60	37.09	2.86	9.70	19.70	6.35	13.38
Median	41.57	28.20	1.28	6.98	16.91	4.82	8.87
75th Percentile	31.46	21.86	0.46	4.64	14.76	2.33	4.79
90th Percentile	5.55	12.32	0.09	3.26	10.59	0.31	0.78
Fund ●	25.92	58.90	-	-	15.18	-	-
Target ▲	30.00	60.00	-	-	10.00	-	-
% Group Invested	98.96%	98.96%	55.68%	50.00%	90.91%	23.86%	40.91%

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

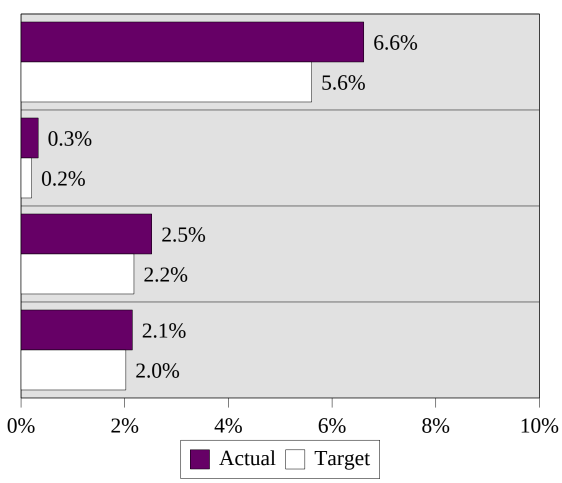
Quarterly Total Fund Attribution

In general, the actual return for the Total Fund will differ from the return for the Total Fund Target. This deviation is caused by two factors: The managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). The table and charts below dissect the Total Fund return into smaller components to quantify each of these effects over the most recent quarter.

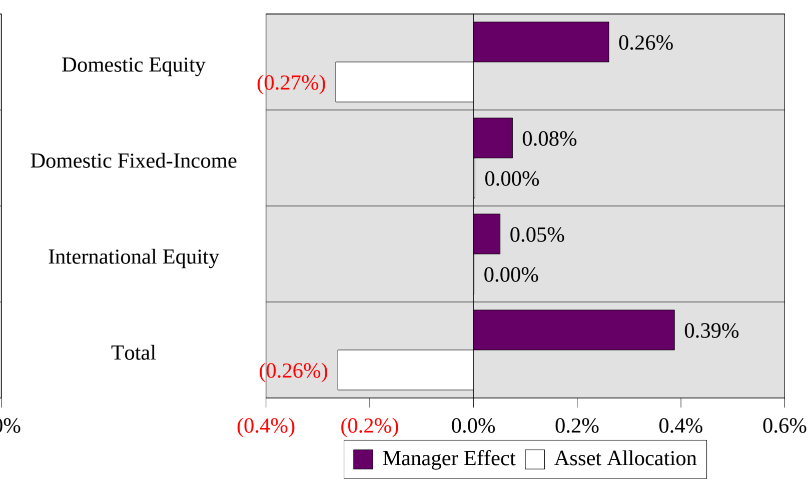
Asset Class Under or Overweighting



Actual vs Target Returns



Attribution by Asset Class



Attribution for Quarter ended December 31, 2009

Asset Class	Effective Weight	Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	26%	30%	6.61%	5.61%	0.26%	(0.27%)
Domestic Fixed-Income	59%	60%	0.33%	0.20%	0.08%	0.00%
International Equity	15%	10%	2.52%	2.18%	0.05%	0.00%

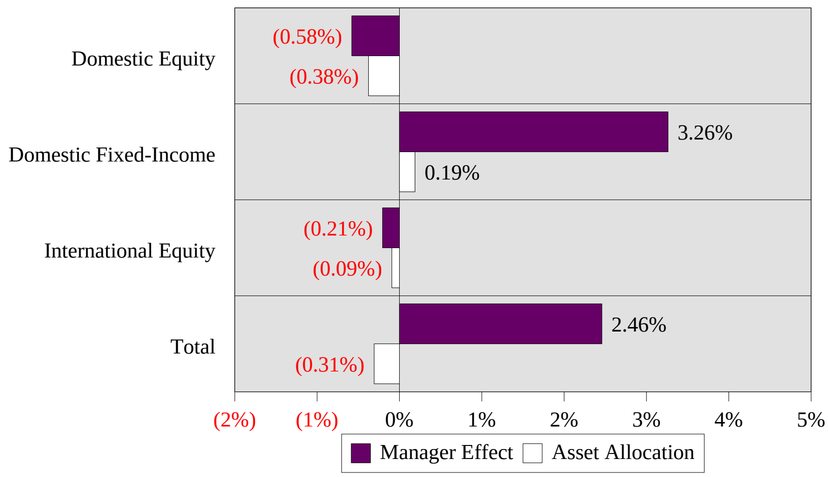
Total 2.15% = 2.02% + 0.39% + (0.26%)

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

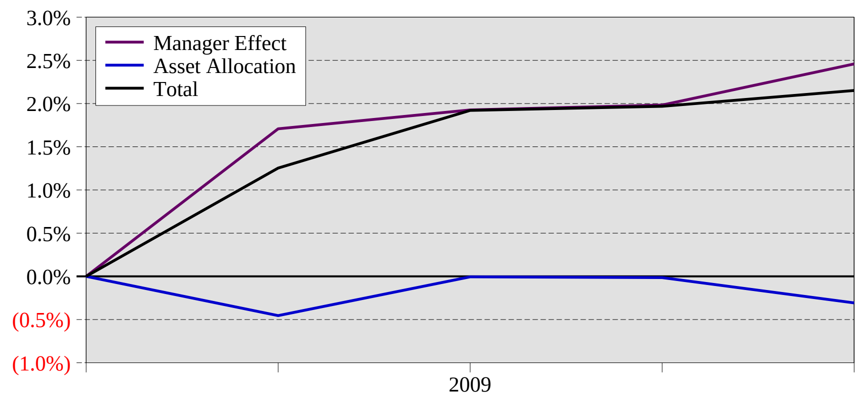
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

One Year Cumulative Attribution Effects



Cumulative Attribution Effects



One Year Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	29%	30%	25.07%	26.66%	(0.58%)	(0.38%)
Domestic Fixed-Income	59%	60%	9.55%	4.53%	3.26%	0.19%
International Equity	13%	10%	30.79%	31.78%	(0.21%)	(0.09%)

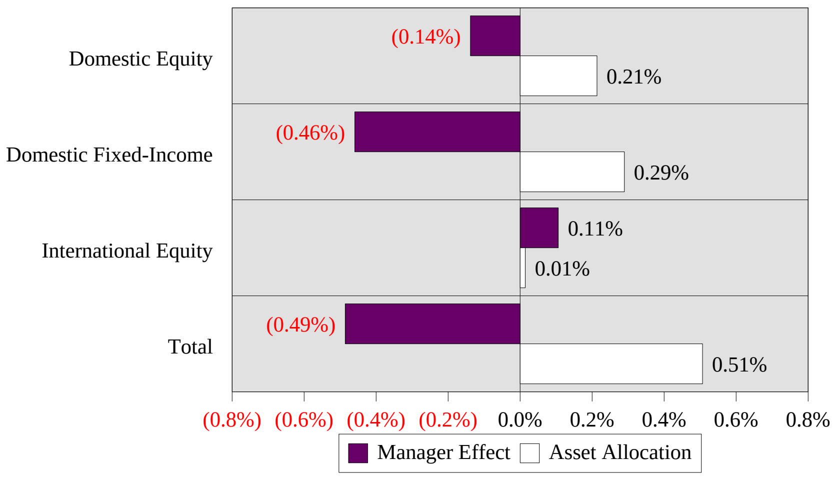
Total 16.26% = 14.11% + 2.46% + (0.31%)

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

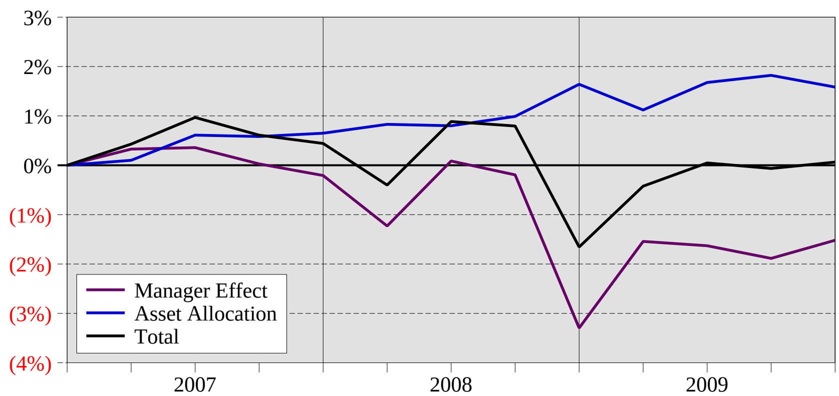
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Three Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Three Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	29%	30%	(5.91%)	(5.67%)	(0.14%)	0.21%
Domestic Fixed-Income	59%	60%	5.32%	5.81%	(0.46%)	0.29%
International Equity	12%	10%	(4.63%)	(6.04%)	0.11%	0.01%

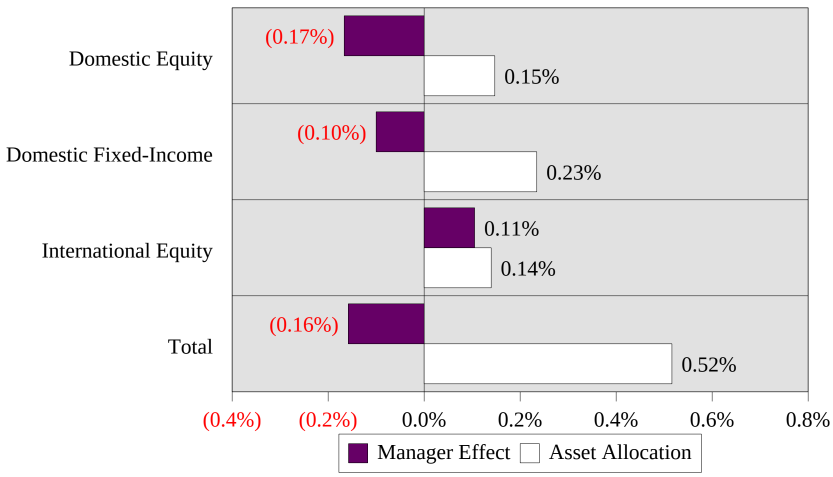
Total **1.83% = 1.80% + (0.49%) + 0.51%**

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

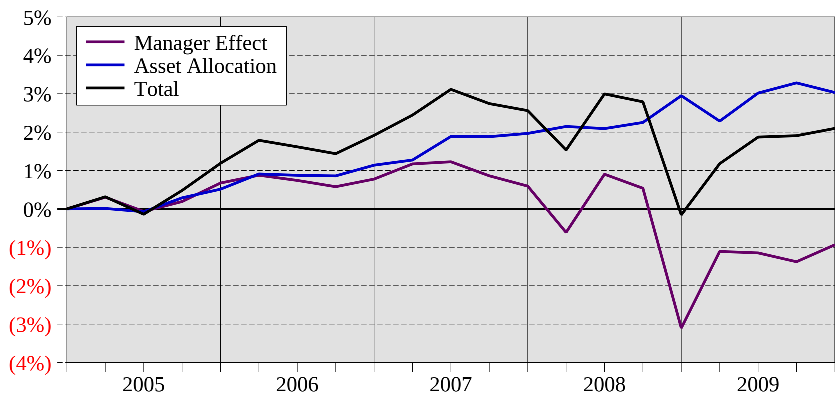
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Five Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Five Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	30%	30%	0.09%	0.49%	(0.17%)	0.15%
Domestic Fixed-Income	58%	60%	4.75%	4.71%	(0.10%)	0.23%
International Equity	12%	10%	4.74%	3.54%	0.11%	0.14%

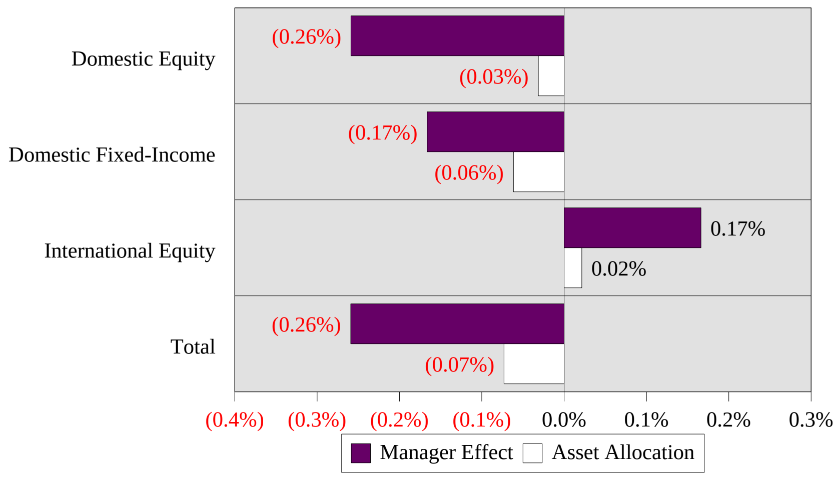
Total 4.19% = 3.83% + (0.16%) + 0.52%

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

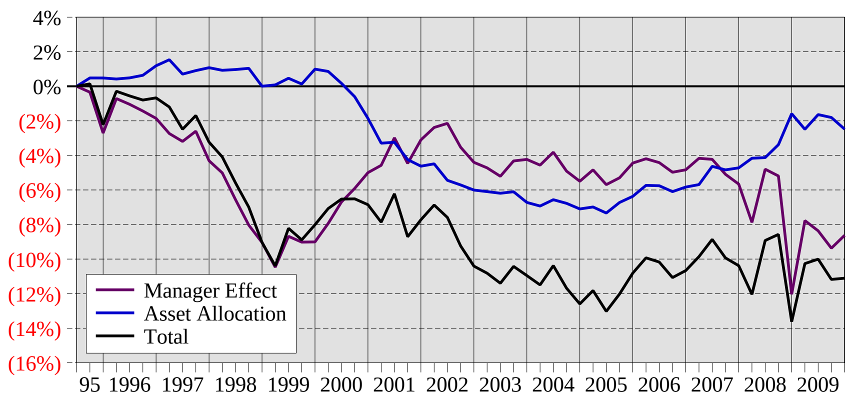
Cumulative Total Fund Attribution

The charts below accumulate the Quarterly Total Fund Attribution Analysis (shown earlier) over multiple periods. By examining these cumulative results, the Fund Sponsor can quantify and understand the long-term impact of asset allocation differences from the target, as well as the contribution of the Fund's managers to total return. In general, assuming the Fund Sponsor is pursuing a disciplined rebalancing program, the asset allocation effects should be close to zero. The manager effects should be larger, assuming the Sponsor is not using index funds. All analysis is for the period ended December 31, 2009.

Fourteen And One-Half Year Annualized Cumulative Attribution Effects



Cumulative Attribution Effects



Fourteen And One-Half Year Annualized Cumulative Attribution Effects

Asset Class	Effective Weight	Avg Trgt Weight	Actual Return	Target Return	Manager Effect	Asset Allocation
Domestic Equity	30%	28%	6.10%	7.04%	(0.26%)	(0.03%)
Domestic Fixed-Income	60%	62%	6.02%	6.18%	(0.17%)	(0.06%)
International Equity	10%	9%	6.81%	4.91%	0.17%	0.02%

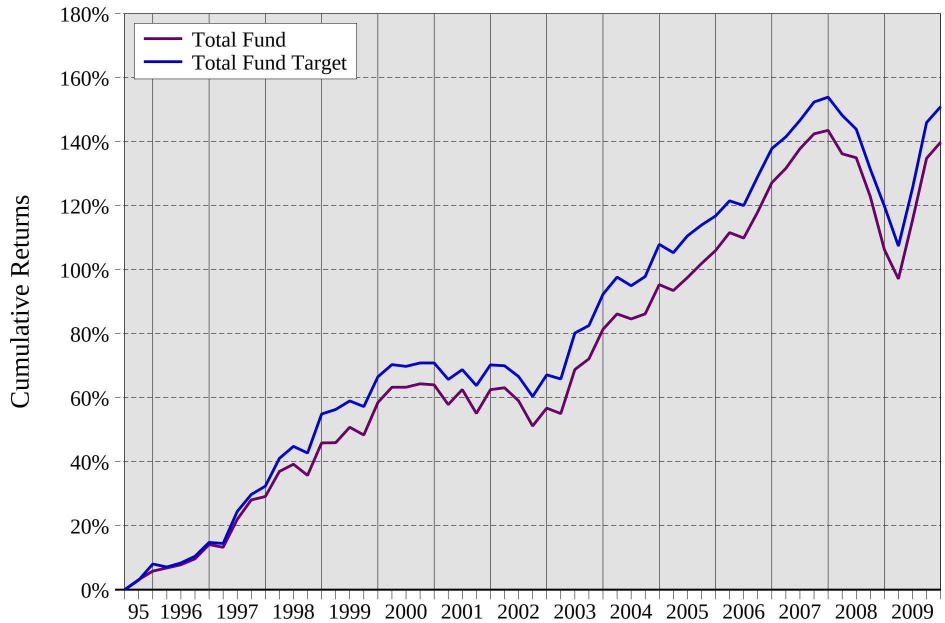
Total **6.22% = 6.55% + (0.26%) + (0.07%)**

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

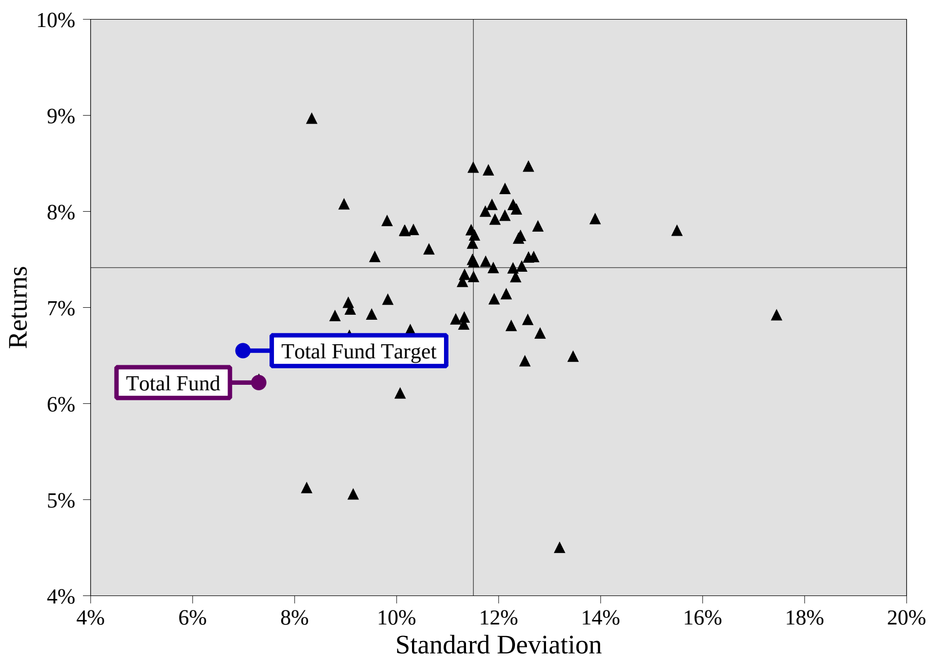
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Fourteen And One-Half Year Annualized Risk vs Return



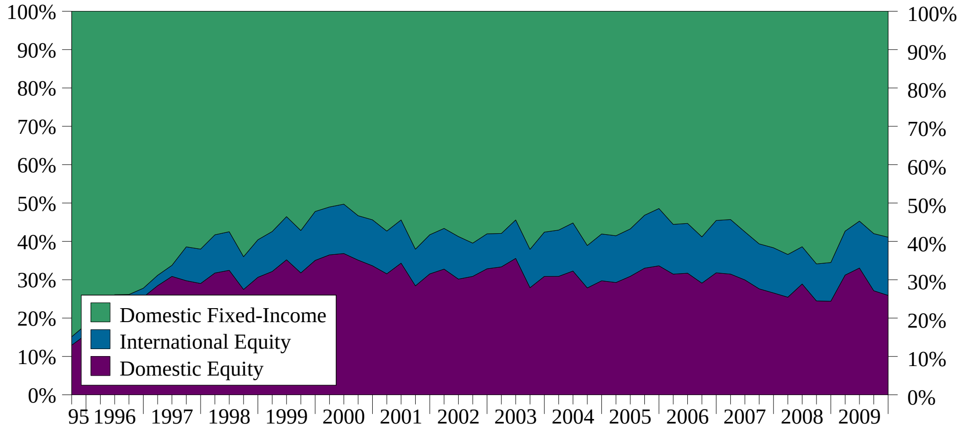
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

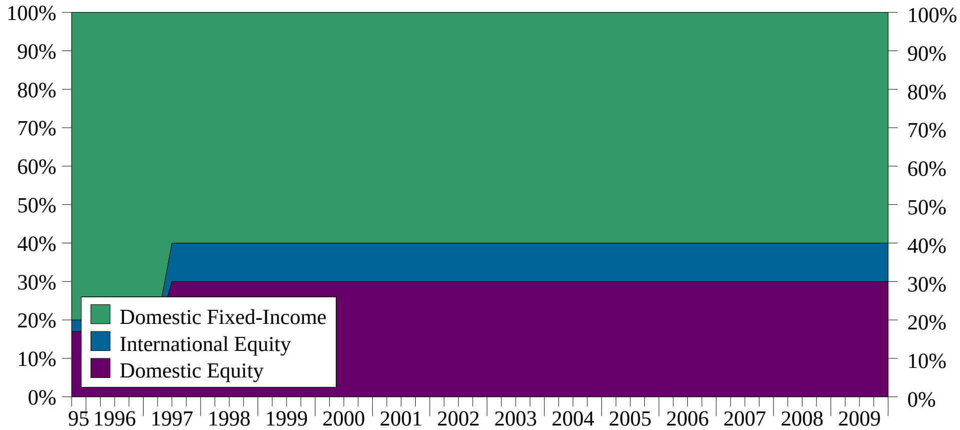
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

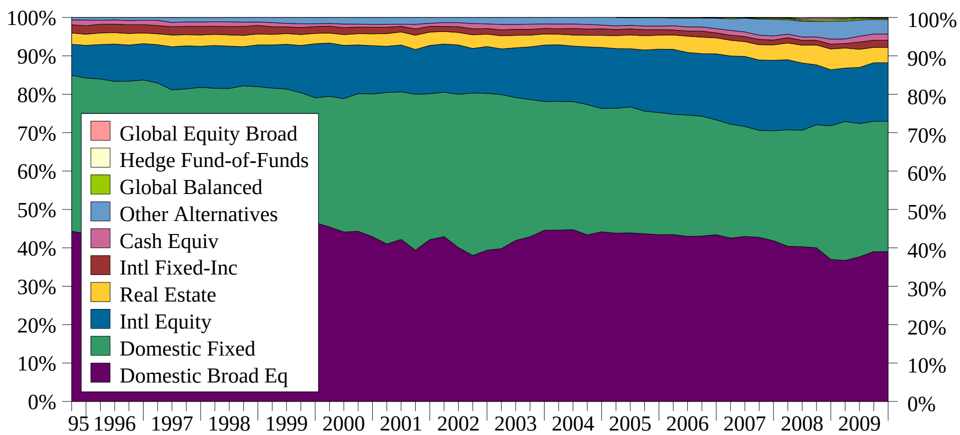
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

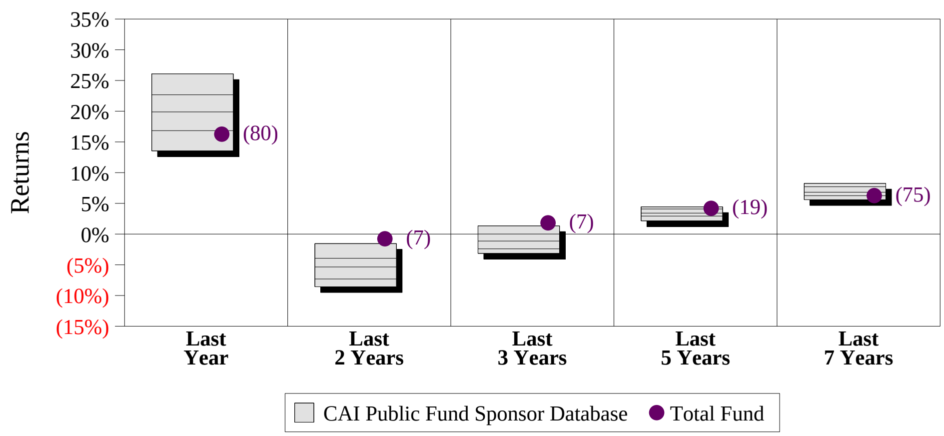


* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

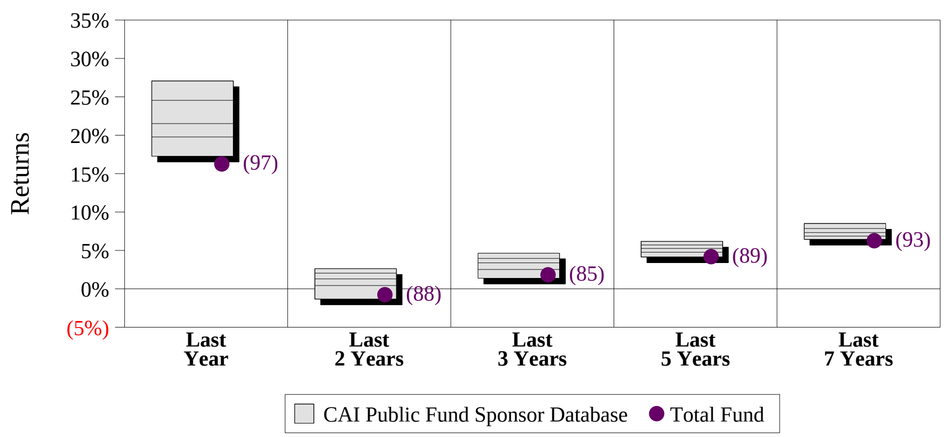
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended December 31, 2009. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

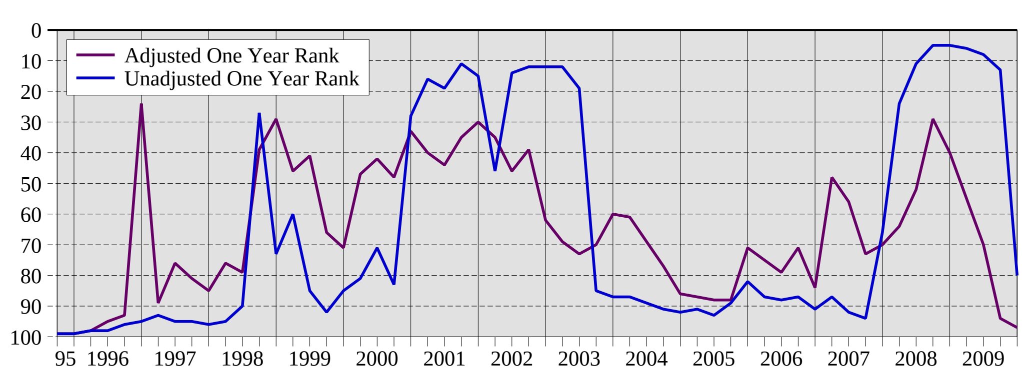
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



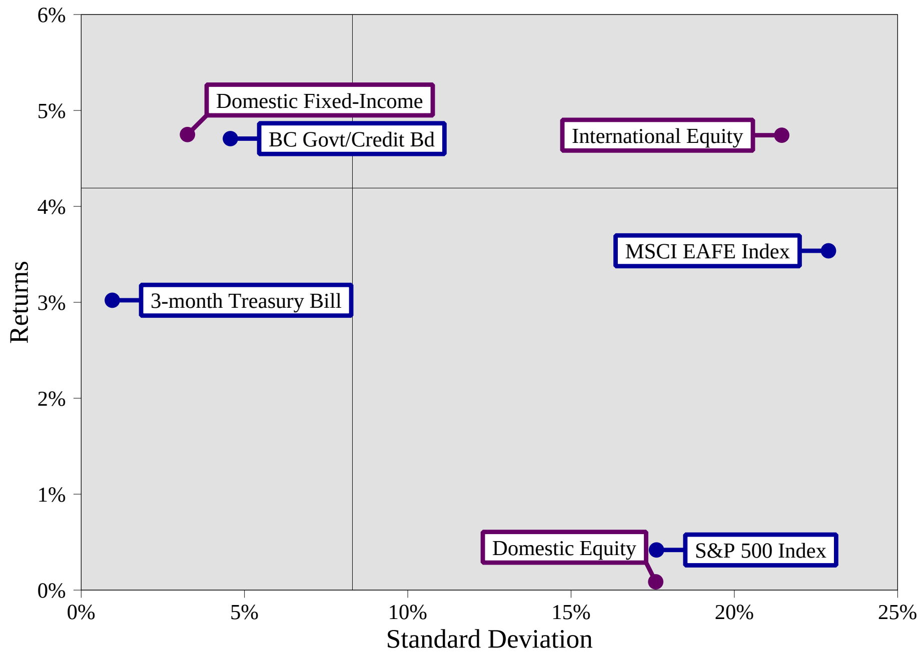
Rolling One Year Ranking vs CAI Public Fund Sponsor Database



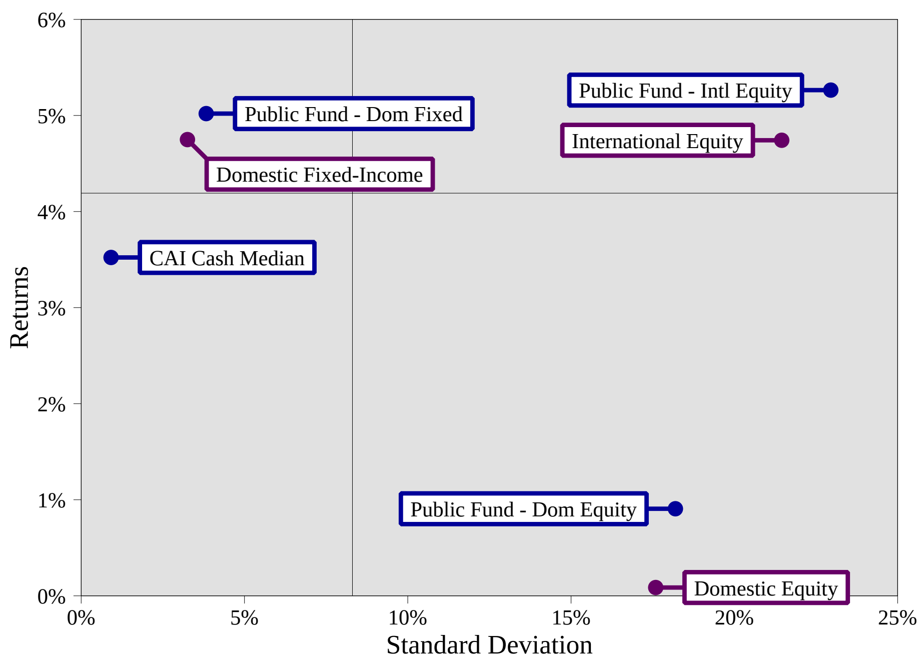
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



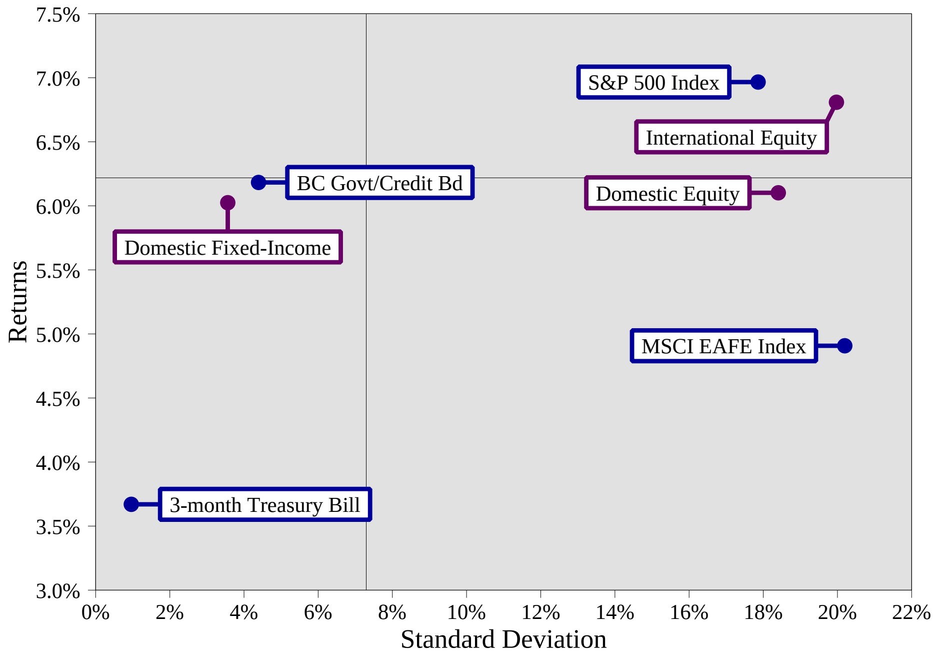
Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



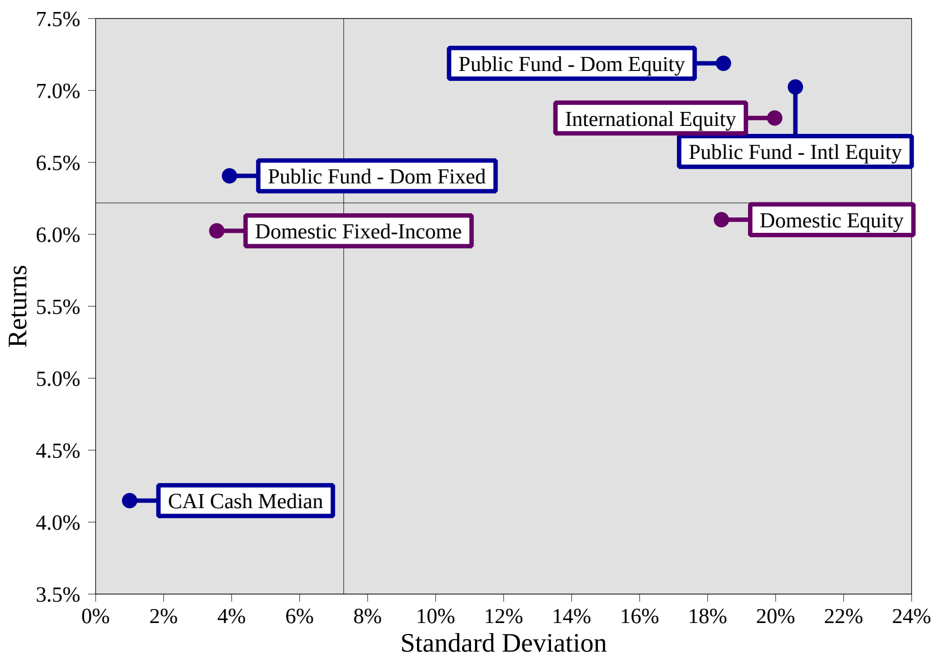
Asset Class Risk and Return

The charts below show the fourteen and one-half year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Fourteen And One-Half Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



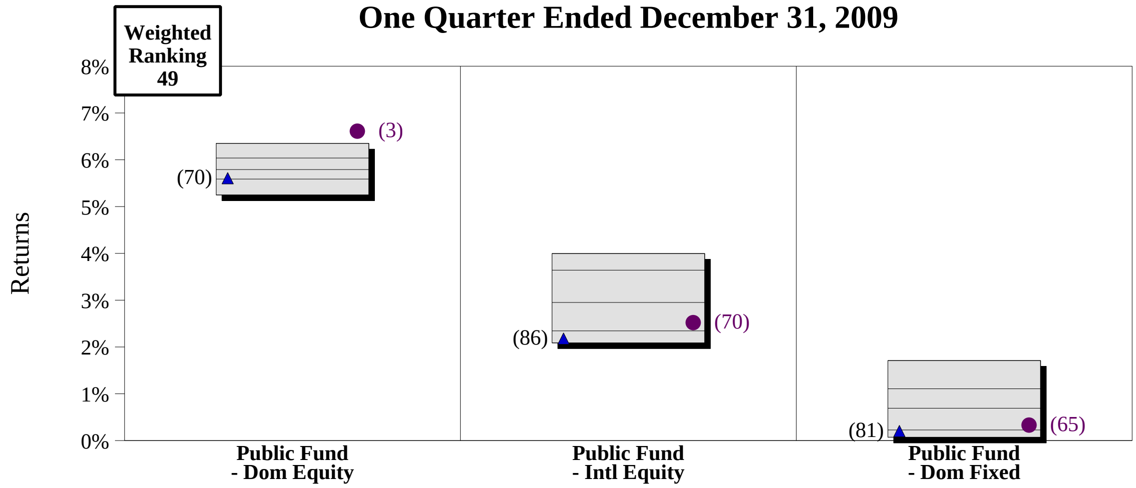
Fourteen And One-Half Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



Asset Class Rankings

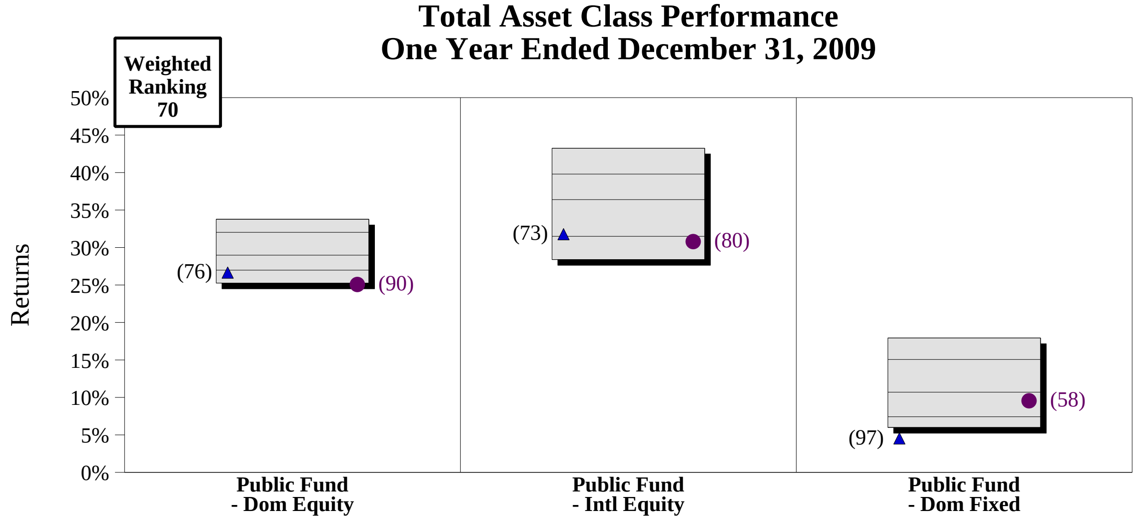
The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper left corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance
One Quarter Ended December 31, 2009



	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	6.35	4.00	1.71
25th Percentile	6.04	3.64	1.11
Median	5.79	2.95	0.69
75th Percentile	5.59	2.34	0.23
90th Percentile	5.25	2.09	0.07
Asset Class Composite ●	6.61	2.52	0.33
Composite Benchmark ▲	5.61	2.18	0.20

Total Asset Class Performance
One Year Ended December 31, 2009



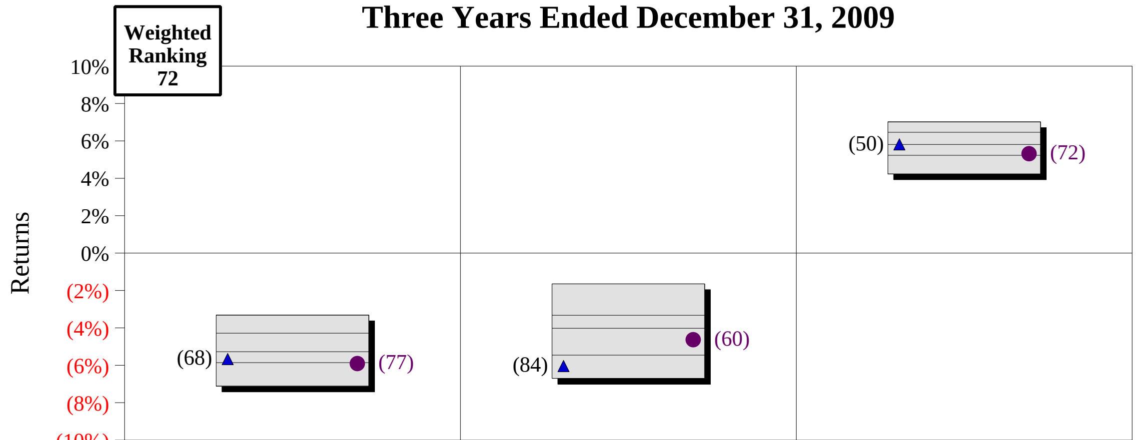
	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	33.77	43.24	17.93
25th Percentile	32.03	39.80	15.06
Median	28.98	36.39	10.70
75th Percentile	26.98	31.49	7.42
90th Percentile	25.26	28.40	5.99
Asset Class Composite ●	25.07	30.79	9.55
Composite Benchmark ▲	26.66	31.78	4.53

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

Asset Class Rankings

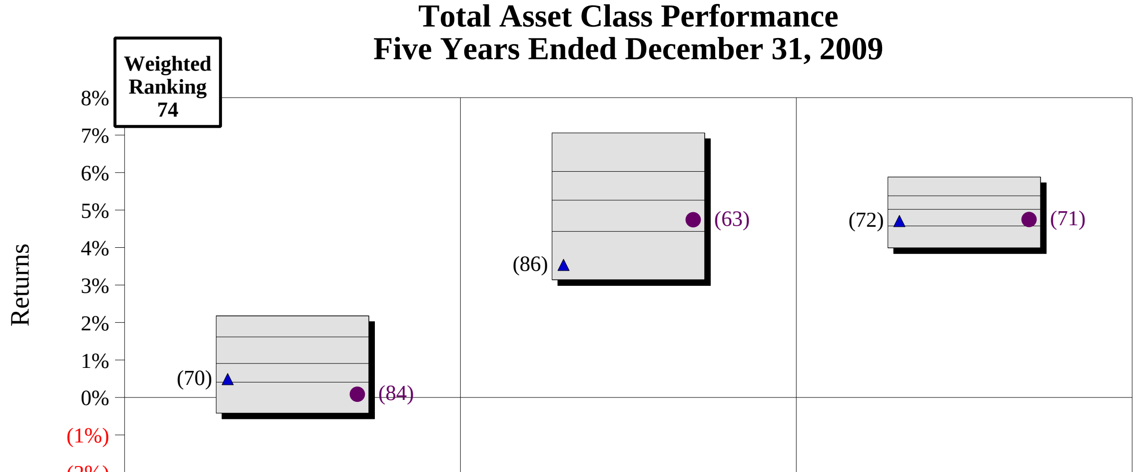
The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper left corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance
Three Years Ended December 31, 2009



	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	(3.32)	(1.65)	7.02
25th Percentile	(4.28)	(3.32)	6.46
Median	(5.28)	(4.02)	5.81
75th Percentile	(5.86)	(5.46)	5.23
90th Percentile	(7.12)	(6.70)	4.23
Asset Class Composite ●	(5.91)	(4.63)	5.32
Composite Benchmark ▲	(5.67)	(6.04)	5.81

Total Asset Class Performance
Five Years Ended December 31, 2009



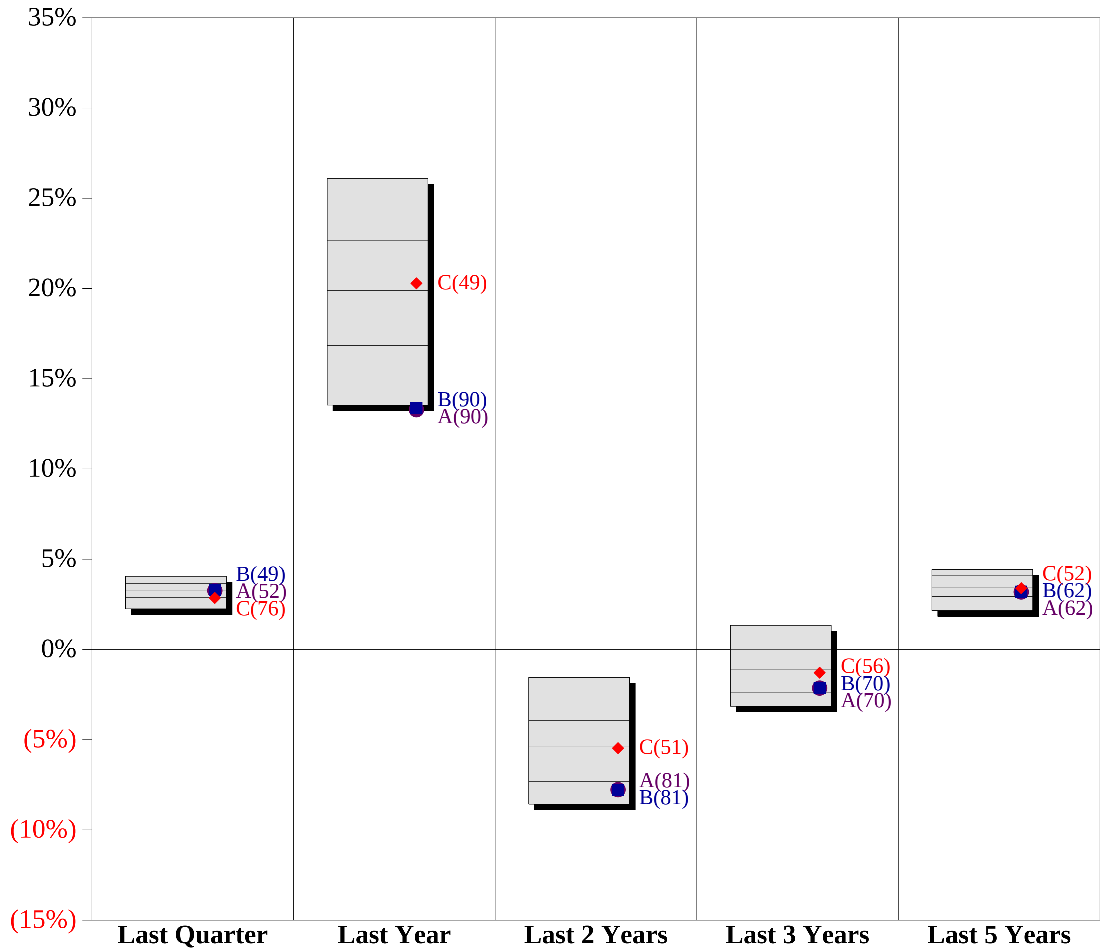
	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	2.18	7.06	5.88
25th Percentile	1.62	6.03	5.38
Median	0.91	5.26	5.02
75th Percentile	0.41	4.43	4.58
90th Percentile	(0.42)	3.14	3.99
Asset Class Composite ●	0.09	4.74	4.75
Composite Benchmark ▲	0.49	3.54	4.71

* Current Quarter Target = 60.0% BC Aggregate Index, 24.0% S&P 500 Index, 10.0% MSCI EAFE Index and 6.0% Russell 2000 Index.

ALASKA RETIREMENT MANAGEMENT BOARD
PERFORMANCE VS CAI PUBLIC FUND SPONSOR DATABASE
PERIODS ENDED DECEMBER 31, 2009

Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Public Fund Sponsor Database. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Public Fund Sponsor Database. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



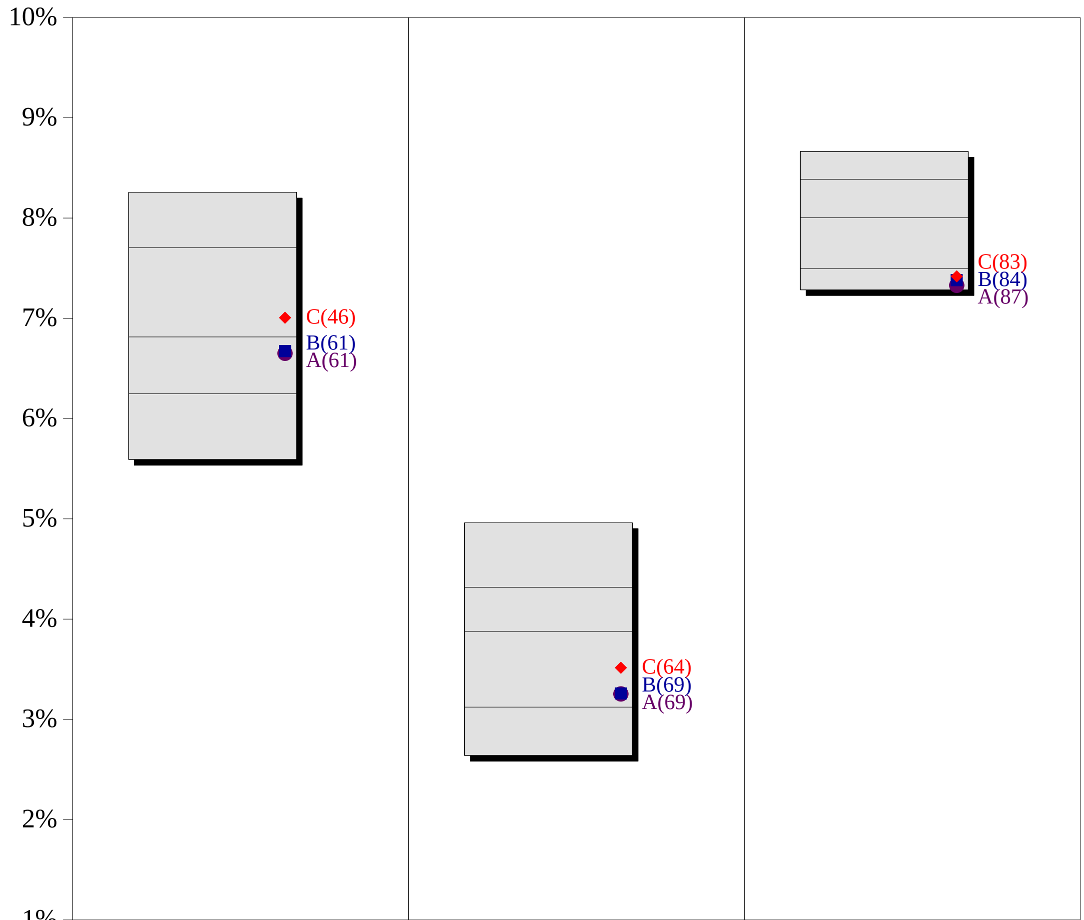
	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	4.06	26.09	(1.55)	1.34	4.44
25th Percentile	3.66	22.67	(3.94)	0.01	4.08
Median	3.29	19.88	(5.35)	(1.13)	3.41
75th Percentile	2.89	16.84	(7.31)	(2.40)	2.93
90th Percentile	2.25	13.54	(8.57)	(3.15)	2.15
PERS Total Plan ● A	3.26	13.28	(7.77)	(2.14)	3.19
TRS Total Plan ■ B	3.31	13.38	(7.78)	(2.14)	3.20
Target Index ◆ C	2.85	20.28	(5.47)	(1.29)	3.39

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Fa

ALASKA RETIREMENT MANAGEMENT BOARD
PERFORMANCE VS CAI PUBLIC FUND SPONSOR DATABASE
PERIODS ENDED DECEMBER 31, 2009

Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Public Fund Sponsor Database. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Public Fund Sponsor Database. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



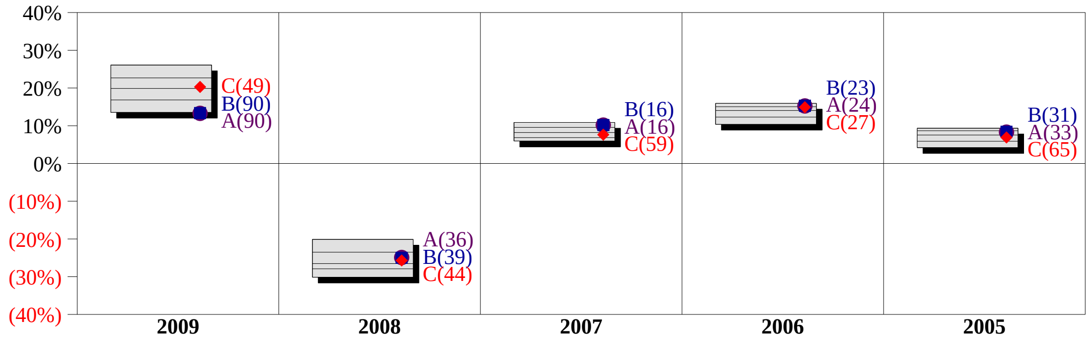
	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	8.26	4.96	8.66
25th Percentile	7.71	4.32	8.39
Median	6.81	3.88	8.00
75th Percentile	6.25	3.12	7.50
90th Percentile	5.59	2.64	7.28
PERS Total Plan ● A	6.65	3.25	7.33
TRS Total Plan ■ B	6.67	3.26	7.38
Target Index ◆ C	7.01	3.52	7.42

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Fa

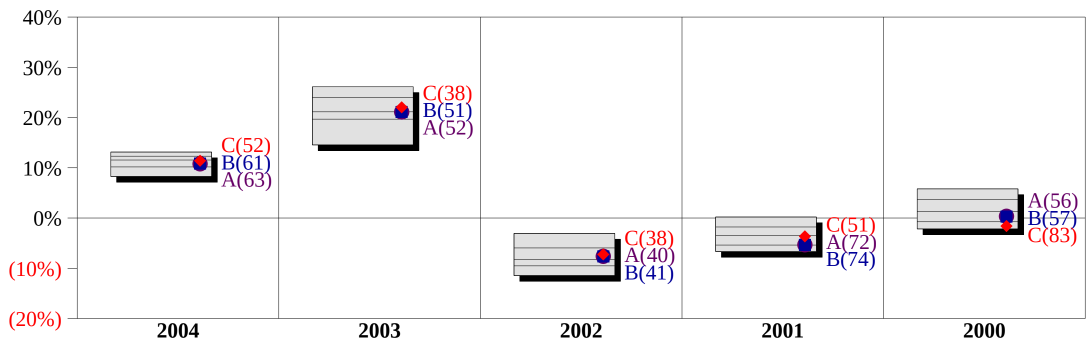
ALASKA RETIREMENT MANAGEMENT BOARD
PERFORMANCE VS CAI PUBLIC FUND SPONSOR DATABASE
RECENT PERIODS

Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Public Fund Sponsor Database. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Public Fund Sponsor Database. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



		2009	2008	2007	2006	2005
10th Percentile		26.09	(20.12)	10.87	15.94	9.34
25th Percentile		22.67	(23.51)	9.57	15.05	8.68
Median		19.88	(26.54)	8.20	14.04	7.54
75th Percentile		16.84	(27.91)	6.86	12.29	5.89
90th Percentile		13.54	(30.14)	5.96	10.37	4.20
PERS Total Plan	● A	13.28	(24.91)	10.17	15.24	8.31
TRS Total Plan	■ B	13.38	(24.98)	10.20	15.26	8.38
Target Index	◆ C	20.28	(25.71)	7.64	14.91	6.89



		2004	2003	2002	2001	2000
10th Percentile		13.13	26.12	(3.07)	0.20	5.80
25th Percentile		12.31	23.99	(5.96)	(1.79)	3.73
Median		11.55	21.14	(8.26)	(3.46)	1.31
75th Percentile		10.17	19.68	(9.52)	(5.38)	(0.75)
90th Percentile		8.26	14.55	(11.46)	(6.67)	(2.17)
PERS Total Plan	● A	10.79	21.11	(7.62)	(5.32)	0.35
TRS Total Plan	■ B	10.83	21.13	(7.62)	(5.34)	0.27
Target Index	◆ C	11.41	22.03	(7.24)	(3.65)	(1.60)

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Fa

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2009, with the distribution as of September 30, 2009.

Asset Distribution Across Investment Managers

	December 31, 2009		September 30, 2009	
	Market Value	Percent	Market Value	Percent
Total Domestic Equity(T)	**$4,378,873,628**	**31.58%**	**$4,439,881,103**	**32.68%**
Large Cap Managers(T)	**$3,477,634,812**	**25.08%**	**$3,574,123,985**	**26.31%**
Barrow, Hanley	115,553,230	0.83%	107,780,153	0.79%
Capital Guardian	238,766,069	1.72%	223,587,722	1.65%
Lazard Asset Mgmt	271,958,779	1.96%	254,038,168	1.87%
McKinley Capital	330,507,957	2.38%	313,810,422	2.31%
Quantitative Mgmt Assoc	113,081,659	0.82%	106,825,593	0.79%
RCM	375,620,170	2.71%	349,362,472	2.57%
Relational Investors	261,871,077	1.89%	247,972,728	1.83%
SSgA Russell 1000 Growth	434,827,284	3.14%	402,912,247	2.97%
SSgA Russell 1000 Value	631,326,173	4.55%	605,005,321	4.45%
SSgA Russell 200	704,122,414	5.08%	962,829,158	7.09%
Small Cap Managers(T)	**$848,960,775**	**6.12%**	**$865,757,118**	**6.37%**
Jennison Associates	133,018,694	0.96%	153,962,500	1.13%
Lord, Abbett	162,894,544	1.17%	153,847,721	1.13%
Luther King	104,588,124	0.75%	99,757,512	0.73%
SSgA Russell 2000 Growth	7,154,259	0.05%	6,905,447	0.05%
SSgA Russell 2000 Value	335,752,324	2.42%	351,941,402	2.59%
Turner Inv. Partners	105,552,830	0.76%	99,342,535	0.73%
Convertible Bonds	**$52,278,041**	**0.38%**	**-**	**-**
Advent Convertible Bond(T)	52,278,041	0.38%	-	-
Fixed-Income Pool(1)(P)	**$1,607,216,218**	**11.59%**	**$1,543,398,603**	**11.36%**
Employees' Fixed-Income	1,043,589,919	7.53%	987,876,969	7.27%
Teachers' Fixed-Income	527,079,886	3.80%	518,779,406	3.82%
Judicial Fixed-Income	18,670,403	0.13%	19,257,293	0.14%
Military Fixed-Income	17,876,010	0.13%	17,484,935	0.13%
International Fixed-Income Pool(T)	**$202,553,447**	**1.46%**	**$205,061,312**	**1.51%**
Mondrian	202,553,447	1.46%	205,061,312	1.51%
High Yield(T)	**$315,081,411**	**2.27%**	**$302,477,475**	**2.23%**
MacKay Shields	161,202,432	1.16%	154,100,797	1.13%
Rogge Global Partners	153,878,979	1.11%	148,376,678	1.09%
International Equity Pool(T)	**$2,301,134,398**	**16.60%**	**$2,244,546,238**	**16.52%**
Brandes Investment	825,004,058	5.95%	826,145,049	6.08%
Capital Guardian	549,912,770	3.97%	532,592,133	3.92%
Lazard Asset Mgmt	342,676,204	2.47%	333,258,836	2.45%
McKinley Capital	317,692,082	2.29%	296,088,531	2.18%
SSgA Int'l	265,849,284	1.92%	256,461,690	1.89%
Emerging Markets Pool(T)	**$815,579,288**	**5.88%**	**$692,665,237**	**5.10%**
Capital Guardian	382,232,460	2.76%	306,640,335	2.26%
Eaton Vance	184,422,588	1.33%	176,141,111	1.30%
Lazard Emerging	248,924,239	1.80%	209,883,791	1.54%
Real Assets (P)(prelim)	**$1,208,626,919**	**8.72%**	**$1,296,440,318**	**9.54%**
Employees'	786,249,057	5.67%	843,719,996	6.21%
Teachers'	408,621,771	2.95%	440,153,086	3.24%
Judicial	13,756,092	0.10%	12,567,236	0.09%
Total Mortgages	**$7,888**	**0.00%**	**$7,888**	**0.00%**
Teachers'	7,888	0.00%	7,888	0.00%
Private Equity(P)	**$727,963,343**	**5.25%**	**$693,879,044**	**5.11%**
Employees'	475,555,038	3.43%	454,137,569	3.34%
Teachers'	243,977,986	1.76%	233,747,726	1.72%
Judicial	8,430,320	0.06%	5,993,749	0.04%
Absolute Return(P)	**$430,676,421**	**3.11%**	**$348,210,982**	**2.56%**
Employees'	281,202,811	2.03%	228,049,737	1.68%
Teachers'	144,483,848	1.04%	115,934,982	0.85%
Judicial	4,989,763	0.04%	4,226,264	0.03%
Total All Plans(P)	**$13,863,925,815**	**100.00%**	**$13,584,891,212**	**100.00%**
Total Plans	**$13,863,925,815**	**100.0%**	**$13,584,891,212**	**100.0%**

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2009, with the distribution as of September 30, 2009.

Asset Distribution Across Investment Managers

	December 31, 2009		September 30, 2009	
	Market Value	**Percent**	**Market Value**	**Percent**
Employees' Total Plan	5,604,869,268	40.43%	5,493,949,307	40.44%
Teachers' Total Plan	2,872,623,323	20.72%	2,842,993,208	20.93%
Judicial Total Plan	99,380,821	0.72%	97,542,031	0.72%
Military Total Plan	30,349,999	0.22%	30,162,536	0.22%
PERS Health Care	3,925,948,900	28.32%	3,816,243,209	28.09%
TRS Health Care	1,313,275,067	9.47%	1,286,923,052	9.47%
JRS Health Care	17,478,438	0.13%	17,077,868	0.13%
Total All Plans	**$13,863,925,815**	**100.0%**	**$13,584,891,212**	**100.0%**

(1) Includes Emerging Debt.
(P) PERS, TRS, JRS and Military Pension only.
(T) Total Pool.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended December 31, 2009

	Last Quarter	Last 1/2 Year	Last Year	Last 3 Years	Last 5 Years
Domestic Equity Pool	**6.02%**	**22.74%**	**26.85%**	**(5.76%)**	**0.18%**
Large Cap Managers	**6.19%**	**22.06%**	**27.13%**	**(5.80%)**	**0.15%**
Barrow, Hanley	7.21%	24.39%	27.26%	-	-
Barrow, Hanley(net)	7.08%	24.13%	26.74%	-	-
Capital Guardian	6.79%	22.67%	30.28%	(7.67%)	(1.07%)
Capital Guardian(net)	6.72%	22.54%	30.01%	(7.92%)	(1.32%)
Lazard Asset Mgmt.	7.05%	22.67%	31.98%	(3.39%)	2.38%
Lazard Asset Mgmt(net)	6.97%	22.51%	31.66%	(3.71%)	2.06%
McKinley Capital	5.32%	21.36%	22.03%	(3.19%)	1.46%
McKinley Capital(net)	5.23%	21.17%	21.65%	(3.56%)	1.08%
Quantitative Mgmt Assoc.	5.86%	24.62%	20.60%	-	-
Quantitative Mgmt(net)	5.76%	24.42%	20.21%	-	-
RCM	7.52%	21.08%	36.69%	(0.70%)	3.37%
RCM(net)	7.44%	20.93%	36.37%	(1.02%)	3.06%
Relational Investors(net)	3.91%	20.16%	30.60%	(10.56%)	-
SSgA Russell 1000 Growth	7.92%	22.91%	37.30%	-	-
SSgA Russell 1000 Gr(net)	7.91%	22.89%	37.26%	-	-
SSgA Russell 1000 Value	4.34%	23.37%	20.71%	-	-
SSgA Russell 1000 Val(net)	4.33%	23.36%	20.67%	-	-
SSgA Russell 200	6.41%	21.11%	24.28%	-	-
SSgA Russell 200(net)	6.40%	21.09%	24.25%	-	-
Standard & Poor's 500 Index	6.04%	22.59%	26.47%	(5.63%)	0.42%
Small Cap Managers	**4.89%**	**24.39%**	**25.40%**	**(5.79%)**	**0.10%**
Jennison Associates	6.47%	26.61%	35.34%	(3.08%)	-
Jennison Associates(net)	6.27%	26.22%	34.56%	(3.83%)	-
Lord, Abbett	5.88%	21.70%	25.81%	(1.98%)	-
Lord, Abbett(net)	5.71%	21.34%	25.10%	(2.68%)	-
Luther King	4.84%	22.33%	32.92%	(6.62%)	-
Luther King(net)	4.71%	22.06%	32.37%	(7.16%)	-
SSgA Russell 2000 Growth	3.60%	16.62%	31.31%	-	-
SSgA Russell 2000 Gr(net)	3.59%	16.60%	31.26%	-	-
SSgA Russell 2000 Value	3.54%	26.53%	19.60%	-	-
SSgA Russell 2000 Val(net)	3.53%	26.51%	19.56%	-	-
Turner Inv. Partners	6.25%	24.39%	20.16%	(8.65%)	(1.55%)
Turner Inv. Partners(net)	6.07%	24.02%	19.42%	(9.33%)	(2.19%)
Russell 2000 Index	3.87%	23.90%	27.17%	(6.07%)	0.51%
International Equity Pool	**2.52%**	**21.28%**	**28.94%**	**(5.23%)**	**4.34%**
Brandes Investment	(0.14%)	18.93%	27.06%	(4.45%)	5.15%
Brandes Investment(net)	(0.24%)	18.72%	26.64%	(4.88%)	4.72%
Capital Guardian	3.25%	22.94%	30.04%	(4.88%)	4.40%
Capital Guardian(net)	3.15%	22.73%	29.62%	(5.30%)	3.98%
Lazard Asset Intl	2.83%	21.94%	28.13%	(2.86%)	5.34%
Lazard Asset Intl(net)	2.74%	21.78%	27.80%	(3.19%)	5.01%
McKinley Capital	7.30%	22.29%	27.08%	(8.38%)	-
McKinley Capital(net)	7.17%	22.02%	26.55%	(8.90%)	-
SSgA Int'l	3.66%	23.34%	35.12%	(6.86%)	-
SSgA Int'l(net)	3.53%	23.07%	34.57%	(7.39%)	-
MSCI Europe Index	3.24%	26.91%	35.83%	(6.07%)	3.93%
MSCI Pacific ex-Japan	5.16%	33.95%	72.81%	3.79%	10.94%
MSCI EAFE Index	2.18%	22.07%	31.78%	(6.04%)	3.54%
Emerging Markets Pool	**6.22%**	**28.54%**	**72.93%**	**6.48%**	**16.48%**
Capital Guardian(net)	7.66%	29.93%	77.82%	7.57%	18.64%
Lazard Emerging(net)	5.82%	29.62%	70.73%	-	-
Eaton Vance(net)	4.70%	27.68%	62.11%	-	-
MSCI Emerging Mkts	8.58%	31.42%	79.02%	5.42%	15.88%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended December 31, 2009

	Last Quarter	Last 1/2 Year	Last Year	Last 3 Years	Last 5 Years
Total Fixed-Income	**0.86%**	**6.32%**	**12.80%**	**5.76%**	**5.04%**
AK Retirement Fixed-Income	0.48%	5.03%	9.82%	5.47%	4.88%
BC Govt/Credit Bd	(0.21%)	3.94%	4.52%	5.81%	4.71%
BC Aggregate Index	0.20%	3.95%	5.93%	6.04%	4.97%
International Fixed-Income Pool	**(1.22%)**	**7.13%**	**9.24%**	**10.71%**	**5.51%**
Mondrian Investment Partners	(1.22%)	7.13%	9.24%	10.71%	5.51%
Mondrian Inv Partners(net)	(1.28%)	7.01%	9.01%	10.49%	5.30%
Lazard Emerging Income	5.10%	10.51%	14.73%	-	-
Lazard Emerging Income(net)	5.04%	10.39%	14.48%	-	-
Citi Non-US Gvt Bd Idx	(2.15%)	5.02%	4.38%	8.60%	4.46%
High Yield	**4.17%**	**14.81%**	**38.67%**	**4.68%**	-
MacKay Shields	4.61%	15.85%	41.42%	5.51%	-
MacKay Shields(net)	4.50%	15.62%	40.97%	5.06%	-
Rogge Global Partners	3.71%	13.74%	35.90%	3.83%	-
Rogge Global(net)	3.59%	13.50%	35.41%	3.34%	-
High Yield Target(1)	6.04%	21.75%	57.51%	5.82%	6.35%
Real Assets(prelim)					
Real Assets	(1.00%)	(3.68%)	(12.95%)	-	-
Real Assets Target	(1.10%)	(2.33%)	(8.18%)	-	-
Real Estate Pool	(2.55%)	(7.49%)	(26.37%)	(12.33%)	(0.59%)
Real Estate Target	(0.96%)	(0.62%)	(11.96%)	(3.62%)	4.86%
UBS Agrivest(3)	0.60%	1.34%	4.36%	10.98%	9.09%
UBS Agrivest Comp (w Water)	0.63%	1.37%	4.70%	11.09%	-
Hancock Agricultural(3)	1.14%	2.28%	8.91%	11.17%	(1.62%)
Hancock Composite (w Water)	1.15%	2.30%	7.69%	10.75%	-
TCW Energy(2)	0.84%	(1.07%)	(21.99%)	2.59%	6.77%
Timberland	(0.08%)	3.35%	14.18%	-	-
NCREIF Timberland Index	(4.55%)	(4.30%)	(4.76%)	7.30%	10.88%
Private Equity	**5.45%**	**9.05%**	**(9.47%)**	**3.86%**	**11.63%**
Employees'	5.45%	9.04%	(9.47%)	3.86%	11.63%
Teachers'	5.45%	9.05%	(9.46%)	3.86%	11.64%
Absolute Return	**2.42%**	**4.95%**	**7.11%**	**(0.29%)**	**2.82%**
Employees'	2.42%	4.95%	7.11%	(0.29%)	2.81%
Teachers'	2.42%	4.97%	7.13%	(0.28%)	2.82%
Total All Plans	**3.17%**	**13.25%**	**13.60%**	**(2.06%)**	**3.24%**
Employees' Total Plan	3.26%	13.01%	13.28%	(2.14%)	3.19%
Teachers' Total Plan	3.31%	13.19%	13.38%	(2.14%)	3.20%
PERS & TRS Policy Target	2.85%	14.56%	20.28%	(1.29%)	3.39%
Judicial Total Plan	3.32%	13.59%	16.06%	(2.69%)	2.73%
PERS Health PLan	2.99%	13.51%	17.67%	-	-
TRS Health Plan	3.05%	13.65%	17.98%	-	-
JRS Health Plan	3.05%	13.51%	18.48%	-	-
Military Total Plan	2.15%	11.31%	16.26%	1.83%	4.19%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.
(1) ML Hi Yield Master II from 12/31/06; ML Hi Yield Cash Pay prior to 12/31/06.
(2) Return data supplied by State Street.
(3) Returns supplied by manager and may vary from State Street returns due to timing variations.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended December 31, 2009

	Last 7 Years	Last 10 Years	Last 18-1/4 Years
Domestic Equity Pool	**5.30%**	**(0.52%)**	**7.37%**
Large Cap Managers	**4.88%**	**(0.60%)**	**7.46%**
Capital Guardian	5.50%	1.00%	-
Capital Guardian(net)	5.25%	0.75%	-
Lazard Asset Mgmt.	6.54%	1.61%	-
Lazard Asset Mgmt(net)	6.22%	1.28%	-
McKinley Capital	5.46%	(2.27%)	-
McKinley Capital(net)	5.08%	(2.65%)	-
RCM	5.70%	(1.09%)	-
RCM(net)	5.39%	(1.40%)	-
Standard & Poor's 500 Index	5.52%	(0.95%)	8.11%
Small Cap Managers	**6.71%**	**(0.36%)**	-
Russell 2000 Index	8.65%	3.51%	8.55%
Fixed-Income Pool	**4.93%**	**6.48%**	**6.87%**
AK Retirement Fixed-Income	4.84%	6.39%	-
BC Govt/Credit	4.63%	6.34%	6.65%
BC Aggregate	4.75%	6.33%	6.62%
International Fixed-Income Pool	**9.10%**	**8.78%**	**-**
Mondrian Investment Partners	9.10%	8.78%	-
Mondrian Inv Partners(net)	8.90%	8.59%	-
Citi Non-US Gvt Bd Idx	7.45%	6.60%	7.21%
International Equity Pool	**10.74%**	**2.89%**	**7.41%**
Brandes Investment	13.38%	6.60%	-
Brandes Investment(net)	12.96%	6.17%	-
Lazard Asset Intl	10.20%	2.11%	-
Lazard Asset Intl(net)	9.87%	1.78%	-
MSCI Europe Index	10.65%	1.97%	8.30%
MSCI Pacific ex-Japan	17.79%	8.40%	9.01%
MSCI EAFE Index	10.27%	1.17%	5.42%
Emerging Markets Pool	**22.51%**	**10.02%**	**-**
Capital Guardian(net)	23.17%	9.95%	-
MSCI Emerging Mkts	22.39%	10.11%	10.27%
Citigroup Non-US Govt	7.45%	6.60%	7.21%
Real Asset Pool	**2.78%**	**4.57%**	**4.96%**
Real Estate Target	7.02%	7.52%	7.08%
Total All Plans	**6.69%**	**3.28%**	**7.36%**
Employees' Total Plan	6.65%	3.25%	7.33%
Teachers' Total Plan	6.67%	3.26%	7.38%
PERS & TRS Policy Target	7.01%	3.52%	7.42%
Judicial Total Plan	6.38%	3.68%	6.88%
Military Total Plan	6.27%	4.23%	6.90%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	6/2009-12/2009	FY 2009	FY 2008	FY 2007	FY 2006
Domestic Equity Pool	**22.74%**	**(26.74%)**	**(13.53%)**	**20.11%**	**9.23%**
Large Cap Managers	**22.06%**	**(26.29%)**	**(13.48%)**	**20.88%**	**7.86%**
Barrow, Hanley	24.39%	(23.43%)	(18.85%)	-	-
Barrow, Hanley(net)	24.13%	(23.95%)	(19.35%)	-	-
Capital Guardian	22.67%	(26.32%)	(18.61%)	16.95%	11.35%
Capital Guardian(net)	22.54%	(26.59%)	(18.85%)	16.71%	11.11%
Lazard Asset Mgmt.	22.67%	(21.99%)	(12.77%)	24.63%	8.70%
Lazard Asset Mgmt(net)	22.51%	(22.31%)	(13.10%)	24.31%	8.37%
McKinley Capital	21.36%	(30.58%)	(1.04%)	16.47%	11.29%
McKinley Capital(net)	21.17%	(30.97%)	(1.40%)	16.09%	10.92%
Quantitative Mgmt Assoc.	24.62%	(25.93%)	(18.02%)	-	-
Quantitative Mgmt(net)	24.42%	(26.33%)	(18.40%)	-	-
RCM	21.08%	(19.81%)	(5.99%)	17.90%	8.33%
RCM(net)	20.93%	(20.14%)	(6.29%)	17.59%	8.03%
Relational Investors(net)	20.16%	(26.56%)	(27.40%)	32.37%	0.19%
SSgA Russell 1000 Growth	22.91%	(24.41%)	(5.79%)	-	-
SSgA Russell 1000 Gr(net)	22.89%	(24.45%)	(5.82%)	-	-
SSgA Russell 1000 Value	23.37%	(28.40%)	(18.68%)	-	-
SSgA Russell 1000 Val(net)	23.36%	(28.44%)	(18.71%)	-	-
SSgA Russell 200	21.11%	(24.90%)	(12.22%)	-	-
SSgA Russell 200(net)	21.09%	(24.93%)	(12.26%)	-	-
Standard & Poor's 500 Index	22.59%	(26.21%)	(13.12%)	20.59%	8.63%
Small Cap Managers	**24.39%**	**(28.98%)**	**(13.03%)**	**16.86%**	**15.07%**
Jennison Associates	26.61%	(26.43%)	(11.12%)	21.89%	15.99%
Jennison Associates(net)	26.22%	(27.21%)	(11.84%)	21.17%	15.26%
Lord, Abbett	21.70%	(29.62%)	(4.37%)	21.39%	11.30%
Lord, Abbett(net)	21.34%	(30.33%)	(5.05%)	20.70%	10.61%
Luther King	22.33%	(26.31%)	(16.44%)	15.09%	21.79%
Luther King(net)	22.06%	(26.85%)	(16.97%)	14.56%	21.25%
SSgA Russell 2000 Growth	16.62%	(24.23%)	-	-	-
SSgA Russell 2000 Gr(net)	16.60%	(24.28%)	-	-	-
SSgA Russell 2000 Value	26.53%	(24.43%)	(21.79%)	-	-
SSgA Russell 2000 Val(net)	26.51%	(24.48%)	(21.84%)	-	-
Turner Inv. Partners	24.39%	(33.21%)	(14.16%)	10.45%	16.87%
Turner Inv. Partners(net)	24.02%	(33.93%)	(14.79%)	9.84%	16.29%
Russell 2000 Index	23.90%	(25.01%)	(16.19%)	16.43%	14.58%
International Equity Pool	**21.28%**	**(30.37%)**	**(9.36%)**	**27.85%**	**28.28%**
Brandes Investment	18.93%	(23.76%)	(13.07%)	29.88%	27.95%
Brandes Investment(net)	18.72%	(24.19%)	(13.50%)	29.45%	27.52%
Capital Guardian	22.94%	(31.73%)	(7.66%)	25.60%	29.02%
Capital Guardian(net)	22.73%	(32.16%)	(8.07%)	25.19%	28.60%
Lazard Asset Intl	21.94%	(23.86%)	(8.53%)	23.17%	26.44%
Lazard Asset Intl(net)	21.78%	(24.19%)	(8.85%)	22.85%	26.11%
McKinley Capital	22.29%	(42.91%)	(5.35%)	31.53%	34.79%
McKinley Capital(net)	22.02%	(43.45%)	(5.85%)	31.02%	34.26%
SSgA Int'l	23.34%	(32.96%)	(12.25%)	28.47%	28.40%
SSgA Int'l(net)	23.07%	(33.51%)	(12.76%)	27.96%	27.87%
MSCI Europe Index	26.91%	(34.53%)	(11.34%)	32.44%	24.75%
MSCI Pacific ex-Japan	33.95%	(27.66%)	(1.83%)	42.56%	18.05%
MSCI EAFE Index	22.07%	(31.35%)	(10.61%)	27.00%	26.56%
Emerging Markets Pool	**28.54%**	**(24.96%)**	**3.96%**	**48.02%**	**34.49%**
Capital Guardian(net)	29.93%	(23.08%)	3.78%	52.08%	37.87%
Lazard Emerging(net)	29.62%	(27.63%)	-	-	-
Eaton Vance(net)	27.68%	(29.47%)	-	-	-
MSCI Emerging Mkts	31.42%	(27.82%)	4.89%	45.45%	35.91%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	6/2009-12/2009	FY 2009	FY 2008	FY 2007	FY 2006
Total Fixed-Income	**6.32%**	**3.38%**	**6.55%**	**6.19%**	**0.06%**
AK Retirement Fixed-Income	5.03%	3.78%	6.53%	6.24%	(0.00%)
BC Govt/Credit Bd	3.94%	5.26%	7.24%	6.00%	(1.52%)
BC Aggregate Index	3.95%	6.05%	7.12%	6.12%	(0.81%)
International Fixed-Income Pool	**7.13%**	**7.43%**	**18.97%**	**1.97%**	**(0.26%)**
Mondrian Investment Partners	7.13%	7.43%	18.97%	1.97%	(0.26%)
Mondrian Inv Partners(net)	7.01%	7.21%	18.76%	1.75%	(0.45%)
Lazard Emerging Income	10.51%	-	-	-	-
Lazard Emerging Income(net)	10.39%	-	-	-	-
Citi Non-US Gvt Bd Idx	5.02%	3.53%	18.72%	2.19%	(0.01%)
High Yield	**14.81%**	**(2.40%)**	**(1.00%)**	**10.83%**	**5.55%**
MacKay Shields	15.85%	(1.72%)	0.56%	10.54%	5.42%
MacKay Shields(net)	15.62%	(2.17%)	0.11%	10.09%	4.97%
Rogge Global Partners	13.74%	(3.10%)	(2.53%)	11.11%	5.68%
Rogge Global(net)	13.50%	(3.59%)	(3.02%)	10.63%	5.18%
High Yield Target(1)	21.75%	(3.53%)	(2.11%)	11.69%	4.65%
Real Assets(prelim)					
Real Assets	(3.68%)	(21.62%)	-	-	-
Real Assets Target	(2.33%)	(10.82%)	-	-	-
Real Estate Pool	(7.49%)	(35.94%)	5.11%	21.18%	18.58%
Real Estate Target	(0.62%)	(21.13%)	6.82%	16.90%	18.79%
UBS Agrivest(3)	1.34%	4.62%	17.05%	13.25%	9.22%
UBS Agrivest Comp (w Water)	1.37%	4.90%	17.04%	13.25%	9.22%
Hancock Agricultural(3)	2.28%	9.25%	13.57%	10.68%	5.28%
Hancock Composite (w Water)	2.30%	7.99%	13.58%	10.68%	5.28%
TCW Energy(2)	(1.07%)	(25.02%)	43.14%	19.63%	8.40%
Private Equity	**9.05%**	**(23.67%)**	**13.19%**	**28.74%**	**25.89%**
Employees'	9.04%	(23.67%)	13.19%	28.74%	25.89%
Teachers'	9.05%	(23.67%)	13.19%	28.74%	25.89%
Absolute Return	**4.95%**	**(12.52%)**	**1.52%**	**10.00%**	**10.51%**
Employees'	4.95%	(12.51%)	1.52%	10.00%	10.51%
Teachers'	4.97%	(12.52%)	1.53%	10.00%	10.50%
Total All Plans	**13.25%**	**(20.49%)**	**(3.13%)**	**18.93%**	**11.75%**
Employees' Total Plan	13.01%	(20.53%)	(3.13%)	18.93%	11.74%
Teachers' Total Plan	13.19%	(20.67%)	(3.12%)	18.97%	11.78%
PERS & TRS Policy Target	14.56%	(17.00%)	(4.73%)	16.99%	10.38%
Judicial Total Plan	13.59%	(20.51%)	(4.69%)	18.48%	11.37%
Military Total Plan	11.31%	(8.31%)	(1.18%)	13.30%	6.25%

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.
(1) ML Hi Yield Master II from 12/31/06; ML Hi Yield Cash Pay prior to 12/31/06.
(2) Return data supplied by State Street.
(3) Returns supplied by manager and may vary from State Street returns due to timing variations.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2005. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Domestic Equity Pool	**4.48%**	**20.06%**	**(0.97%)**	**(16.85%)**	**(12.20%)**
Large Cap Managers	**4.96%**	**17.97%**	**0.35%**	**(16.82%)**	**(10.05%)**
Capital Guardian	5.28%	21.95%	7.41%	(19.40%)	(0.60%)
Capital Guardian(net)	5.05%	21.71%	7.16%	(19.64%)	(0.84%)
Lazard Asset Mgmt.	6.45%	17.78%	(0.29%)	(13.53%)	(0.23%)
Lazard Asset Mgmt(net)	6.12%	17.45%	(0.65%)	(13.87%)	(0.55%)
McKinley Capital	0.85%	21.88%	(2.73%)	(26.01%)	(26.33%)
McKinley Capital(net)	0.47%	21.49%	(3.13%)	(26.41%)	(26.72%)
RCM	4.71%	12.17%	(1.49%)	(19.42%)	(21.29%)
RCM(net)	4.40%	11.87%	(1.79%)	(19.72%)	(21.58%)
Tukman Capital	(4.56%)	14.96%	(2.56%)	(5.16%)	11.04%
Tukman Capital(net)	(5.08%)	14.43%	(3.09%)	(5.69%)	10.51%
Standard & Poor's 500 Index	6.32%	19.11%	0.25%	(17.99%)	(14.83%)
Small Cap Managers	**2.00%**	**28.29%**	**(5.41%)**	**(16.96%)**	**(18.04%)**
Trust Co. of the West	(3.22%)	43.89%	(4.82%)	-	-
Trust Co. of the West(net)	(3.98%)	43.12%	(5.60%)	-	-
Turner Inv. Partners	11.62%	-	-	-	-
Turner Inv. Partners(net)	11.02%	-	-	-	-
Russell 2000 Index	9.45%	33.37%	(1.64%)	(8.60%)	0.57%
Fixed-Income Pool	**7.09%**	**0.61%**	**10.69%**	**8.17%**	**11.87%**
AK Retirement Fixed-Income	7.22%	0.56%	10.64%	8.13%	11.84%
BC Govt/Credit	7.26%	(0.72%)	13.15%	8.24%	11.13%
BC Aggregate	6.80%	0.32%	10.40%	8.63%	11.22%
International Fixed-Income Pool	**9.84%**	**7.52%**	**24.48%**	**22.56%**	**(5.68%)**
Mondrian Inv Partners	9.84%	7.52%	24.48%	22.56%	(5.68%)
Mondrian Inv Partners(net)	9.67%	7.34%	24.29%	22.36%	(5.84%)
Citi Non-US Gvt Bd Idx	7.75%	7.60%	17.90%	15.73%	(7.43%)
International Equity Pool	**13.37%**	**31.67%**	**(5.83%)**	**(8.54%)**	**(16.35%)**
Brandes Investment	14.43%	44.21%	(4.37%)	(5.86%)	(6.21%)
Brandes Investment(net)	14.02%	43.79%	(4.82%)	(6.30%)	(6.63%)
Capital Guardian	11.52%	29.68%	(6.93%)	(5.81%)	-
Capital Guardian(net)	11.09%	29.25%	(7.37%)	(6.24%)	-
Lazard Asset Intl	12.72%	22.11%	(3.39%)	(10.91%)	(18.61%)
Lazard Asset Intl(net)	12.39%	21.79%	(3.75%)	(11.25%)	(18.93%)
MSCI Europe Index	16.87%	28.87%	(5.22%)	(7.71%)	(21.75%)
MSCI Pacific ex-Japan	33.58%	27.37%	6.58%	(1.14%)	(13.93%)
MSCI EAFE Index	13.65%	32.37%	(6.46%)	(9.49%)	(23.60%)
Emerging Markets Pool	**35.19%**	**33.07%**	**6.11%**	**(3.20%)**	**(25.69%)**
Capital Guardian(net)	34.34%	27.88%	7.14%	(5.65%)	(29.31%)
MSCI Emerging Mkts	34.89%	33.51%	6.96%	1.31%	(25.83%)
Citigroup Non-US Govt	7.75%	7.60%	17.90%	15.73%	(7.43%)

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2005. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Real Estate Pool	**17.42%**	**11.55%**	**8.98%**	**5.40%**	**10.32%**
Real Estate Target	18.02%	10.83%	7.64%	5.50%	11.57%
Private Equity	**18.08%**	**21.42%**	**(14.75%)**	**(17.05%)**	**1.03%**
Employees'	18.07%	21.42%	(14.75%)	(17.06%)	1.03%
Teachers'	18.10%	21.42%	(14.75%)	(17.03%)	1.03%
Other	**5.52%**	**-**	**-**	**-**	**-**
Employees'	5.52%	-	-	-	-
Teachers'	5.51%	-	-	-	-
Total All Plans	**8.96%**	**15.08%**	**3.68%**	**(5.47%)**	**(5.37%)**
Employees' Total Plan	8.95%	15.08%	3.67%	(5.48%)	(5.37%)
Teachers' Total Plan	9.01%	15.09%	3.68%	(5.49%)	(5.44%)
PERS & TRS Policy Target	9.28%	15.36%	4.25%	(4.27%)	(4.93%)
Judicial Total Plan	8.49%	15.21%	3.59%	(2.75%)	(2.09%)
Military Total Plan	7.00%	9.36%	6.15%	(2.16%)	(0.44%)

* Current Quarter Target = 30.0% S&P 500 Index, 24.0% BC Aggregate Index, 15.0% MSCI EAFE Index, 9.0% NCREIF Total Index, 6.0% Russell 2000 Index, 3.0% CPI-W+5.0%, 3.0% Libor-1 Month+4.0%, 2.0% MSCI EAFE Index, 2.0% S&P 500 Index, 2.0% ML Hi Yld Cash Pay Index, 2.0% Russell 2000 Index and 2.0% Citi Non-US Gvt Bd Idx.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2009

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 8 Years
Total Fund	**8.90%**	**(20.32%)**	**(2.82%)**	**2.25%**	**2.94%**
Total Fund(net)	**8.79%**	**(20.67%)**	**(3.14%)**	**1.93%**	**2.64%**
PERS	8.63%	(20.53%)	(2.90%)	2.19%	2.90%
PERS(net)	8.63%	(20.83%)	(3.20%)	1.89%	2.60%
TRS	8.67%	(20.67%)	(2.94%)	2.19%	2.89%
TRS(Net)	8.67%	(20.93%)	(3.23%)	1.89%	2.61%
PERS Health	10.79%	(17.61%)	-	-	-
PERS Health(net)	10.79%	(17.90%)	-	-	-
TRS Health	11.15%	(17.45%)	-	-	-
TRS Health(net)	11.15%	(17.72%)	-	-	-

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2009

	Last 10 Years	Last 17-3/4 Years
Total Fund	**2.77%**	**6.83%**
Total Fund(net)	**2.47%**	**6.53%**
PERS(net)	2.45%	6.51%
TRS(Net)	2.45%	6.55%

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Total Fund	**(20.32%)**	**(3.15%)**	**18.93%**	**11.75%**	**8.96%**
Total Fund(net)	**(20.67%)**	**(3.41%)**	**18.59%**	**11.44%**	**8.68%**
PERS	(20.53%)	(3.13%)	18.93%	11.74%	8.95%
PERS(net)	(20.83%)	(3.40%)	18.59%	11.43%	8.67%
TRS	(20.67%)	(3.12%)	18.97%	11.78%	9.01%
TRS(Net)	(20.93%)	(3.38%)	18.63%	11.47%	8.73%
PERS Health	(17.61%)	-	-	-	-
PERS Health(net)	(17.90%)	-	-	-	-
TRS Health	(17.45%)	-	-	-	-
TRS Health(net)	(17.72%)	-	-	-	-

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2004. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Total Fund	**15.08%**	**3.68%**	**(5.47%)**	**(5.37%)**	**10.19%**
Total Fund(net)	**14.76%**	**3.38%**	**(5.70%)**	**(5.63%)**	**9.89%**
PERS	15.08%	3.67%	(5.48%)	(5.37%)	10.16%
PERS(net)	14.76%	3.38%	(5.72%)	(5.63%)	9.86%
TRS	15.09%	3.68%	(5.49%)	(5.44%)	10.25%
TRS(Net)	14.78%	3.39%	(5.72%)	(5.70%)	9.96%

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

TOTAL DOMESTIC EQUITY POOL
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

The State of Alaska Total Equity Pool is diversified across large cap value, large cap growth, core, small cap value, and small cap growth equity styles so as to gain broad market exposure.

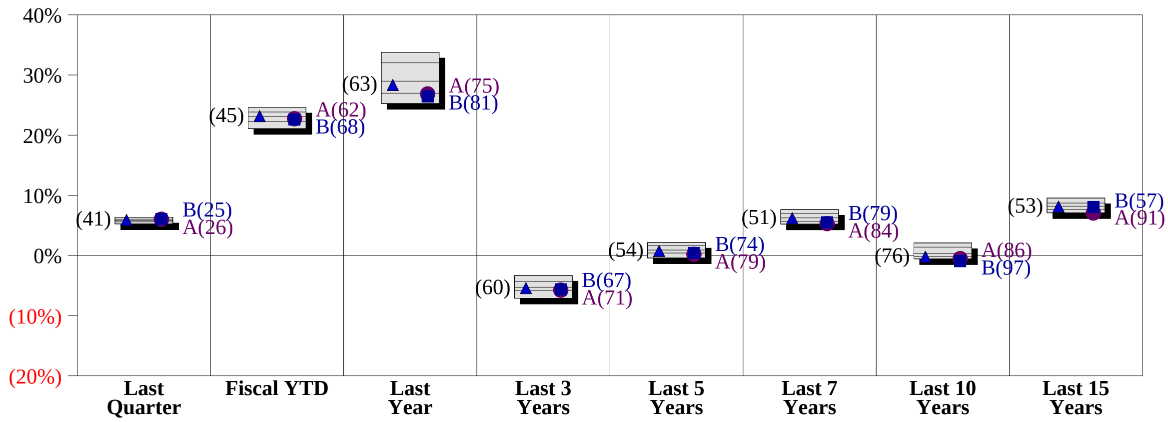
Quarterly Summary and Highlights

- Domestic Equity Pool's portfolio posted a 6.02% return for the quarter placing it in the 26 percentile of the Public Fund - Domestic Equity group for the quarter and in the 75 percentile for the last year.
- Domestic Equity Pool's portfolio outperformed the Russell 3000 Index by 0.12% for the quarter and underperformed the Russell 3000 Index for the year by 1.49%.

Quarterly Asset Growth

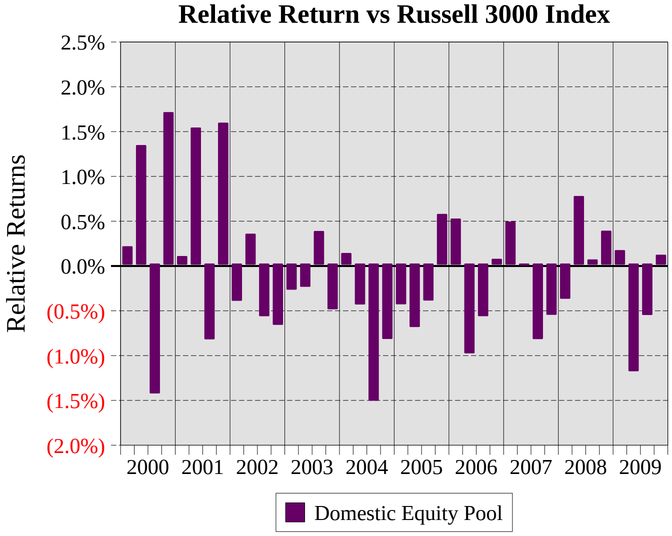
Beginning Market Value	$2,759,700,283
Net New Investment	$-205,792,711
Investment Gains/(Losses)	$157,822,450
Ending Market Value	$2,711,730,022

Performance vs Public Fund - Domestic Equity (Gross)

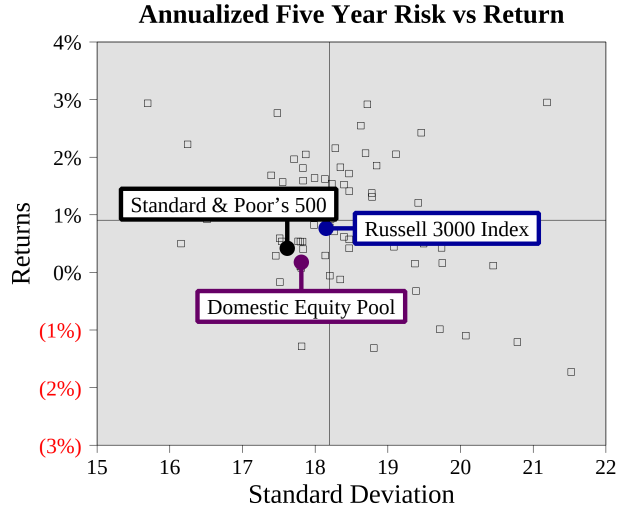


		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 15 Years
10th Percentile		6.35	24.63	33.77	(3.32)	2.18	7.64	2.08	9.55
25th Percentile		6.04	23.85	32.03	(4.28)	1.62	6.96	1.39	8.71
Median		5.79	23.12	28.98	(5.28)	0.91	6.25	0.36	8.20
75th Percentile		5.59	22.29	26.98	(5.86)	0.41	5.70	(0.18)	7.69
90th Percentile		5.25	21.09	25.26	(7.12)	(0.42)	5.22	(0.57)	7.09
Domestic Equity Pool	● A	6.02	22.74	26.85	(5.76)	0.18	5.30	(0.52)	7.06
Standard & Poor's 500	■ B	6.04	22.59	26.47	(5.63)	0.42	5.52	(0.95)	8.04
Russell 3000 Index	▲	5.90	23.17	28.34	(5.42)	0.76	6.20	(0.20)	8.13

Relative Return vs Russell 3000 Index



Public Fund - Domestic Equity (Gross)
Annualized Five Year Risk vs Return

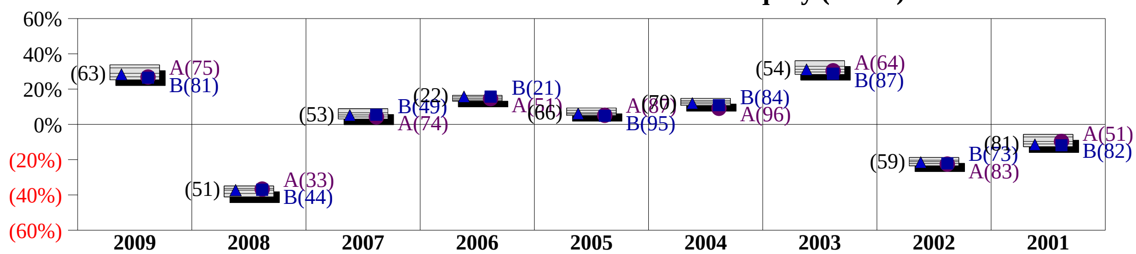


DOMESTIC EQUITY POOL
RETURN ANALYSIS SUMMARY

Return Analysis

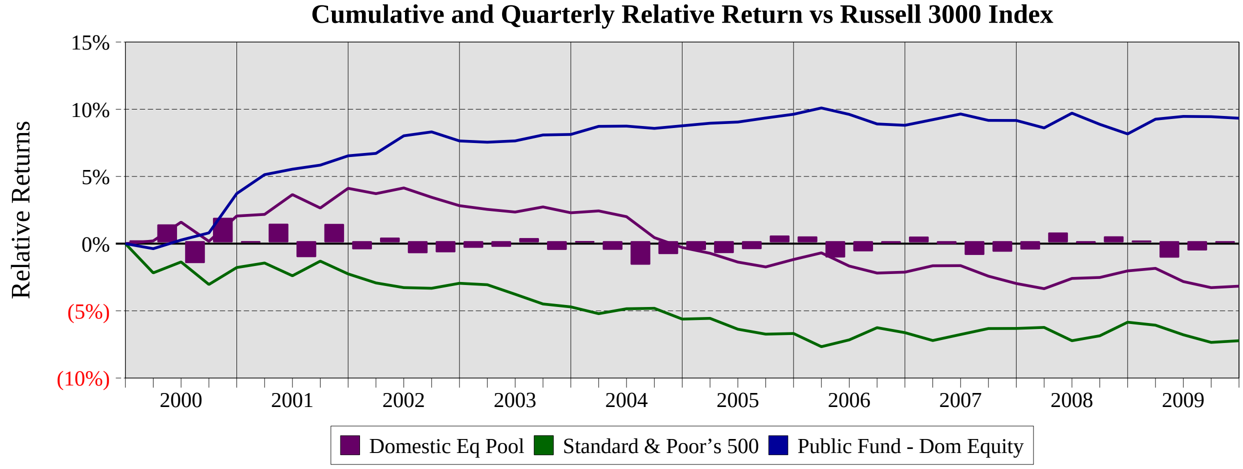
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Public Fund - Domestic Equity (Gross)

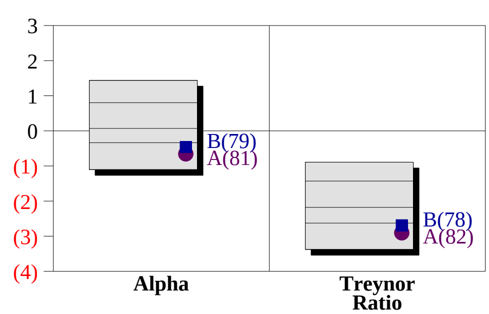


	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	33.77	(34.91)	8.90	16.47	9.31	14.74	36.10	(18.76)	(5.66)
25th Percentile	32.03	(36.35)	6.62	15.63	7.98	13.47	32.95	(20.34)	(7.12)
Median	28.98	(37.29)	5.39	14.61	6.56	12.61	31.24	(21.17)	(9.67)
75th Percentile	26.98	(39.16)	4.23	13.75	5.88	11.65	29.70	(22.24)	(11.10)
90th Percentile	25.26	(41.14)	3.05	13.17	5.06	10.73	28.32	(23.52)	(12.66)
Domestic Eq Pool ● A	26.85	(36.70)	4.23	14.61	5.17	9.12	30.38	(22.51)	(9.67)
Standard & Poor's 500 ■ B	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68	(22.10)	(11.89)
Russell 3000 Index ▲	28.34	(37.31)	5.14	15.72	6.12	11.95	31.06	(21.54)	(11.46)

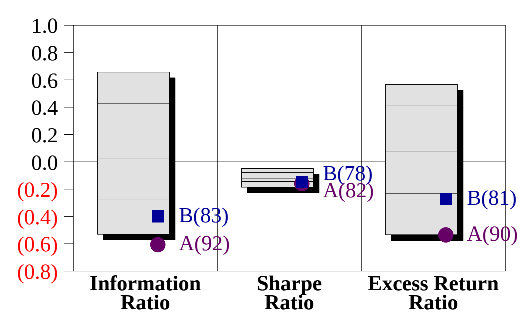
Cumulative and Quarterly Relative Return vs Russell 3000 Index



Risk Adjusted Return Measures vs Russell 3000 Index
Rankings Against Public Fund - Domestic Equity (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	1.44	(0.89)
25th Percentile	0.80	(1.43)
Median	0.07	(2.18)
75th Percentile	(0.34)	(2.63)
90th Percentile	(1.10)	(3.38)
Domestic Eq Pool ● A	(0.65)	(2.90)
Standard & Poor's 500 ■ B	(0.46)	(2.69)



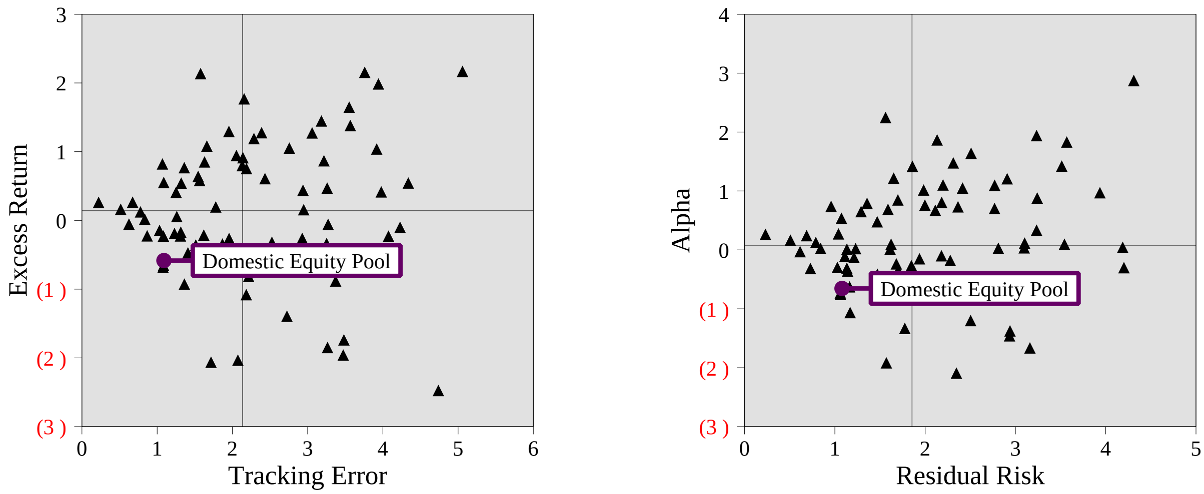
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.66	(0.05)	0.57
25th Percentile	0.43	(0.08)	0.42
Median	0.03	(0.12)	0.08
75th Percentile	(0.28)	(0.14)	(0.23)
90th Percentile	(0.53)	(0.19)	(0.53)
Domestic Eq Pool ● A	(0.61)	(0.16)	(0.54)
Standard & Poor's 500 ■ B	(0.40)	(0.15)	(0.27)

DOMESTIC EQUITY POOL
RISK ANALYSIS SUMMARY

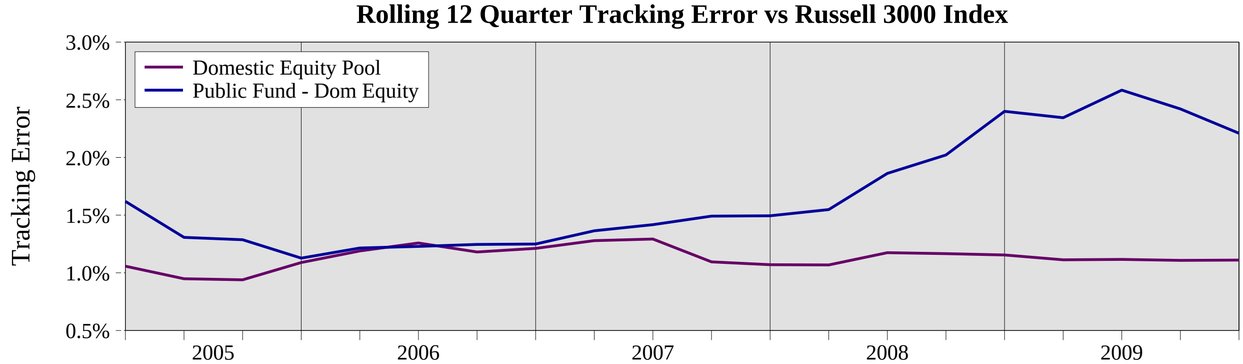
Risk Analysis

The graphs below analyze the risk or variation of a manager’s return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager’s risk statistics versus the peer group.

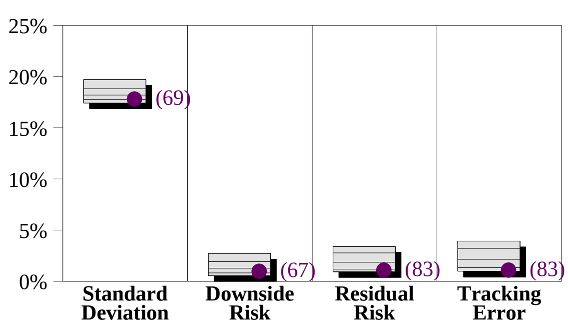
Risk Analysis vs Public Fund - Domestic Equity (Gross)
Five Years Ended December 31, 2009

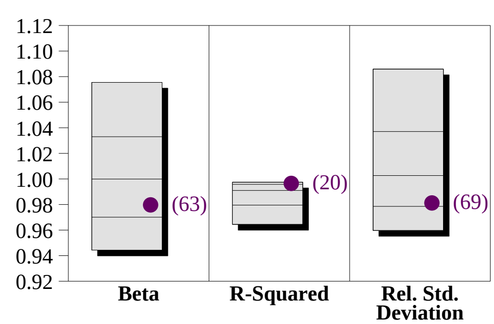


Rolling 12 Quarter Tracking Error vs Russell 3000 Index



Risk Statistics Rankings vs Russell 3000 Index
Rankings Against Public Fund - Domestic Equity (Gross)
Five Years Ended December 31, 2009





	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	19.71	2.73	3.40	3.93
25th Percentile	18.82	1.91	2.77	3.21
Median	18.20	1.27	1.85	2.14
75th Percentile	17.76	0.82	1.18	1.33
90th Percentile	17.42	0.54	0.92	0.98
Domestic Equity Pool ●	17.81	0.98	1.08	1.09

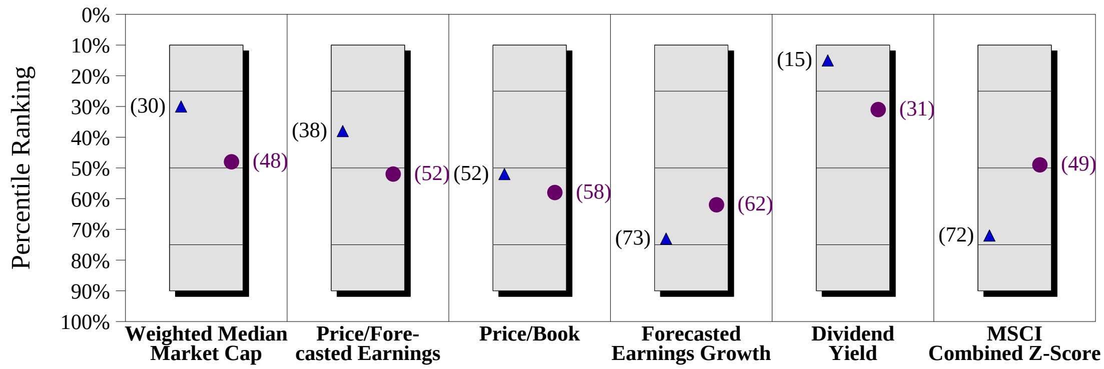
	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.08	1.00	1.09
25th Percentile	1.03	1.00	1.04
Median	1.00	0.99	1.00
75th Percentile	0.97	0.98	0.98
90th Percentile	0.94	0.96	0.96
Domestic Equity Pool ●	0.98	1.00	0.98

DOMESTIC EQUITY POOL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against Public Fund - Domestic Equity
as of December 31, 2009

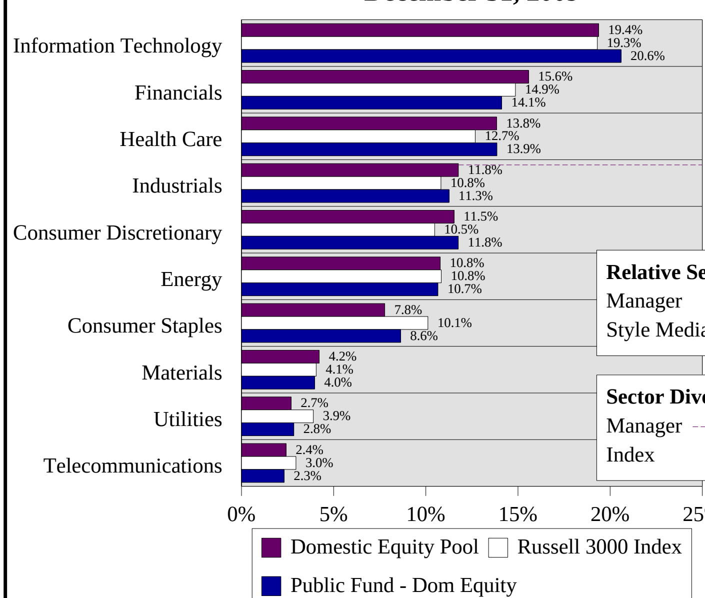


	Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	39.34	16.31	2.23	11.89	1.88	0.23
25th Percentile	31.21	15.52	2.19	10.99	1.73	0.13
Median	26.24	15.06	2.11	10.55	1.57	0.03
75th Percentile	19.36	14.68	1.98	10.04	1.46	(0.05)
90th Percentile	11.26	14.47	1.92	9.72	1.35	(0.09)
Domestic Equity Pool ●	26.57	15.05	2.04	10.42	1.69	0.03
Russell 3000 Index ▲	29.92	15.13	2.10	10.09	1.83	(0.04)

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

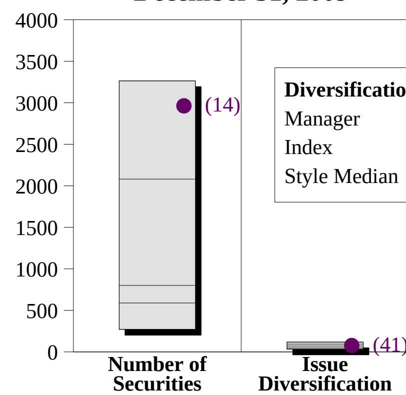
Sector Allocation
December 31, 2009



Relative Sector Variance	
Manager	8%
Style Median	8%

Sector Diversification	
Manager	3.10 sectors
Index	3.29 sectors

Diversification
December 31, 2009



Diversification Ratio	
Manager	3%
Index	3%
Style Median	9%

	Number of Securities	Issue Diversification
10th Percentile	3264	118
25th Percentile	2081	94
Median	801	70
75th Percentile	589	47
90th Percentile	271	33
Domestic Equity Pool ●	2963	77
Russell 3000 Index ▲	2972	79

LARGE CAP EQUITY POOL
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

The State of Alaska Large Capitalization Equity Pool is diversified across large cap value, large cap growth, and core investment styles. By diversifying styles, Alaska has reduced the risk associated with style bias and is better diversified across styles as they cycle in and out of favor.

Quarterly Summary and Highlights

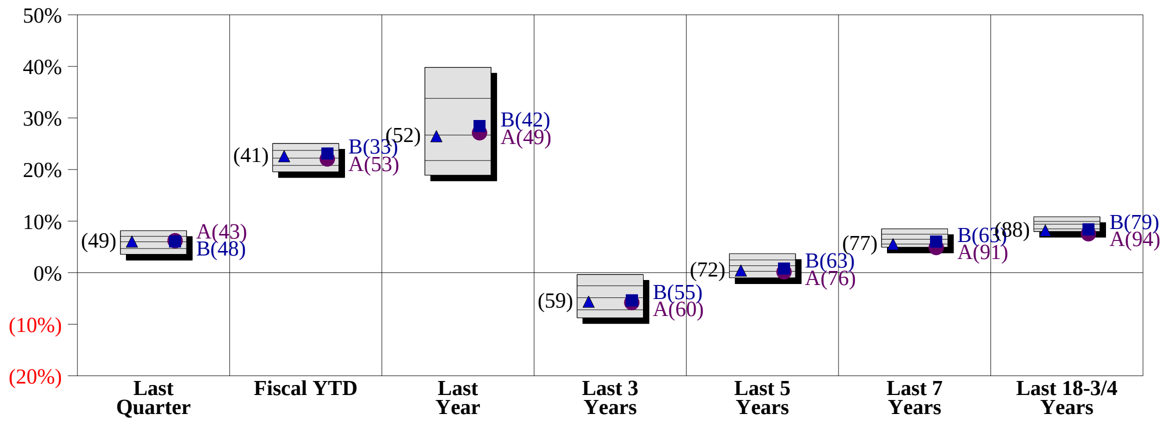
- Large Cap Pool's portfolio posted a 6.19% return for the quarter placing it in the 43 percentile of the CAI Large Capitalization Style group for the quarter and in the 49 percentile for the last year.
- Large Cap Pool's portfolio outperformed the S&P 500 Index by 0.16% for the quarter and outperformed the S&P 500 Index for the year by 0.67%.

Quarterly Asset Growth

Beginning Market Value	$3,574,123,985
Net New Investment	$-300,523,429
Investment Gains/(Losses)	$204,034,256
Ending Market Value	$3,477,634,812

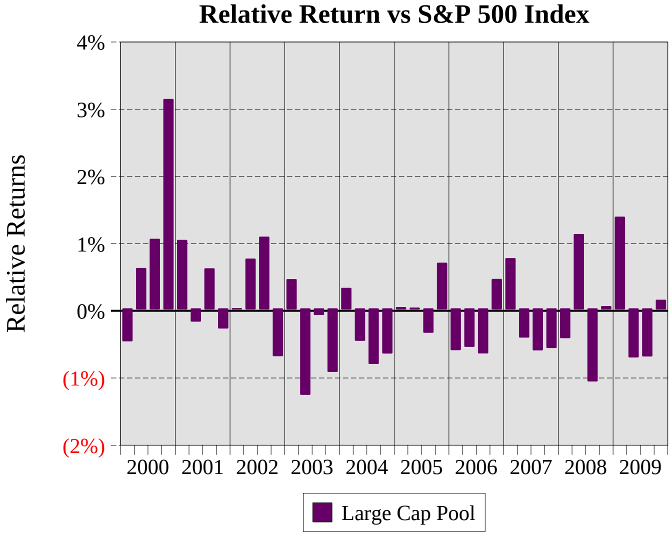
Percent Cash: 0.7%

Performance vs CAI Large Capitalization Style (Gross)

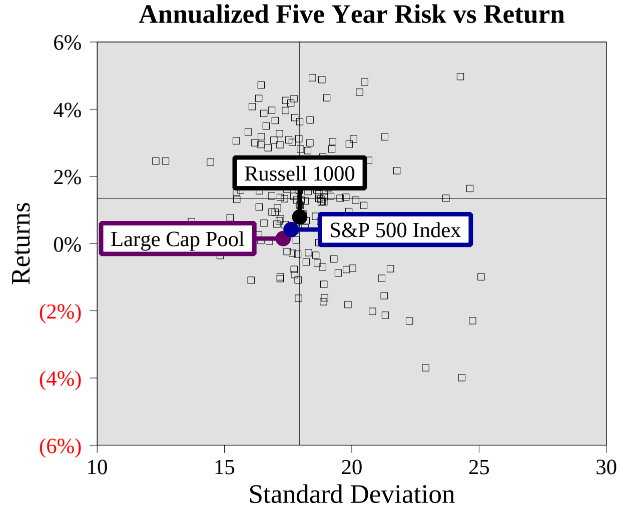


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 18-3/4 Years
10th Percentile	8.14	25.06	39.81	(0.36)	3.67	8.50	10.84
25th Percentile	7.05	23.72	33.80	(2.54)	2.46	7.46	9.94
Median	5.99	22.21	26.69	(4.86)	1.35	6.48	9.40
75th Percentile	4.68	20.80	21.75	(7.21)	0.27	5.55	8.49
90th Percentile	3.56	19.56	18.90	(8.76)	(0.99)	4.94	7.98
Large Cap Pool ● A	6.19	22.06	27.13	(5.80)	0.15	4.88	7.55
Russell 1000 ■ B	6.07	23.11	28.43	(5.36)	0.79	6.02	8.41
S&P 500 Index ▲	6.04	22.59	26.47	(5.63)	0.42	5.52	8.18

Relative Return vs S&P 500 Index



CAI Large Capitalization Style (Gross)
Annualized Five Year Risk vs Return

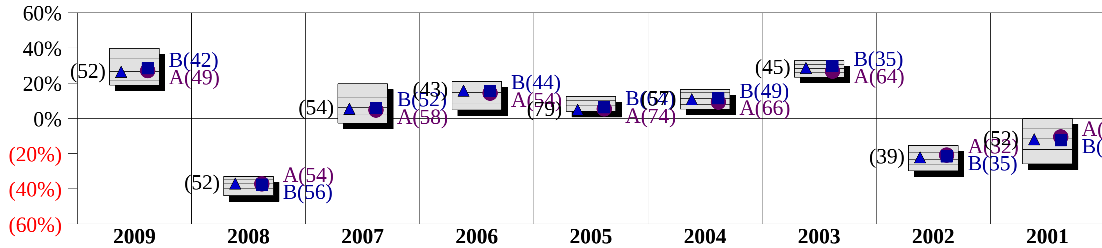


LARGE CAP POOL
RETURN ANALYSIS SUMMARY

Return Analysis

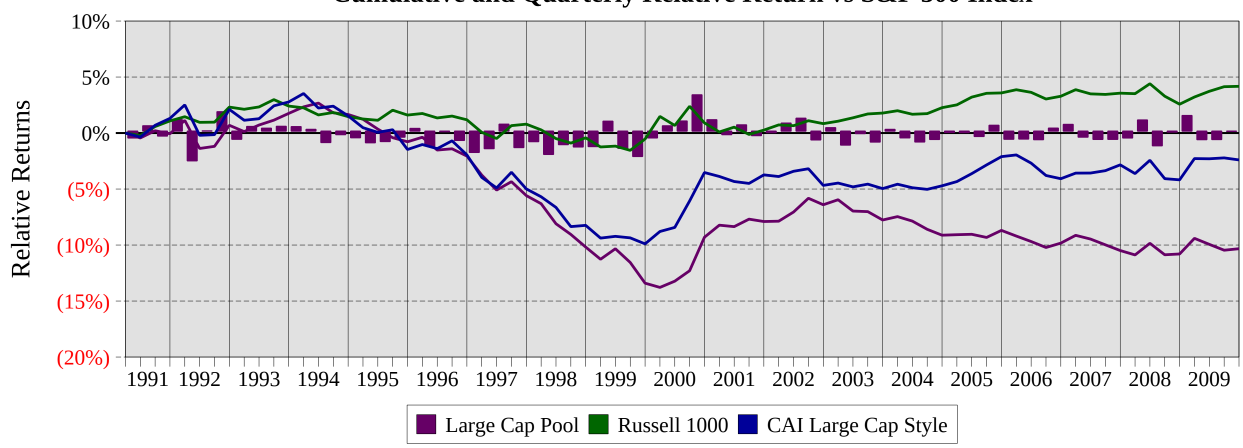
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Capitalization Style (Gross)

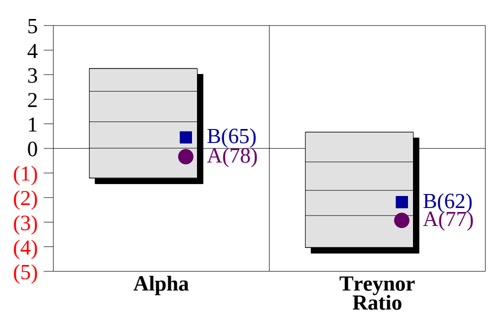


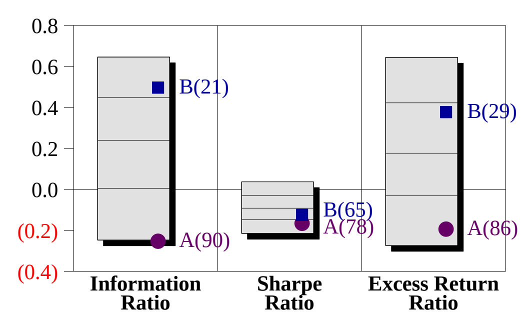
	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	39.81	(33.01)	19.68	21.00	12.52	16.37	32.79	(15.36)	(0.05)
25th Percentile	33.80	(34.90)	12.10	17.83	10.05	14.60	30.54	(19.54)	(5.53)
Median	26.69	(36.83)	6.26	14.75	7.51	11.37	28.30	(23.48)	(11.23)
75th Percentile	21.75	(39.99)	1.94	8.18	5.33	7.82	25.96	(26.41)	(17.66)
90th Percentile	18.90	(43.92)	(2.70)	4.80	4.01	5.30	23.41	(29.81)	(25.87)
Large Cap Pool ● A	27.13	(37.22)	4.72	14.35	5.41	9.25	26.81	(20.83)	(10.52)
Russell 1000 ■ B	28.43	(37.60)	5.77	15.46	6.27	11.40	29.89	(21.65)	(12.45)
S&P 500 Index ▲	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68	(22.10)	(11.89)

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Capitalization Style (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	3.25	0.66
25th Percentile	2.32	(0.55)
Median	1.08	(1.71)
75th Percentile	0.01	(2.73)
90th Percentile	(1.21)	(4.03)
Large Cap Pool ● A	(0.34)	(2.93)
Russell 1000 ■ B	0.45	(2.19)

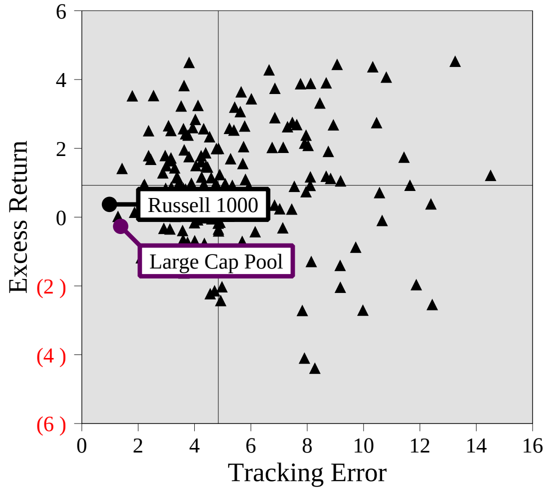
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.65	0.04	0.64
25th Percentile	0.45	(0.03)	0.42
Median	0.24	(0.09)	0.18
75th Percentile	0.00	(0.15)	(0.03)
90th Percentile	(0.25)	(0.22)	(0.27)
Large Cap Pool ● A	(0.25)	(0.17)	(0.19)
Russell 1000 ■ B	0.50	(0.12)	0.38

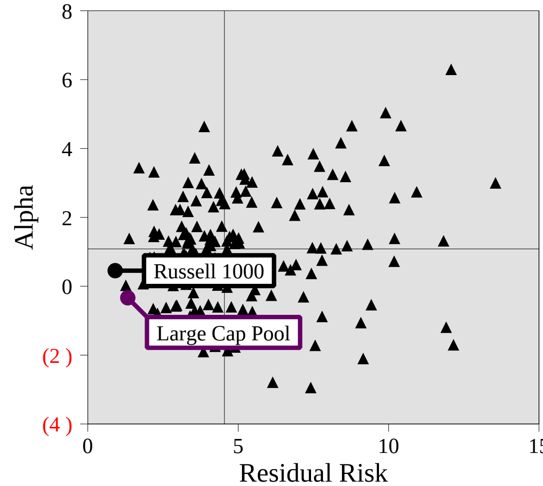
LARGE CAP POOL
RISK ANALYSIS SUMMARY

Risk Analysis

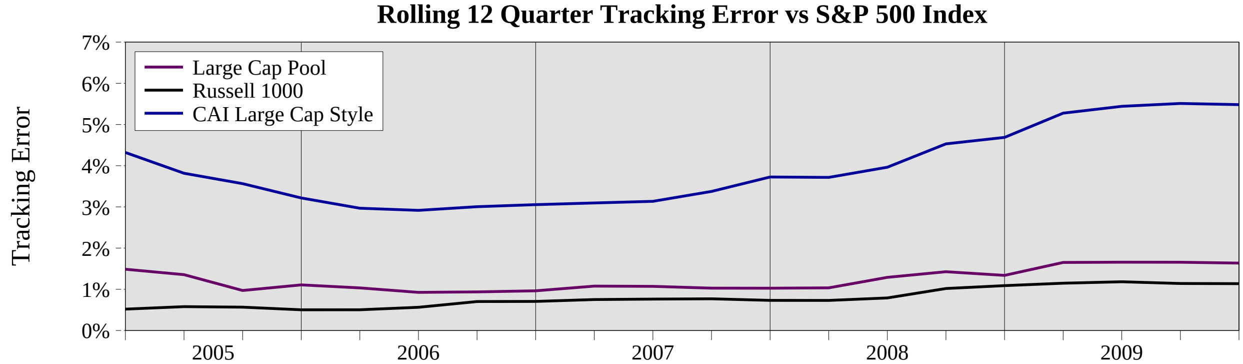
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs CAI Large Capitalization Style (Gross)
Five Years Ended December 31, 2009

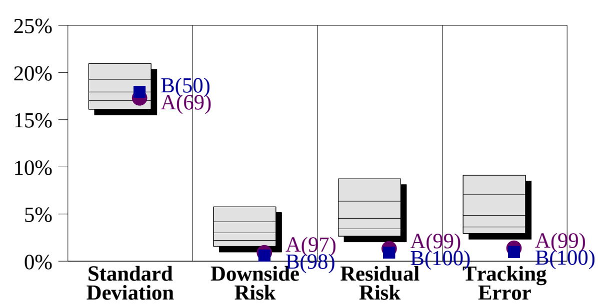


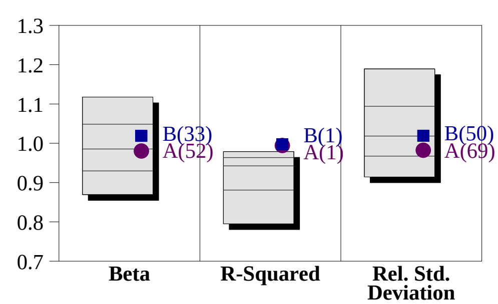


Rolling 12 Quarter Tracking Error vs S&P 500 Index



Risk Statistics Rankings vs S&P 500 Index
Rankings Against CAI Large Capitalization Style (Gross)
Five Years Ended December 31, 2009





	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	20.95	5.77	8.73	9.12
25th Percentile	19.27	4.18	6.36	7.05
Median	17.94	3.00	4.54	4.84
75th Percentile	17.04	2.21	3.43	3.62
90th Percentile	16.11	1.58	2.65	2.93
Large Cap Pool ● A	17.30	0.90	1.33	1.38
Russell 1000 ■ B	17.95	0.60	0.91	0.98

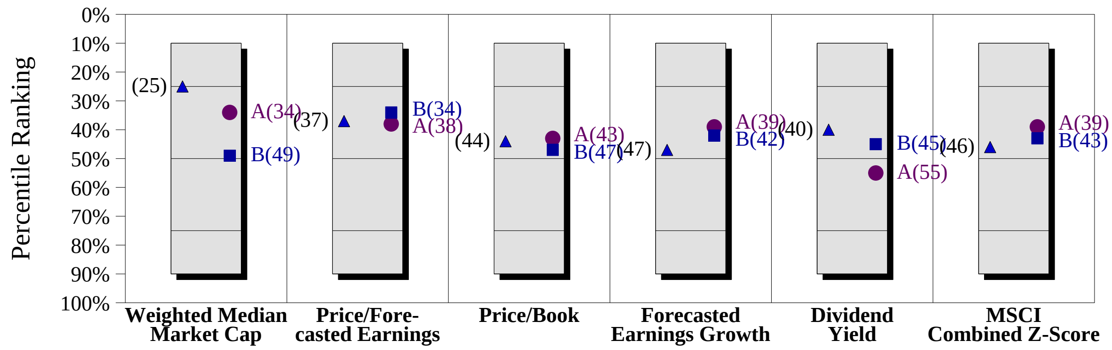
	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.12	0.98	1.19
25th Percentile	1.05	0.96	1.09
Median	0.99	0.94	1.02
75th Percentile	0.93	0.88	0.97
90th Percentile	0.87	0.80	0.91
Large Cap Pool ● A	0.98	0.99	0.98
Russell 1000 ■ B	1.02	1.00	1.02

LARGE CAP POOL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Capitalization Style
as of December 31, 2009

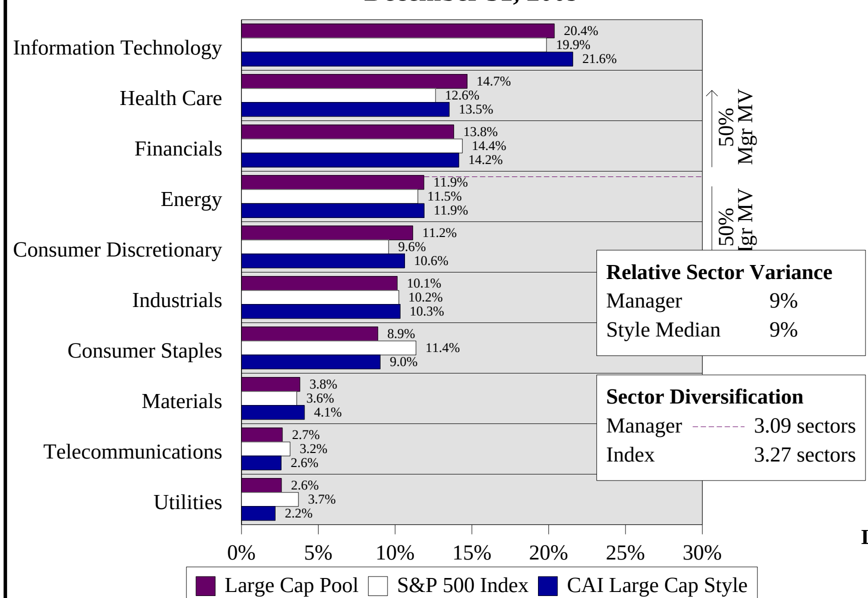


	Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	53.17	17.08	3.40	14.29	2.49	1.01
25th Percentile	40.45	15.58	2.89	12.74	2.12	0.66
Median	33.37	13.78	2.11	9.51	1.84	(0.15)
75th Percentile	27.02	13.04	1.70	7.91	1.24	(0.58)
90th Percentile	20.26	12.29	1.53	7.07	0.91	(0.78)
Large Cap Pool ● A	36.40	14.45	2.20	10.31	1.77	0.04
Russell 1000 ■ B	33.64	14.77	2.16	9.95	1.88	(0.06)
S&P 500 Index ▲	40.49	14.54	2.19	9.71	1.94	(0.09)

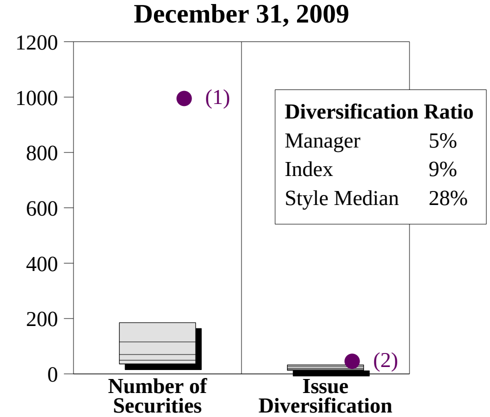
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



	Number of Securities	Issue Diversification
10th Percentile	185	32
25th Percentile	116	27
Median	70	20
75th Percentile	50	16
90th Percentile	36	13
Large Cap Pool ●	995	46
S&P 500 Index ▲	500	47

BARROW, HANLEY
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Barrow Hanley uses a bottom-up stock selection process to identify securities having low price multiples and dividend yield greater than the market with prospects for above average profitability.

Quarterly Summary and Highlights

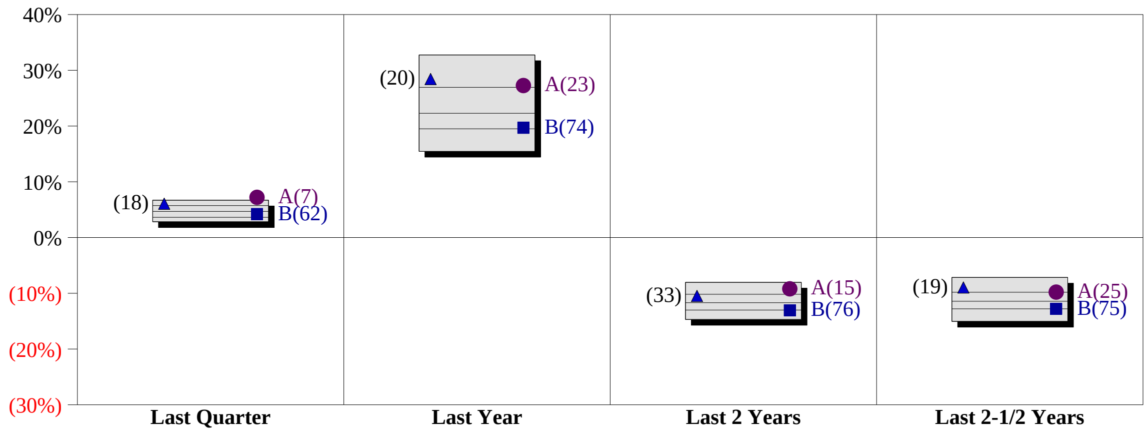
- Barrow, Hanley's portfolio posted a 7.21% return for the quarter placing it in the 7 percentile of the CAI Large Cap Value Style group for the quarter and in the 23 percentile for the last year.
- Barrow, Hanley's portfolio outperformed the Russell 1000 Index by 1.14% for the quarter and underperformed the Russell 1000 Index for the year by 1.17%.

Quarterly Asset Growth

Beginning Market Value	$107,780,153
Net New Investment	$0
Investment Gains/(Losses)	$7,773,078
Ending Market Value	$115,553,230

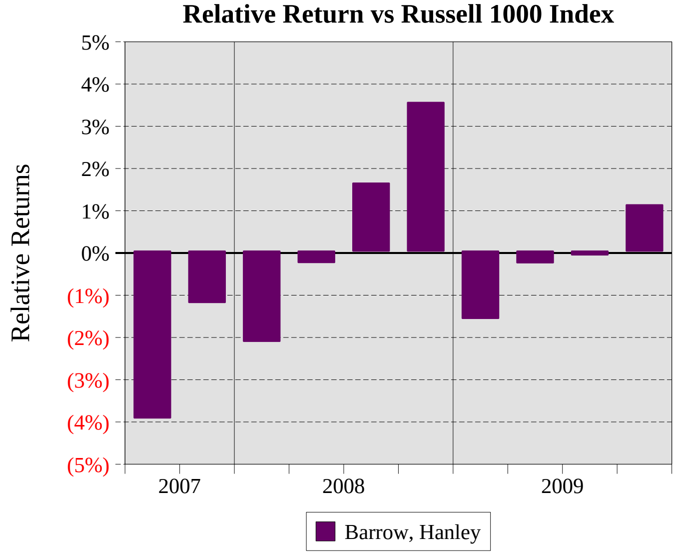
Percent Cash: 2.0%

Performance vs CAI Large Cap Value Style (Gross)

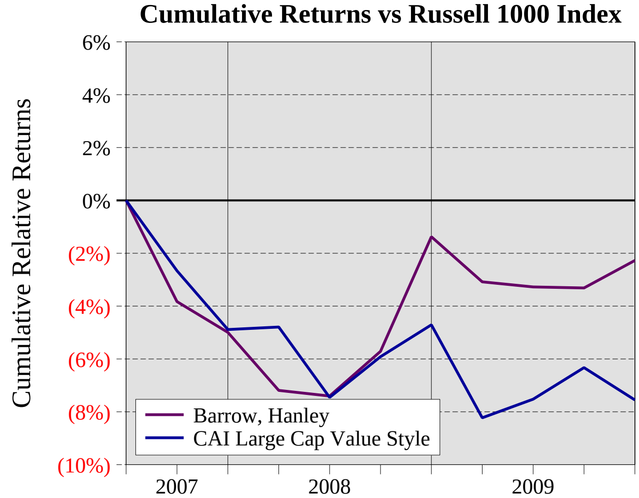


	Last Quarter	Last Year	Last 2 Years	Last 2-1/2 Years
10th Percentile	6.70	32.76	(8.04)	(7.16)
25th Percentile	5.73	26.94	(10.18)	(9.81)
Median	4.69	22.29	(11.69)	(11.43)
75th Percentile	3.63	19.50	(13.01)	(12.79)
90th Percentile	2.83	15.46	(14.70)	(15.04)
Barrow, Hanley ● A	7.21	27.26	(9.20)	(9.79)
Russell 1000 Value ■ B	4.22	19.69	(13.06)	(12.79)
Russell 1000 Index ▲	6.07	28.43	(10.48)	(8.95)

Relative Return vs Russell 1000 Index



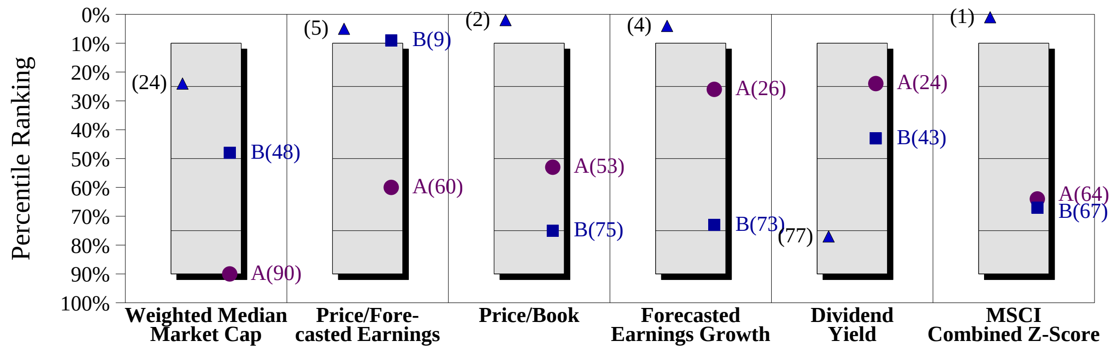
Cumulative Returns vs Russell 1000 Index



Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of December 31, 2009

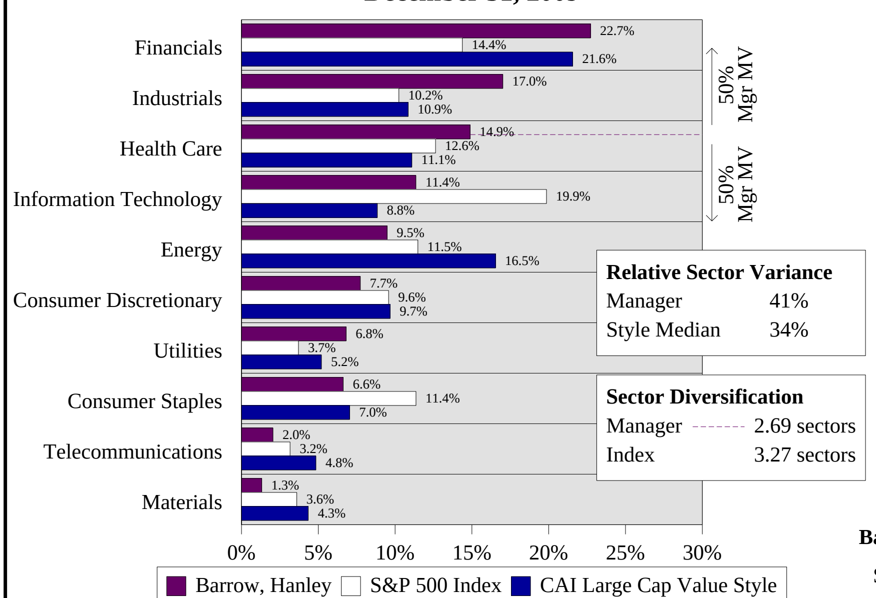


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		48.69	13.90	2.00	9.06	2.70	(0.35)
25th Percentile		39.17	13.57	1.84	8.32	2.47	(0.51)
Median		30.58	13.08	1.66	7.73	2.16	(0.66)
75th Percentile		26.98	12.35	1.54	7.10	1.96	(0.77)
90th Percentile		19.26	11.81	1.45	6.66	1.81	(0.95)
Barrow, Hanley	● A	19.25	12.84	1.65	8.28	2.49	(0.71)
Russell 1000 Value	■ B	31.54	14.04	1.54	7.16	2.24	(0.73)
S&P 500 Index	▲	40.49	14.54	2.19	9.71	1.94	(0.09)

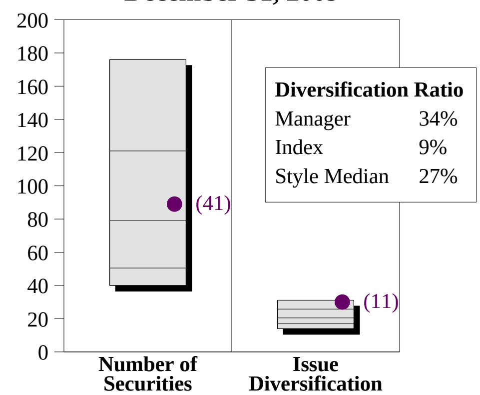
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



		Number of Securities	Issue Diversification
10th Percentile		176	31
25th Percentile		121	26
Median		79	20
75th Percentile		51	17
90th Percentile		40	14
Barrow, Hanley	●	89	30
S&P 500 Index	▲	500	47

CAPITAL GUARDIAN TRUST COMPANY
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Captial Guardian looks to understand businesses and the environments in which they operate in an attempt to identify the difference between the underlying value of a company and the market price of its securities.

Quarterly Summary and Highlights

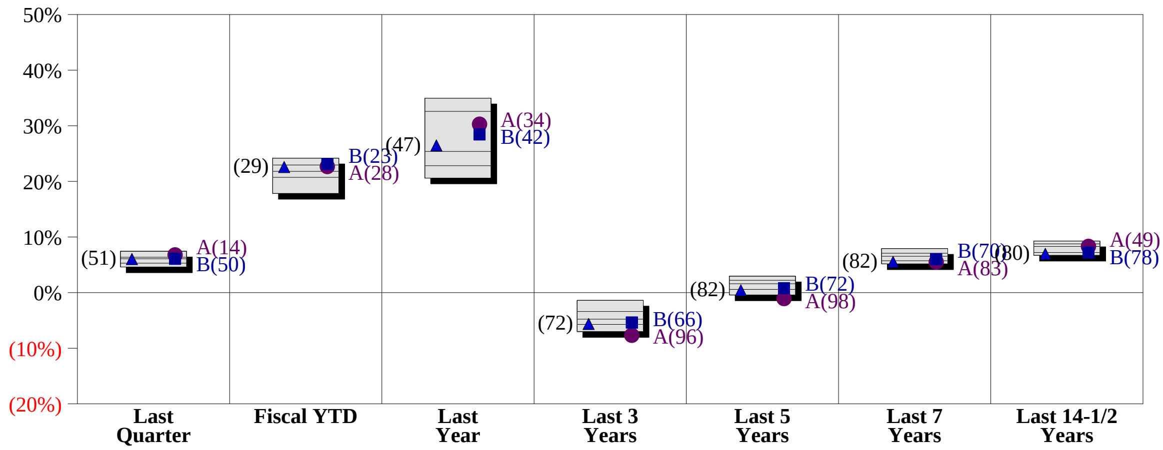
- Capital Guardian's portfolio posted a 6.79% return for the quarter placing it in the 14 percentile of the CAI Large Cap Core Style group for the quarter and in the 34 percentile for the last year.
- Capital Guardian's portfolio outperformed the S&P 500 Index by 0.75% for the quarter and outperformed the S&P 500 Index for the year by 3.82%.

Quarterly Asset Growth

Beginning Market Value	$223,587,722
Net New Investment	$0
Investment Gains/(Losses)	$15,178,347
Ending Market Value	$238,766,069

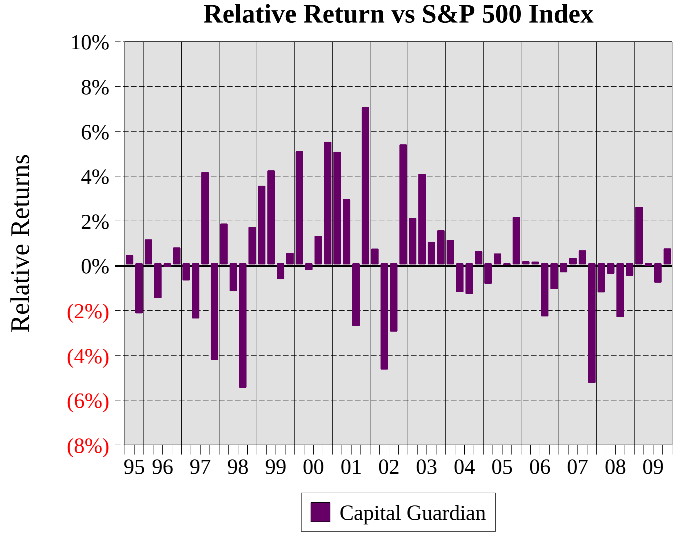
Percent Cash: 1.2%

Performance vs CAI Large Cap Core Style (Gross)

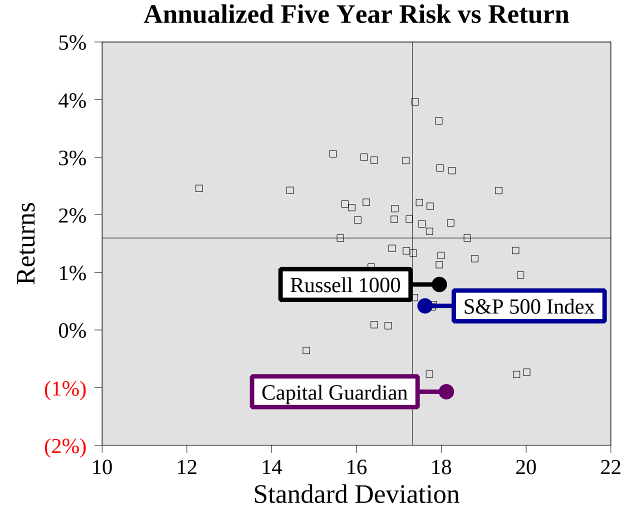


		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 14-1/2 Years
10th Percentile		7.44	24.18	34.96	(1.39)	2.96	7.92	9.27
25th Percentile		6.36	22.95	32.58	(3.39)	2.22	7.08	8.77
Median		6.09	21.80	25.38	(4.78)	1.60	6.53	8.29
75th Percentile		5.29	20.72	22.82	(5.72)	0.58	5.73	7.21
90th Percentile		4.61	17.83	20.59	(7.02)	(0.43)	5.17	6.69
Capital Guardian	● A	6.79	22.67	30.28	(7.67)	(1.07)	5.50	8.31
Russell 1000	■ B	6.07	23.11	28.43	(5.36)	0.79	6.02	7.18
S&P 500 Index	▲	6.04	22.59	26.47	(5.63)	0.42	5.52	6.97

Relative Return vs S&P 500 Index



CAI Large Cap Core Style (Gross)
Annualized Five Year Risk vs Return

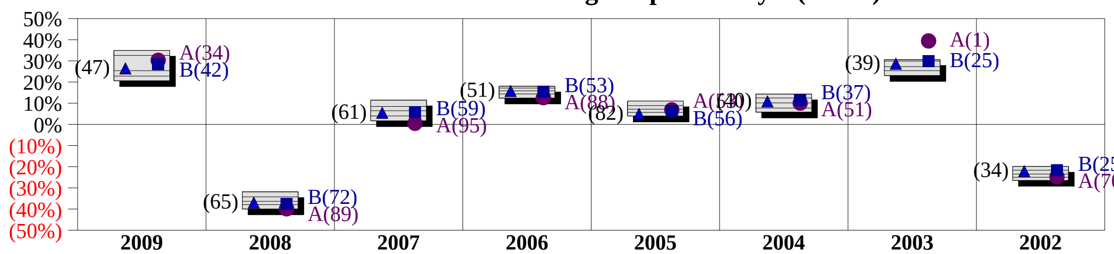


CAPITAL GUARDIAN TRUST COMPANY
RETURN ANALYSIS SUMMARY

Return Analysis

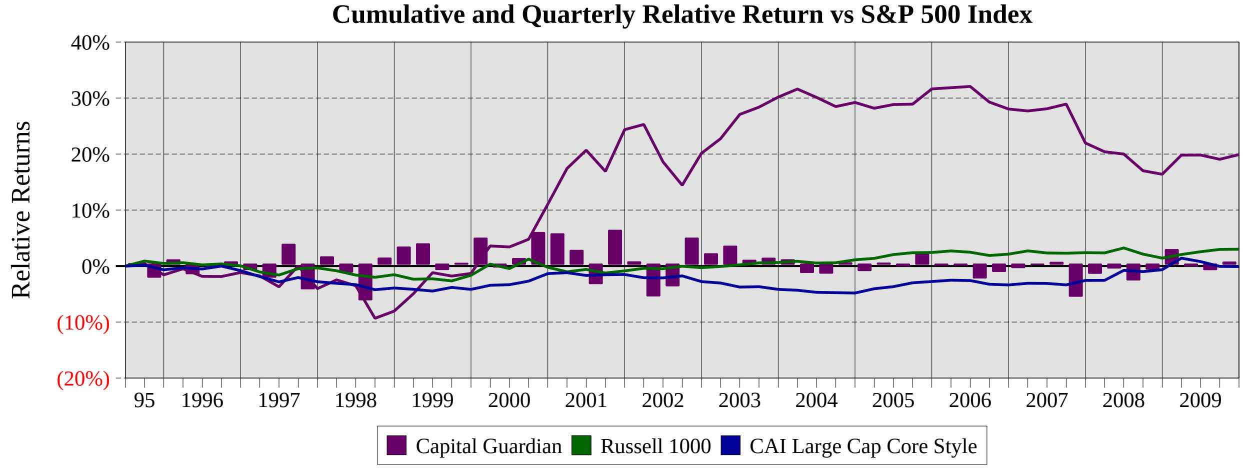
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Core Style (Gross)

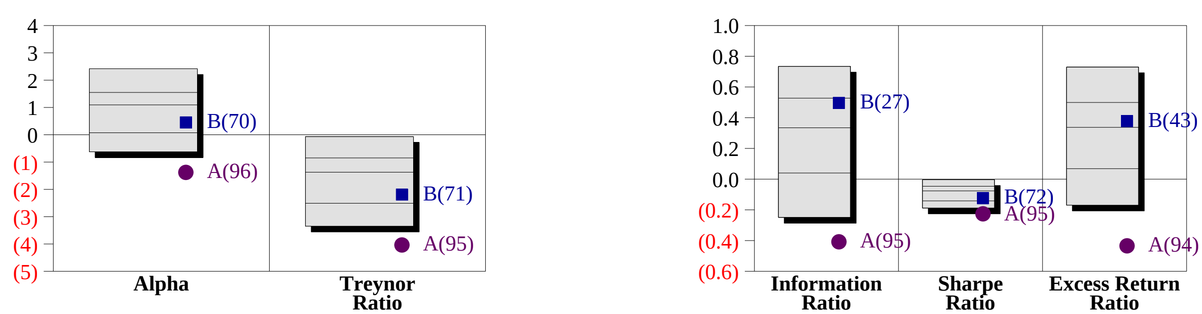


		2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile		34.96	(31.85)	11.46	18.03	11.04	14.33	30.56	(19.89)
25th Percentile		32.58	(34.26)	8.48	17.16	8.87	12.49	29.89	(21.66)
Median		25.38	(36.36)	6.47	15.86	7.17	10.15	27.29	(23.48)
75th Percentile		22.82	(37.90)	3.98	14.39	5.68	7.70	25.39	(25.00)
90th Percentile		20.59	(40.00)	1.67	12.41	3.94	5.78	23.07	(26.51)
Capital Guardian	● A	30.28	(39.88)	0.50	12.63	6.87	10.07	39.44	(24.75)
Russell 1000	■ B	28.43	(37.60)	5.77	15.46	6.27	11.40	29.89	(21.65)
S&P 500 Index	▲	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68	(22.10)

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Core Style (Gross)
Five Years Ended December 31, 2009



		Alpha	Treynor Ratio
10th Percentile		2.42	(0.07)
25th Percentile		1.55	(0.85)
Median		1.09	(1.37)
75th Percentile		0.07	(2.51)
90th Percentile		(0.62)	(3.35)
Capital Guardian	● A	(1.38)	(4.04)
Russell 1000	■ B	0.45	(2.19)

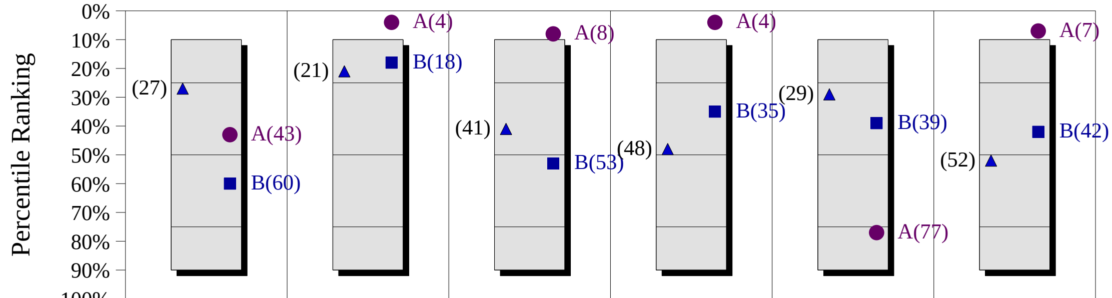
		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.73	(0.00)	0.73
25th Percentile		0.53	(0.05)	0.50
Median		0.33	(0.08)	0.34
75th Percentile		0.04	(0.14)	0.07
90th Percentile		(0.25)	(0.19)	(0.17)
Capital Guardian	● A	(0.41)	(0.23)	(0.43)
Russell 1000	■ B	0.50	(0.12)	0.38

CAPITAL GUARDIAN
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Core Style
as of December 31, 2009

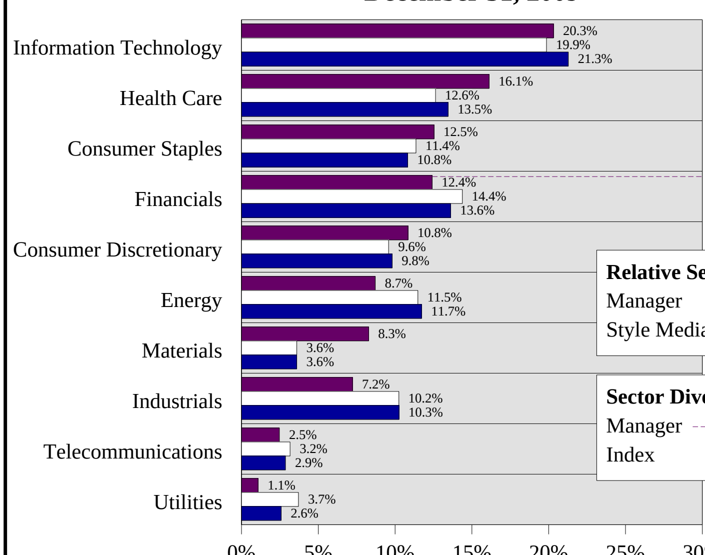


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	62.44	15.50	2.63	11.15	2.13	0.36
25th Percentile	40.72	14.42	2.29	10.38	1.94	0.06
Median	35.08	13.83	2.18	9.67	1.84	(0.08)
75th Percentile	28.37	13.26	2.07	9.23	1.65	(0.17)
90th Percentile	21.10	12.62	1.92	8.86	1.37	(0.28)
Capital Guardian ● A	36.61	15.93	2.70	11.76	1.61	0.41
Russell 1000 ■ B	33.64	14.77	2.16	9.95	1.88	(0.06)
S&P 500 Index ▲	40.49	14.54	2.19	9.71	1.94	(0.09)

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

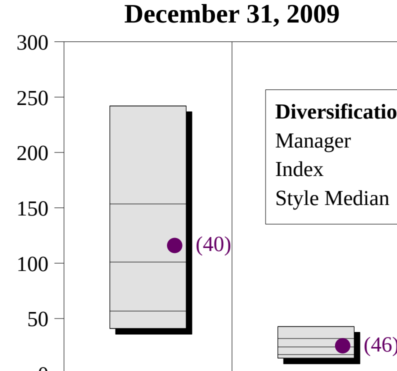
Sector Allocation
December 31, 2009



Relative Sector Variance	
Manager	22%
Style Median	5%

Sector Diversification	
Manager	3.08 sectors
Index	3.27 sectors

Diversification
December 31, 2009



Diversification Ratio	
Manager	22%
Index	9%
Style Median	27%

	Number of Securities	Issue Diversification
10th Percentile	242	43
25th Percentile	154	32
Median	101	24
75th Percentile	57	17
90th Percentile	41	14
Capital Guardian ●	116	25
S&P 500 Index ▲	500	47

LAZARD ASSET MANAGEMENT
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Lazard's investment philosophy is based on the creation of value through bottom-up stock selection which focuses on companies that are financially productive yet inexpensively priced.

Quarterly Summary and Highlights

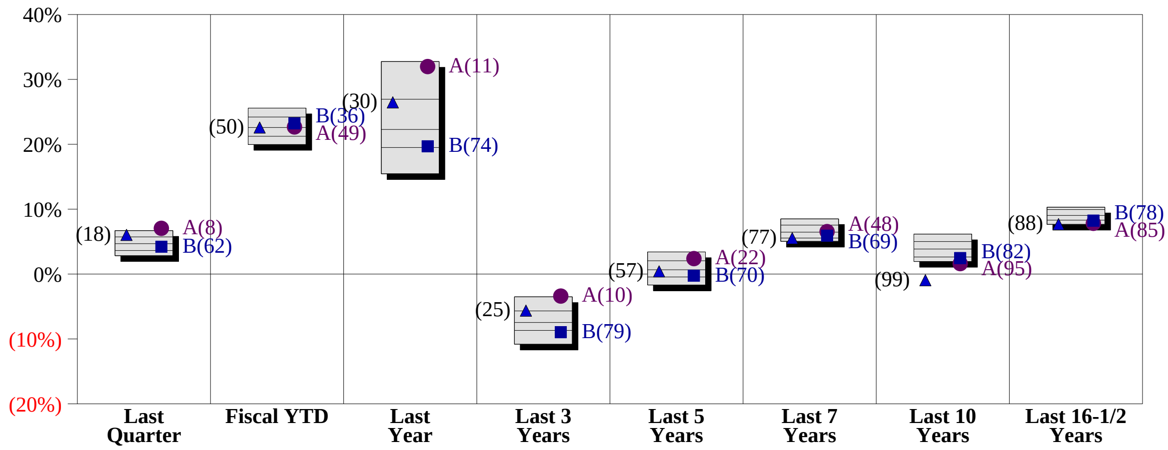
- Lazard Asset Mgmt's portfolio posted a 7.05% return for the quarter placing it in the 8 percentile of the CAI Large Cap Value Style group for the quarter and in the 11 percentile for the last year.
- Lazard Asset Mgmt's portfolio outperformed the S&P 500 Index by 1.02% for the quarter and outperformed the S&P 500 Index for the year by 5.52%.

Quarterly Asset Growth

Beginning Market Value	$254,038,168
Net New Investment	$0
Investment Gains/(Losses)	$17,920,610
Ending Market Value	$271,958,779

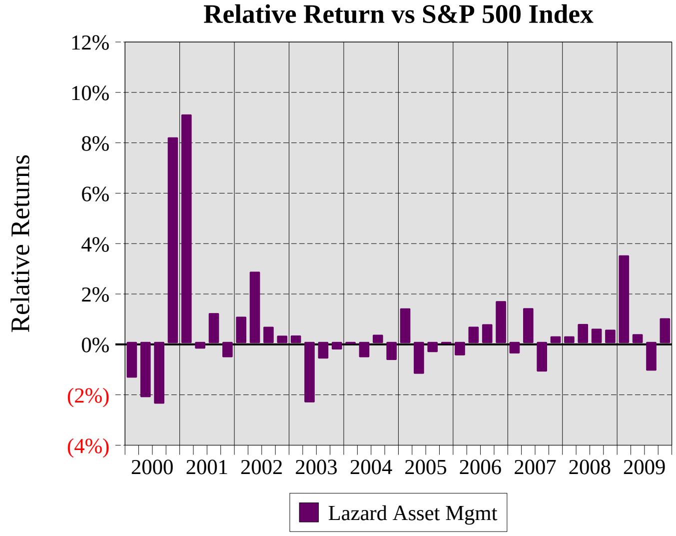
Percent Cash: 1.1%

Performance vs CAI Large Cap Value Style (Gross)

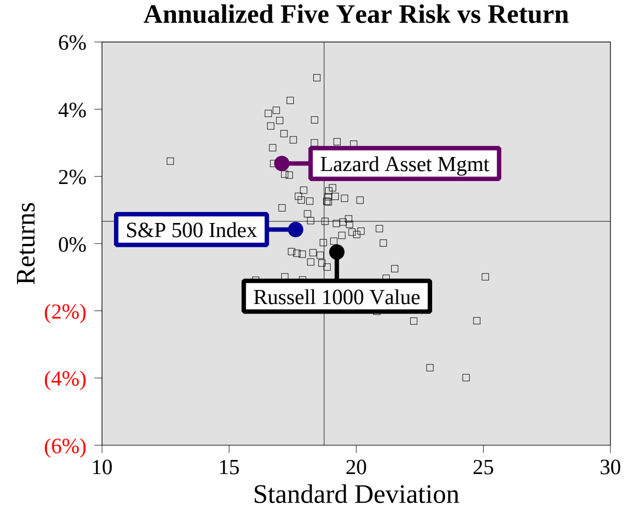


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 16-1/2 Years
10th Percentile	6.70	25.58	32.76	(3.50)	3.41	8.50	6.16	10.31
25th Percentile	5.73	24.21	26.94	(5.68)	2.05	7.55	5.01	9.94
Median	4.69	22.59	22.29	(7.46)	0.66	6.46	3.86	9.04
75th Percentile	3.63	21.23	19.50	(8.68)	(0.45)	5.55	2.63	8.31
90th Percentile	2.83	19.96	15.46	(10.81)	(1.68)	5.04	1.94	7.66
Lazard Asset Mgmt ● A	7.05	22.67	31.98	(3.39)	2.38	6.54	1.61	7.82
Russell 1000 Value ■ B	4.22	23.23	19.69	(8.96)	(0.25)	5.92	2.47	8.25
S&P 500 Index ▲	6.04	22.59	26.47	(5.63)	0.42	5.52	(0.95)	7.69

Relative Return vs S&P 500 Index



CAI Large Cap Value Style (Gross) Annualized Five Year Risk vs Return

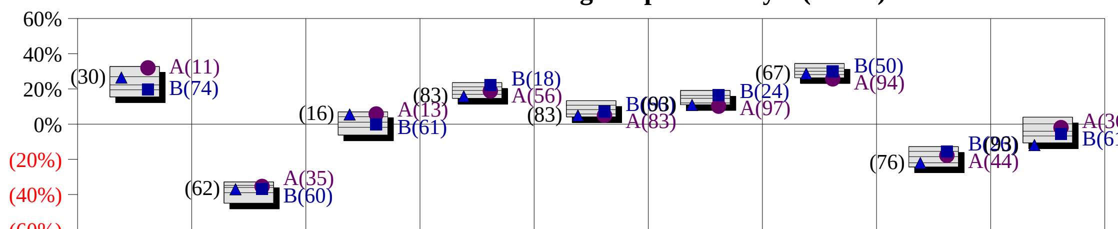


LAZARD ASSET MANAGEMENT
RETURN ANALYSIS SUMMARY

Return Analysis

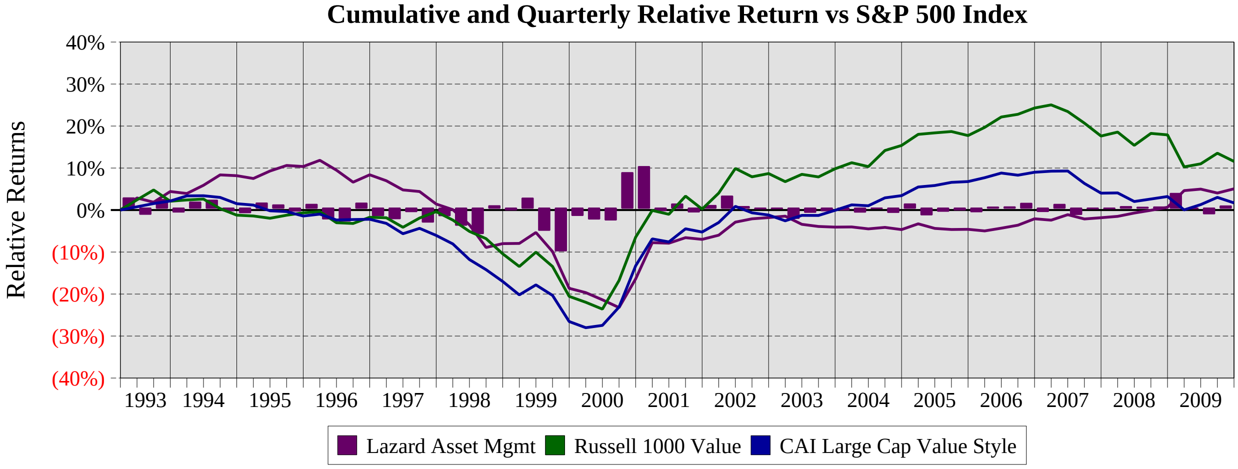
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Value Style (Gross)

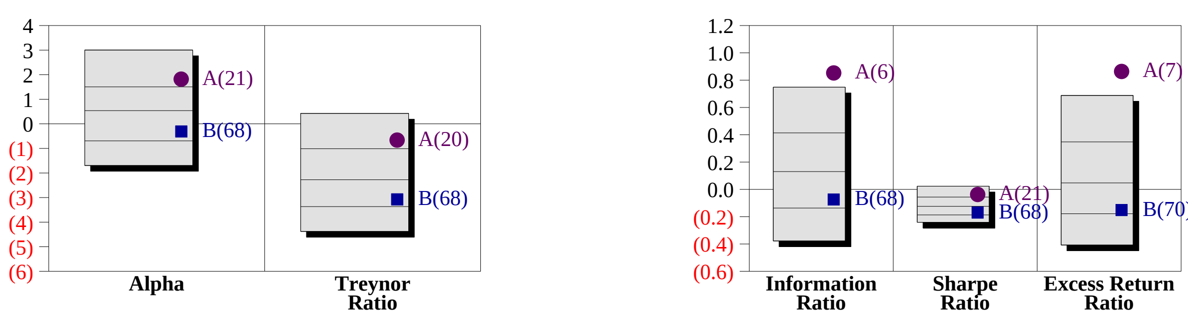


	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	32.76	(32.84)	6.97	23.59	13.33	19.14	34.46	(12.77)	3.97
25th Percentile	26.94	(34.78)	4.19	21.18	10.78	16.30	31.88	(15.47)	0.16
Median	22.29	(35.97)	1.12	19.13	8.24	14.68	30.06	(18.49)	(4.02)
75th Percentile	19.50	(38.95)	(1.81)	16.95	5.76	12.05	28.18	(21.96)	(6.73)
90th Percentile	15.46	(44.92)	(6.22)	14.63	4.10	11.03	26.33	(24.35)	(10.65)
Lazard Asset Mgmt ● A	31.98	(35.40)	5.77	18.84	4.98	10.20	25.71	(17.75)	(1.97)
Russell 1000 Value ■ B	19.69	(36.85)	(0.17)	22.25	7.05	16.49	30.03	(15.52)	(5.59)
S&P 500 Index ▲	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68	(22.10)	(11.89)

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Value Style (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	3.00	0.42
25th Percentile	1.50	(1.01)
Median	0.54	(2.27)
75th Percentile	(0.69)	(3.37)
90th Percentile	(1.70)	(4.38)
Lazard Asset Mgmt ● A	1.82	(0.66)
Russell 1000 Value ■ B	(0.31)	(3.07)

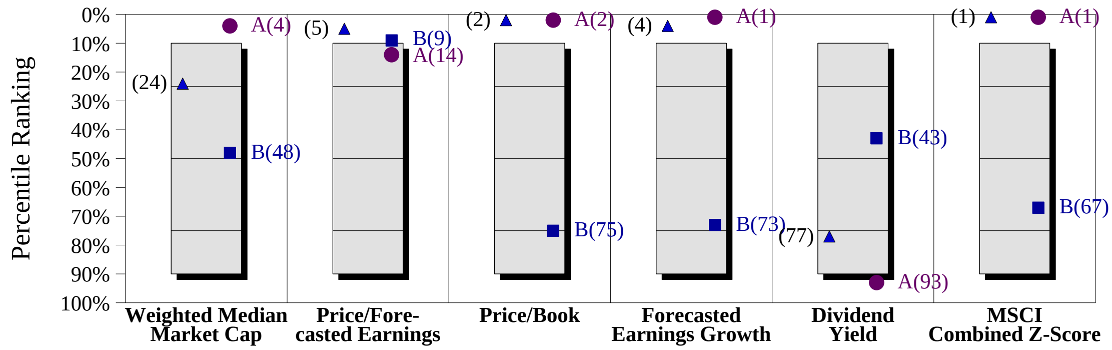
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.75	0.02	0.69
25th Percentile	0.41	(0.06)	0.35
Median	0.13	(0.12)	0.05
75th Percentile	(0.14)	(0.19)	(0.18)
90th Percentile	(0.38)	(0.24)	(0.41)
Lazard Asset Mgmt ● A	0.85	(0.04)	0.86
Russell 1000 Value ■ B	(0.07)	(0.17)	(0.15)

LAZARD ASSET MGMT.
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of December 31, 2009

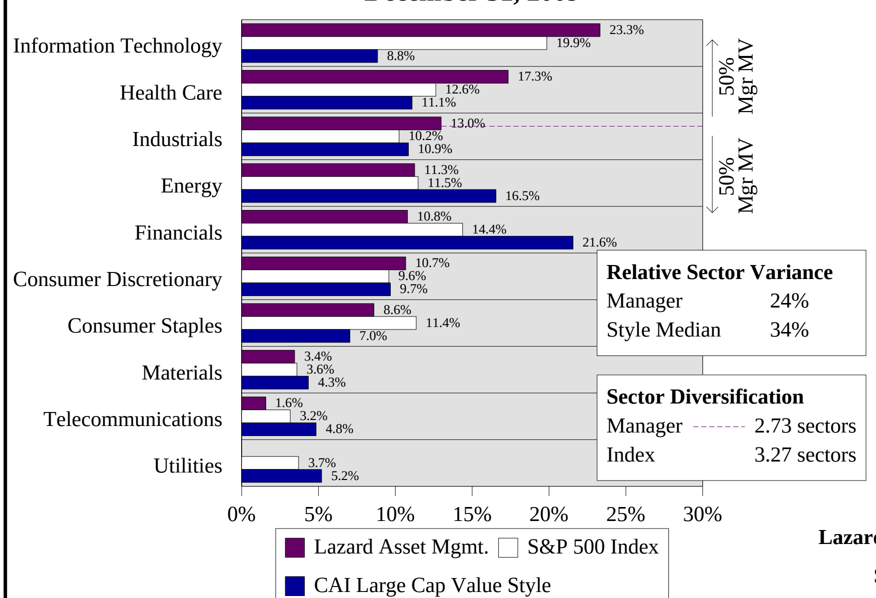


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		48.69	13.90	2.00	9.06	2.70	(0.35)
25th Percentile		39.17	13.57	1.84	8.32	2.47	(0.51)
Median		30.58	13.08	1.66	7.73	2.16	(0.66)
75th Percentile		26.98	12.35	1.54	7.10	1.96	(0.77)
90th Percentile		19.26	11.81	1.45	6.66	1.81	(0.95)
Lazard Asset Mgmt.	● A	60.00	13.79	2.32	10.10	1.72	0.03
Russell 1000 Value	■ B	31.54	14.04	1.54	7.16	2.24	(0.73)
S&P 500 Index	▲	40.49	14.54	2.19	9.71	1.94	(0.09)

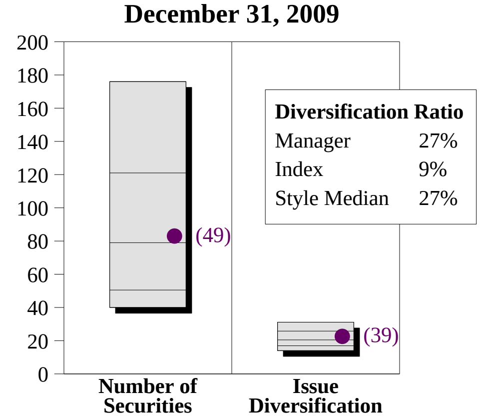
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



		Number of Securities	Issue Diversification
10th Percentile		176	31
25th Percentile		121	26
Median		79	20
75th Percentile		51	17
90th Percentile		40	14
Lazard Asset Mgmt.	●	83	23
S&P 500 Index	▲	500	47

MCKINLEY CAPITAL MANAGEMENT, INC.
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

McKinley Capital's investment philospohy is based on the belief that excess market returns can be achieved through the construction and active management of a diversified, fundamentally sound portfolio of inefficiently priced common stocks whose earnings growth rates are accelerating above market expectations.

Quarterly Summary and Highlights

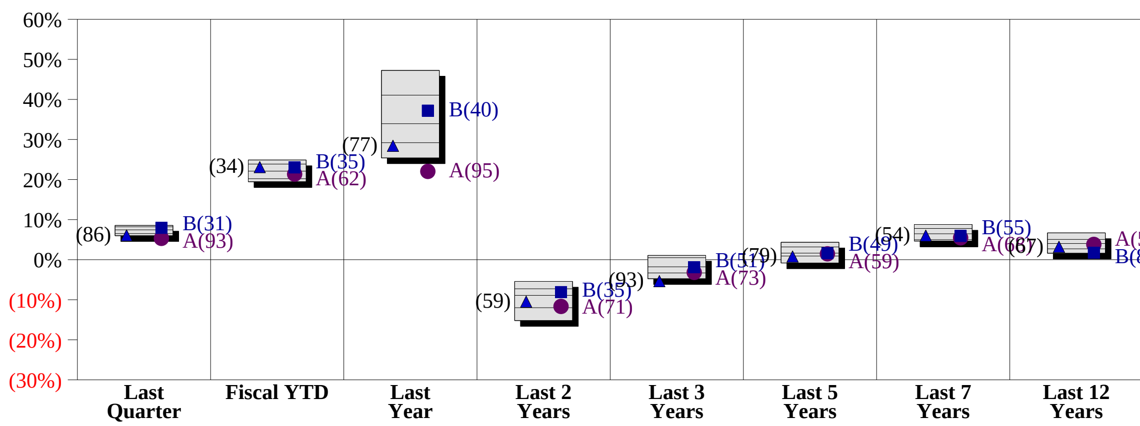
- McKinley Capital's portfolio posted a 5.32% return for the quarter placing it in the 93 percentile of the CAI Large Cap Growth Style group for the quarter and in the 95 percentile for the last year.
- McKinley Capital's portfolio underperformed the Russell 1000 Index by 0.75% for the quarter and underperformed the Russell 1000 Index for the year by 6.40%.

Quarterly Asset Growth

Beginning Market Value	$313,810,422
Net New Investment	$0
Investment Gains/(Losses)	$16,697,535
Ending Market Value	$330,507,957

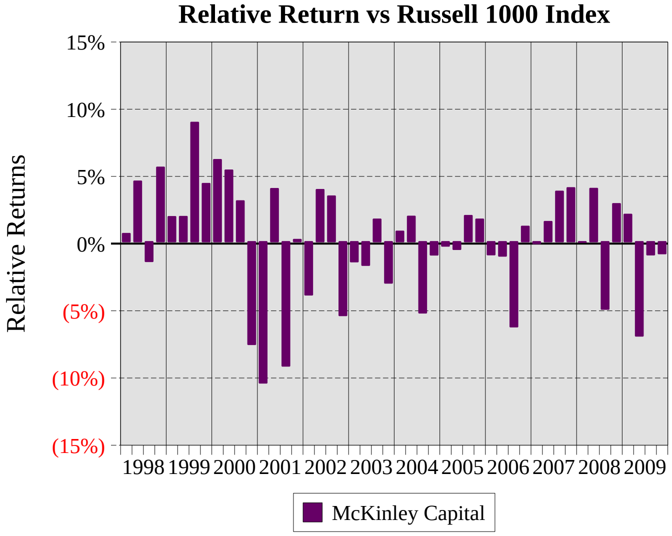
Percent Cash: 1.6%

Performance vs CAI Large Cap Growth Style (Gross)

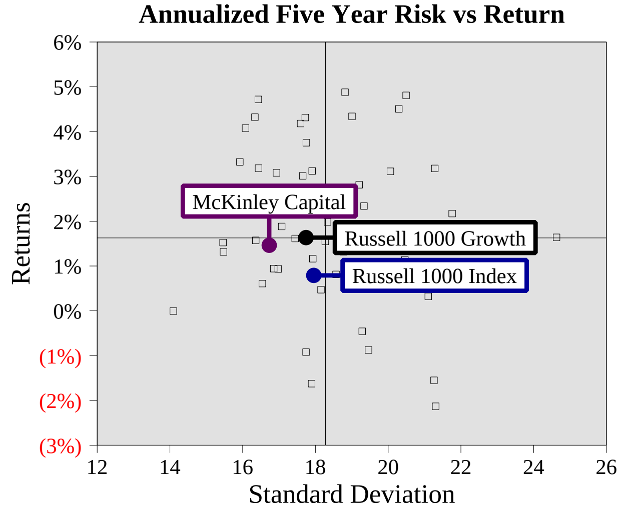


		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 12 Years
10th Percentile		8.56	24.89	47.25	(5.42)	1.07	4.34	8.78	6.69
25th Percentile		8.22	23.87	41.07	(7.27)	0.51	3.18	7.79	5.06
Median		7.45	22.10	33.95	(8.91)	(1.78)	1.63	6.47	4.04
75th Percentile		6.51	20.21	29.20	(11.99)	(3.32)	0.90	4.99	2.70
90th Percentile		5.98	19.46	25.40	(15.20)	(4.76)	(0.83)	4.64	1.60
McKinley Capital	● A	5.32	21.36	22.03	(11.67)	(3.19)	1.46	5.46	3.81
Russell 1000 Growth	■ B	7.94	23.03	37.21	(8.09)	(1.89)	1.63	5.92	1.74
Russell 1000 Index	▲	6.07	23.11	28.43	(10.48)	(5.36)	0.79	6.02	3.22

Relative Return vs Russell 1000 Index



CAI Large Cap Growth Style (Gross) Annualized Five Year Risk vs Return

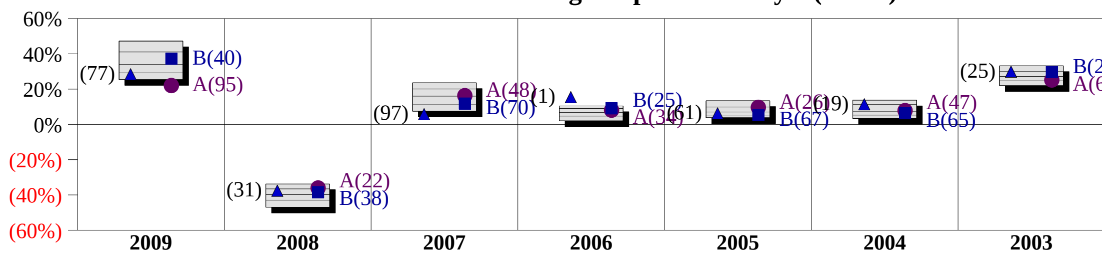


MCKINLEY CAPITAL
RETURN ANALYSIS SUMMARY

Return Analysis

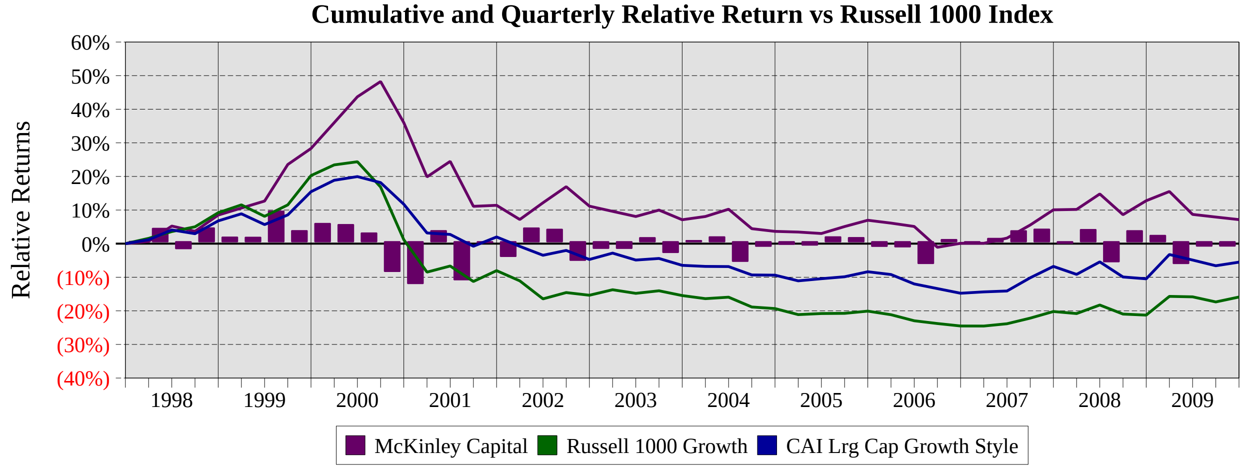
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Growth Style (Gross)

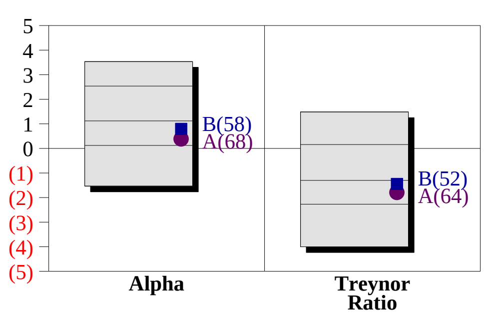


	2009	2008	2007	2006	2005	2004	2003
10th Percentile	47.25	(33.82)	23.58	10.45	13.37	13.76	33.21
25th Percentile	41.07	(36.58)	20.07	9.05	9.86	11.21	29.92
Median	33.95	(39.78)	16.01	6.70	7.02	7.18	27.19
75th Percentile	29.20	(42.96)	11.13	4.71	4.79	5.28	24.68
90th Percentile	25.40	(46.98)	7.46	2.00	3.77	3.31	21.95
McKinley Capital ● A	22.03	(36.06)	16.30	8.06	9.66	7.80	25.16
Russell 1000 Growth ■ B	37.21	(38.44)	11.81	9.07	5.26	6.30	29.75
Russell 1000 Index ▲	28.43	(37.60)	5.77	15.46	6.27	11.40	29.89

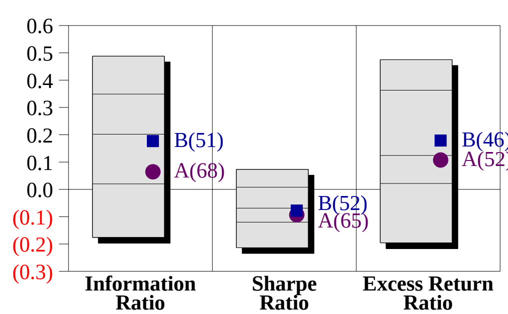
Cumulative and Quarterly Relative Return vs Russell 1000 Index



Risk Adjusted Return Measures vs Russell 1000 Index
Rankings Against CAI Large Cap Growth Style (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	3.53	1.49
25th Percentile	2.54	0.16
Median	1.12	(1.30)
75th Percentile	0.12	(2.27)
90th Percentile	(1.53)	(4.00)
McKinley Capital ● A	0.39	(1.79)
Russell 1000 Growth ■ B	0.80	(1.44)



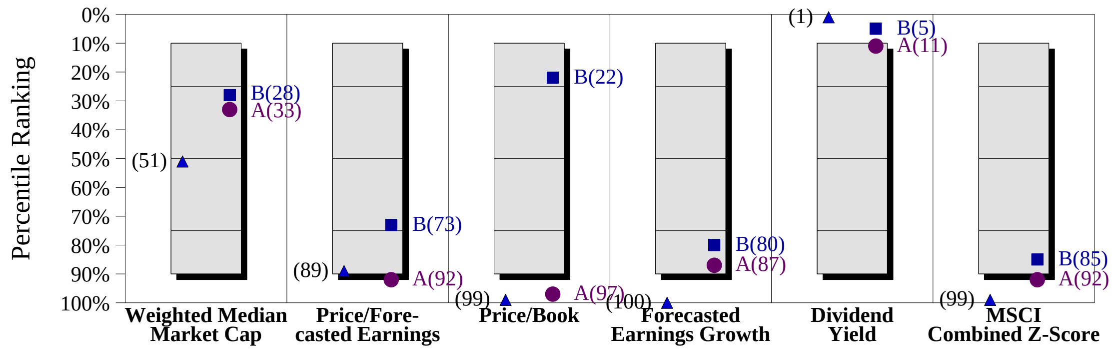
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.49	0.07	0.47
25th Percentile	0.35	0.01	0.36
Median	0.20	(0.07)	0.12
75th Percentile	0.02	(0.12)	0.02
90th Percentile	(0.18)	(0.21)	(0.20)
McKinley Capital ● A	0.06	(0.09)	0.11
Russell 1000 Growth ■ B	0.18	(0.08)	0.18

MCKINLEY CAPITAL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Growth Style
as of December 31, 2009

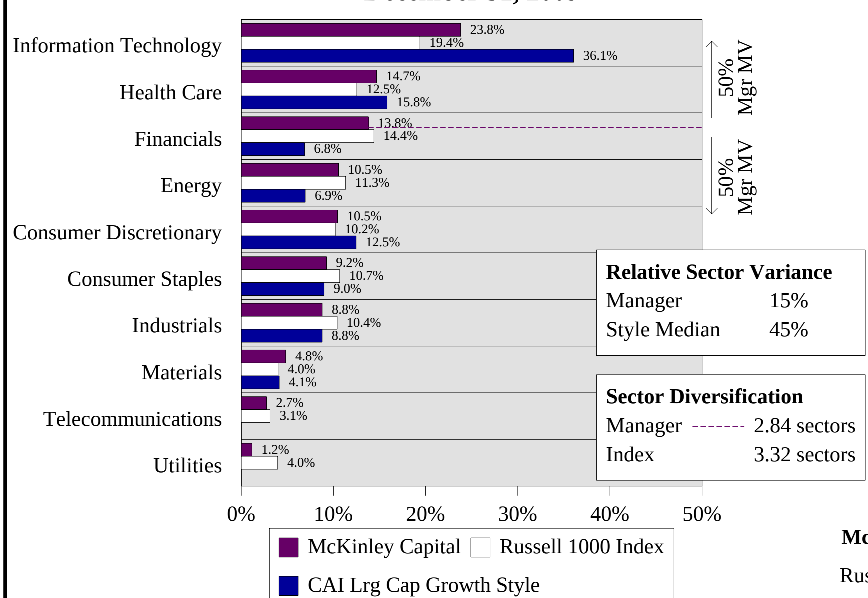


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		59.18	18.72	3.85	17.14	1.43	1.32
25th Percentile		43.28	17.36	3.52	14.93	1.24	1.05
Median		34.29	16.20	3.22	13.59	1.04	0.84
75th Percentile		27.67	15.50	2.88	12.77	0.83	0.67
90th Percentile		21.65	14.67	2.65	11.56	0.55	0.54
McKinley Capital	● A	37.54	14.44	2.28	11.87	1.42	0.44
Russell 1000 Growth	■ B	39.20	15.56	3.56	12.65	1.53	0.59
Russell 1000 Index	▲	33.64	14.77	2.16	9.95	1.88	(0.06)

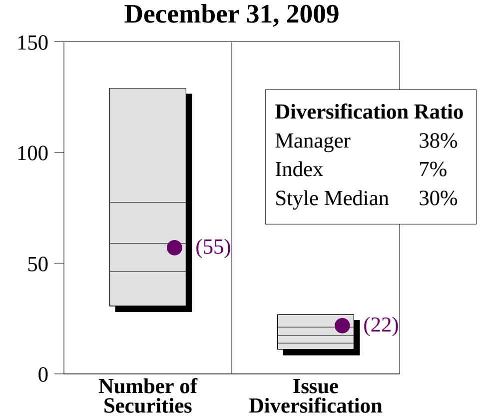
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



		Number of Securities	Issue Diversification
10th Percentile		129	27
25th Percentile		78	21
Median		59	17
75th Percentile		46	14
90th Percentile		31	11
McKinley Capital	●	57	22
Russell 1000 Index	▲	965	64

QUANTITATIVE MGMT ASSOC
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Quantitative Management believes that cognitive biases cause investors to occasionally misprice stocks. By investing in well diversified portfolios using quantitative stock selection, risk control and low cost trading techniques, the firm seeks to exploit these mispricings and outperform the selected index over a full market cycle.

Quarterly Summary and Highlights

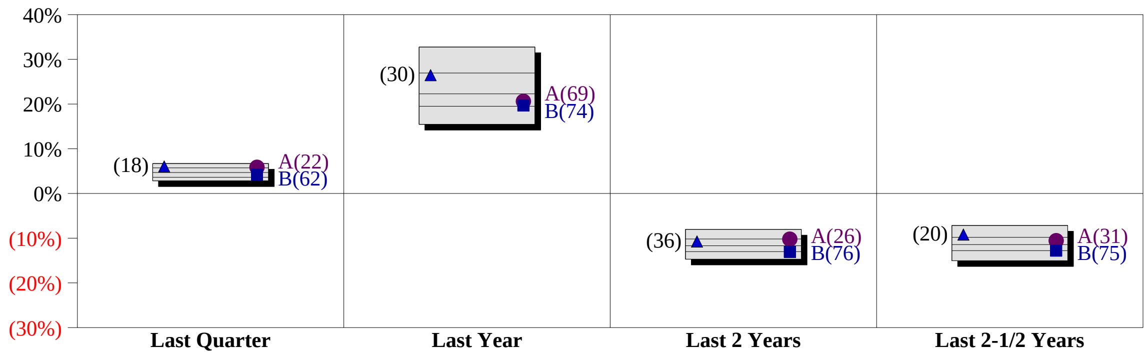
- Quantitative Mgmt Assoc's portfolio posted a 5.86% return for the quarter placing it in the 22 percentile of the CAI Large Cap Value Style group for the quarter and in the 69 percentile for the last year.
- Quantitative Mgmt Assoc's portfolio underperformed the S&P 500 Index by 0.18% for the quarter and underperformed the S&P 500 Index for the year by 5.86%.

Quarterly Asset Growth

Beginning Market Value	$106,825,593
Net New Investment	$0
Investment Gains/(Losses)	$6,256,065
Ending Market Value	$113,081,659

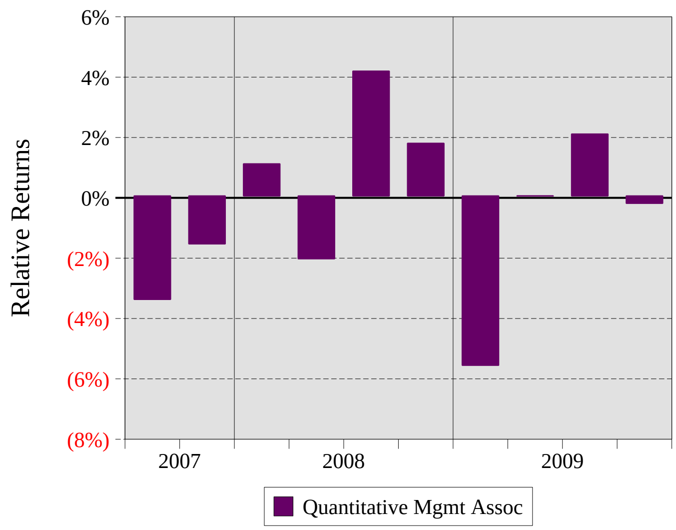
Percent Cash: 2.0%

Performance vs CAI Large Cap Value Style (Gross)

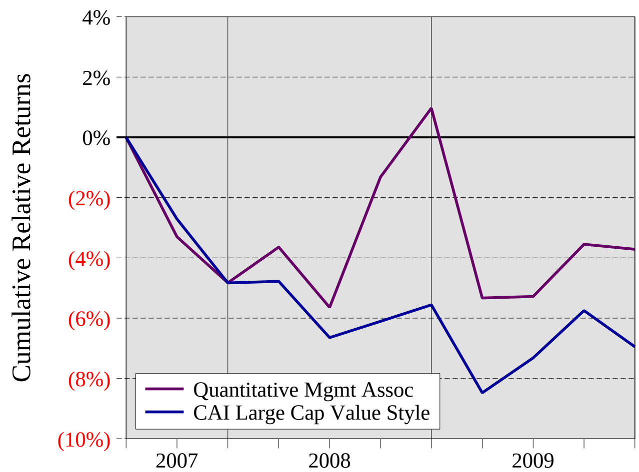


		Last Quarter	Last Year	Last 2 Years	Last 2-1/2 Years
10th Percentile		6.70	32.76	(8.04)	(7.16)
25th Percentile		5.73	26.94	(10.18)	(9.81)
Median		4.69	22.29	(11.69)	(11.43)
75th Percentile		3.63	19.50	(13.01)	(12.79)
90th Percentile		2.83	15.46	(14.70)	(15.04)
Quantitative Mgmt Assoc	● A	5.86	20.60	(10.22)	(10.55)
Russell 1000 Value	■ B	4.22	19.69	(13.06)	(12.79)
S&P 500 Index	▲	6.04	26.47	(10.74)	(9.19)

Relative Return vs S&P 500 Index



Cumulative Returns vs S&P 500 Index

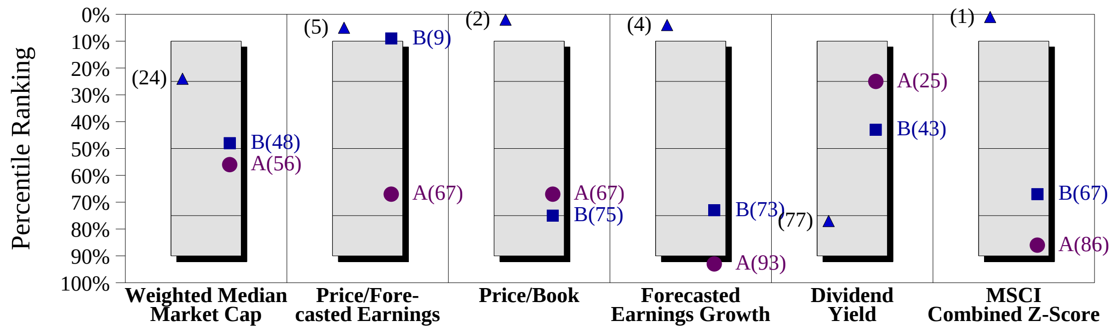


QUANTITATIVE MGMT ASSOC
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of December 31, 2009

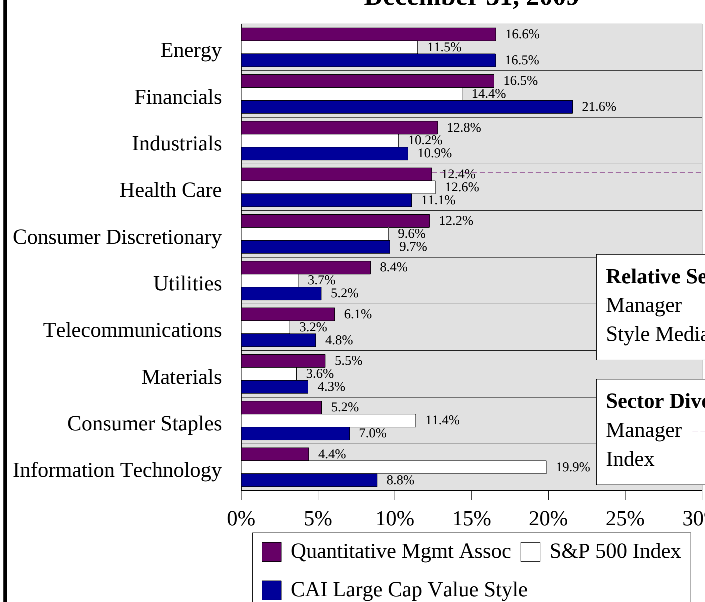


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	48.69	13.90	2.00	9.06	2.70	(0.35)
25th Percentile	39.17	13.57	1.84	8.32	2.47	(0.51)
Median	30.58	13.08	1.66	7.73	2.16	(0.66)
75th Percentile	26.98	12.35	1.54	7.10	1.96	(0.77)
90th Percentile	19.26	11.81	1.45	6.66	1.81	(0.95)
Quantitative Mgmt Assoc ● A	29.89	12.44	1.59	6.56	2.48	(0.91)
Russell 1000 Value ■ B	31.54	14.04	1.54	7.16	2.24	(0.73)
S&P 500 Index ▲	40.49	14.54	2.19	9.71	1.94	(0.09)

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

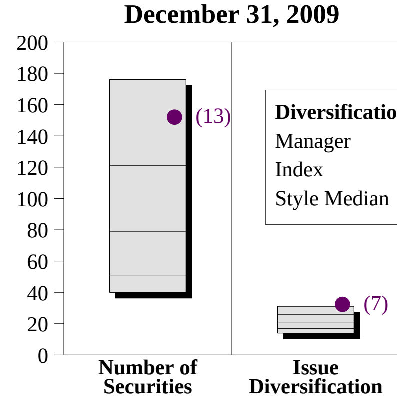
Sector Allocation
December 31, 2009



Relative Sector Variance	
Manager	44%
Style Median	34%

Sector Diversification	
Manager	3.34 sectors
Index	3.27 sectors

Diversification
December 31, 2009



Diversification Ratio	
Manager	21%
Index	9%
Style Median	27%

	Number of Securities	Issue Diversification
10th Percentile	176	31
25th Percentile	121	26
Median	79	20
75th Percentile	51	17
90th Percentile	40	14
Quantitative Mgmt Assoc ●	152	32
S&P 500 Index ▲	500	47

RCM
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

RCM believes that the rigorous fundamental research of securities combined with a disciplined valuation methodology will enable them to outperform benchmarks while maintaining a below average risk profile.

Quarterly Summary and Highlights

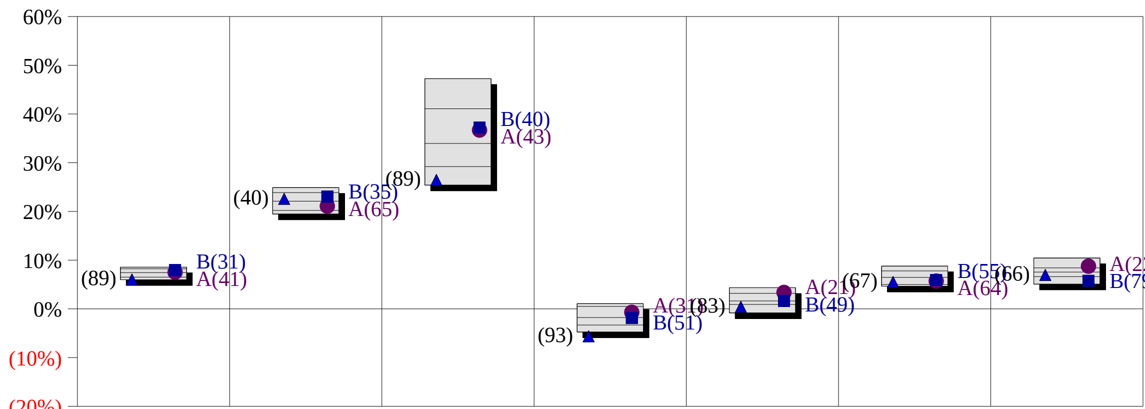
- RCM's portfolio posted a 7.52% return for the quarter placing it in the 41 percentile of the CAI Large Cap Growth Style group for the quarter and in the 43 percentile for the last year.
- RCM's portfolio outperformed the S&P 500 Index by 1.48% for the quarter and outperformed the S&P 500 Index for the year by 10.23%.

Quarterly Asset Growth

Beginning Market Value	$349,362,472
Net New Investment	$0
Investment Gains/(Losses)	$26,257,698
Ending Market Value	$375,620,170

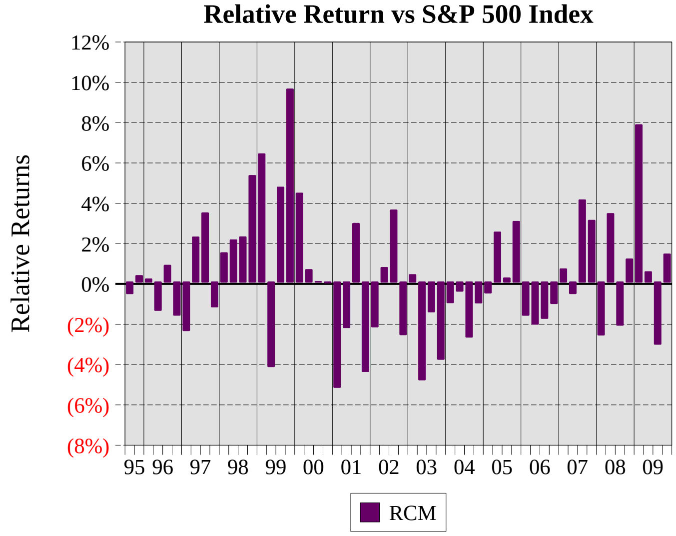
Percent Cash: 1.3%

Performance vs CAI Large Cap Growth Style (Gross)

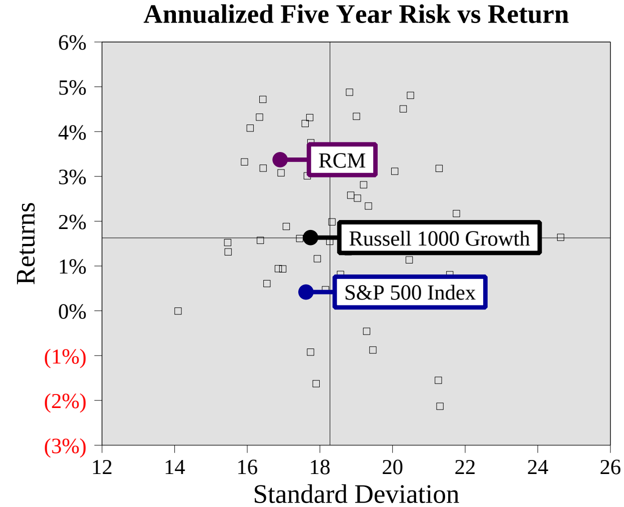


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 14-1/2 Years
10th Percentile	8.56	24.89	47.25	1.07	4.34	8.78	10.44
25th Percentile	8.22	23.87	41.07	0.51	3.18	7.79	8.41
Median	7.45	22.10	33.95	(1.78)	1.63	6.47	7.55
75th Percentile	6.51	20.21	29.20	(3.32)	0.90	4.99	6.62
90th Percentile	5.98	19.46	25.40	(4.76)	(0.83)	4.64	5.07
RCM ● A	7.52	21.08	36.69	(0.70)	3.37	5.70	8.76
Russell 1000 Growth ■ B	7.94	23.03	37.21	(1.89)	1.63	5.92	5.76
S&P 500 Index ▲	6.04	22.59	26.47	(5.63)	0.42	5.52	6.97

Relative Return vs S&P 500 Index



CAI Large Cap Growth Style (Gross)
Annualized Five Year Risk vs Return

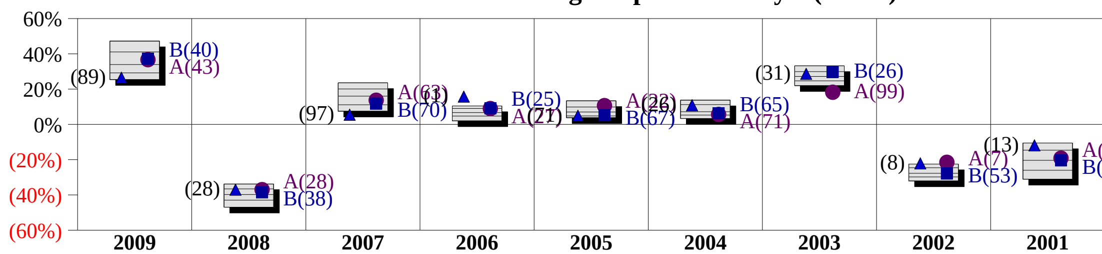


RCM
RETURN ANALYSIS SUMMARY

Return Analysis

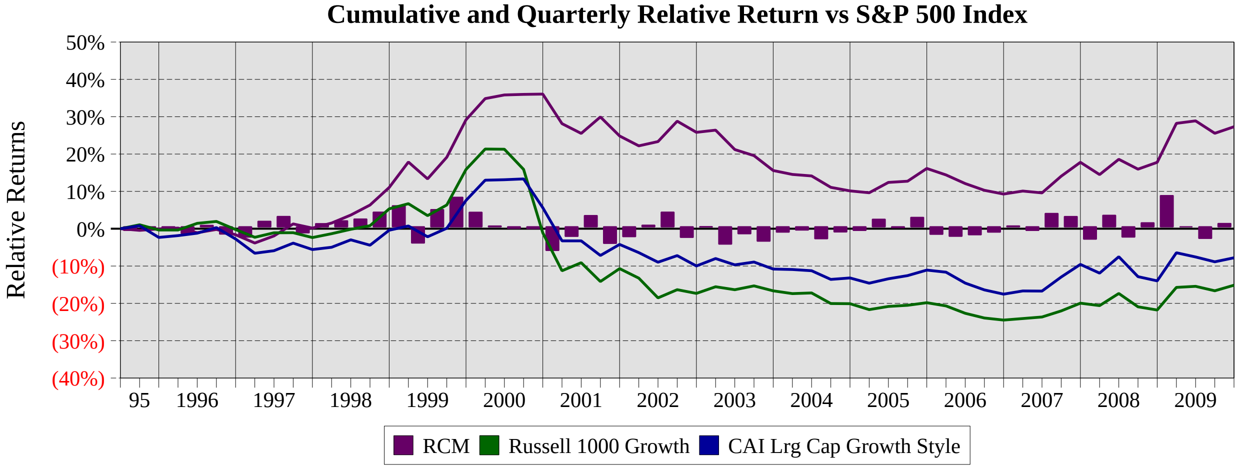
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Growth Style (Gross)

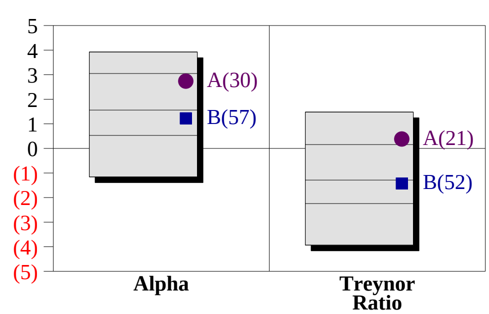


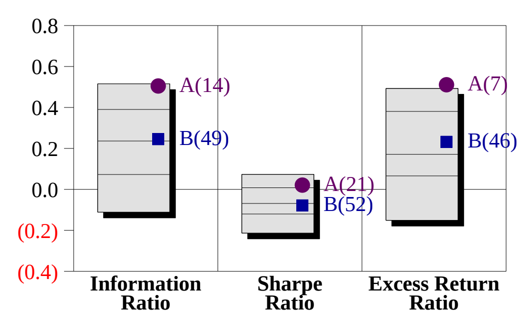
	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	47.25	(33.82)	23.58	10.45	13.37	13.76	33.21	(22.50)	(10.57)
25th Percentile	41.07	(36.58)	20.07	9.05	9.86	11.21	29.92	(24.59)	(14.64)
Median	33.95	(39.78)	16.01	6.70	7.02	7.18	27.19	(27.74)	(20.37)
75th Percentile	29.20	(42.96)	11.13	4.71	4.79	5.28	24.68	(29.79)	(26.01)
90th Percentile	25.40	(46.98)	7.46	2.00	3.77	3.31	21.95	(32.07)	(31.10)
RCM ● A	36.69	(37.00)	13.70	8.96	10.64	5.64	18.23	(21.49)	(19.15)
Russell 1000 Growth ■ B	37.21	(38.44)	11.81	9.07	5.26	6.30	29.75	(27.88)	(20.42)
S&P 500 Index ▲	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68	(22.10)	(11.89)

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Growth Style (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	3.92	1.48
25th Percentile	3.05	0.16
Median	1.56	(1.29)
75th Percentile	0.53	(2.24)
90th Percentile	(1.16)	(3.93)
RCM ● A	2.74	0.38
Russell 1000 Growth ■ B	1.23	(1.43)

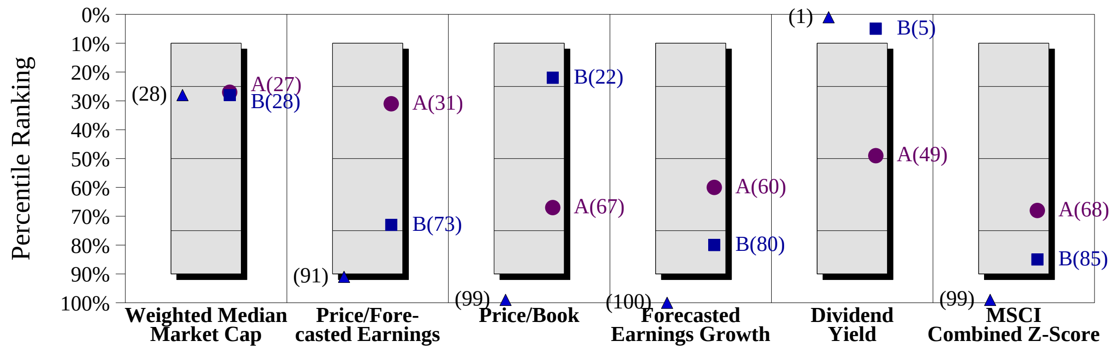
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.52	0.07	0.49
25th Percentile	0.39	0.01	0.38
Median	0.24	(0.07)	0.17
75th Percentile	0.07	(0.12)	0.07
90th Percentile	(0.11)	(0.21)	(0.15)
RCM ● A	0.50	0.02	0.51
Russell 1000 Growth ■ B	0.25	(0.08)	0.23

RCM
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Growth Style
as of December 31, 2009

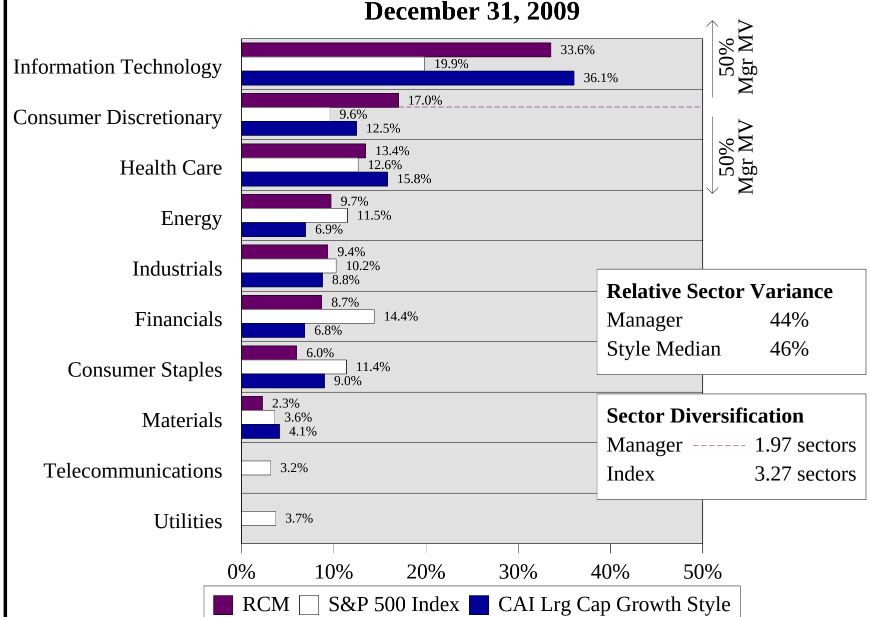


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		59.18	18.72	3.85	17.14	1.43	1.32
25th Percentile		43.28	17.36	3.52	14.93	1.24	1.05
Median		34.29	16.20	3.22	13.59	1.04	0.84
75th Percentile		27.67	15.50	2.88	12.77	0.83	0.67
90th Percentile		21.65	14.67	2.65	11.56	0.55	0.54
RCM	● A	40.90	16.97	3.02	13.34	1.04	0.74
Russell 1000 Growth	■ B	39.20	15.56	3.56	12.65	1.53	0.59
S&P 500 Index	▲	40.49	14.54	2.19	9.71	1.94	(0.09)

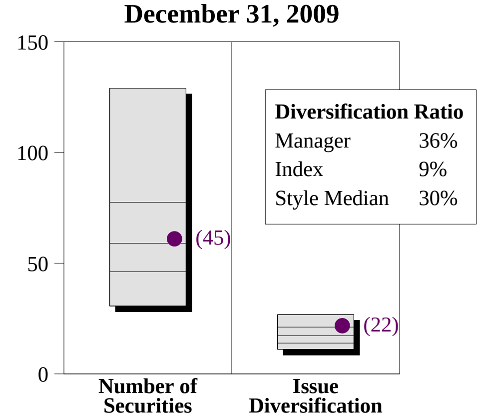
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



		Number of Securities	Issue Diversification
10th Percentile		129	27
25th Percentile		78	21
Median		59	17
75th Percentile		46	14
90th Percentile		31	11
RCM	●	61	22
S&P 500 Index	▲	500	47

RELATIONAL INVESTORS
PERIOD ENDED DECEMBER 31, 2009

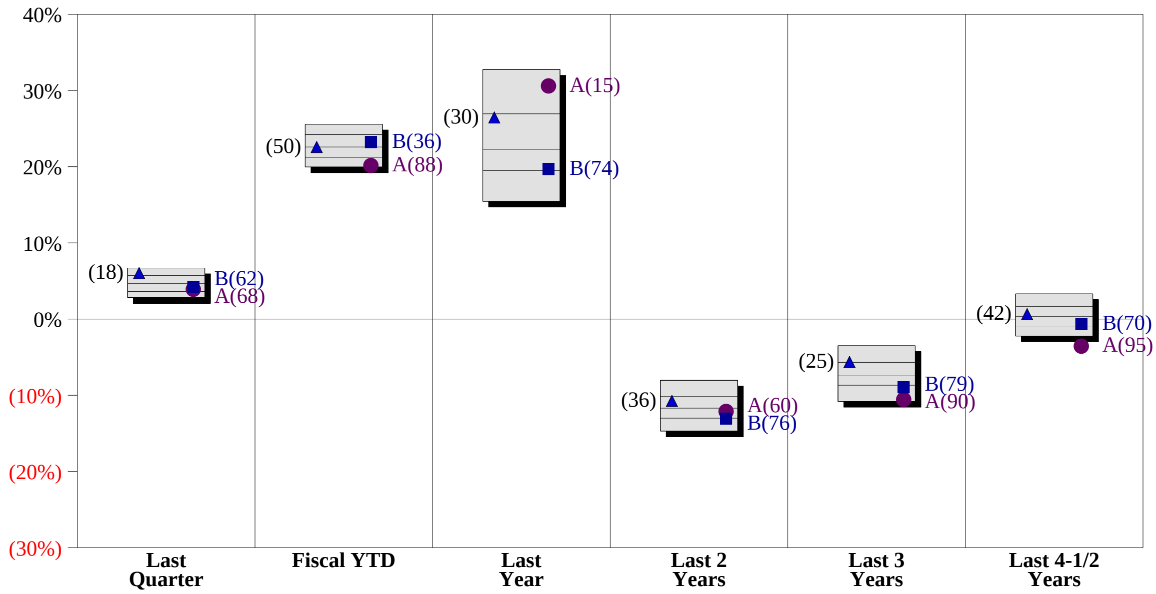
Quarterly Summary and Highlights

- Relational Investors's portfolio posted a 3.91% return for the quarter placing it in the 68 percentile of the CAI Large Cap Value Style group for the quarter and in the 15 percentile for the last year.
- Relational Investors's portfolio underperformed the S&P 500 Index by 2.13% for the quarter and outperformed the S&P 500 Index for the year by 4.14%.

Quarterly Asset Growth

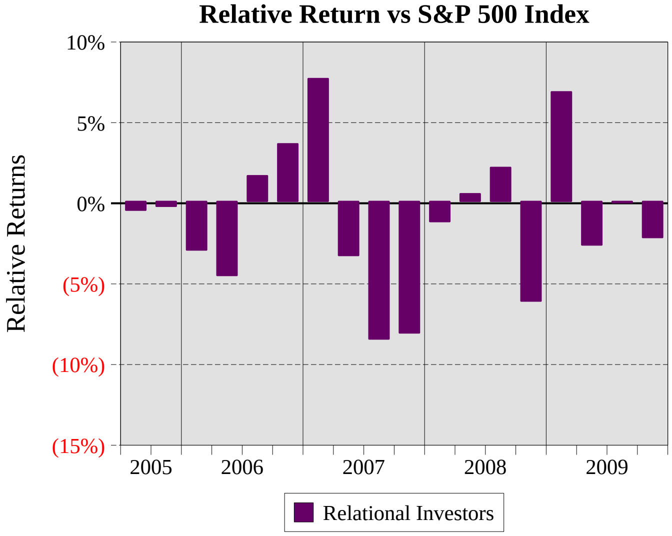
Beginning Market Value	$247,972,728
Net New Investment	$4,390,043
Investment Gains/(Losses)	$9,508,306
Ending Market Value	$261,871,077

Performance vs CAI Large Cap Value Style (Gross)

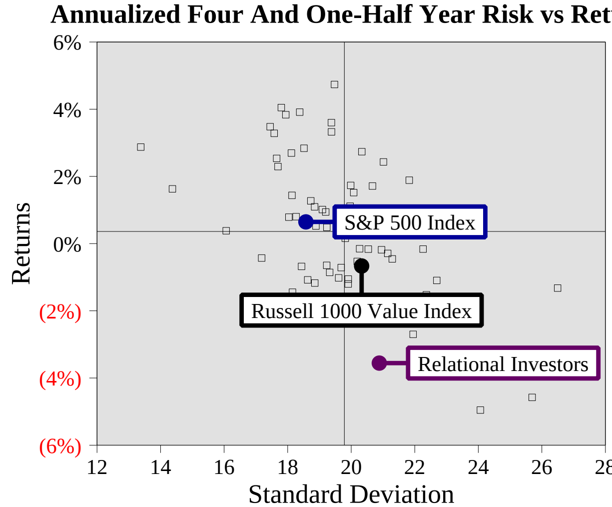


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	6.70	25.58	32.76	(8.04)	(3.50)	3.31
25th Percentile	5.73	24.21	26.94	(10.18)	(5.68)	1.67
Median	4.69	22.59	22.29	(11.69)	(7.46)	0.36
75th Percentile	3.63	21.23	19.50	(13.01)	(8.68)	(1.04)
90th Percentile	2.83	19.96	15.46	(14.70)	(10.81)	(2.23)
Relational Investors ● A	3.91	20.16	30.60	(12.12)	(10.56)	(3.56)
Russell 1000 Value Index ■ B	4.22	23.23	19.69	(13.06)	(8.96)	(0.67)
S&P 500 Index ▲	6.04	22.59	26.47	(10.74)	(5.63)	0.65

Relative Return vs S&P 500 Index



CAI Large Cap Value Style (Gross)
Annualized Four And One-Half Year Risk vs Return

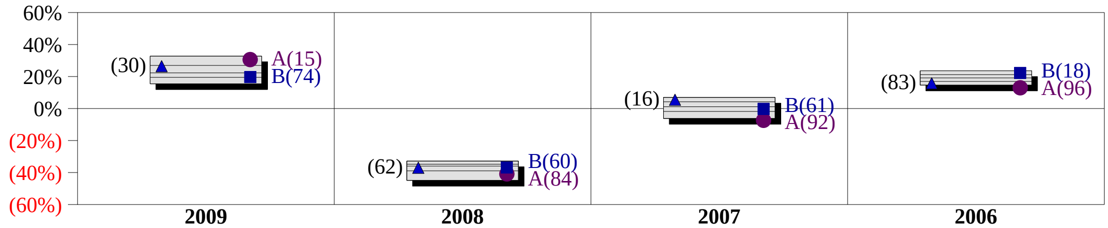


RELATIONAL INVESTORS
RETURN ANALYSIS SUMMARY

Return Analysis

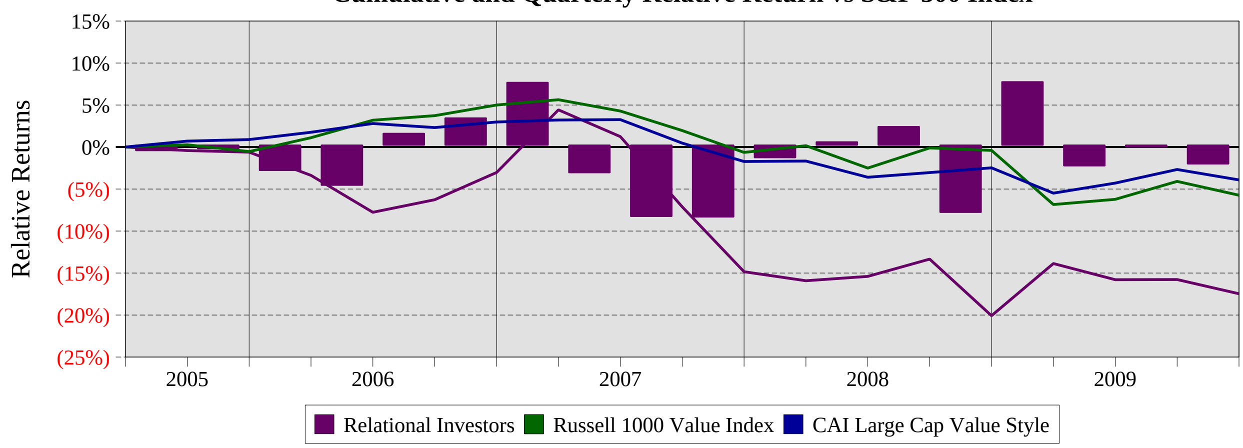
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Value Style (Gross)

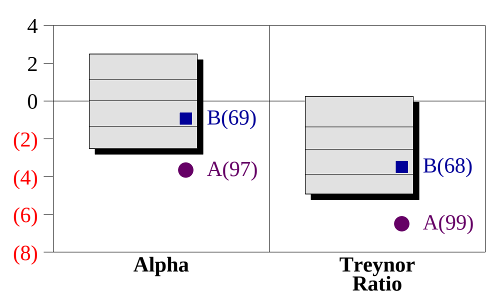


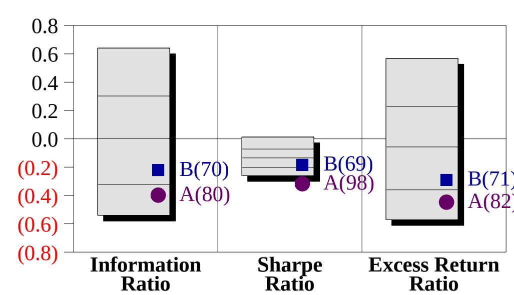
		2009	2008	2007	2006
10th Percentile		32.76	(32.84)	6.97	23.59
25th Percentile		26.94	(34.78)	4.19	21.18
Median		22.29	(35.97)	1.12	19.13
75th Percentile		19.50	(38.95)	(1.81)	16.95
90th Percentile		15.46	(44.92)	(6.22)	14.63
Relational Investors	● A	30.60	(40.87)	(7.36)	12.97
Russell 1000 Value Index	■ B	19.69	(36.85)	(0.17)	22.25
S&P 500 Index	▲	26.47	(37.00)	5.49	15.79

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Value Style (Gross)
Four And One-Half Years Ended December 31, 2009





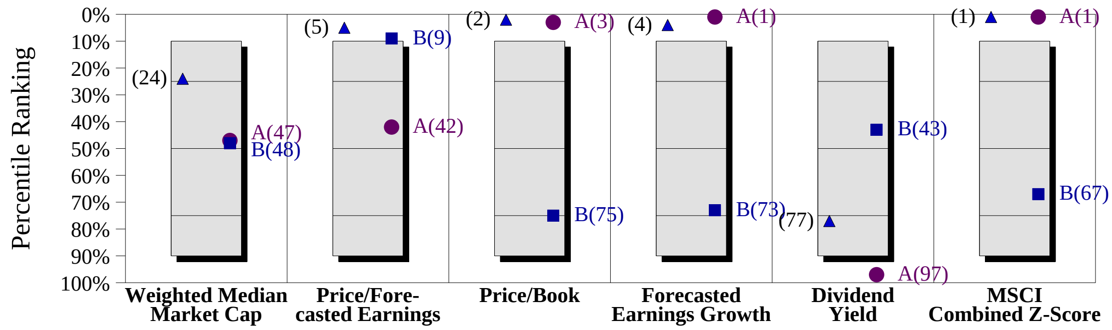
		Alpha	Treynor Ratio
10th Percentile		2.49	0.25
25th Percentile		1.14	(1.37)
Median		0.02	(2.55)
75th Percentile		(1.34)	(3.88)
90th Percentile		(2.52)	(4.92)
Relational Investors	● A	(3.65)	(6.50)
Russell 1000 Value Index	■ B	(0.93)	(3.49)

		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.64	0.01	0.57
25th Percentile		0.30	(0.07)	0.23
Median		0.00	(0.13)	(0.06)
75th Percentile		(0.32)	(0.20)	(0.36)
90th Percentile		(0.54)	(0.26)	(0.57)
Relational Investors	● A	(0.40)	(0.32)	(0.45)
Russell 1000 Value Index	■ B	(0.22)	(0.18)	(0.29)

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of December 31, 2009

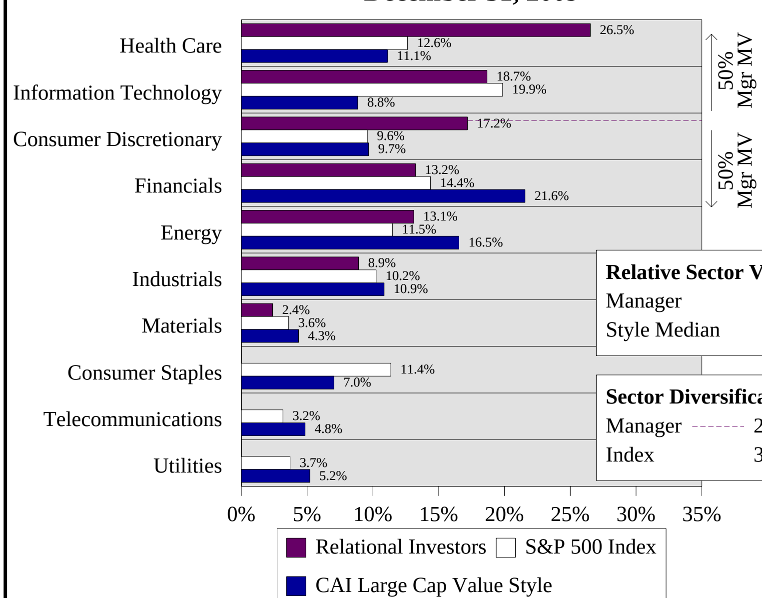


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	48.69	13.90	2.00	9.06	2.70	(0.35)
25th Percentile	39.17	13.57	1.84	8.32	2.47	(0.51)
Median	30.58	13.08	1.66	7.73	2.16	(0.66)
75th Percentile	26.98	12.35	1.54	7.10	1.96	(0.77)
90th Percentile	19.26	11.81	1.45	6.66	1.81	(0.95)
Relational Investors ● A	31.94	13.21	2.13	11.12	1.49	0.19
Russell 1000 Value Index ■ B	31.54	14.04	1.54	7.16	2.24	(0.73)
S&P 500 Index ▲	40.49	14.54	2.19	9.71	1.94	(0.09)

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

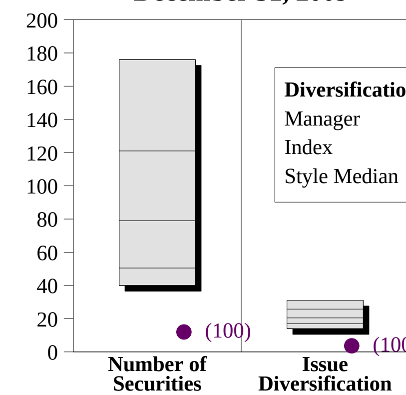
Sector Allocation
December 31, 2009



Relative Sector Variance	
Manager	46%
Style Median	34%

Sector Diversification	
Manager	2.28 sectors
Index	3.27 sectors

Diversification
December 31, 2009



Diversification Ratio	
Manager	31%
Index	9%
Style Median	27%

	Number of Securities	Issue Diversification
10th Percentile	176	31
25th Percentile	121	26
Median	79	20
75th Percentile	51	17
90th Percentile	40	14
Relational Investors ●	12	4
S&P 500 Index ▲	500	47

SSGA RUSSELL 1000 GROWTH
PERIOD ENDED DECEMBER 31, 2009

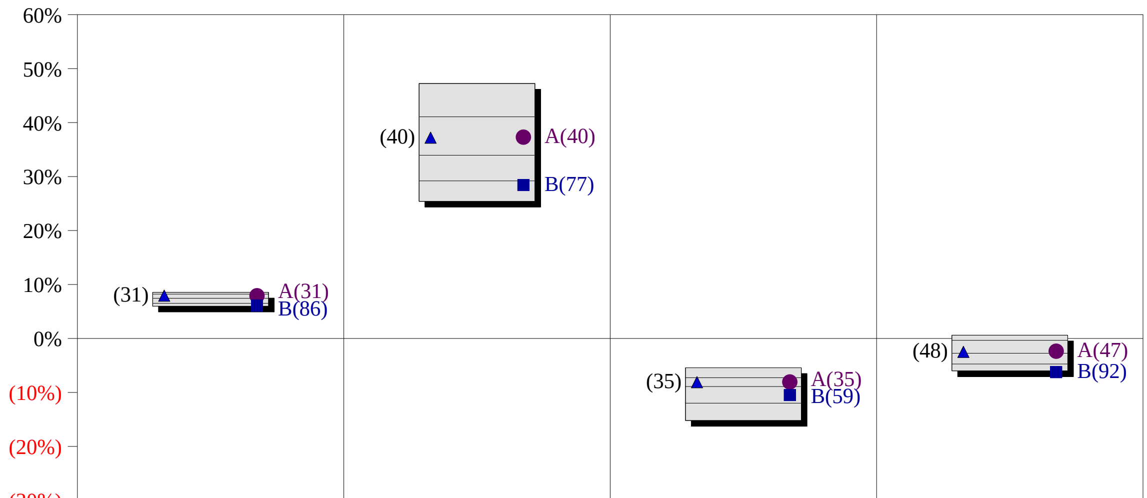
Quarterly Summary and Highlights

- SSgA Russell 1000 Growth's portfolio posted a 7.92% return for the quarter placing it in the 31 percentile of the CAI Large Cap Growth Style group for the quarter and in the 40 percentile for the last year.
- SSgA Russell 1000 Growth's portfolio underperformed the Russell 1000 Growth Index by 0.02% for the quarter and outperformed the Russell 1000 Growth Index for the year by 0.09%.

Quarterly Asset Growth

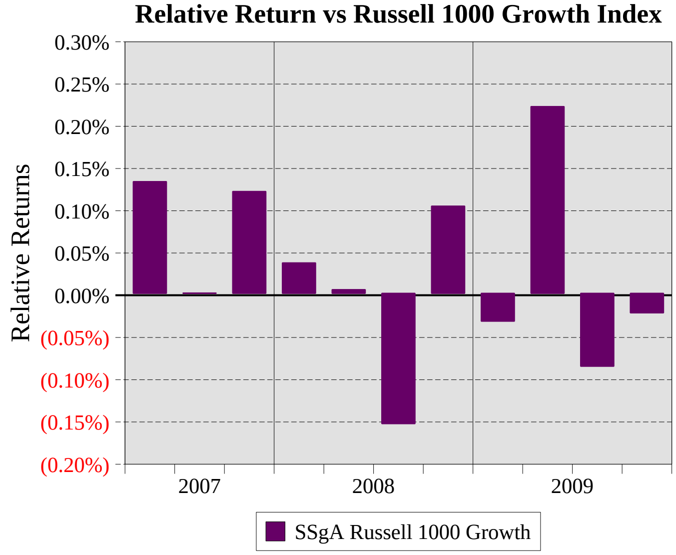
Beginning Market Value	$402,912,247
Net New Investment	$0
Investment Gains/(Losses)	$31,915,037
Ending Market Value	$434,827,284

Performance vs CAI Large Cap Growth Style (Gross)

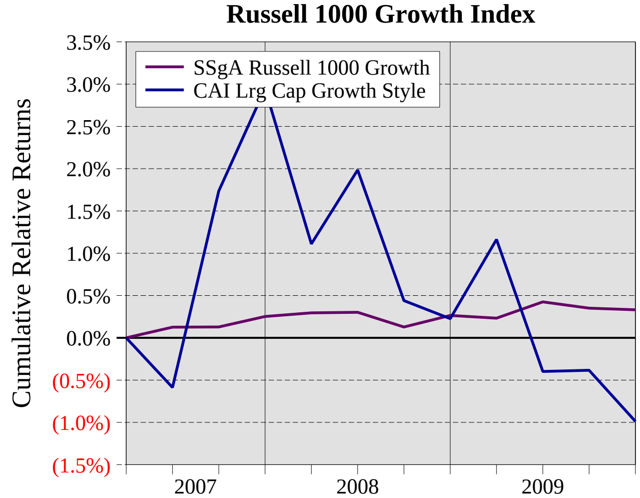


	Last Quarter	Last Year	Last 2 Years	Last 2-3/4 Years
10th Percentile	8.56	47.25	(5.42)	0.61
25th Percentile	8.22	41.07	(7.27)	(0.34)
Median	7.45	33.95	(8.91)	(2.73)
75th Percentile	6.51	29.20	(11.99)	(4.73)
90th Percentile	5.98	25.40	(15.20)	(6.00)
SSgA Russell 1000 Growth ● A	7.92	37.30	(8.06)	(2.36)
Russell 1000 ■ B	6.07	28.43	(10.48)	(6.24)
Russell 1000 Growth Index ▲	7.94	37.21	(8.09)	(2.48)

Relative Return vs Russell 1000 Growth Index



Cumulative Returns vs Russell 1000 Growth Index

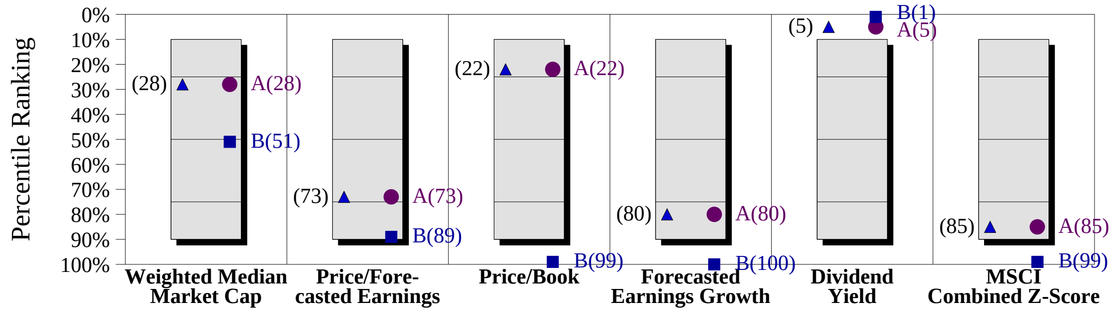


SSGA RUSSELL 1000 GROWTH
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Growth Style
as of December 31, 2009

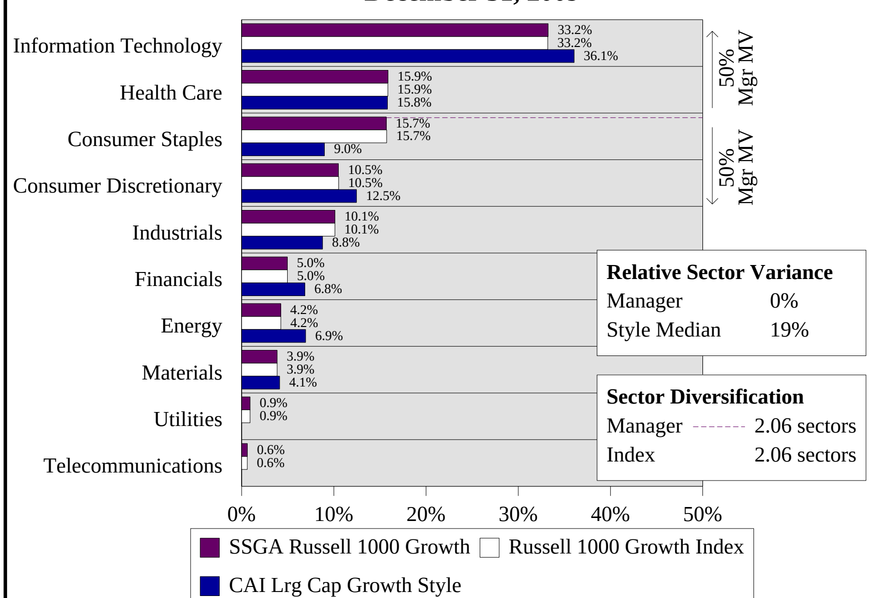


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		59.18	18.72	3.85	17.14	1.43	1.32
25th Percentile		43.28	17.36	3.52	14.93	1.24	1.05
Median		34.29	16.20	3.22	13.59	1.04	0.84
75th Percentile		27.67	15.50	2.88	12.77	0.83	0.67
90th Percentile		21.65	14.67	2.65	11.56	0.55	0.54
SSGA Russell 1000 Growth	● A	39.19	15.57	3.55	12.65	1.53	0.59
Russell 1000	■ B	33.64	14.77	2.16	9.95	1.88	(0.06)
Russell 1000 Growth Index	▲	39.20	15.56	3.56	12.65	1.53	0.59

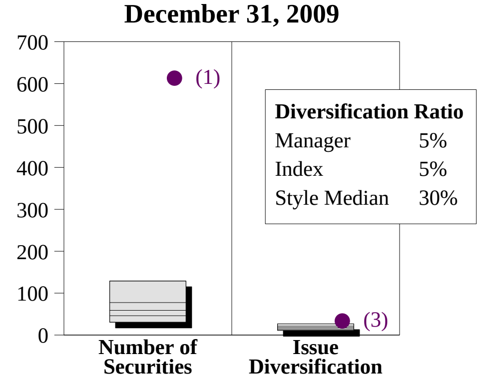
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



		Number of Securities	Issue Diversification
10th Percentile		129	27
25th Percentile		78	21
Median		59	17
75th Percentile		46	14
90th Percentile		31	11
SSGA Russell 1000 Growth	●	613	34
Russell 1000 Growth Index	▲	623	34

SSGA RUSSELL 1000 VALUE
PERIOD ENDED DECEMBER 31, 2009

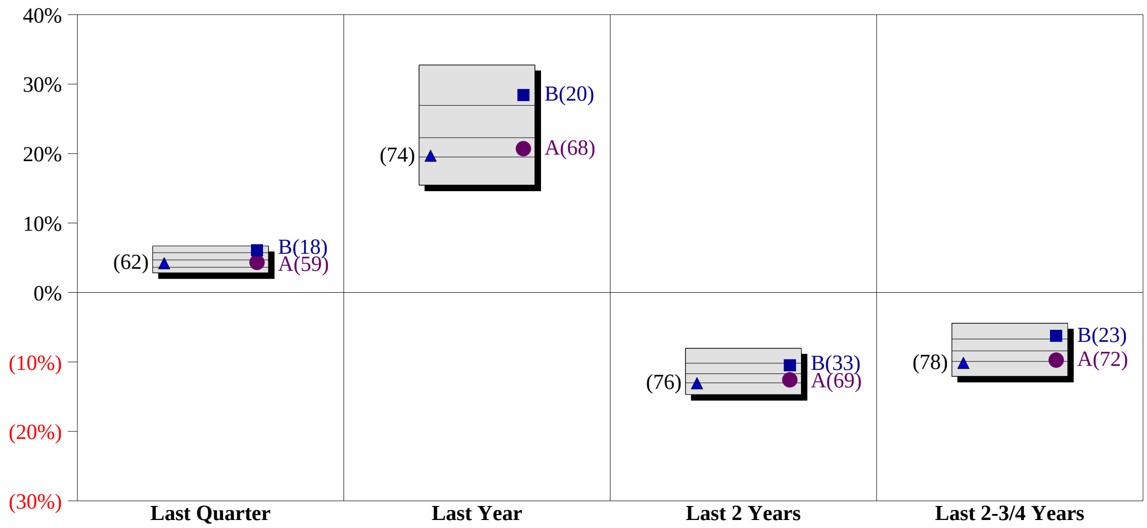
Quarterly Summary and Highlights

- SSgA Russell 1000 Value's portfolio posted a 4.34% return for the quarter placing it in the 59 percentile of the CAI Large Cap Value Style group for the quarter and in the 68 percentile for the last year.
- SSgA Russell 1000 Value's portfolio outperformed the Russell 1000 Value Index by 0.12% for the quarter and outperformed the Russell 1000 Value Index for the year by 1.02%.

Quarterly Asset Growth

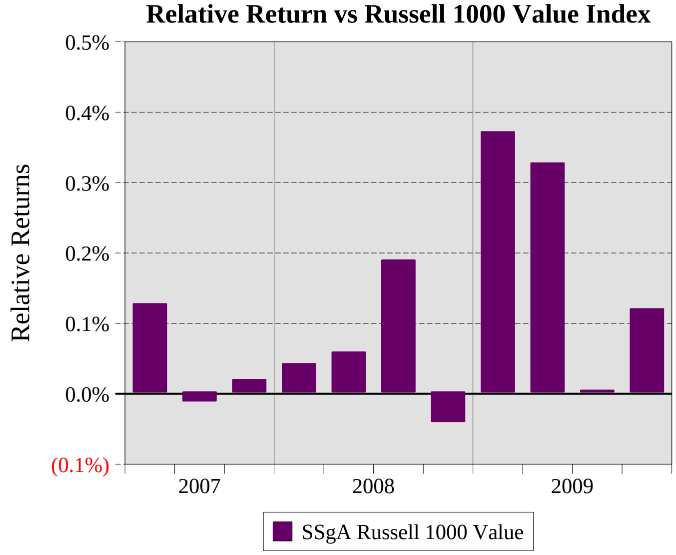
Beginning Market Value	$605,005,321
Net New Investment	$84,909
Investment Gains/(Losses)	$26,235,942
Ending Market Value	$631,326,173

Performance vs CAI Large Cap Value Style (Gross)

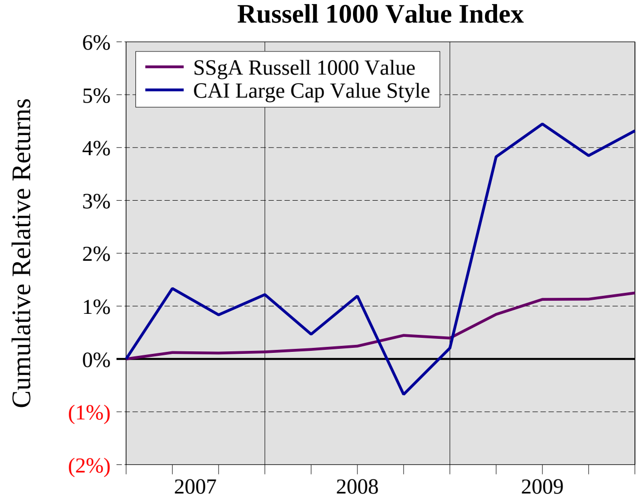


		Last Quarter	Last Year	Last 2 Years	Last 2-3/4 Years
10th Percentile		6.70	32.76	(8.04)	(4.43)
25th Percentile		5.73	26.94	(10.18)	(6.69)
Median		4.69	22.29	(11.69)	(8.40)
75th Percentile		3.63	19.50	(13.01)	(9.92)
90th Percentile		2.83	15.46	(14.70)	(12.08)
SSgA Russell 1000 Value	● A	4.34	20.71	(12.58)	(9.73)
Russell 1000	■ B	6.07	28.43	(10.48)	(6.24)
Russell 1000 Value Index	▲	4.22	19.69	(13.06)	(10.14)

Relative Return vs Russell 1000 Value Index



Cumulative Returns vs Russell 1000 Value Index

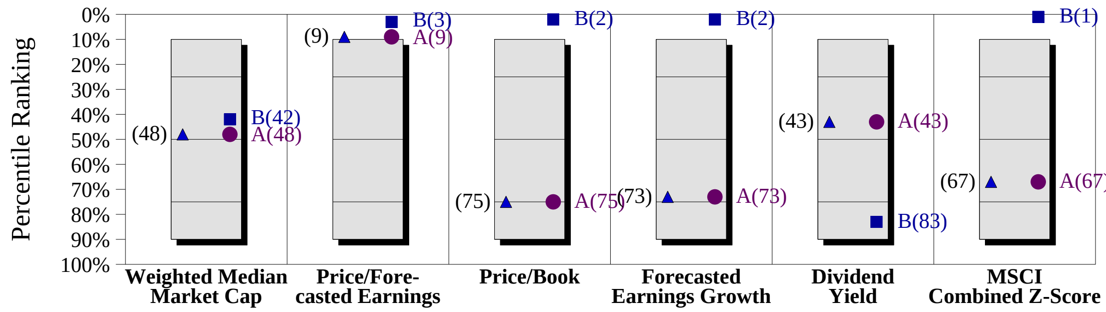


SSGA RUSSELL 1000 VALUE
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of December 31, 2009

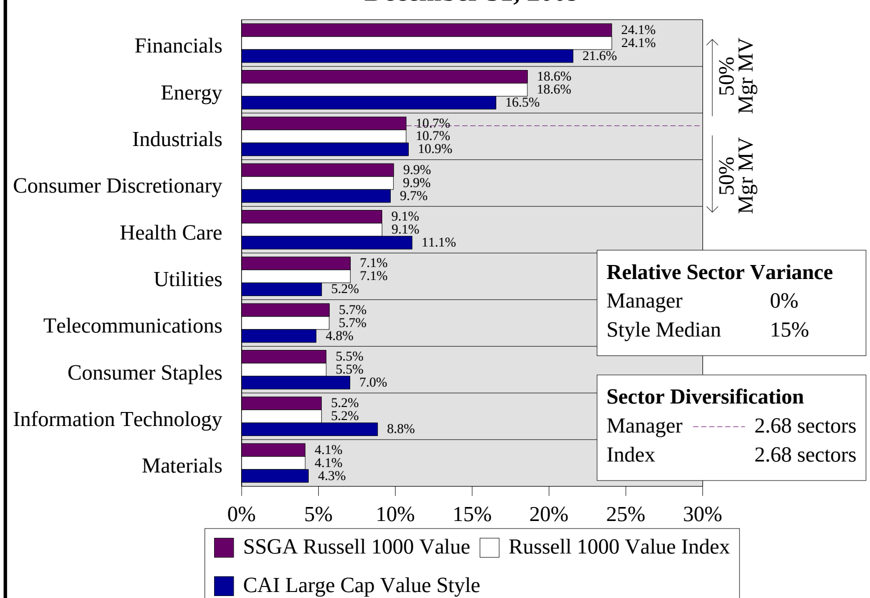


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		48.69	13.90	2.00	9.06	2.70	(0.35)
25th Percentile		39.17	13.57	1.84	8.32	2.47	(0.51)
Median		30.58	13.08	1.66	7.73	2.16	(0.66)
75th Percentile		26.98	12.35	1.54	7.10	1.96	(0.77)
90th Percentile		19.26	11.81	1.45	6.66	1.81	(0.95)
SSGA Russell 1000 Value	● A	31.55	14.04	1.54	7.16	2.24	(0.73)
Russell 1000	■ B	33.64	14.77	2.16	9.95	1.88	(0.06)
Russell 1000 Value Index	▲	31.54	14.04	1.54	7.16	2.24	(0.73)

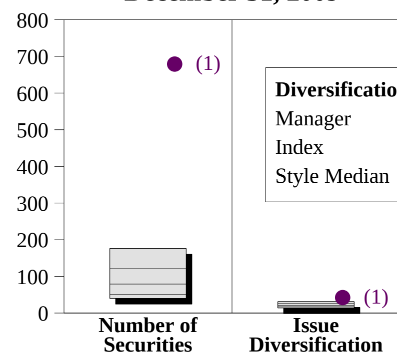
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



Diversification Ratio	
Manager	6%
Index	6%
Style Median	27%

		Number of Securities	Issue Diversification
10th Percentile		176	31
25th Percentile		121	26
Median		79	20
75th Percentile		51	17
90th Percentile		40	14
SSGA Russell 1000 Value	●	679	42
Russell 1000 Value Index	▲	679	42

SSGA RUSSELL 200
PERIOD ENDED DECEMBER 31, 2009

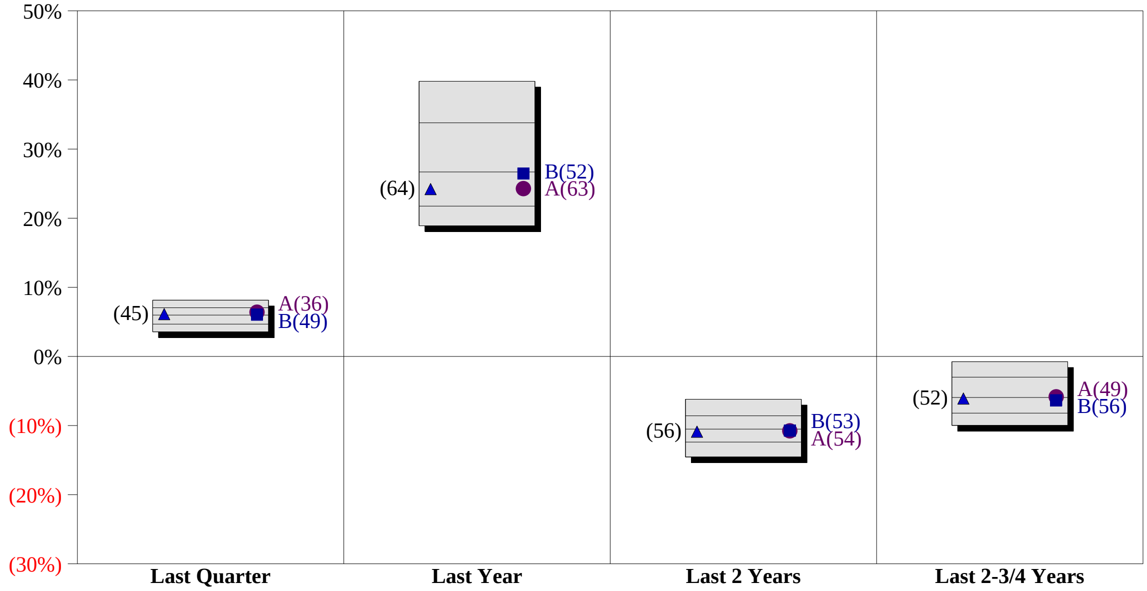
Quarterly Summary and Highlights

- SSgA Russell 200's portfolio posted a 6.41% return for the quarter placing it in the 36 percentile of the CAI Large Capitalization Style group for the quarter and in the 63 percentile for the last year.
- SSgA Russell 200's portfolio outperformed the Russell Top 200 by 0.28% for the quarter and outperformed the Russell Top 200 for the year by 0.07%.

Quarterly Asset Growth

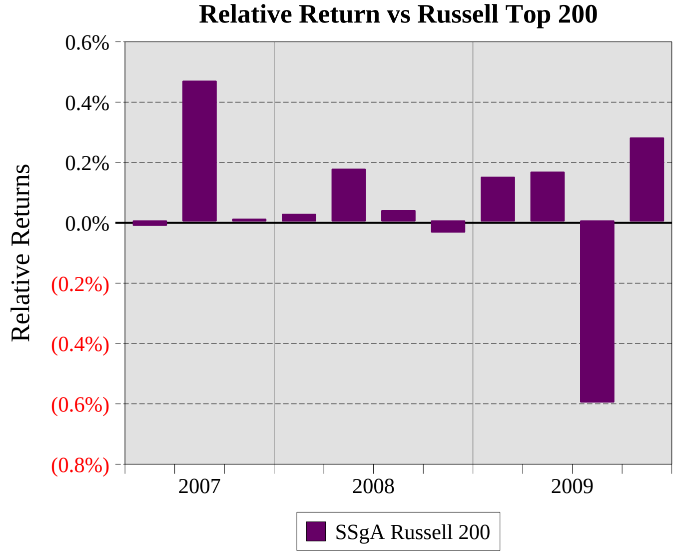
Beginning Market Value	$962,829,158
Net New Investment	$-304,998,381
Investment Gains/(Losses)	$46,291,637
Ending Market Value	$704,122,414

Performance vs CAI Large Capitalization Style (Gross)

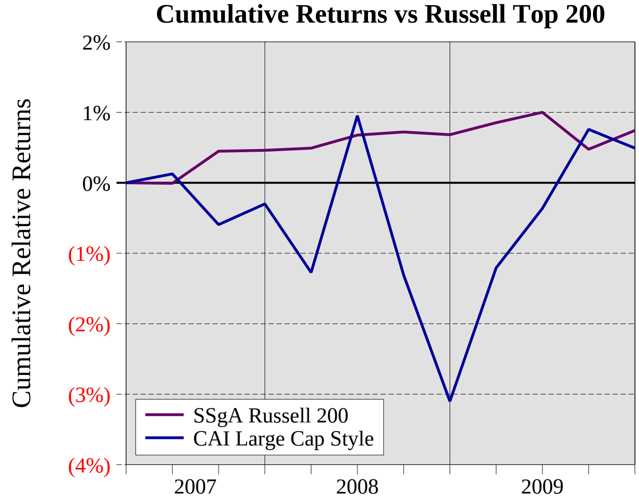


	Last Quarter	Last Year	Last 2 Years	Last 2-3/4 Years
10th Percentile	8.14	39.81	(6.19)	(0.77)
25th Percentile	7.05	33.80	(8.59)	(3.00)
Median	5.99	26.69	(10.51)	(5.94)
75th Percentile	4.68	21.75	(12.39)	(8.20)
90th Percentile	3.56	18.90	(14.55)	(9.98)
SSgA Russell 200 ● A	6.41	24.28	(10.76)	(5.84)
S&P 500 Index ■ B	6.04	26.47	(10.74)	(6.34)
Russell Top 200 ▲	6.12	24.21	(10.89)	(6.09)

Relative Return vs Russell Top 200



Cumulative Returns vs Russell Top 200

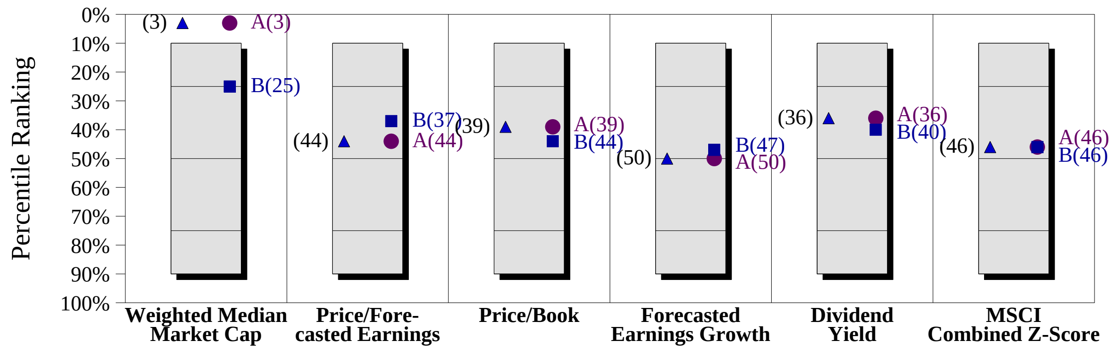


SSGA RUSSELL 200
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Capitalization Style
as of December 31, 2009

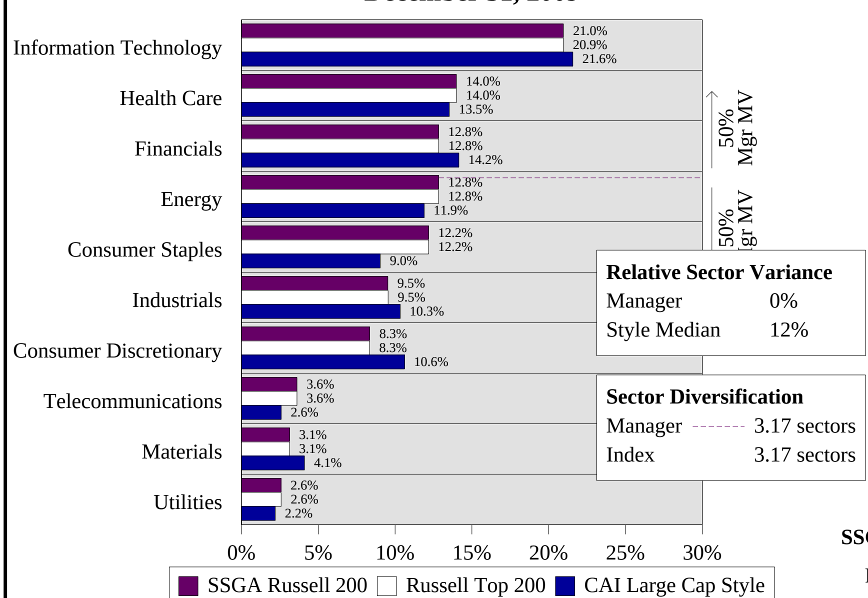


		Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		53.17	17.08	3.40	14.29	2.49	1.01
25th Percentile		40.45	15.58	2.89	12.74	2.12	0.66
Median		33.37	13.78	2.11	9.51	1.84	(0.15)
75th Percentile		27.02	13.04	1.70	7.91	1.24	(0.58)
90th Percentile		20.26	12.29	1.53	7.07	0.91	(0.78)
SSGA Russell 200	● A	76.72	14.07	2.28	9.56	1.98	(0.09)
S&P 500 Index	■ B	40.49	14.54	2.19	9.71	1.94	(0.09)
Russell Top 200	▲	76.66	14.07	2.28	9.56	1.98	(0.09)

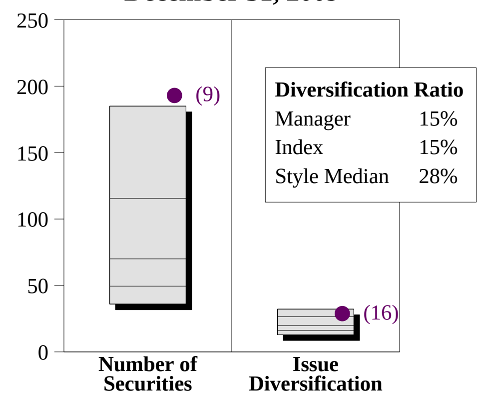
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



		Number of Securities	Issue Diversification
10th Percentile		185	32
25th Percentile		116	27
Median		70	20
75th Percentile		50	16
90th Percentile		36	13
SSGA Russell 200	●	193	29
Russell Top 200	▲	192	29

SMALL CAP EQUITY POOL
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

The State of Alaska Small Capitalization Equity Pool is evenly comprised of small cap value and small cap growth managers to provide broad market exposure within the small cap arena. The performance benchmark for the small cap equity pool is the Russell 2000 Index.

Quarterly Summary and Highlights

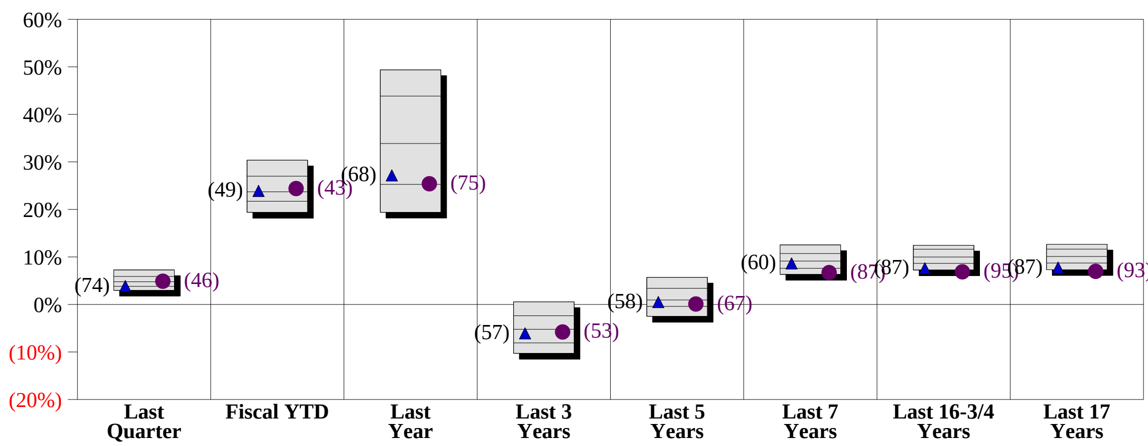
- Small Cap Pool's portfolio posted a 4.89% return for the quarter placing it in the 46 percentile of the CAI Small Capitalization Style group for the quarter and in the 75 percentile for the last year.
- Small Cap Pool's portfolio outperformed the Russell 2000 Index by 1.02% for the quarter and underperformed the Russell 2000 Index for the year by 1.77%.

Quarterly Asset Growth

Beginning Market Value	$865,757,118
Net New Investment	$-60,002,053
Investment Gains/(Losses)	$43,205,710
Ending Market Value	$848,960,775

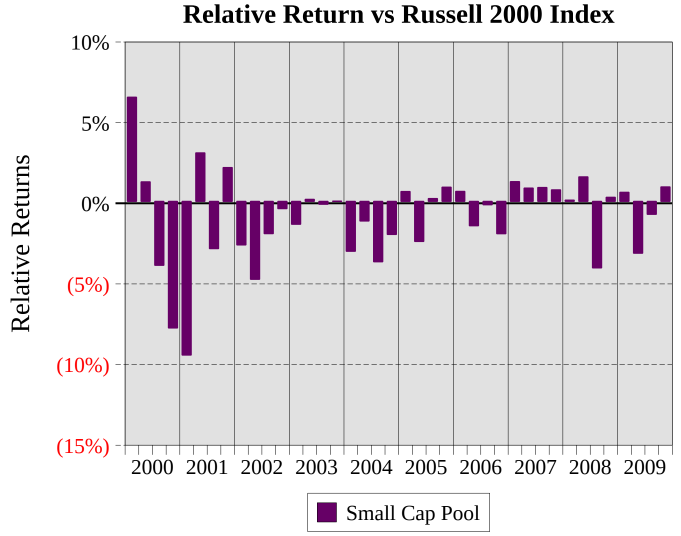
Percent Cash: 1.8%

Performance vs CAI Small Capitalization Style (Gross)

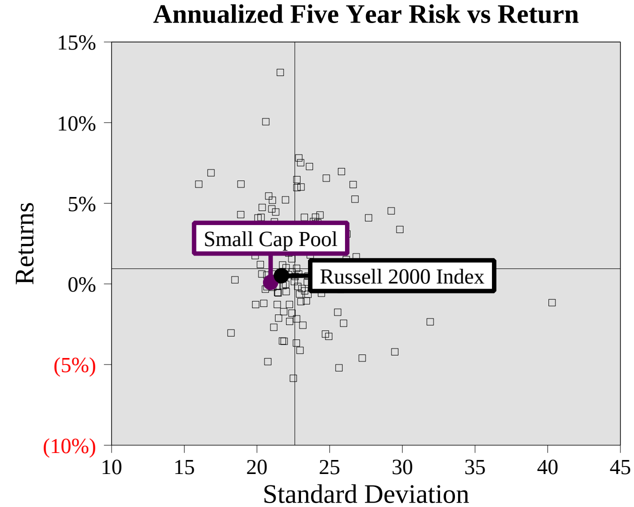


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 16-3/4 Years	Last 17 Years
10th Percentile	7.28	30.36	49.37	0.56	5.71	12.54	12.45	12.67
25th Percentile	5.89	27.00	43.85	(2.38)	3.40	10.72	11.63	11.64
Median	4.77	23.70	33.87	(5.22)	0.94	9.13	9.98	10.09
75th Percentile	3.81	21.72	25.27	(8.09)	(0.41)	7.61	8.65	8.72
90th Percentile	2.96	19.38	19.39	(10.28)	(2.50)	6.33	7.25	7.31
Small Cap Pool ●	4.89	24.39	25.40	(5.79)	0.10	6.71	6.87	6.97
Russell 2000 Index ▲	3.87	23.90	27.17	(6.07)	0.51	8.65	7.62	7.77

Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross)
Annualized Five Year Risk vs Return

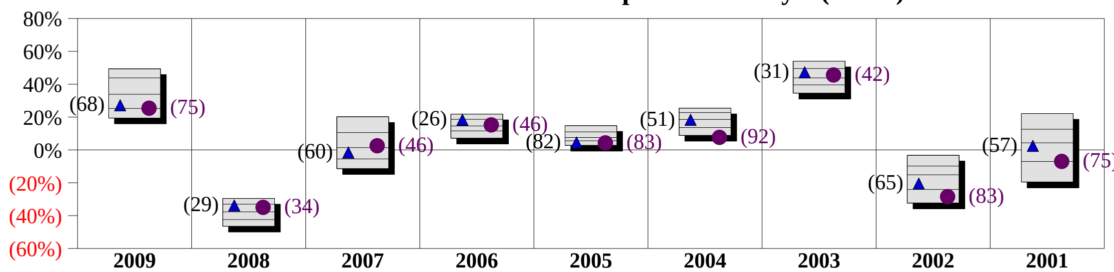


SMALL CAP POOL
RETURN ANALYSIS SUMMARY

Return Analysis

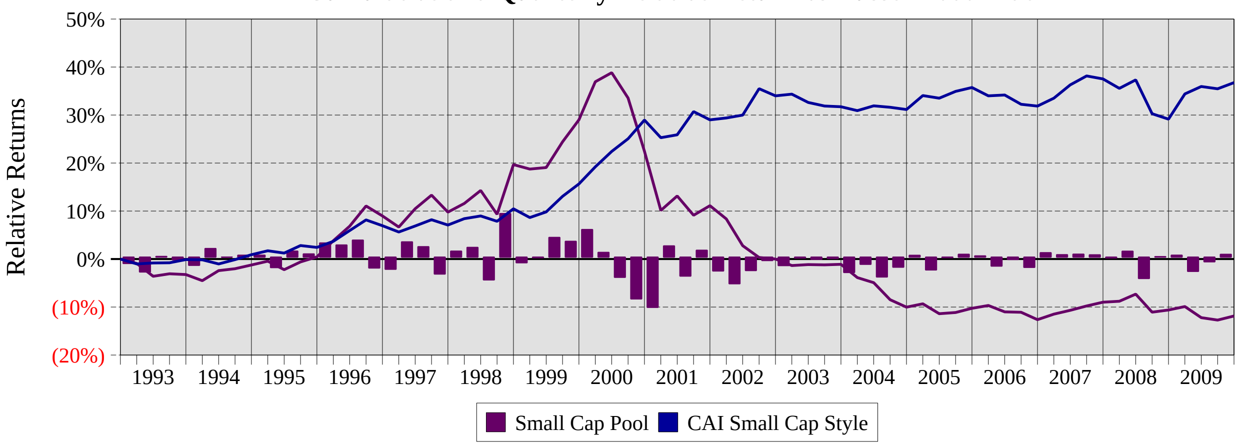
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

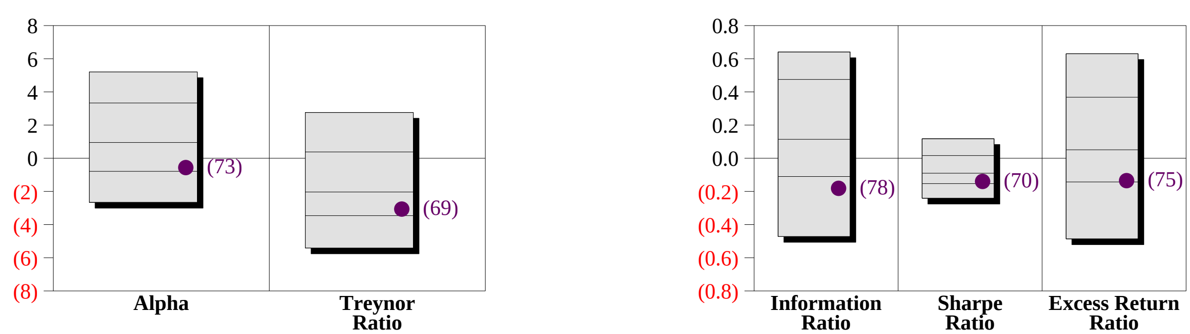


	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	49.37	(29.54)	20.20	21.82	14.77	25.42	54.03	(3.26)	22.13
25th Percentile	43.85	(33.02)	10.55	18.62	10.97	22.73	49.55	(9.81)	12.60
Median	33.87	(37.70)	1.39	14.59	7.55	18.56	43.84	(15.13)	4.31
75th Percentile	25.27	(42.41)	(5.47)	11.58	5.55	13.61	39.60	(24.07)	(7.02)
90th Percentile	19.39	(46.49)	(11.43)	7.13	2.77	8.83	34.55	(32.36)	(19.54)
Small Cap Pool ●	25.40	(34.97)	2.53	15.24	4.28	7.65	45.62	(28.43)	(7.00)
Russell 2000 Index ▲	27.17	(33.79)	(1.57)	18.37	4.55	18.33	47.25	(20.48)	2.49

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	5.21	2.76
25th Percentile	3.33	0.38
Median	0.95	(2.03)
75th Percentile	(0.79)	(3.46)
90th Percentile	(2.66)	(5.41)
Small Cap Pool ●	(0.56)	(3.06)

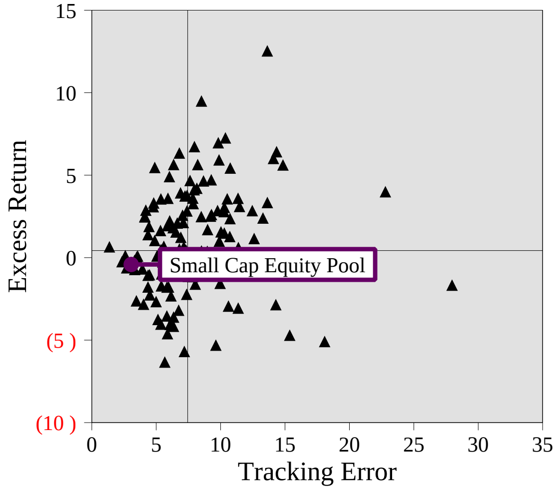
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.64	0.12	0.63
25th Percentile	0.48	0.02	0.37
Median	0.11	(0.09)	0.05
75th Percentile	(0.11)	(0.15)	(0.14)
90th Percentile	(0.47)	(0.24)	(0.49)
Small Cap Pool ●	(0.18)	(0.14)	(0.13)

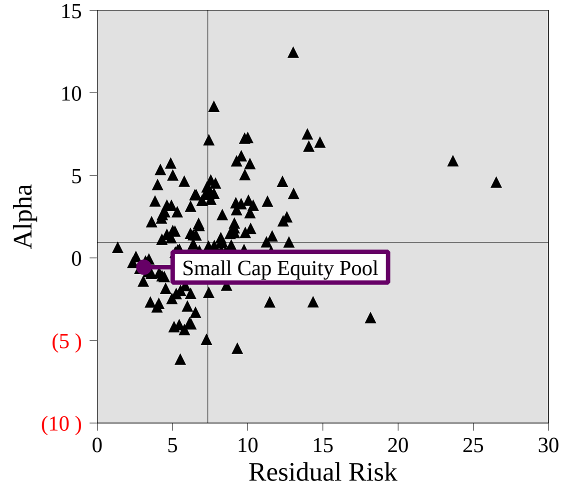
SMALL CAP EQUITY POOL
RISK ANALYSIS SUMMARY

Risk Analysis

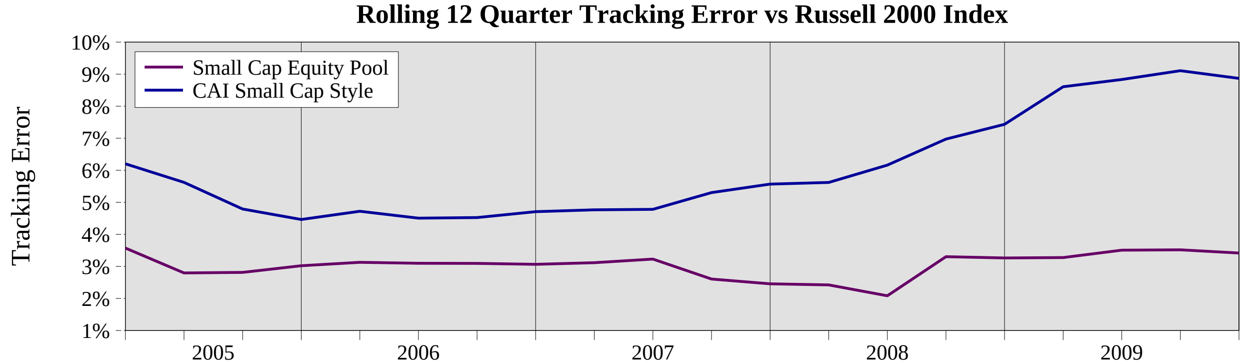
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs CAI Small Capitalization Style (Gross)
Five Years Ended December 31, 2009

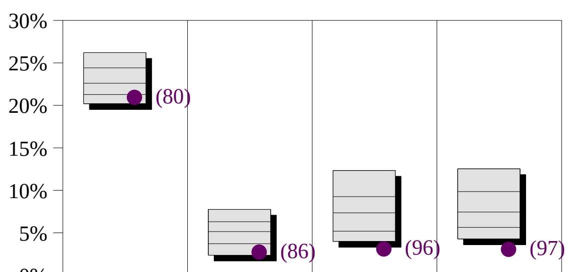




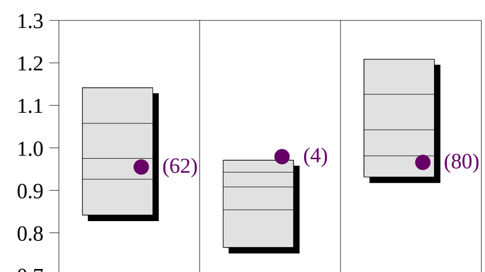
Rolling 12 Quarter Tracking Error vs Russell 2000 Index



Risk Statistics Rankings vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended December 31, 2009



	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	26.21	7.76	12.33	12.53
25th Percentile	24.42	6.31	9.26	9.85
Median	22.60	5.14	7.35	7.44
75th Percentile	21.28	3.72	5.19	5.64
90th Percentile	20.20	2.36	3.99	4.28
Small Cap Equity Pool ●	20.94	2.73	3.10	3.06



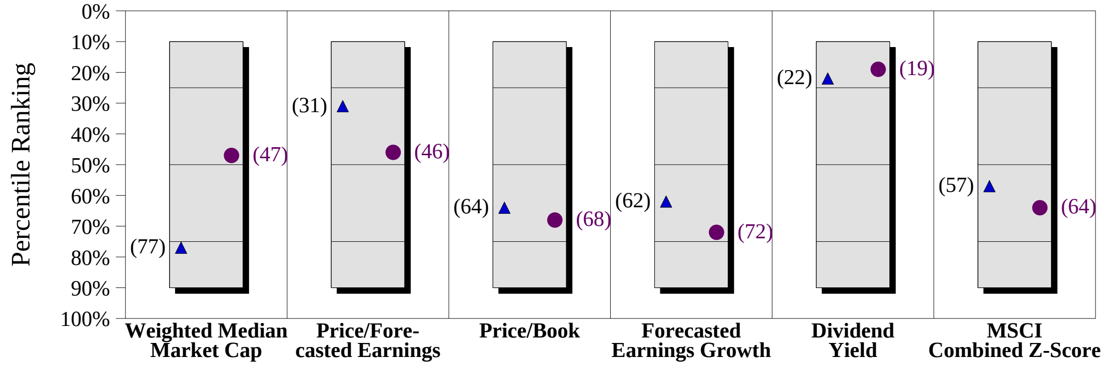
	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.14	0.97	1.21
25th Percentile	1.06	0.94	1.13
Median	0.98	0.91	1.04
75th Percentile	0.93	0.85	0.98
90th Percentile	0.84	0.77	0.93
Small Cap Equity Pool ●	0.95	0.98	0.97

SMALL CAP POOL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of December 31, 2009

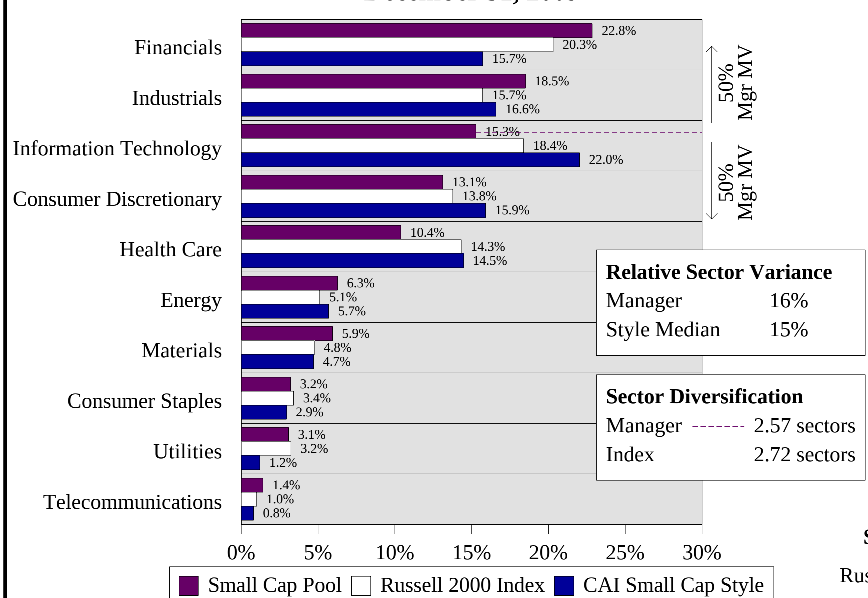


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.63	25.97	3.05	19.46	1.72	1.46
25th Percentile	1.35	22.64	2.43	16.61	1.25	1.10
Median	1.10	17.67	1.79	13.29	0.90	0.35
75th Percentile	0.93	15.06	1.47	10.41	0.40	(0.23)
90th Percentile	0.74	13.37	1.22	8.39	0.20	(0.67)
Small Cap Pool ●	1.12	18.25	1.55	10.89	1.35	0.03
Russell 2000 Index ▲	0.89	21.43	1.60	11.89	1.29	0.16

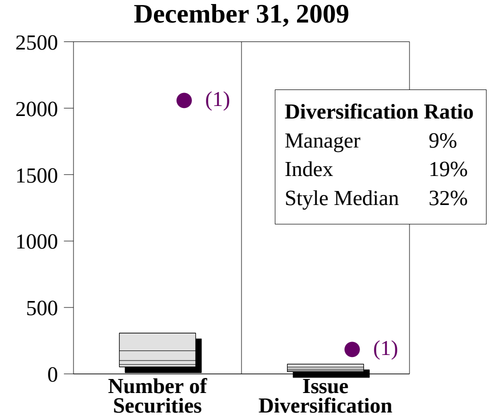
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



	Number of Securities	Issue Diversification
10th Percentile	307	73
25th Percentile	174	51
Median	101	35
75th Percentile	71	24
90th Percentile	53	17
Small Cap Pool ●	2058	184
Russell 2000 Index ▲	2007	373

JENNISON ASSOCIATES
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Jennison's US Small Cap Equity is a blended small cap portfolio that holds both growth and value stocks that the team believes have above-average earnings potential and are available at reasonable prices.

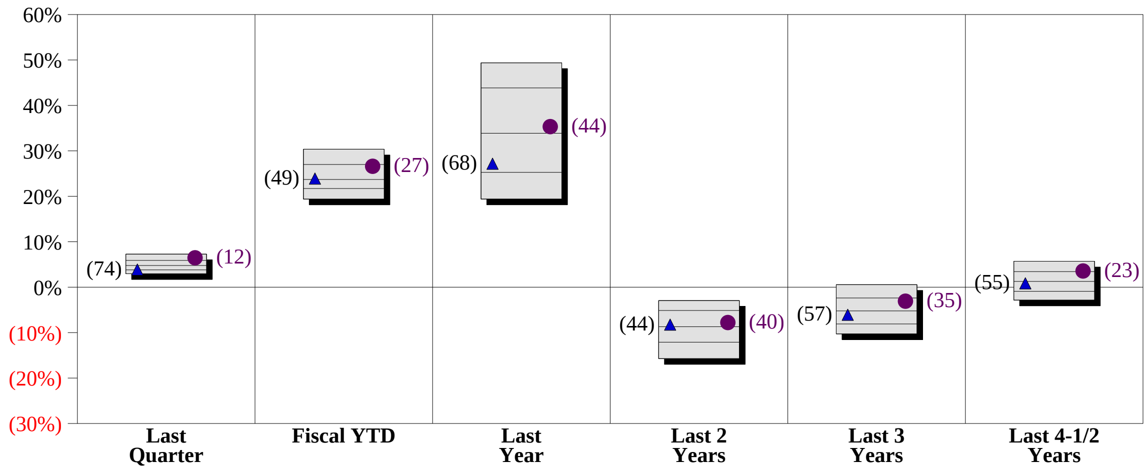
Quarterly Summary and Highlights

- Jennison Associates's portfolio posted a 6.47% return for the quarter placing it in the 12 percentile of the CAI Small Capitalization Style group for the quarter and in the 44 percentile for the last year.
- Jennison Associates's portfolio outperformed the Russell 2000 Index by 2.59% for the quarter and outperformed the Russell 2000 Index for the year by 8.16%.

Quarterly Asset Growth

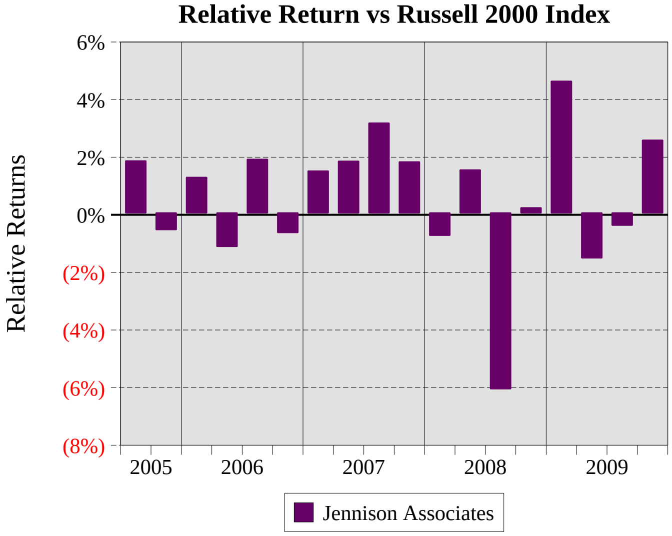
Beginning Market Value	$153,962,500
Net New Investment	$-30,000,000
Investment Gains/(Losses)	$9,056,193
Ending Market Value	$133,018,694

Performance vs CAI Small Capitalization Style (Gross)

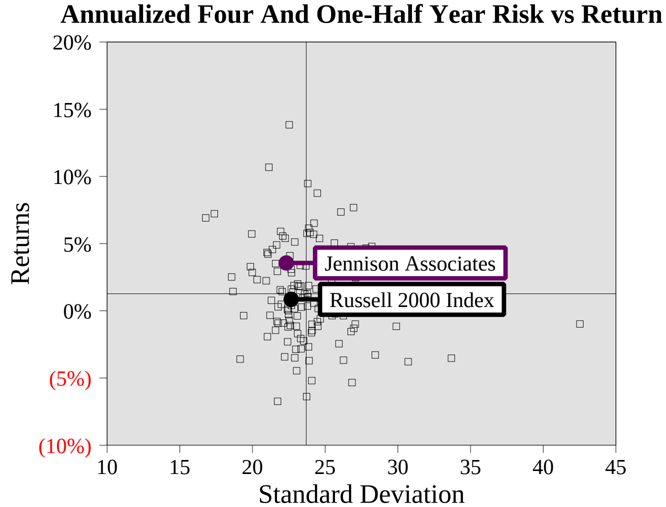


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.70
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.43
Median	4.77	23.70	33.87	(8.70)	(5.22)	1.27
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.92)
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.85)
Jennison Associates ●	6.47	26.61	35.34	(7.78)	(3.08)	3.56
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.85

Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross)
Annualized Four And One-Half Year Risk vs Return

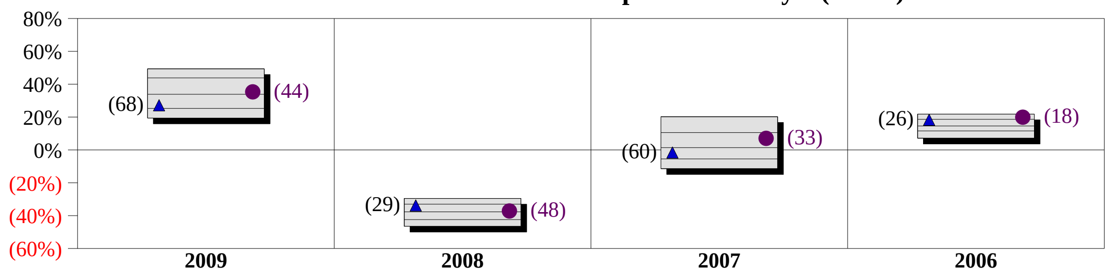


JENNISON ASSOCIATES
RETURN ANALYSIS SUMMARY

Return Analysis

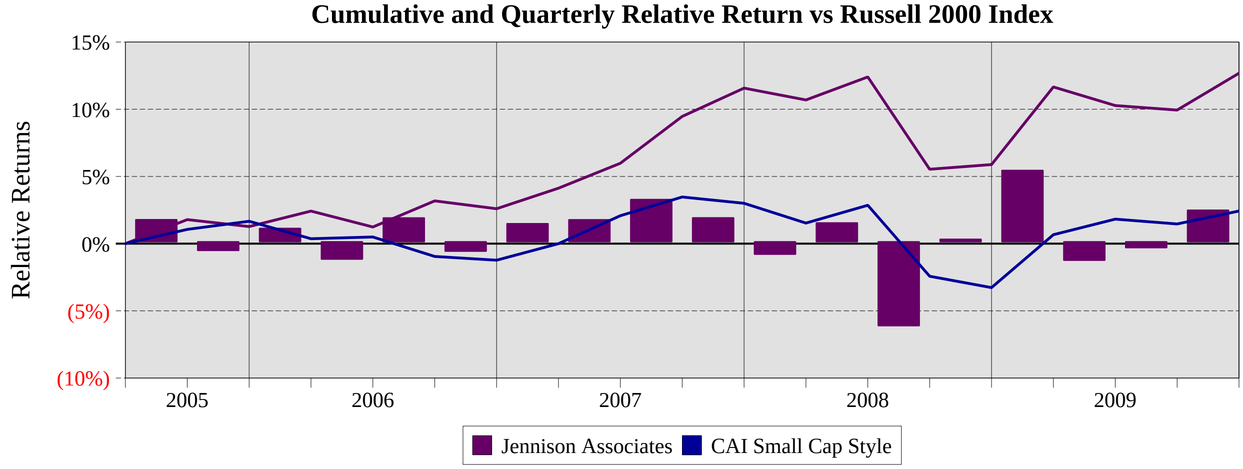
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

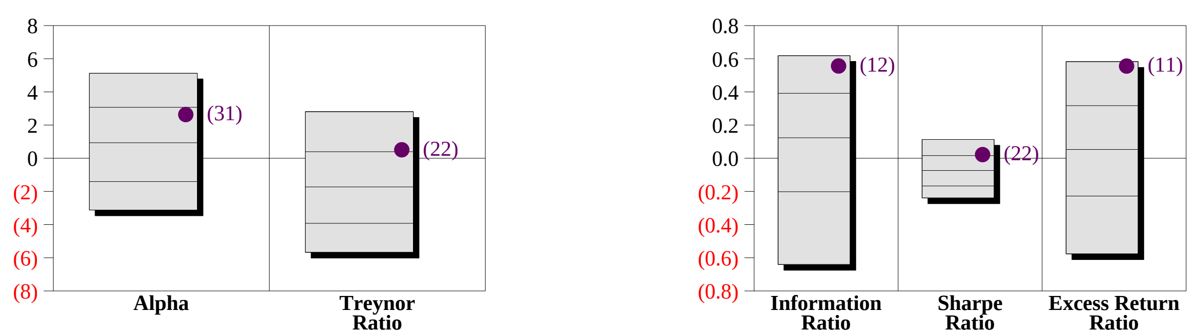


	2009	2008	2007	2006
10th Percentile	49.37	(29.54)	20.20	21.82
25th Percentile	43.85	(33.02)	10.55	18.62
Median	33.87	(37.70)	1.39	14.59
75th Percentile	25.27	(42.41)	(5.47)	11.58
90th Percentile	19.39	(46.49)	(11.43)	7.13
Jennison Associates ●	35.34	(37.16)	7.05	19.92
Russell 2000 Index ▲	27.17	(33.79)	(1.57)	18.37

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Four And One-Half Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	5.12	2.81
25th Percentile	3.07	0.39
Median	0.94	(1.73)
75th Percentile	(1.41)	(3.92)
90th Percentile	(3.12)	(5.67)
Jennison Associates ●	2.63	0.51

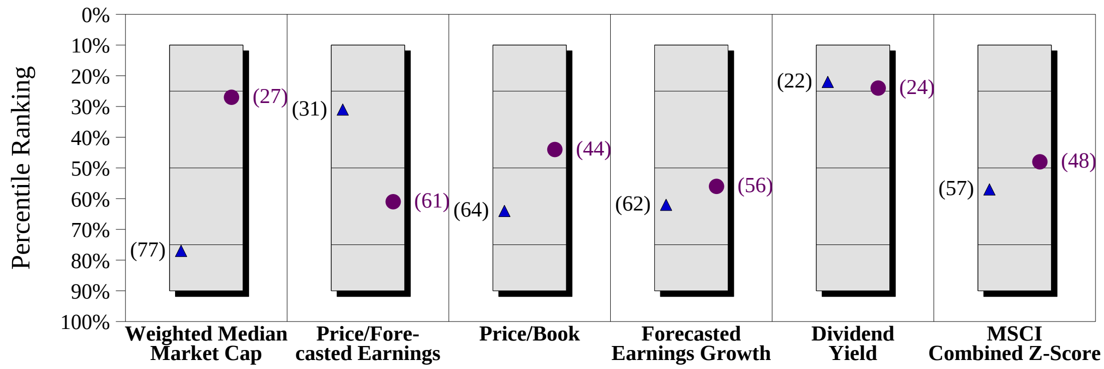
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.62	0.11	0.58
25th Percentile	0.39	0.02	0.32
Median	0.12	(0.07)	0.05
75th Percentile	(0.20)	(0.17)	(0.23)
90th Percentile	(0.64)	(0.24)	(0.58)
Jennison Associates ●	0.56	0.02	0.56

JENNISON ASSOCIATES
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of December 31, 2009

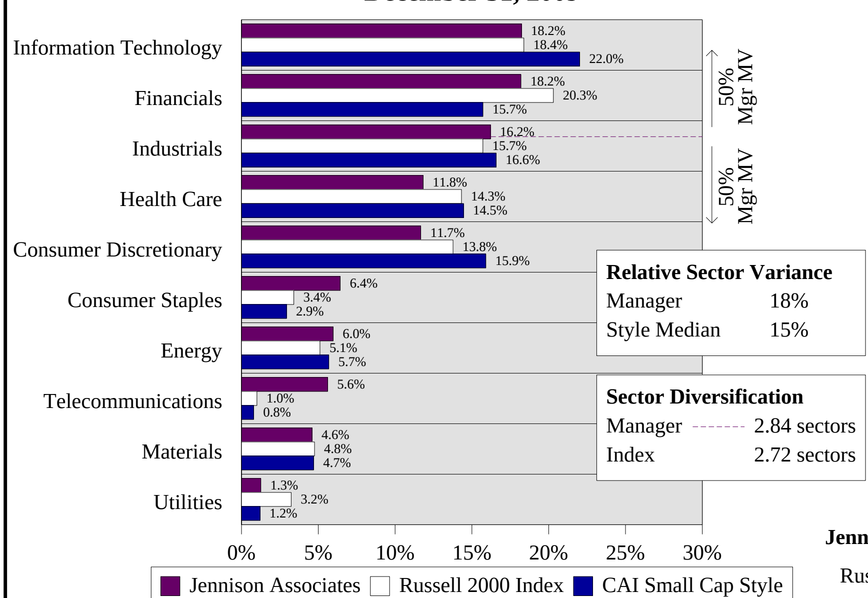


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.63	25.97	3.05	19.46	1.72	1.46
25th Percentile	1.35	22.64	2.43	16.61	1.25	1.10
Median	1.10	17.67	1.79	13.29	0.90	0.35
75th Percentile	0.93	15.06	1.47	10.41	0.40	(0.23)
90th Percentile	0.74	13.37	1.22	8.39	0.20	(0.67)
Jennison Associates ●	1.34	16.34	1.87	12.91	1.26	0.36
Russell 2000 Index ▲	0.89	21.43	1.60	11.89	1.29	0.16

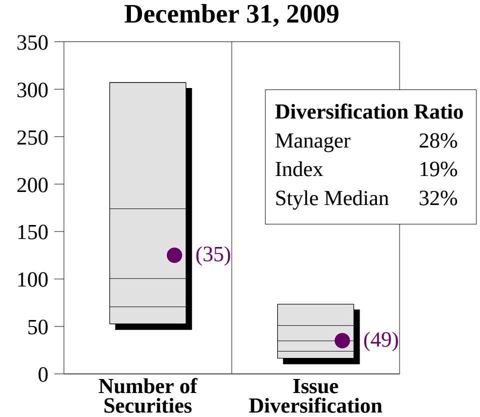
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



	Number of Securities	Issue Diversification
10th Percentile	307	73
25th Percentile	174	51
Median	101	35
75th Percentile	71	24
90th Percentile	53	17
Jennison Associates ●	125	35
Russell 2000 Index ▲	2007	373

LORD, ABBETT
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Lord, Abbett utilizes a disciplined investment process that employs fundamental research in seeking to identify established small-capitalization companies that are entering a period of dramatic growth.

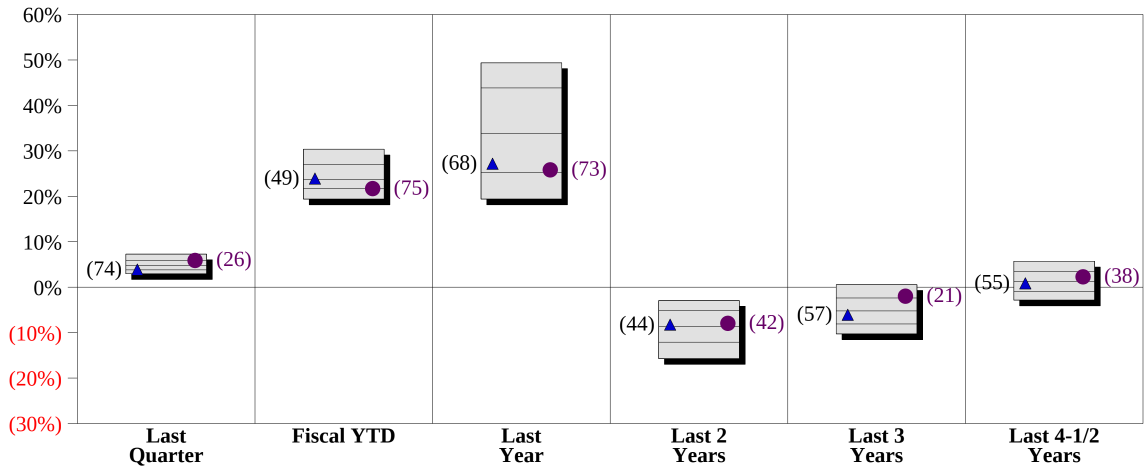
Quarterly Summary and Highlights

- Lord, Abbett's portfolio posted a 5.88% return for the quarter placing it in the 26 percentile of the CAI Small Capitalization Style group for the quarter and in the 73 percentile for the last year.
- Lord, Abbett's portfolio outperformed the Russell 2000 Index by 2.01% for the quarter and underperformed the Russell 2000 Index for the year by 1.36%.

Quarterly Asset Growth

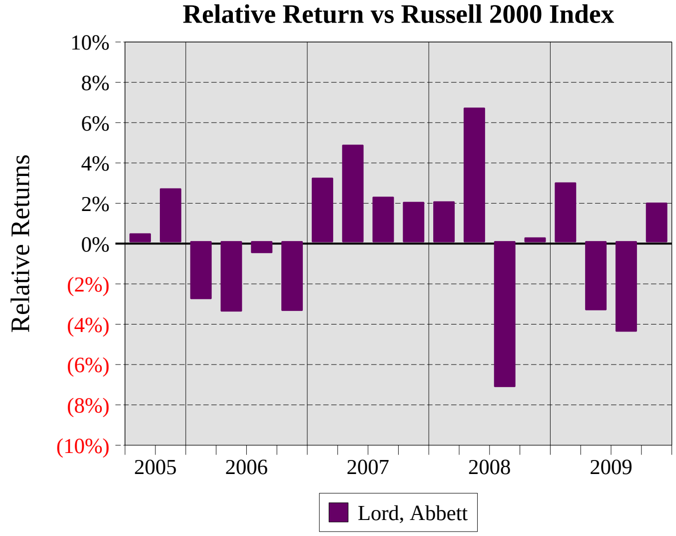
Beginning Market Value	$153,847,721
Net New Investment	$0
Investment Gains/(Losses)	$9,046,823
Ending Market Value	$162,894,544

Performance vs CAI Small Capitalization Style (Gross)

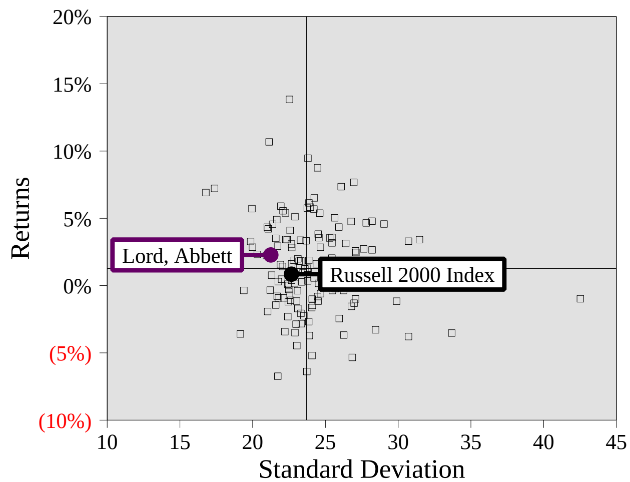


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.70
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.43
Median	4.77	23.70	33.87	(8.70)	(5.22)	1.27
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.92)
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.85)
Lord, Abbett ●	5.88	21.70	25.81	(7.96)	(1.98)	2.28
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.85

Relative Return vs Russell 2000 Index



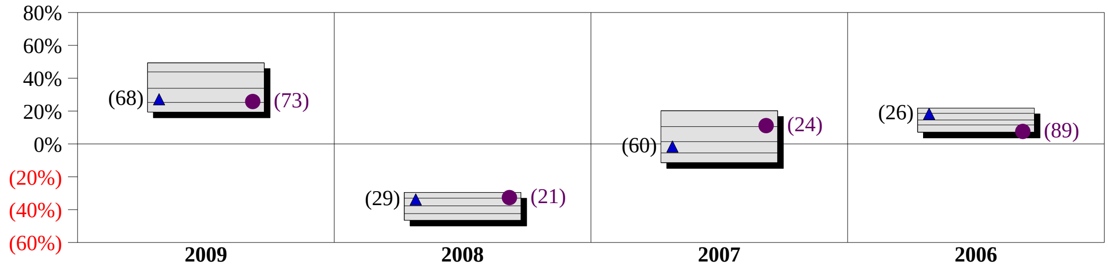
CAI Small Capitalization Style (Gross)
Annualized Four And One-Half Year Risk vs Return



Return Analysis

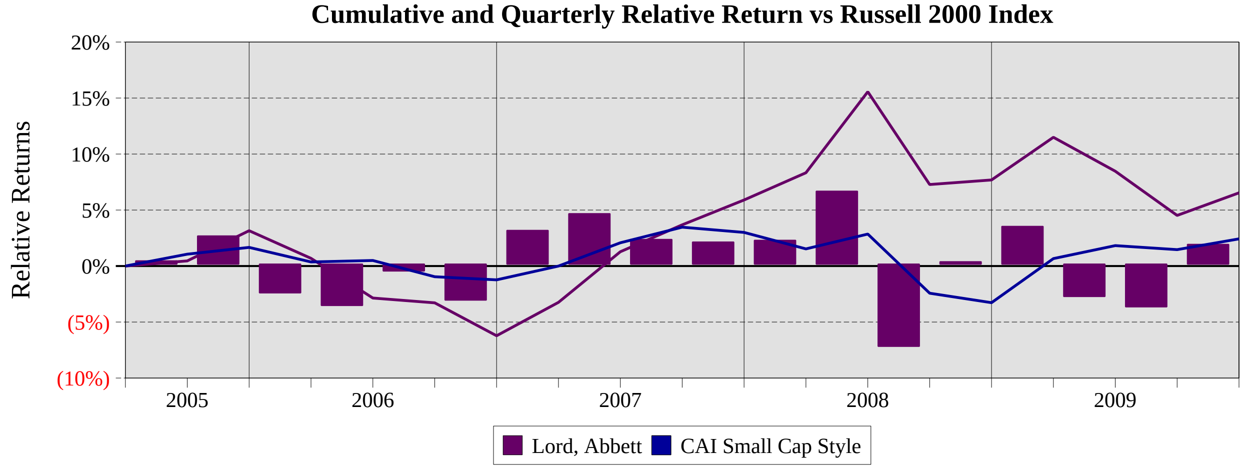
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

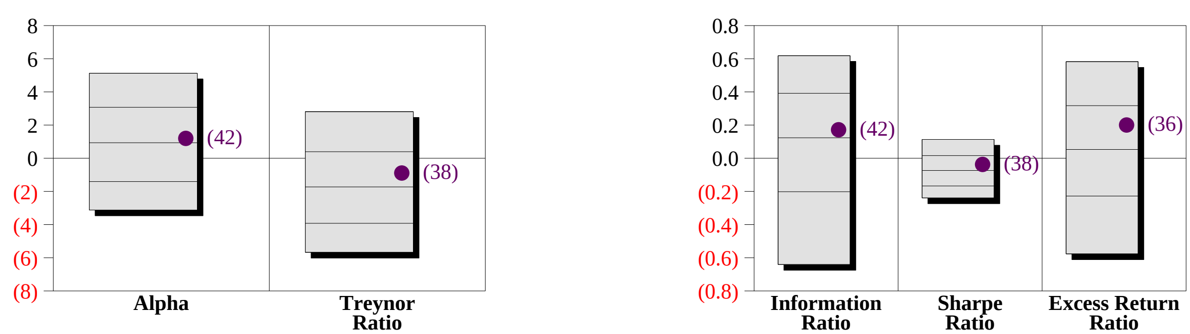


	2009	2008	2007	2006
10th Percentile	49.37	(29.54)	20.20	21.82
25th Percentile	43.85	(33.02)	10.55	18.62
Median	33.87	(37.70)	1.39	14.59
75th Percentile	25.27	(42.41)	(5.47)	11.58
90th Percentile	19.39	(46.49)	(11.43)	7.13
Lord, Abbett ●	25.81	(32.67)	11.16	7.60
Russell 2000 Index ▲	27.17	(33.79)	(1.57)	18.37

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Four And One-Half Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	5.12	2.81
25th Percentile	3.07	0.39
Median	0.94	(1.73)
75th Percentile	(1.41)	(3.92)
90th Percentile	(3.12)	(5.67)
Lord, Abbett ●	1.20	(0.89)

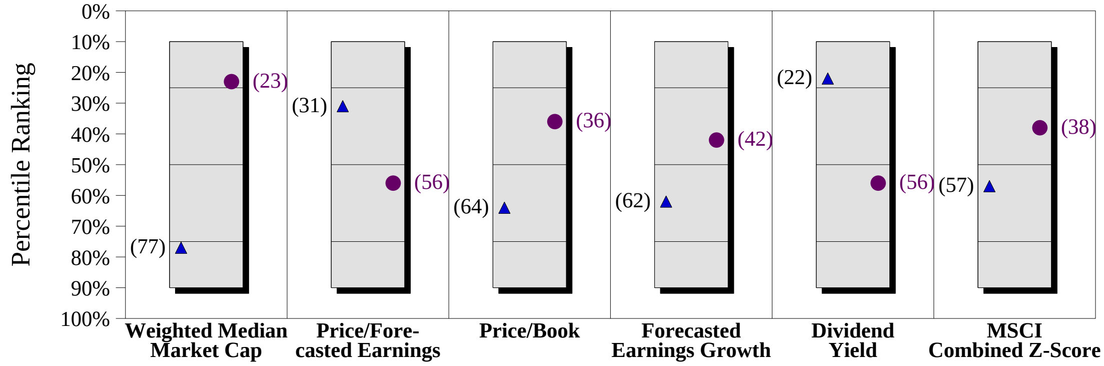
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.62	0.11	0.58
25th Percentile	0.39	0.02	0.32
Median	0.12	(0.07)	0.05
75th Percentile	(0.20)	(0.17)	(0.23)
90th Percentile	(0.64)	(0.24)	(0.58)
Lord, Abbett ●	0.17	(0.04)	0.20

LORD, ABBETT
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of December 31, 2009

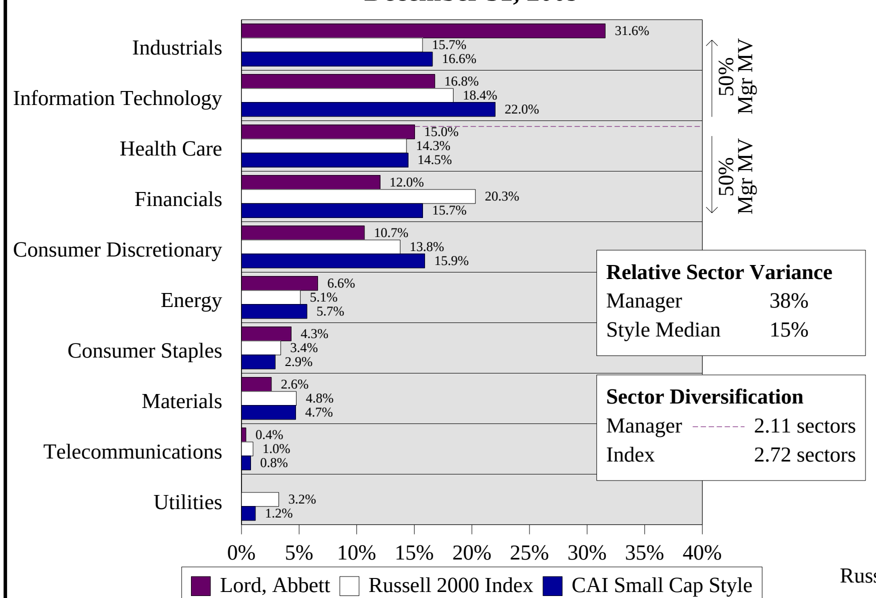


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.63	25.97	3.05	19.46	1.72	1.46
25th Percentile	1.35	22.64	2.43	16.61	1.25	1.10
Median	1.10	17.67	1.79	13.29	0.90	0.35
75th Percentile	0.93	15.06	1.47	10.41	0.40	(0.23)
90th Percentile	0.74	13.37	1.22	8.39	0.20	(0.67)
Lord, Abbett ●	1.37	17.22	2.16	14.07	0.74	0.63
Russell 2000 Index ▲	0.89	21.43	1.60	11.89	1.29	0.16

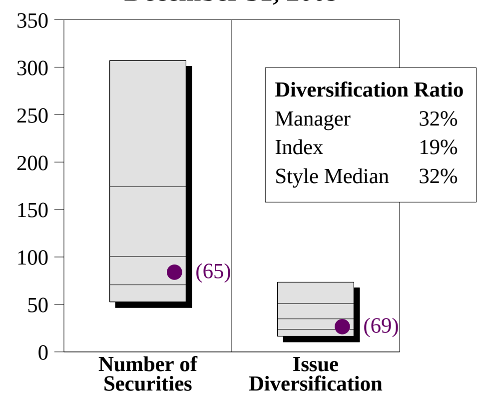
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



	Number of Securities	Issue Diversification
10th Percentile	307	73
25th Percentile	174	51
Median	101	35
75th Percentile	71	24
90th Percentile	53	17
Lord, Abbett ●	84	27
Russell 2000 Index ▲	2007	373

LUTHER KING
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Luther King's philosophy is based upon the belief that companies which generate a high and/or improving return on invested capital, can provide superior rates of return to shareholders over long periods of time.

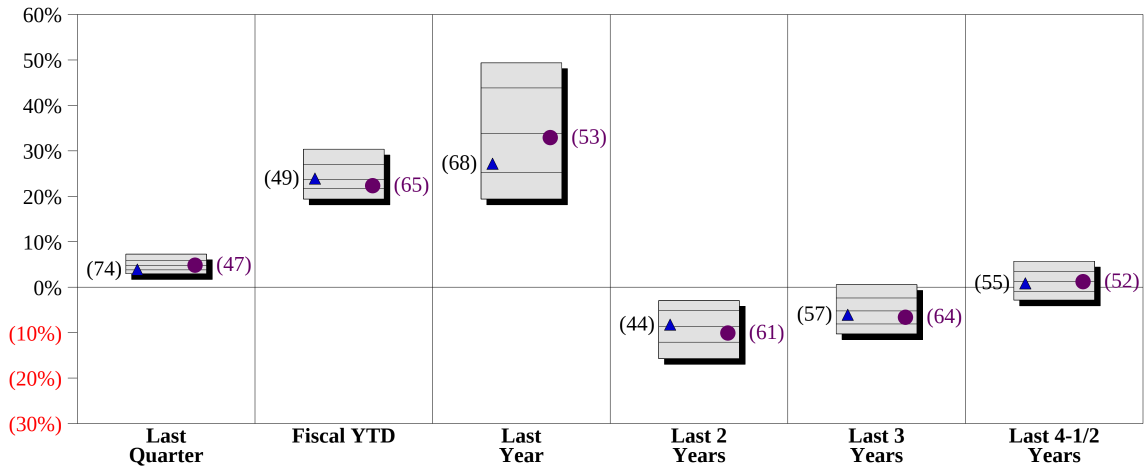
Quarterly Summary and Highlights

- Luther King's portfolio posted a 4.84% return for the quarter placing it in the 47 percentile of the CAI Small Capitalization Style group for the quarter and in the 53 percentile for the last year.
- Luther King's portfolio outperformed the Russell 2000 Index by 0.97% for the quarter and outperformed the Russell 2000 Index for the year by 5.75%.

Quarterly Asset Growth

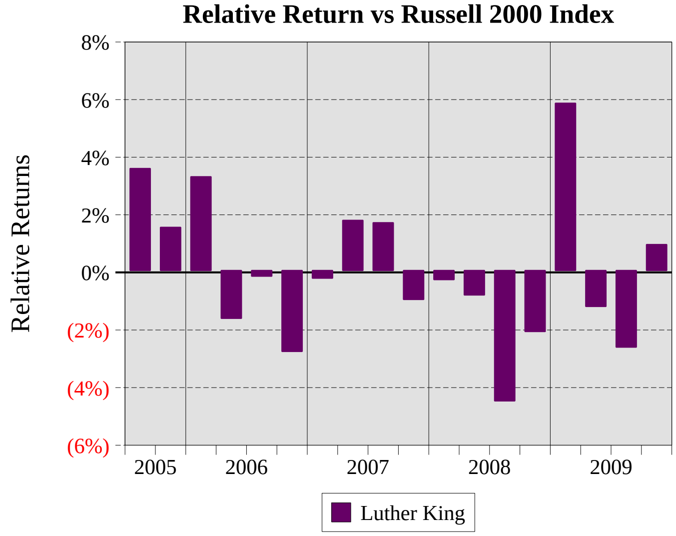
Beginning Market Value	$99,757,512
Net New Investment	$0
Investment Gains/(Losses)	$4,830,612
Ending Market Value	$104,588,124

Performance vs CAI Small Capitalization Style (Gross)

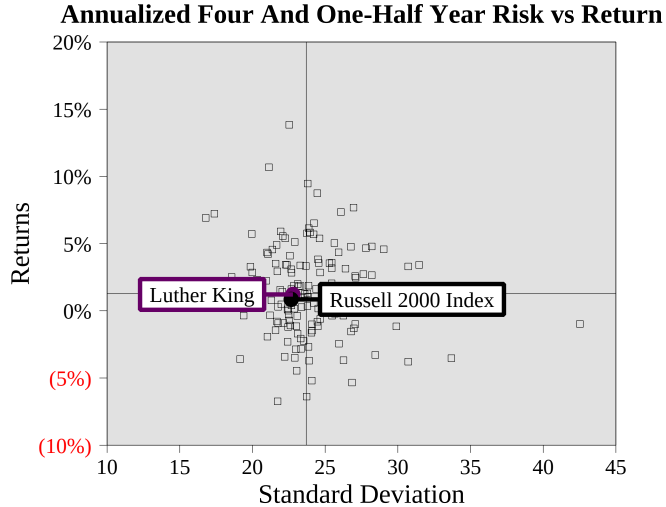


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.70
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.43
Median	4.77	23.70	33.87	(8.70)	(5.22)	1.27
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.92)
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.85)
Luther King ●	4.84	22.33	32.92	(10.09)	(6.62)	1.22
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.85

Relative Return vs Russell 2000 Index



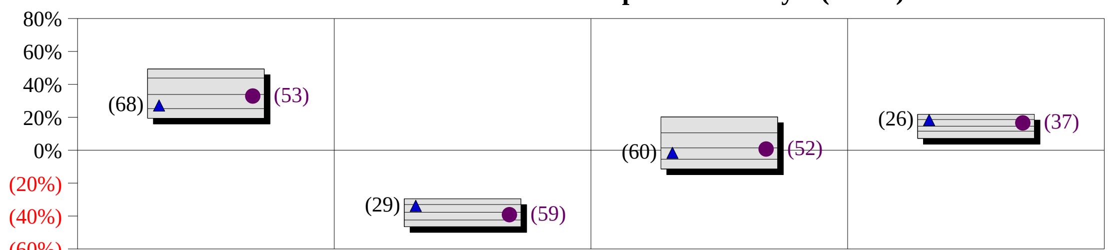
CAI Small Capitalization Style (Gross)
Annualized Four And One-Half Year Risk vs Return



Return Analysis

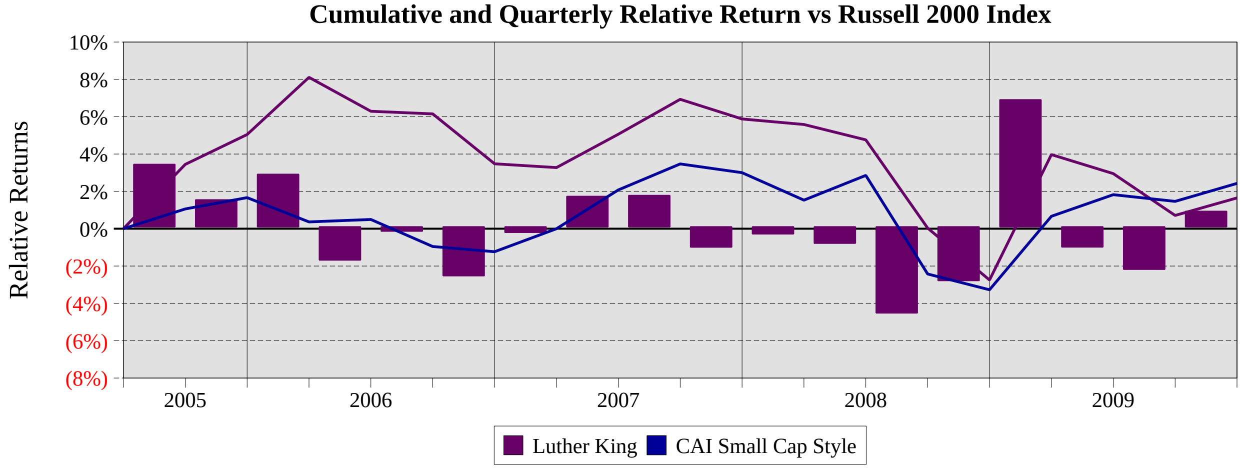
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

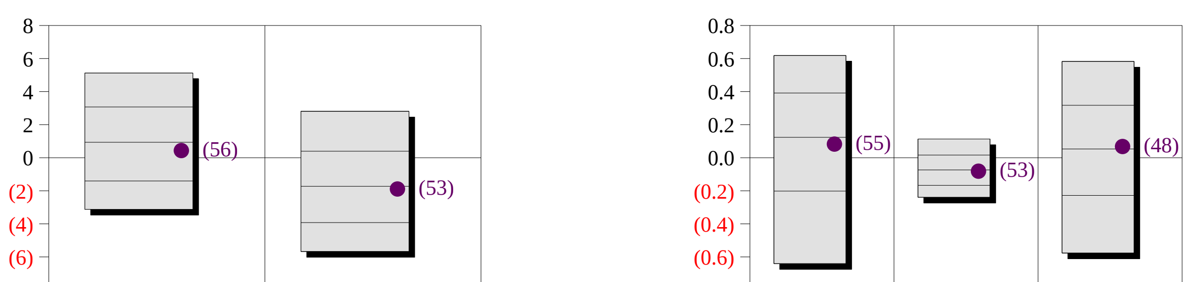


	2009	2008	2007	2006
10th Percentile	49.37	(29.54)	20.20	21.82
25th Percentile	43.85	(33.02)	10.55	18.62
Median	33.87	(37.70)	1.39	14.59
75th Percentile	25.27	(42.41)	(5.47)	11.58
90th Percentile	19.39	(46.49)	(11.43)	7.13
Luther King ●	32.92	(39.18)	0.72	16.60
Russell 2000 Index ▲	27.17	(33.79)	(1.57)	18.37

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Four And One-Half Years Ended December 31, 2009



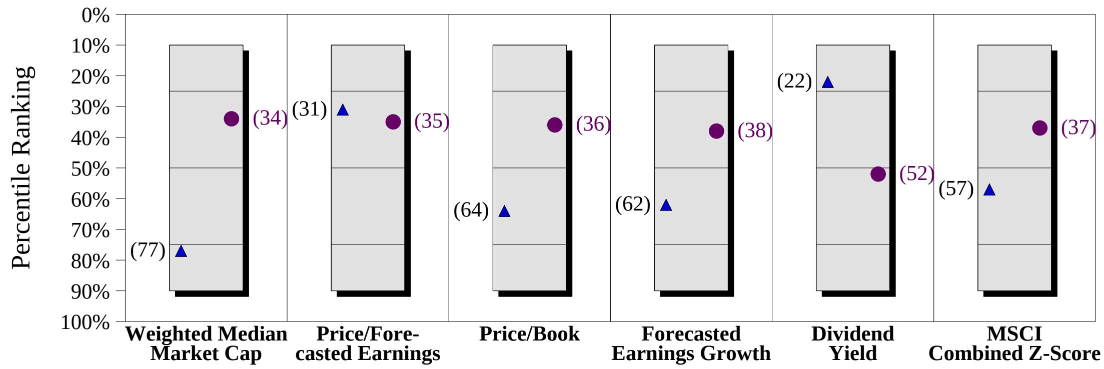
	Alpha	Treynor Ratio
10th Percentile	5.12	2.81
25th Percentile	3.07	0.39
Median	0.94	(1.73)
75th Percentile	(1.41)	(3.92)
90th Percentile	(3.12)	(5.67)
Luther King ●	0.44	(1.89)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.62	0.11	0.58
25th Percentile	0.39	0.02	0.32
Median	0.12	(0.07)	0.05
75th Percentile	(0.20)	(0.17)	(0.23)
90th Percentile	(0.64)	(0.24)	(0.58)
Luther King ●	0.08	(0.08)	0.07

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of December 31, 2009

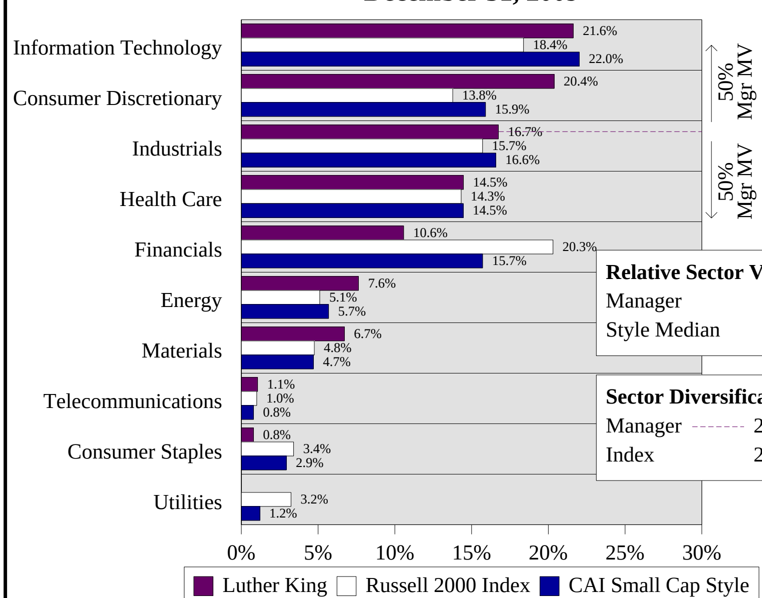


	Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.63	25.97	3.05	19.46	1.72	1.46
25th Percentile	1.35	22.64	2.43	16.61	1.25	1.10
Median	1.10	17.67	1.79	13.29	0.90	0.35
75th Percentile	0.93	15.06	1.47	10.41	0.40	(0.23)
90th Percentile	0.74	13.37	1.22	8.39	0.20	(0.67)
Luther King ●	1.26	20.39	2.16	15.24	0.87	0.69
Russell 2000 Index ▲	0.89	21.43	1.60	11.89	1.29	0.16

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

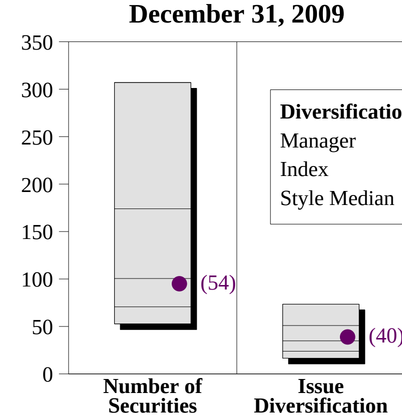
Sector Allocation
December 31, 2009



Relative Sector Variance	
Manager	31%
Style Median	15%

Sector Diversification	
Manager	2.48 sectors
Index	2.72 sectors

Diversification
December 31, 2009



Diversification Ratio	
Manager	41%
Index	19%
Style Median	32%

	Number of Securities	Issue Diversification
10th Percentile	307	73
25th Percentile	174	51
Median	101	35
75th Percentile	71	24
90th Percentile	53	17
Luther King ●	95	39
Russell 2000 Index ▲	2007	373

SSGA RUSSELL 2000 GROWTH
PERIOD ENDED DECEMBER 31, 2009

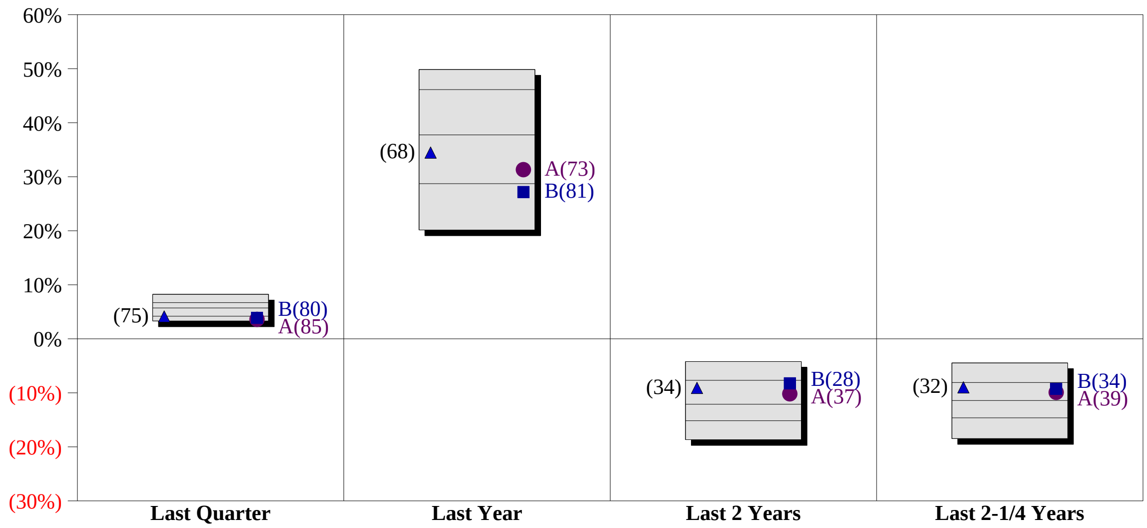
Quarterly Summary and Highlights

- SSgA Russell 2000 Growth's portfolio posted a 3.60% return for the quarter placing it in the 85 percentile of the CAI Small Cap Growth Style group for the quarter and in the 73 percentile for the last year.
- SSgA Russell 2000 Growth's portfolio underperformed the Russell 2000 Growth Index by 0.54% for the quarter and underperformed the Russell 2000 Growth Index for the year by 3.16%.

Quarterly Asset Growth

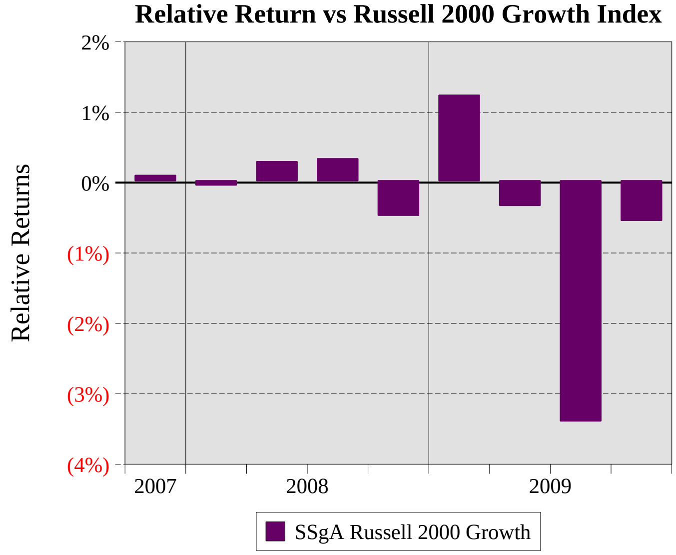
Beginning Market Value	$6,905,447
Net New Investment	$0
Investment Gains/(Losses)	$248,812
Ending Market Value	$7,154,259

Performance vs CAI Small Cap Growth Style (Gross)

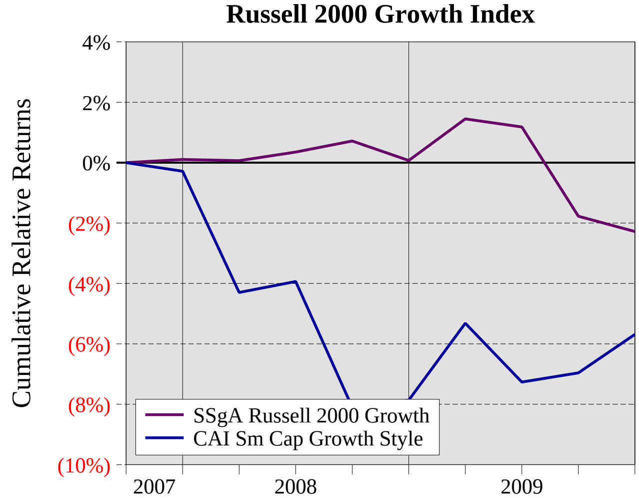


	Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile	8.24	49.85	(4.21)	(4.47)
25th Percentile	6.70	46.13	(7.69)	(8.09)
Median	5.71	37.74	(12.11)	(11.42)
75th Percentile	4.18	28.71	(15.17)	(14.63)
90th Percentile	3.30	20.14	(18.67)	(18.47)
SSgA Russell 2000 Growth ● A	3.60	31.31	(10.18)	(9.92)
Russell 2000 ■ B	3.87	27.17	(8.24)	(9.27)
Russell 2000 Growth Index ▲	4.14	34.47	(9.09)	(8.99)

Relative Return vs Russell 2000 Growth Index



Cumulative Returns vs Russell 2000 Growth Index

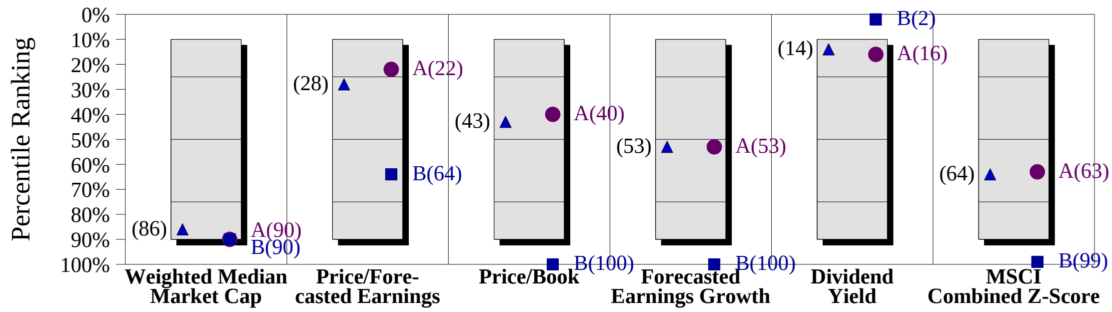


SSGA RUSSELL 2000 GROWTH
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Cap Growth Style
as of December 31, 2009

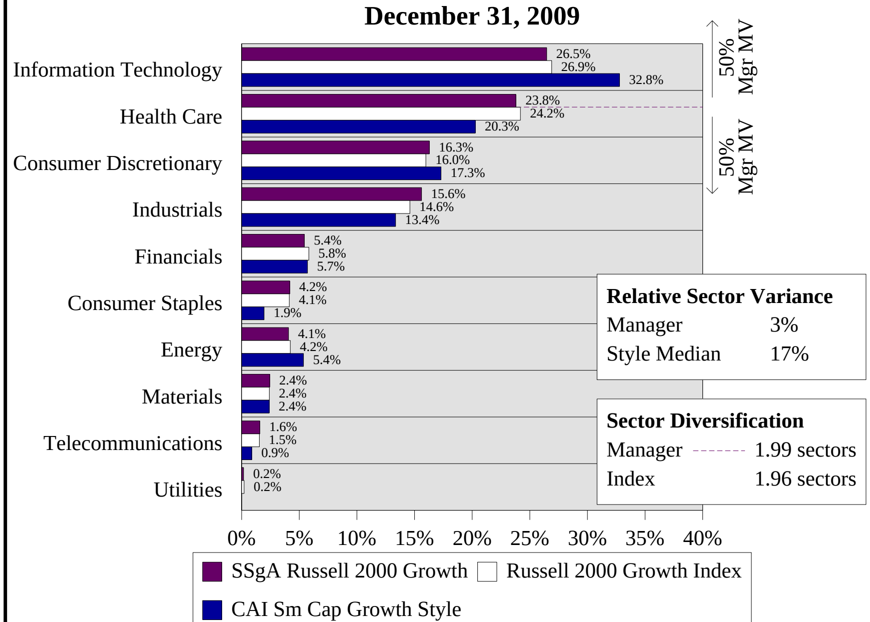


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.87	27.68	3.62	21.90	0.60	1.84
25th Percentile	1.51	24.74	3.06	19.96	0.43	1.51
Median	1.18	22.73	2.63	17.60	0.34	1.23
75th Percentile	0.99	19.95	2.34	15.95	0.20	0.98
90th Percentile	0.89	17.52	2.04	14.90	0.12	0.72
SSgA Russell 2000 Growth ● A	0.90	25.26	2.76	17.29	0.57	1.13
Russell 2000 ■ B	0.89	21.43	1.60	11.89	1.29	0.16
Russell 2000 Growth Index ▲	0.93	24.61	2.68	17.29	0.59	1.09

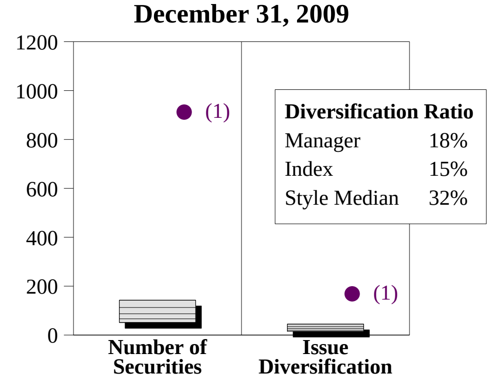
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



	Number of Securities	Issue Diversification
10th Percentile	143	45
25th Percentile	113	35
Median	87	27
75th Percentile	66	20
90th Percentile	51	15
SSgA Russell 2000 Growth ●	912	169
Russell 2000 Growth Index ▲	1275	194

SSGA RUSSELL 2000 VALUE
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

State Street's philosophy is to manage every index portfolio in a manner that ensures the following three objectives: to gain broad-based equity exposure; to attain predictable variance around a given benchmark; and to gain this exposure at the lowest possible cost.

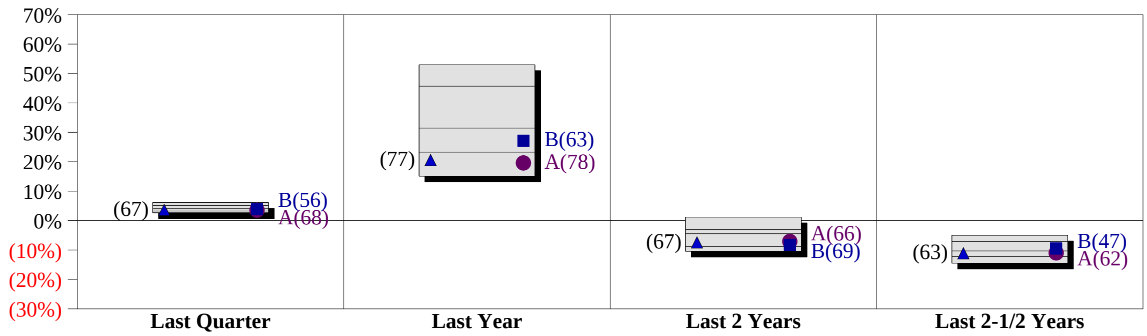
Quarterly Summary and Highlights

- SSgA Russell 2000 Value's portfolio posted a 3.54% return for the quarter placing it in the 68 percentile of the CAI Small Cap Value Style group for the quarter and in the 78 percentile for the last year.
- SSgA Russell 2000 Value's portfolio underperformed the Russell 2000 Value Index by 0.09% for the quarter and underperformed the Russell 2000 Value Index for the year by 0.98%.

Quarterly Asset Growth

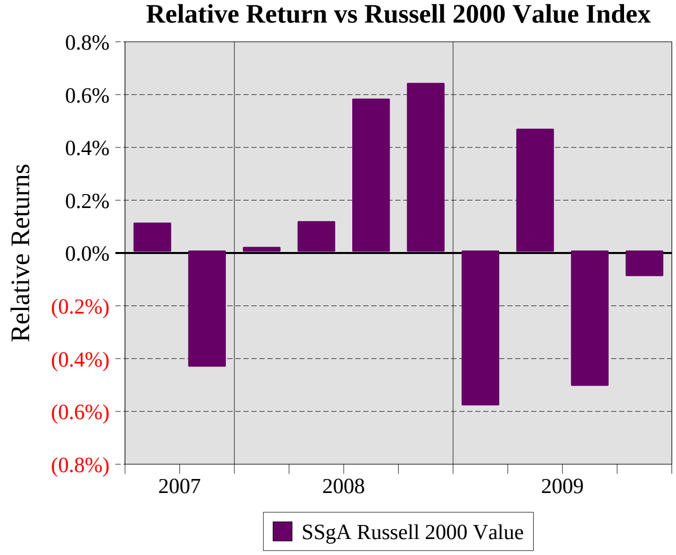
Beginning Market Value	$351,941,402
Net New Investment	$-29,999,992
Investment Gains/(Losses)	$13,810,914
Ending Market Value	$335,752,324

Performance vs CAI Small Cap Value Style (Gross)

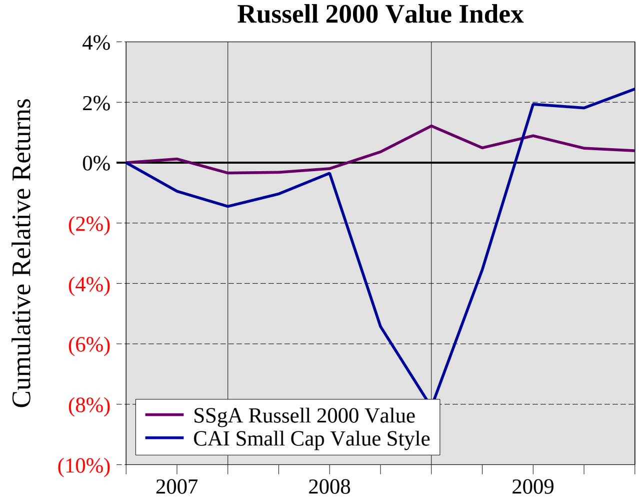


	Last Quarter	Last Year	Last 2 Years	Last 2-1/2 Years
10th Percentile	6.15	52.96	1.18	(4.98)
25th Percentile	5.13	45.68	(3.07)	(7.14)
Median	4.05	31.44	(4.44)	(10.31)
75th Percentile	3.26	23.26	(8.83)	(12.24)
90th Percentile	2.65	15.11	(10.43)	(14.47)
SSgA Russell 2000 Value ● A	3.54	19.60	(7.08)	(10.97)
Russell 2000 ■ B	3.87	27.17	(8.24)	(9.52)
Russell 2000 Value Index ▲	3.63	20.58	(7.43)	(11.11)

Relative Return vs Russell 2000 Value Index



Cumulative Returns vs Russell 2000 Value Index

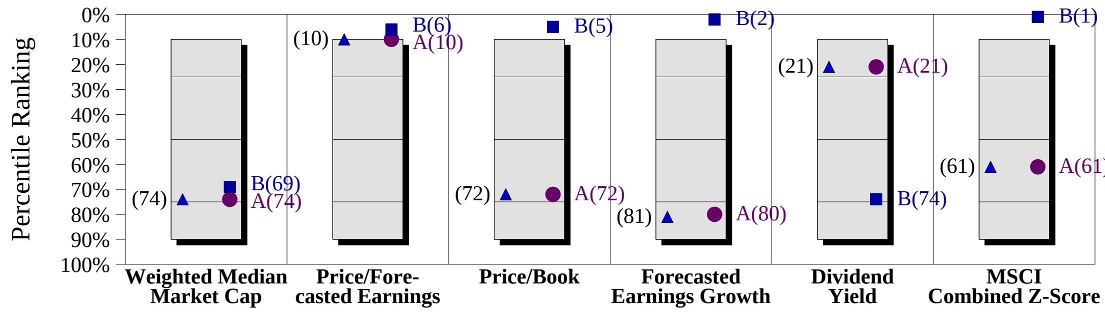


SSGA RUSSELL 2000 VALUE
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Cap Value Style
as of December 31, 2009

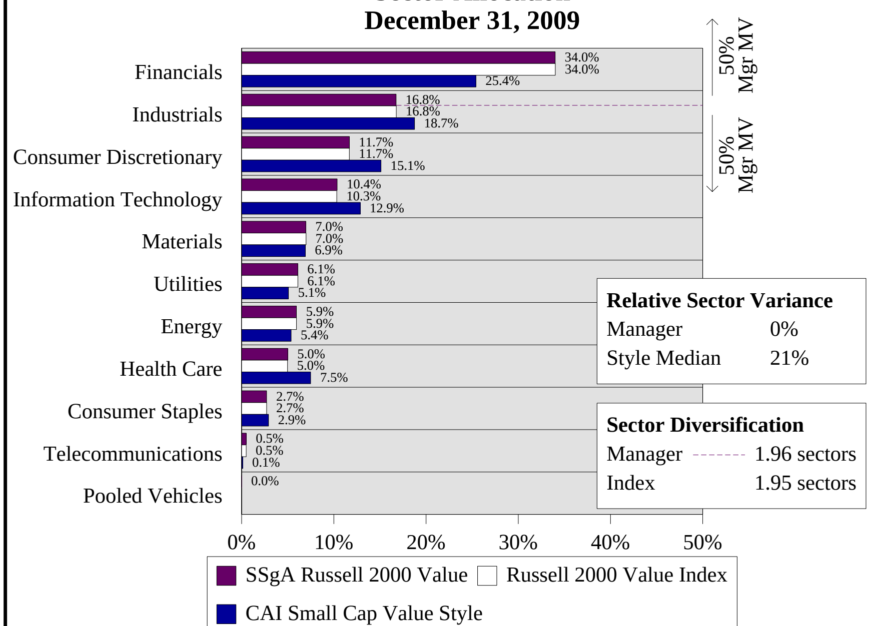


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		1.43	19.11	1.57	11.15	2.19	(0.19)
25th Percentile		1.21	16.79	1.46	10.06	1.93	(0.36)
Median		1.05	14.92	1.26	8.73	1.48	(0.63)
75th Percentile		0.82	13.27	1.15	7.59	1.26	(0.83)
90th Percentile		0.68	12.51	1.06	5.73	0.97	(0.88)
SSgA Russell 2000 Value	● A	0.87	19.11	1.17	6.96	1.96	(0.71)
Russell 2000	■ B	0.89	21.43	1.60	11.89	1.29	0.16
Russell 2000 Value Index	▲	0.87	19.07	1.17	6.93	1.96	(0.71)

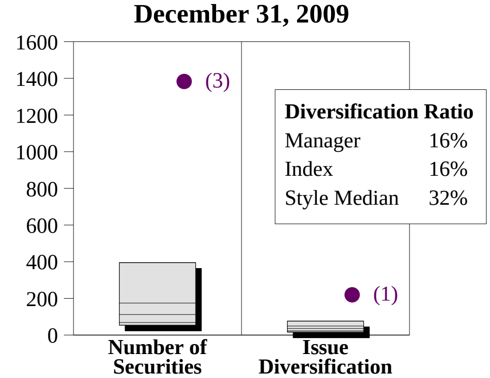
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



		Number of Securities	Issue Diversification
10th Percentile		395	76
25th Percentile		175	49
Median		112	36
75th Percentile		69	23
90th Percentile		54	16
SSgA Russell 2000 Value	●	1383	219
Russell 2000 Value Index	▲	1393	220

TURNER INV. PARTNERS
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Turner focuses on fundamental analysis of earnings growth and on reported earnings relative to consensus estimates. They look for a rate of growth that exceed industry peers and earnings that meet or exceed consensus.

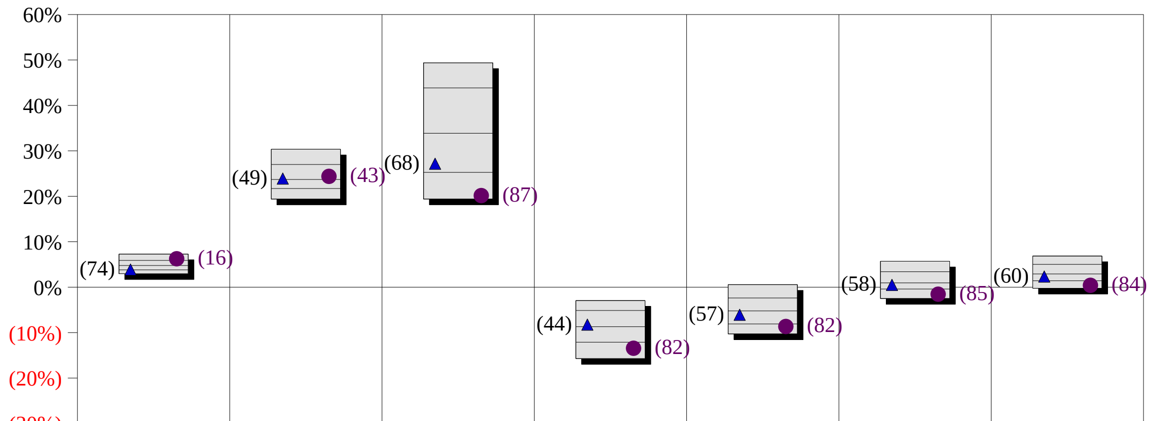
Quarterly Summary and Highlights

- Turner Inv. Partners's portfolio posted a 6.25% return for the quarter placing it in the 16 percentile of the CAI Small Capitalization Style group for the quarter and in the 87 percentile for the last year.
- Turner Inv. Partners's portfolio outperformed the Russell 2000 Index by 2.38% for the quarter and underperformed the Russell 2000 Index for the year by 7.01%.

Quarterly Asset Growth

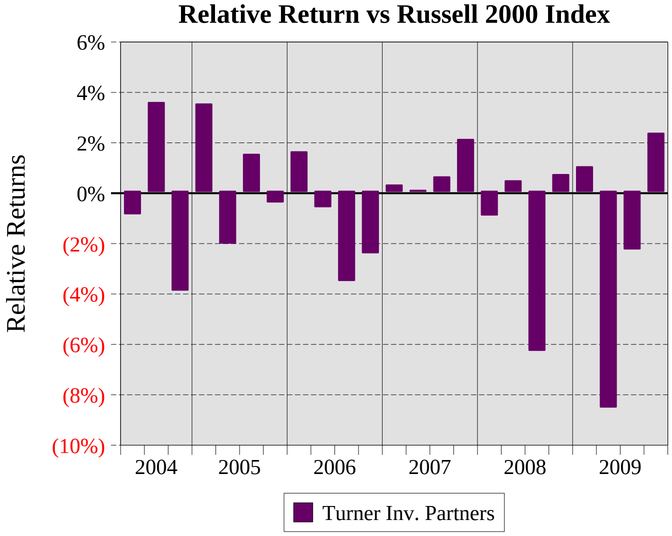
Beginning Market Value	$99,342,535
Net New Investment	$-2,061
Investment Gains/(Losses)	$6,212,356
Ending Market Value	$105,552,830

Performance vs CAI Small Capitalization Style (Gross)

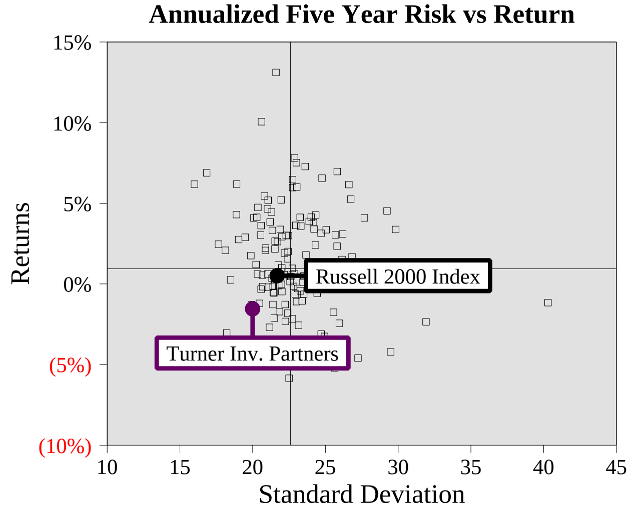


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 5-3/4 Years
10th Percentile	7.28	30.36	49.37	(2.95)	0.56	5.71	6.86
25th Percentile	5.89	27.00	43.85	(5.13)	(2.38)	3.40	5.03
Median	4.77	23.70	33.87	(8.70)	(5.22)	0.94	2.91
75th Percentile	3.81	21.72	25.27	(12.10)	(8.09)	(0.41)	1.41
90th Percentile	2.96	19.38	19.39	(15.72)	(10.28)	(2.50)	(0.25)
Turner Inv. Partners ●	6.25	24.39	20.16	(13.44)	(8.65)	(1.55)	0.41
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	0.51	2.34

Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross) Annualized Five Year Risk vs Return

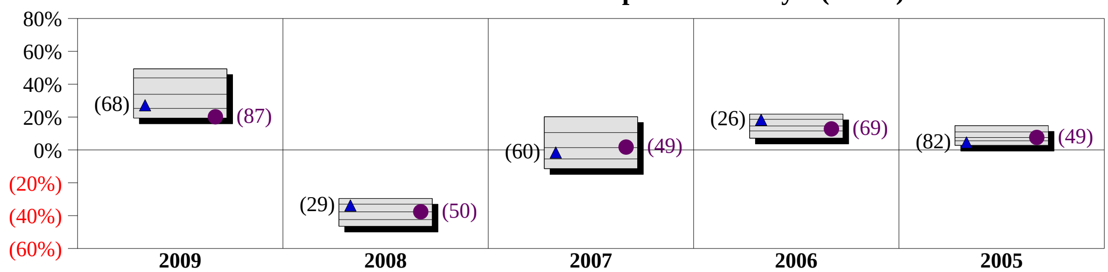


TURNER INV. PARTNERS
RETURN ANALYSIS SUMMARY

Return Analysis

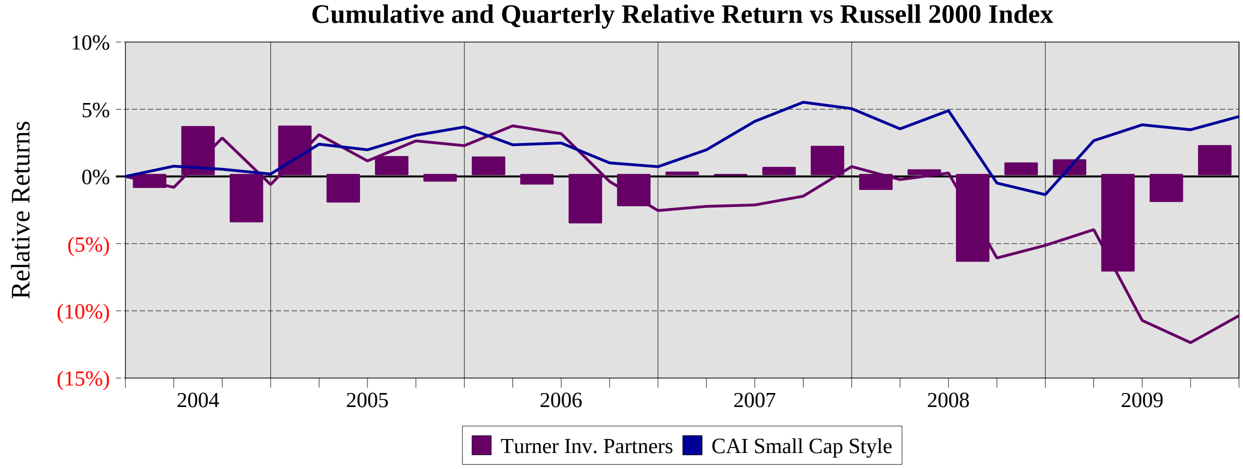
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

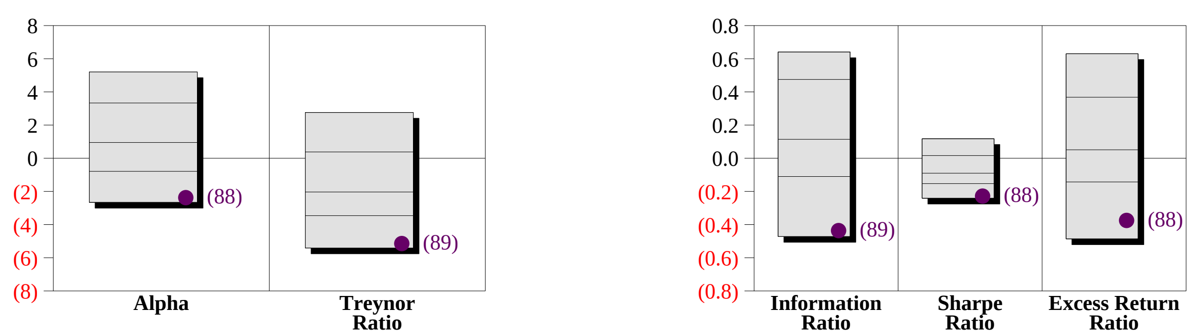


	2009	2008	2007	2006	2005
10th Percentile	49.37	(29.54)	20.20	21.82	14.77
25th Percentile	43.85	(33.02)	10.55	18.62	10.97
Median	33.87	(37.70)	1.39	14.59	7.55
75th Percentile	25.27	(42.41)	(5.47)	11.58	5.55
90th Percentile	19.39	(46.49)	(11.43)	7.13	2.77
Turner Inv. Partners ●	20.16	(37.64)	1.74	12.78	7.60
Russell 2000 Index ▲	27.17	(33.79)	(1.57)	18.37	4.55

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	5.21	2.76
25th Percentile	3.33	0.38
Median	0.95	(2.03)
75th Percentile	(0.79)	(3.46)
90th Percentile	(2.66)	(5.41)
Turner Inv. Partners ●	(2.38)	(5.14)

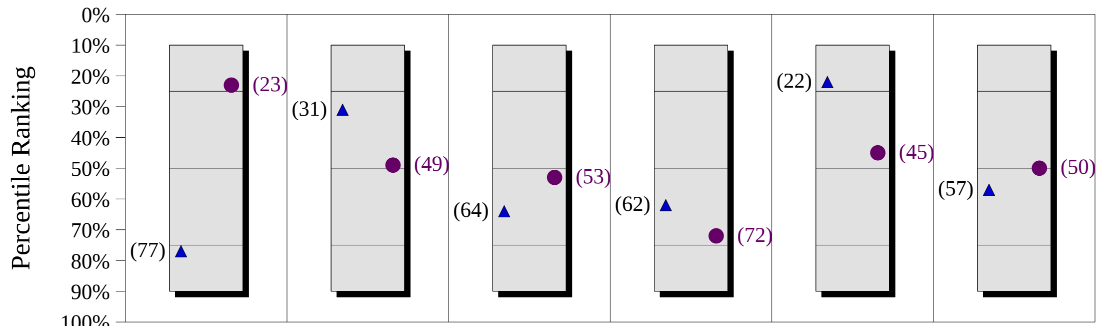
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.64	0.12	0.63
25th Percentile	0.48	0.02	0.37
Median	0.11	(0.09)	0.05
75th Percentile	(0.11)	(0.15)	(0.14)
90th Percentile	(0.47)	(0.24)	(0.49)
Turner Inv. Partners ●	(0.44)	(0.23)	(0.37)

TURNER INV. PARTNERS
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of December 31, 2009

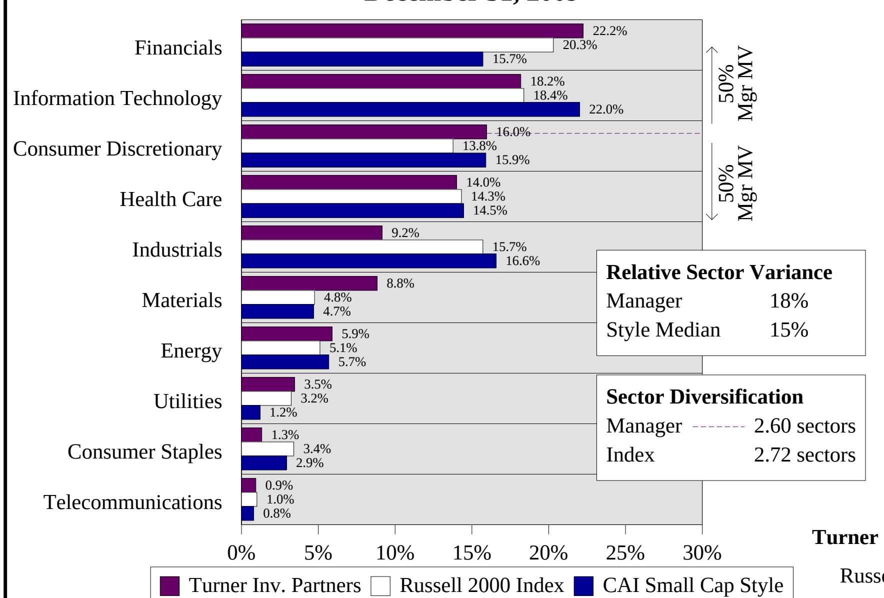


	Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.63	25.97	3.05	19.46	1.72	1.46
25th Percentile	1.35	22.64	2.43	16.61	1.25	1.10
Median	1.10	17.67	1.79	13.29	0.90	0.35
75th Percentile	0.93	15.06	1.47	10.41	0.40	(0.23)
90th Percentile	0.74	13.37	1.22	8.39	0.20	(0.67)
Turner Inv. Partners ●	1.36	17.72	1.74	10.84	0.98	0.34
Russell 2000 Index ▲	0.89	21.43	1.60	11.89	1.29	0.16

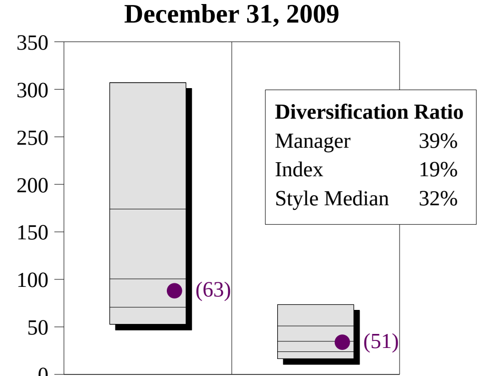
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009

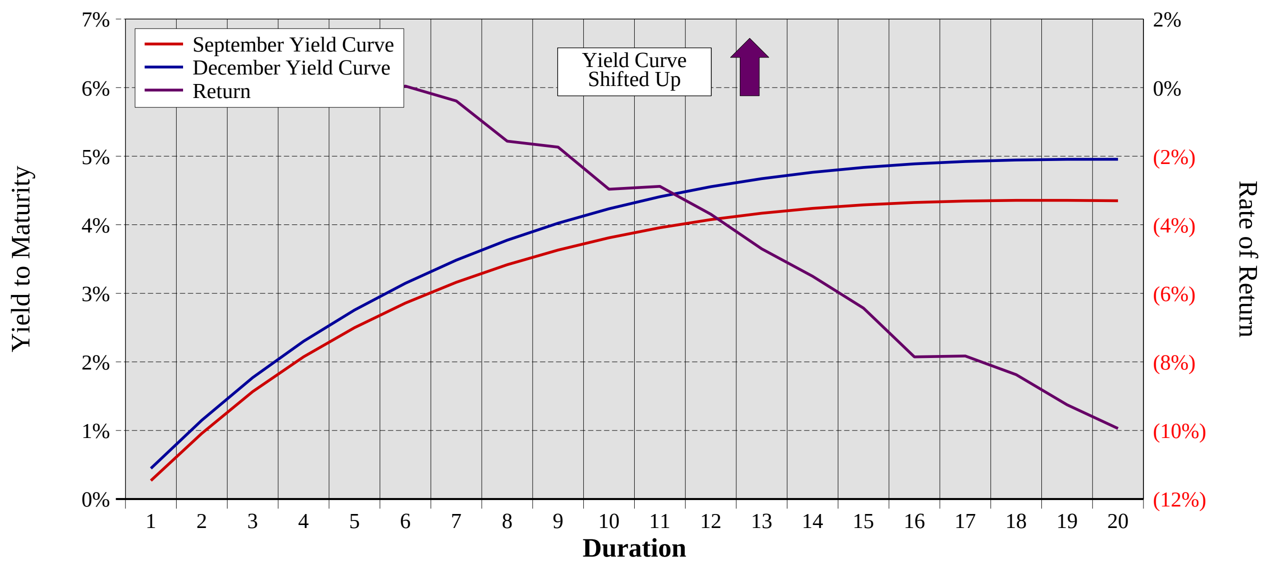


	Number of Securities	Issue Diversification
10th Percentile	307	73
25th Percentile	174	51
Median	101	35
75th Percentile	71	24
90th Percentile	53	17
Turner Inv. Partners ●	88	34
Russell 2000 Index ▲	2007	373

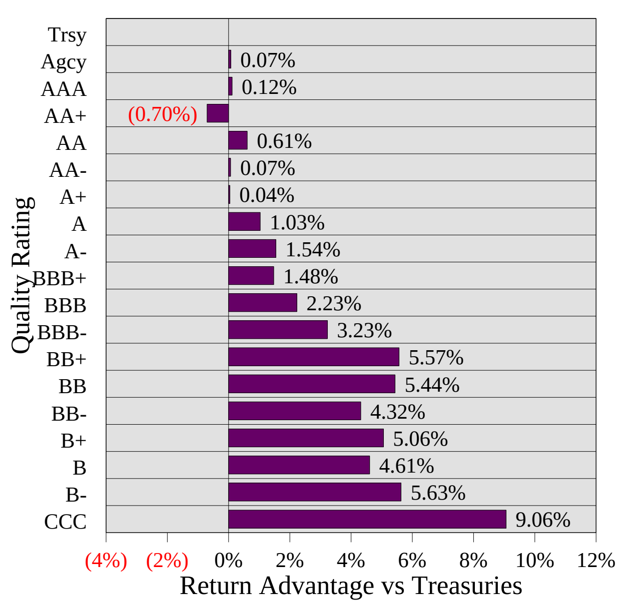
Factors Influencing Bond Returns

The charts below are designed to give you an overview of the factors that influenced bond market returns for the quarter. The first chart shows the shift in the Treasury yield curve and the resulting returns by duration. The second chart shows the average return premium (relative to Treasuries) for bonds with different quality ratings. The final chart shows the average return premium of the different sectors relative to Treasuries. These sector premiums are calculated after differences in quality and term structure have been accounted for across the sectors. They are typically explained by differences in convexity, sector specific supply and demand considerations, or other factors that influence the perceived risk of the sector.

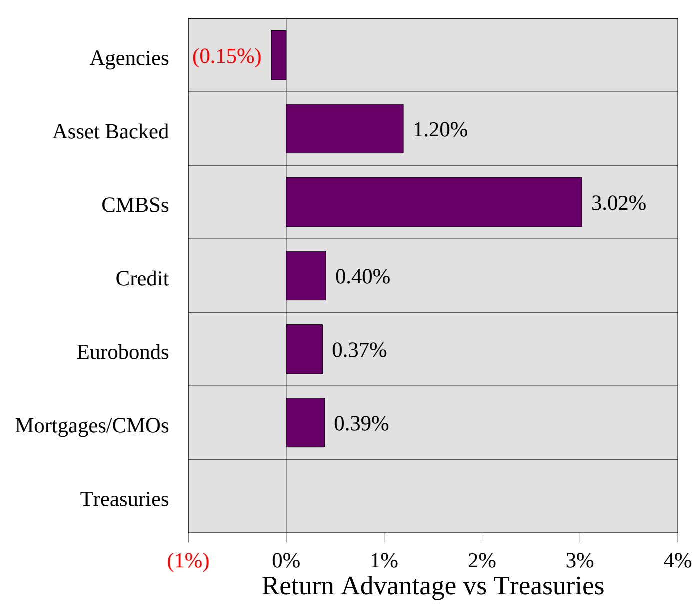
Yield Curve Change and Rate of Return
One Quarter Ended December 31, 2009



Duration Adjusted
Return Premium to Quality
One Quarter Ended December 31, 2009



Quality and Duration Adjusted
Return Premium by Sector
One Quarter Ended December 31, 2009



TOTAL FIXED-INCOME
PERIOD ENDED DECEMBER 31, 2009

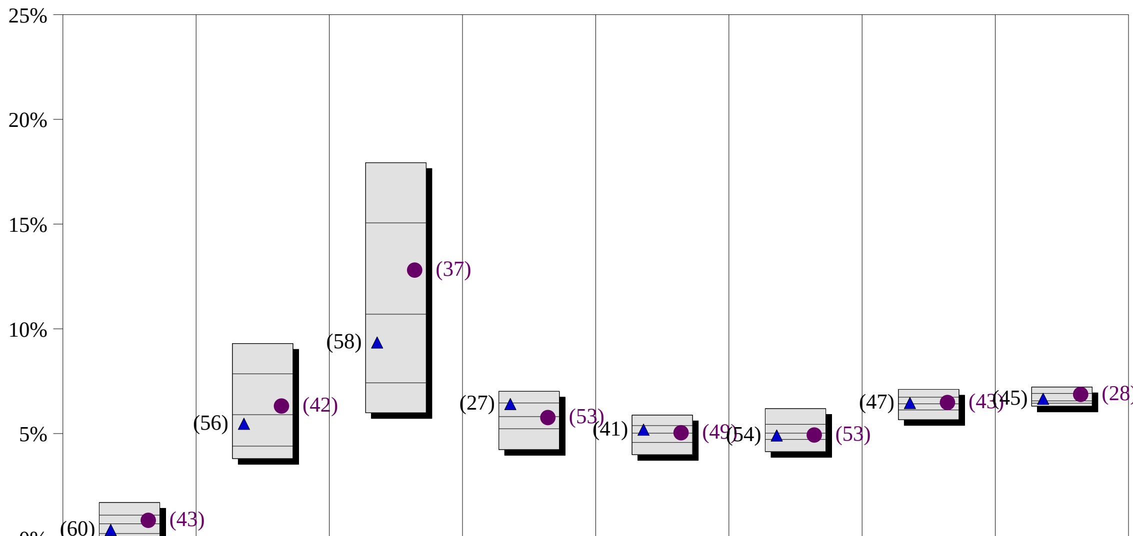
Quarterly Summary and Highlights

- Total Fixed-Income Pool's portfolio posted a 0.86% return for the quarter placing it in the 43 percentile of the Public Fund - Domestic Fixed group for the quarter and in the 37 percentile for the last year.
- Total Fixed-Income Pool's portfolio outperformed the Fixed-Income Target by 0.46% for the quarter and outperformed the Fixed-Income Target for the year by 3.46%.

Quarterly Asset Growth

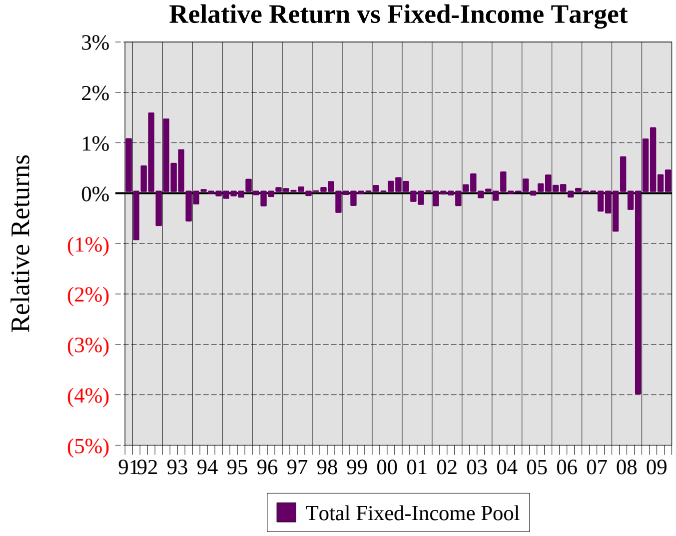
Beginning Market Value	$1,543,398,603
Net New Investment	$50,667,989
Investment Gains/(Losses)	$13,149,626
Ending Market Value	$1,607,216,218

Performance vs Public Fund - Domestic Fixed (Gross)

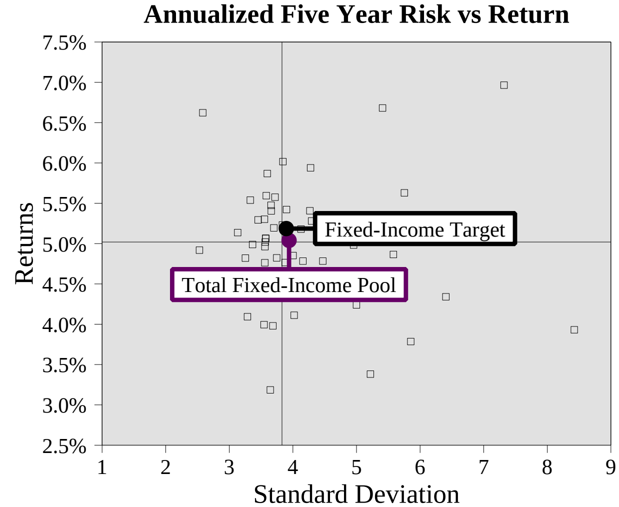


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	1.71	9.30	17.93	7.02	5.88	6.19	7.11	7.22
25th Percentile	1.11	7.85	15.06	6.46	5.38	5.44	6.74	6.92
Median	0.69	5.90	10.70	5.81	5.02	5.02	6.42	6.56
75th Percentile	0.23	4.40	7.42	5.23	4.58	4.72	6.13	6.45
90th Percentile	0.07	3.80	5.99	4.23	3.99	4.14	5.66	6.31
Total Fixed-Income Pool ●	0.86	6.32	12.80	5.76	5.04	4.93	6.48	6.87
Fixed-Income Target ▲	0.40	5.47	9.35	6.41	5.19	4.91	6.46	6.66

Relative Return vs Fixed-Income Target



Public Fund - Domestic Fixed (Gross) Annualized Five Year Risk vs Return

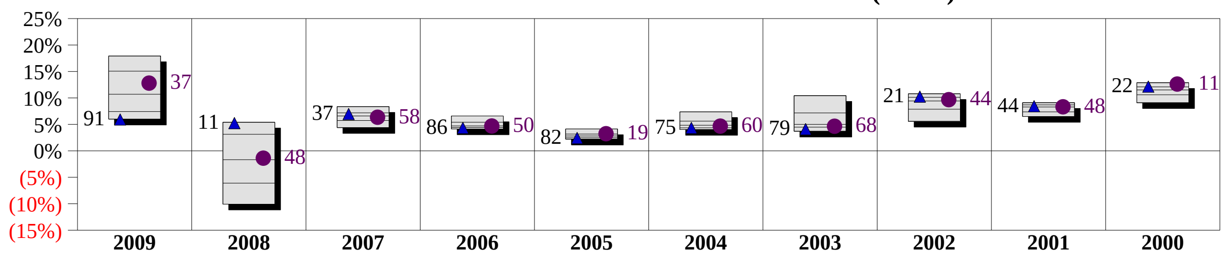


TOTAL FIXED-INCOME POOL
RETURN ANALYSIS SUMMARY

Return Analysis

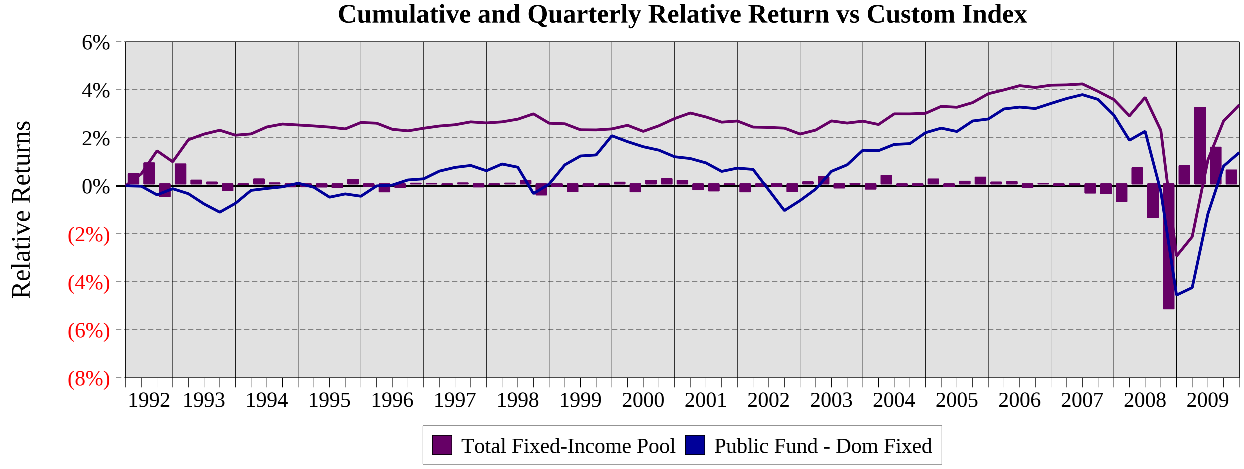
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Public Fund - Domestic Fixed (Gross)

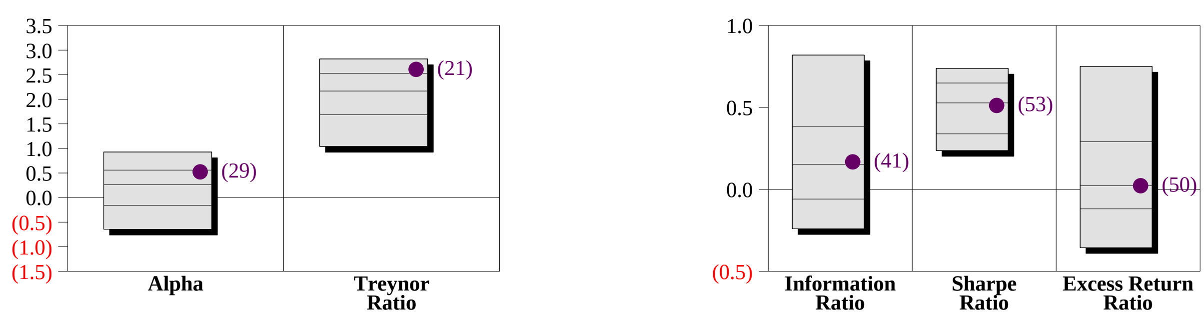


	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
10th Percentile	17.93	5.40	8.36	6.59	4.14	7.37	10.43	10.79	9.11	12.88
25th Percentile	15.06	3.13	7.18	5.40	3.17	5.61	7.16	10.12	8.69	12.09
Median	10.70	(1.68)	6.59	4.71	2.81	4.83	5.00	9.42	8.29	11.51
75th Percentile	7.42	(6.11)	5.73	4.41	2.47	4.35	4.48	7.87	7.37	10.60
90th Percentile	5.99	(10.08)	4.39	4.13	2.21	4.03	3.70	5.57	6.49	9.09
Total Fixed-Income Pool ●	12.80	(1.39)	6.35	4.69	3.24	4.67	4.65	9.67	8.32	12.63
Custom Index ▲	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.43	12.15

Cumulative and Quarterly Relative Return vs Custom Index



Risk Adjusted Return Measures vs Custom Index
Rankings Against Public Fund - Domestic Fixed (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	0.93	2.82
25th Percentile	0.56	2.53
Median	0.26	2.17
75th Percentile	(0.16)	1.69
90th Percentile	(0.64)	1.04
Total Fixed-Income Pool ●	0.52	2.61

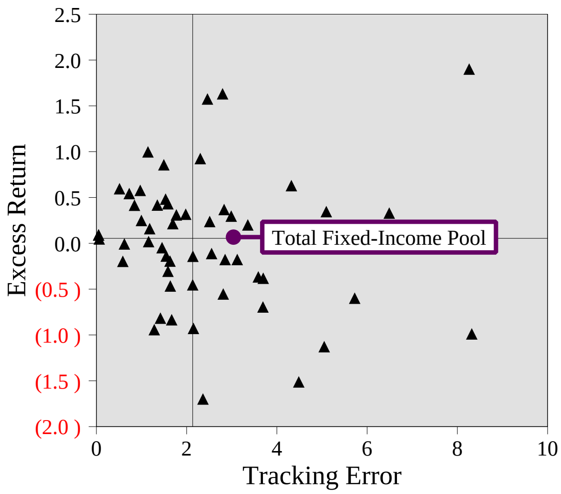
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.82	0.74	0.75
25th Percentile	0.39	0.65	0.29
Median	0.15	0.53	0.02
75th Percentile	(0.06)	0.34	(0.12)
90th Percentile	(0.24)	0.24	(0.36)
Total Fixed-Income Pool ●	0.17	0.51	0.02

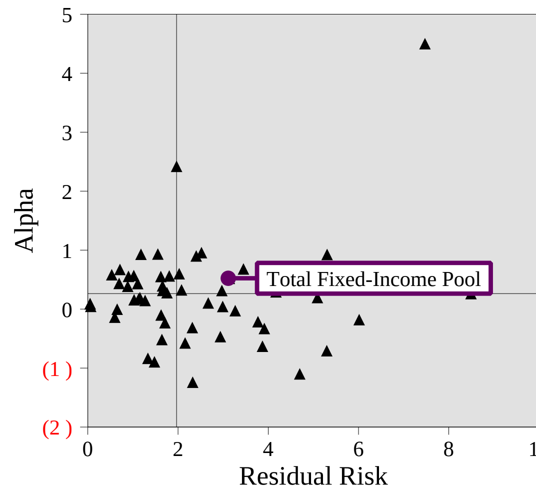
TOTAL FIXED-INCOME POOL
RISK ANALYSIS SUMMARY

Risk Analysis

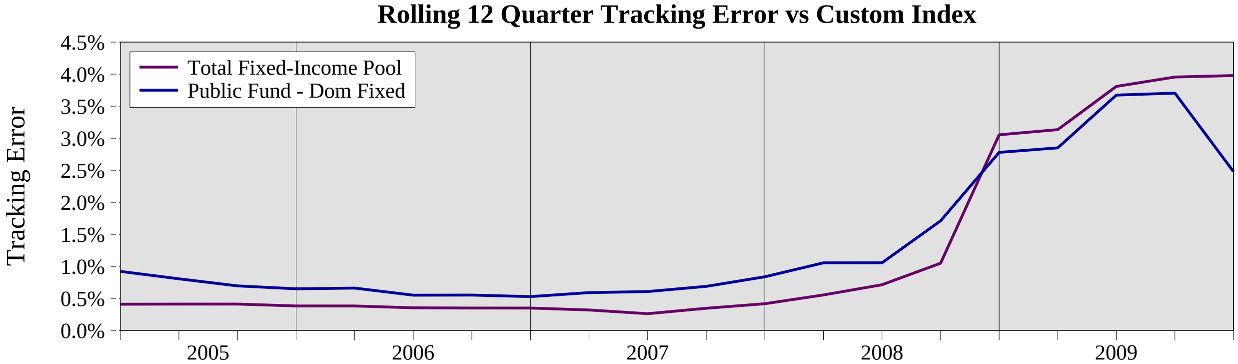
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs Public Fund - Domestic Fixed (Gross)
Five Years Ended December 31, 2009

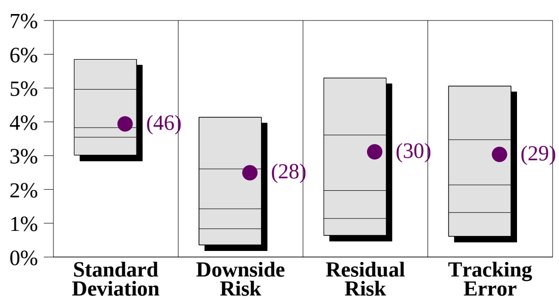


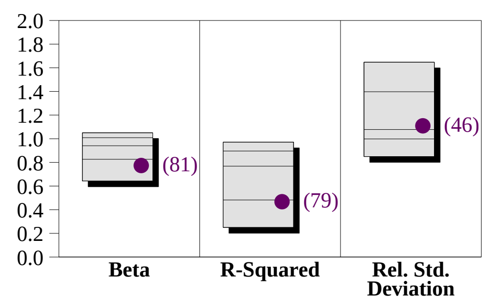


Rolling 12 Quarter Tracking Error vs Custom Index



Risk Statistics Rankings vs Custom Index
Rankings Against Public Fund - Domestic Fixed (Gross)
Five Years Ended December 31, 2009





	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	5.85	4.14	5.30	5.06
25th Percentile	4.96	2.61	3.61	3.47
Median	3.83	1.43	1.97	2.13
75th Percentile	3.55	0.84	1.14	1.32
90th Percentile	3.02	0.36	0.64	0.61
Total Fixed-Income Pool ●	3.94	2.49	3.11	3.04

	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.05	0.97	1.65
25th Percentile	1.01	0.90	1.40
Median	0.94	0.77	1.08
75th Percentile	0.83	0.48	1.00
90th Percentile	0.64	0.25	0.85
Total Fixed-Income Pool ●	0.77	0.47	1.11

AK RETIREMENT FIXED-INCOME
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

The State of Alaska Employees' Fixed-Income portfolio is a core-oriented strategy. Staff utilizes only investment-grade bonds denominated in U.S. dollars in the portfolio. The Custom index represents the BC Govt/Credit through 3/31/00 and BC Aggregate thereafter.

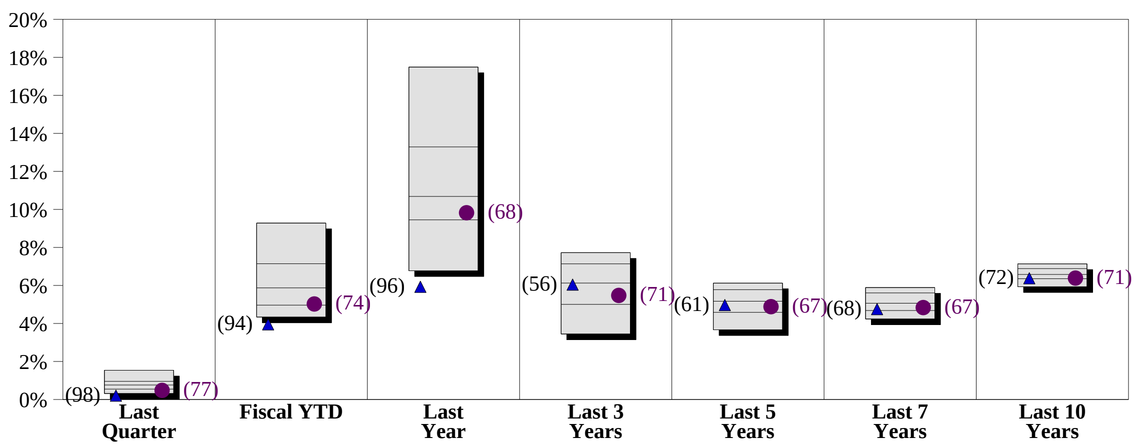
Quarterly Summary and Highlights

- AK Fixed-Income's portfolio posted a 0.48% return for the quarter placing it in the 77 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 68 percentile for the last year.
- AK Fixed-Income's portfolio outperformed the Custom Index by 0.28% for the quarter and outperformed the Custom Index for the year by 3.89%.

Quarterly Asset Growth

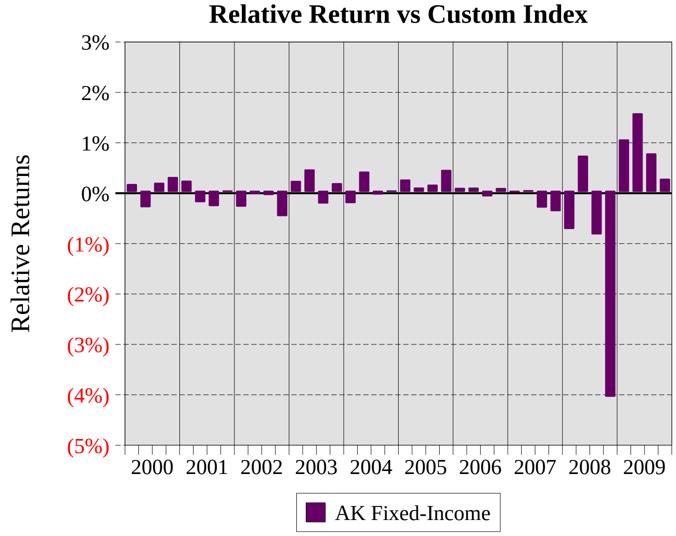
Beginning Market Value	$1,122,720,255
Net New Investment	$83,886,200
Investment Gains/(Losses)	$4,857,082
Ending Market Value	$1,211,463,537

Performance vs CAI Core Bond Fixed-Inc Style (Gross)

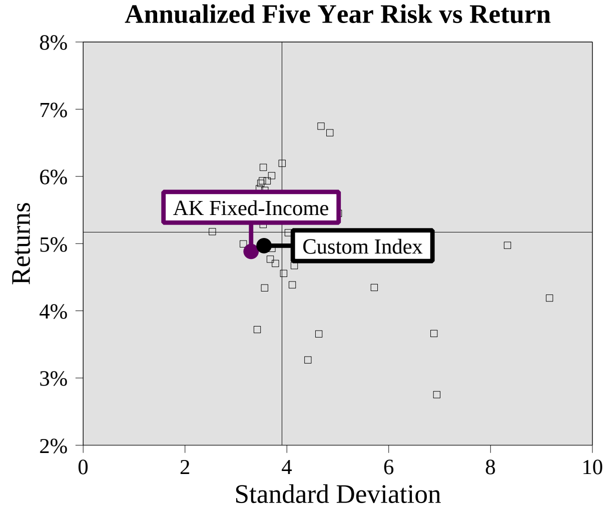


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	1.54	9.28	17.49	7.73	6.12	5.89	7.14
25th Percentile	0.95	7.14	13.29	7.14	5.78	5.61	6.89
Median	0.76	5.87	10.68	6.13	5.17	5.06	6.58
75th Percentile	0.55	4.96	9.45	5.00	4.59	4.68	6.35
90th Percentile	0.31	4.34	6.77	3.45	3.67	4.24	5.93
AK Fixed-Income ●	0.48	5.03	9.82	5.47	4.88	4.84	6.39
Custom Index ▲	0.20	3.95	5.93	6.04	4.97	4.75	6.38

Relative Return vs Custom Index



CAI Core Bond Fixed-Inc Style (Gross)
Annualized Five Year Risk vs Return

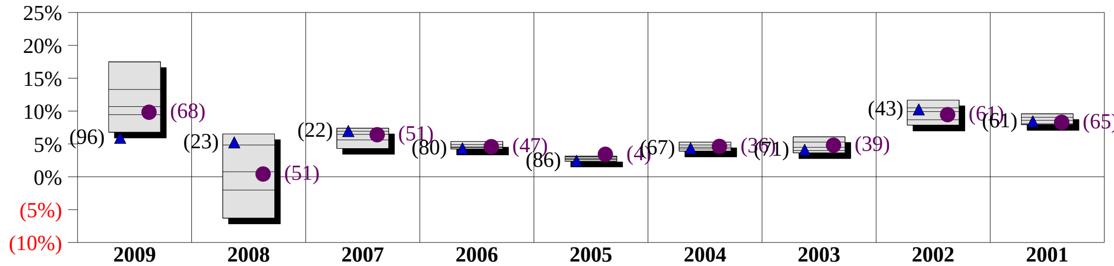


AK RETIREMENT FIXED-INCOME
RETURN ANALYSIS SUMMARY

Return Analysis

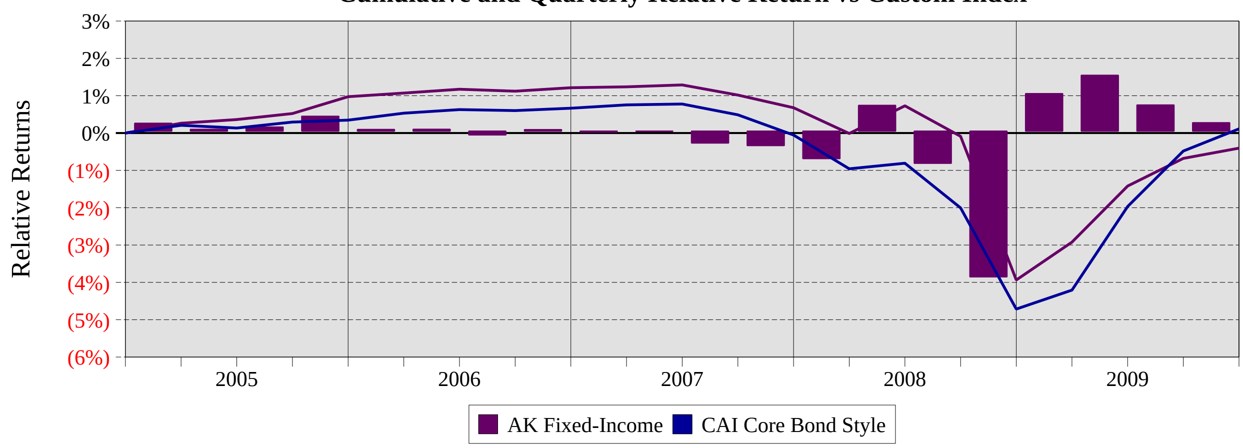
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Core Bond Fixed-Inc Style (Gross)

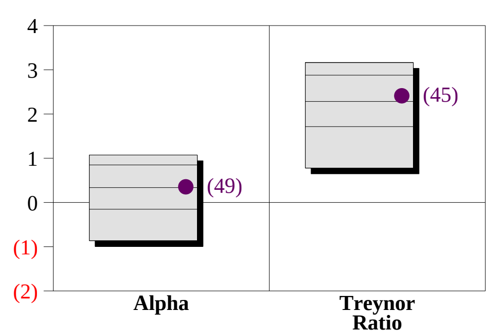


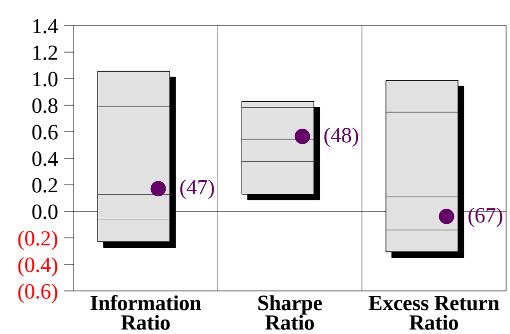
	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	17.49	6.51	7.39	5.38	3.14	5.28	6.08	11.67	9.58
25th Percentile	13.29	4.83	6.93	4.90	3.01	4.84	5.27	10.50	9.05
Median	10.68	0.76	6.46	4.54	2.77	4.49	4.48	9.92	8.59
75th Percentile	9.45	(2.02)	5.61	4.42	2.64	4.25	4.00	8.68	8.07
90th Percentile	6.77	(6.30)	4.30	4.22	2.37	3.90	3.64	7.86	7.94
AK Fixed-Income ●	9.82	0.42	6.40	4.58	3.43	4.63	4.81	9.46	8.30
Custom Index ▲	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.43

Cumulative and Quarterly Relative Return vs Custom Index



Risk Adjusted Return Measures vs Custom Index
Rankings Against CAI Core Bond Fixed-Inc Style (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	1.07	3.16
25th Percentile	0.85	2.88
Median	0.34	2.28
75th Percentile	(0.15)	1.72
90th Percentile	(0.86)	0.78
AK Fixed-Income ●	0.35	2.41

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.06	0.83	0.99
25th Percentile	0.79	0.78	0.75
Median	0.13	0.54	0.11
75th Percentile	(0.06)	0.38	(0.14)
90th Percentile	(0.23)	0.13	(0.31)
AK Fixed-Income ●	0.17	0.56	(0.04)

TOTAL INTERNATIONAL EQUITY
PERIOD ENDED DECEMBER 31, 2009

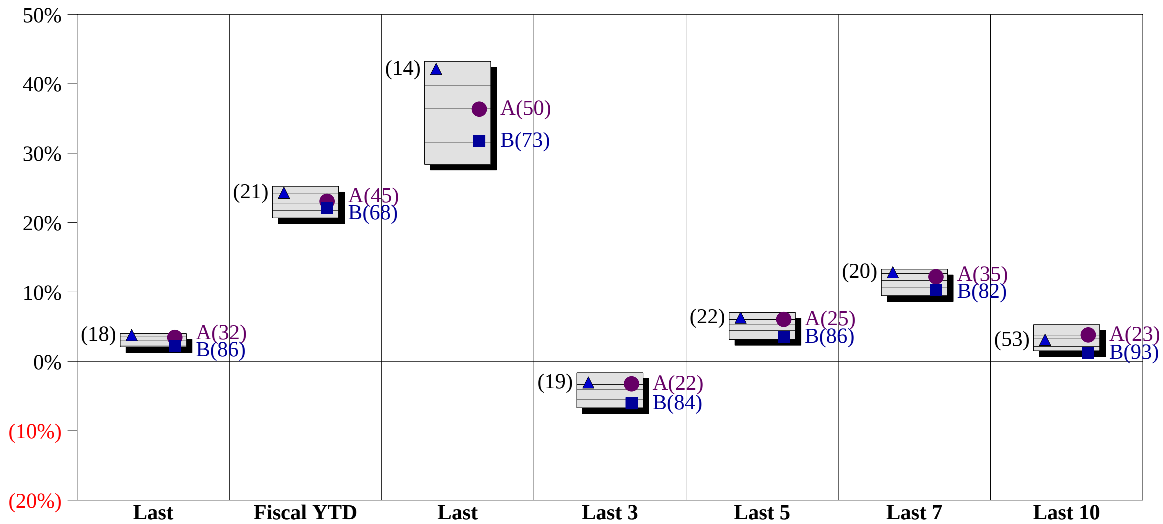
Quarterly Summary and Highlights

- Employees' Total Int'l Equity's portfolio posted a 3.45% return for the quarter placing it in the 32 percentile of the Public Fund - International Equity group for the quarter and in the 50 percentile for the last year.
- Employees' Total Int'l Equity's portfolio underperformed the MSCI ACWI ex-US Index by 0.33% for the quarter and underperformed the MSCI ACWI ex-US Index for the year by 5.79%.

Quarterly Asset Growth

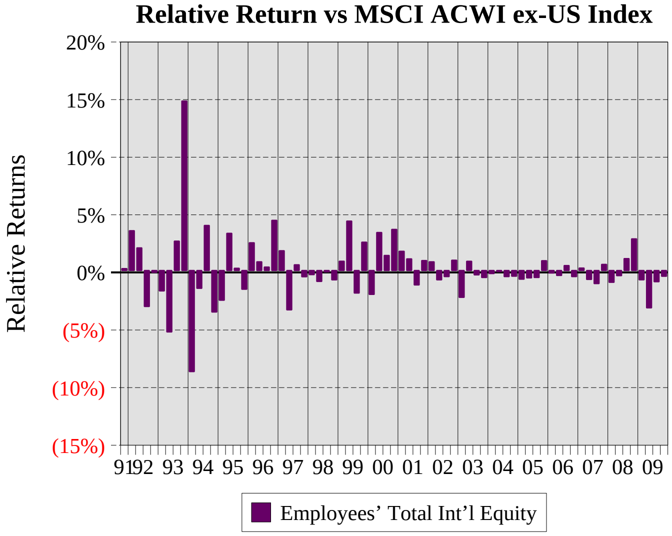
Beginning Market Value	$1,183,527,330
Net New Investment	$26,427,146
Investment Gains/(Losses)	$41,948,207
Ending Market Value	$1,251,902,683

Performance vs Public Fund - International Equity (Gross)

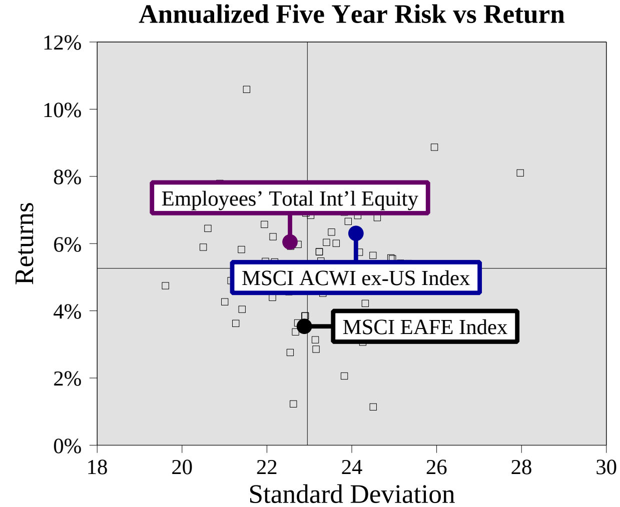


		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile		4.00	25.24	43.24	(1.65)	7.06	13.30	5.28
25th Percentile		3.64	24.13	39.80	(3.32)	6.03	12.66	3.78
Median		2.95	22.69	36.39	(4.02)	5.26	11.66	3.24
75th Percentile		2.34	21.71	31.49	(5.46)	4.43	10.59	2.13
90th Percentile		2.09	20.67	28.40	(6.70)	3.14	9.46	1.52
Employees' Total Int'l Equity	● A	3.45	23.06	36.35	(3.24)	6.05	12.20	3.81
MSCI EAFE Index	■ B	2.18	22.07	31.78	(6.04)	3.54	10.27	1.17
MSCI ACWI ex-US Index	▲	3.79	24.30	42.14	(3.04)	6.31	12.84	3.12

Relative Return vs MSCI ACWI ex-US Index



Public Fund - International Equity (Gross)
Annualized Five Year Risk vs Return

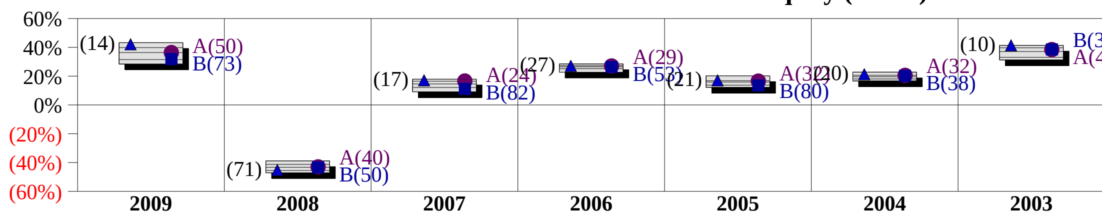


TOTAL INTERNATIONAL EQUITY
RETURN ANALYSIS SUMMARY

Return Analysis

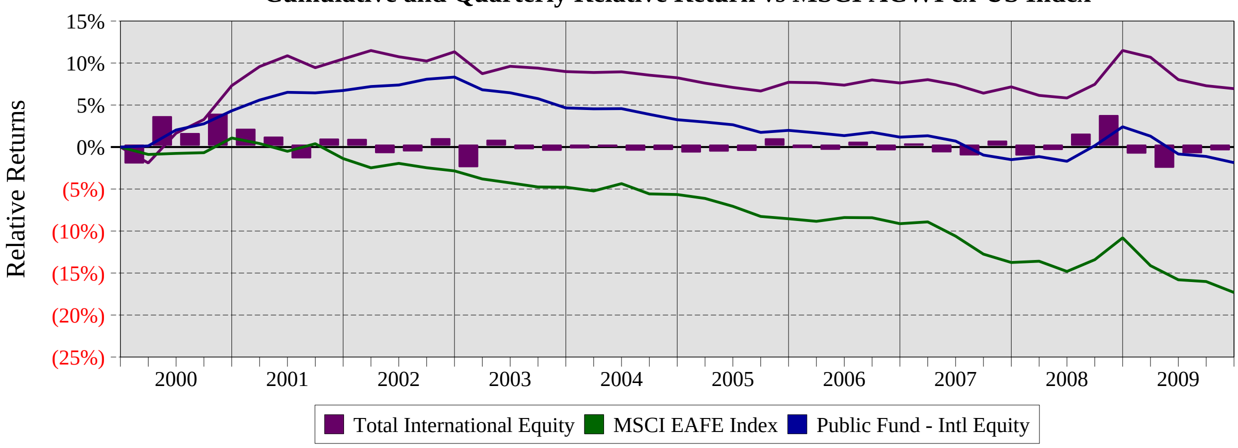
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Public Fund - International Equity (Gross)

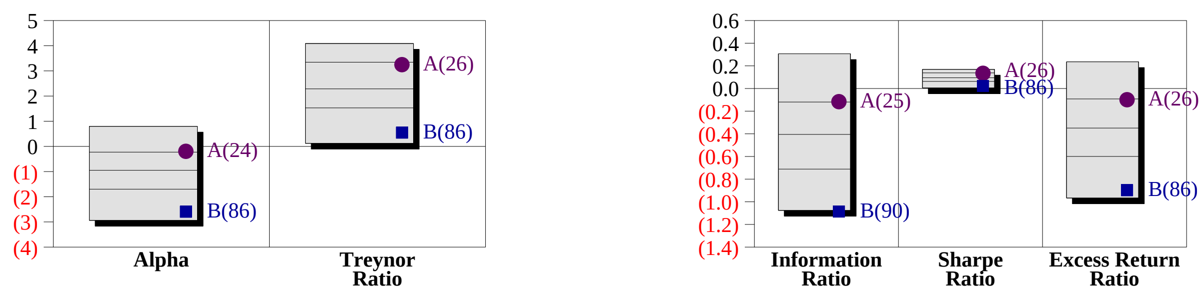


	2009	2008	2007	2006	2005	2004	2003
10th Percentile	43.24	(38.84)	17.89	28.48	20.22	22.79	41.38
25th Percentile	39.80	(41.28)	16.50	27.22	16.81	20.59	39.66
Median	36.39	(43.30)	14.59	26.44	15.89	19.59	37.09
75th Percentile	31.49	(45.51)	12.13	25.15	13.76	18.04	33.07
90th Percentile	28.40	(47.15)	9.11	22.70	12.19	16.65	31.23
Total International Equity ● A	36.35	(43.03)	16.61	27.06	16.53	20.54	38.42
MSCI EAFE Index ■ B	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59
MSCI ACWI ex-US Index ▲	42.14	(45.24)	17.12	27.16	17.11	21.36	41.41

Cumulative and Quarterly Relative Return vs MSCI ACWI ex-US Index



Risk Adjusted Return Measures vs MSCI ACWI ex-US Index
Rankings Against Public Fund - International Equity (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	0.80	4.09
25th Percentile	(0.23)	3.34
Median	(0.95)	2.29
75th Percentile	(1.70)	1.53
90th Percentile	(2.94)	0.12
Total International Equity ● A	(0.19)	3.25
MSCI EAFE Index ■ B	(2.60)	0.55

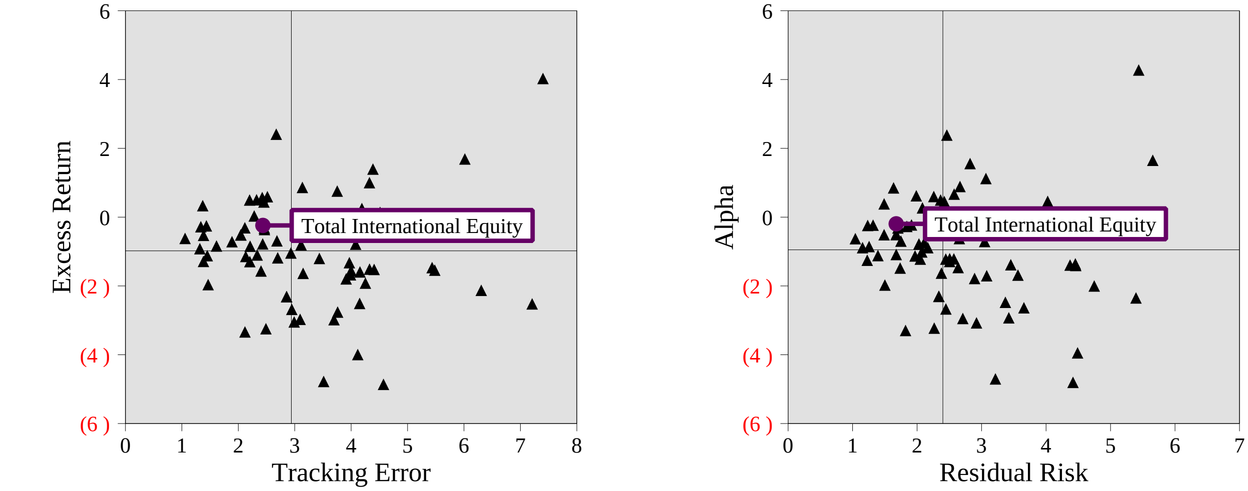
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.31	0.17	0.24
25th Percentile	(0.12)	0.14	(0.09)
Median	(0.41)	0.09	(0.35)
75th Percentile	(0.71)	0.06	(0.60)
90th Percentile	(1.08)	0.00	(0.97)
Total International Equity ● A	(0.12)	0.13	(0.10)
MSCI EAFE Index ■ B	(1.09)	0.02	(0.90)

TOTAL INTERNATIONAL EQUITY
RISK ANALYSIS SUMMARY

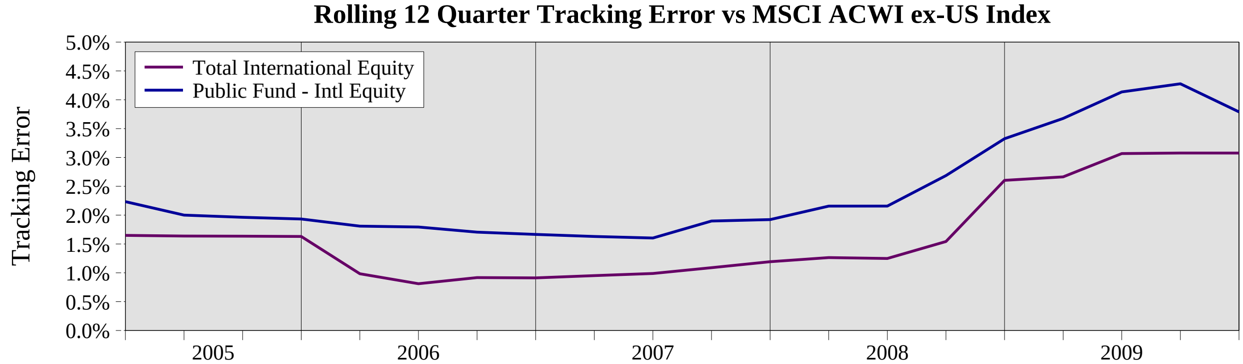
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

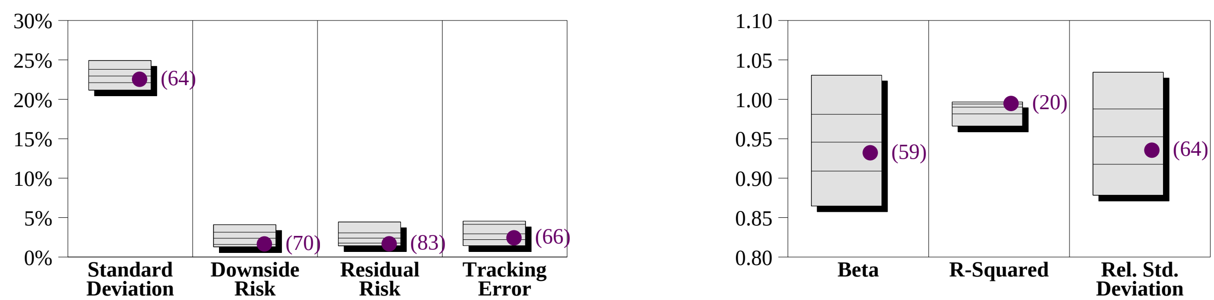
Risk Analysis vs Public Fund - International Equity (Gross)
Five Years Ended December 31, 2009



Rolling 12 Quarter Tracking Error vs MSCI ACWI ex-US Index



Risk Statistics Rankings vs MSCI ACWI ex-US Index
Rankings Against Public Fund - International Equity (Gross)
Five Years Ended December 31, 2009



	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	24.93	4.10	4.44	4.56
25th Percentile	23.80	3.15	3.06	4.14
Median	22.95	2.38	2.40	2.94
75th Percentile	22.11	1.59	1.77	2.21
90th Percentile	21.17	1.29	1.42	1.44
Total International Equity ●	22.54	1.66	1.68	2.44

	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.03	1.00	1.03
25th Percentile	0.98	0.99	0.99
Median	0.95	0.99	0.95
75th Percentile	0.91	0.98	0.92
90th Percentile	0.86	0.97	0.88
Total International Equity ●	0.93	0.99	0.94

INTERNATIONAL EQUITY (EX EMERGING MARKETS)
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Non-U.S. Equity Style managers invest their assets only in non-U.S. equity securities. This style group excludes regional and index funds.

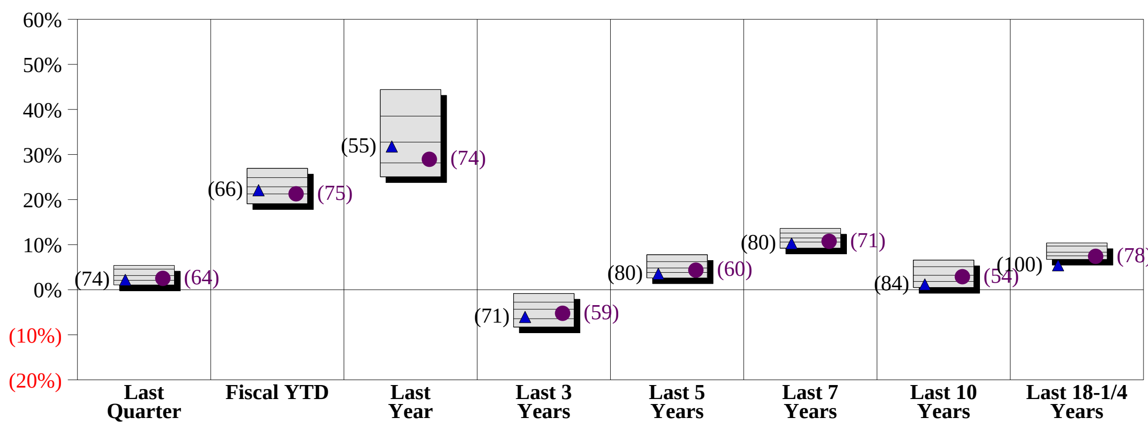
Quarterly Summary and Highlights

- Int'l Equity Pool (ex Emerging. Mkt)'s portfolio posted a 2.52% return for the quarter placing it in the 64 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 74 percentile for the last year.
- Int'l Equity Pool (ex Emerging. Mkt)'s portfolio outperformed the MSCI EAFE Index by 0.34% for the quarter and underperformed the MSCI EAFE Index for the year by 2.83%.

Quarterly Asset Growth

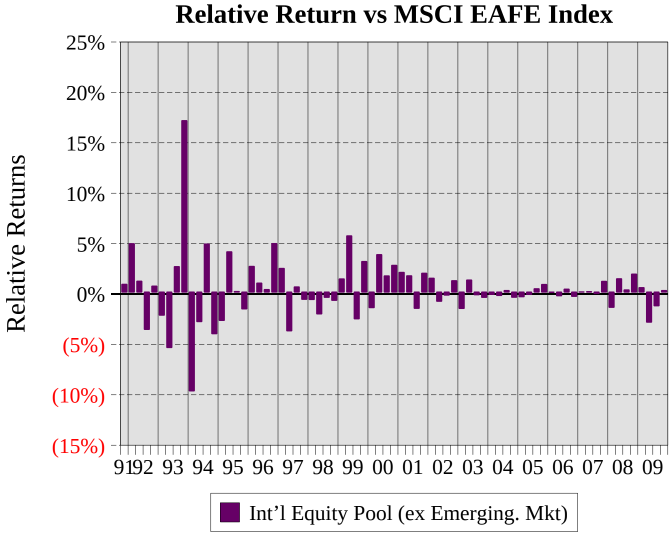
Beginning Market Value	$1,393,619,215
Net New Investment	$-1,069,928
Investment Gains/(Losses)	$35,122,432
Ending Market Value	$1,427,671,719

Performance vs CAI Non-U.S. Equity Style (Gross)

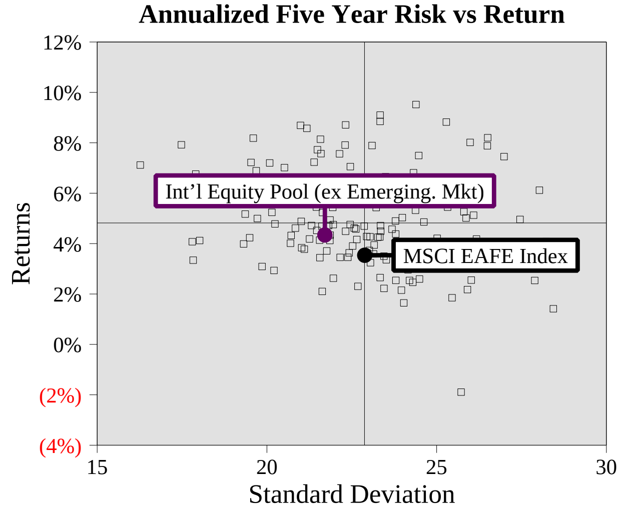


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	5.39	26.93	44.41	(0.84)	7.77	13.60	6.58	10.38
25th Percentile	4.56	24.88	38.53	(2.76)	6.23	12.57	5.11	9.69
Median	3.15	22.84	32.75	(4.33)	4.82	11.48	3.20	8.32
75th Percentile	2.08	21.26	28.15	(6.43)	3.83	10.57	1.83	7.53
90th Percentile	1.06	19.07	25.05	(8.28)	2.62	9.21	0.49	6.72
Int'l Equity Pool (ex Emerging. Mkt) ●	2.52	21.28	28.94	(5.23)	4.34	10.74	2.89	7.41
MSCI EAFE Index ▲	2.18	22.07	31.78	(6.04)	3.54	10.27	1.17	5.42

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

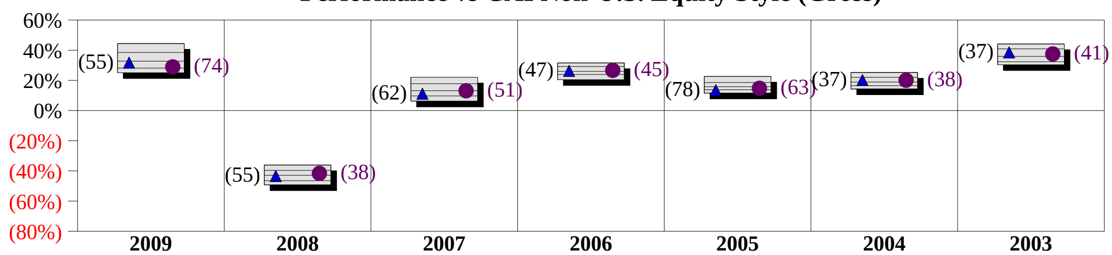


INT'L EQUITY POOL (EX EMERGING. MKT)
RETURN ANALYSIS SUMMARY

Return Analysis

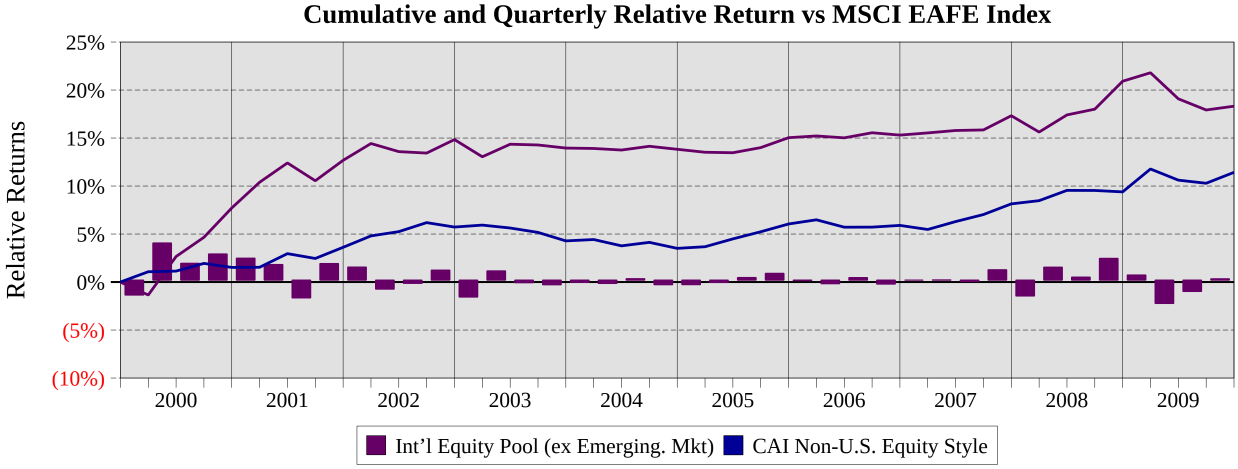
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

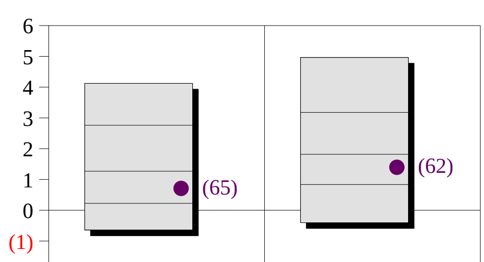


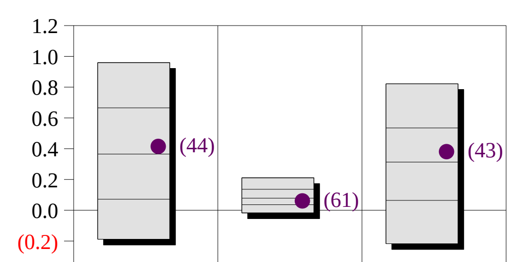
	2009	2008	2007	2006	2005	2004	2003
10th Percentile	44.41	(36.13)	22.08	31.57	22.67	25.22	44.12
25th Percentile	38.53	(39.67)	17.77	29.21	18.58	22.05	40.89
Median	32.75	(42.91)	13.17	25.98	15.78	18.88	35.91
75th Percentile	28.15	(46.51)	9.68	23.91	13.78	16.48	32.32
90th Percentile	25.05	(49.26)	6.23	20.44	11.55	14.28	30.36
Int'l Equity Pool (ex Emerging. Mkt) ●	28.94	(41.64)	13.12	26.64	14.74	20.11	37.52
MSCI EAFE Index ▲	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59

Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	4.12	4.97
25th Percentile	2.76	3.18
Median	1.27	1.82
75th Percentile	0.22	0.84
90th Percentile	(0.64)	(0.40)
Int'l Equity Pool (ex Emerging. Mkt) ●	0.71	1.40

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.96	0.21	0.82
25th Percentile	0.67	0.14	0.53
Median	0.37	0.08	0.31
75th Percentile	0.07	0.04	0.06
90th Percentile	(0.19)	(0.02)	(0.22)
Int'l Equity Pool (ex Emerging. Mkt) ●	0.41	0.06	0.38

BRANDES INVESTMENT PARTNERS
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Brandes employs a bottom-up approach to building international equity portfolios. The firm utilizes fundamental research to select undervalued companies in the developed and emerging markets.

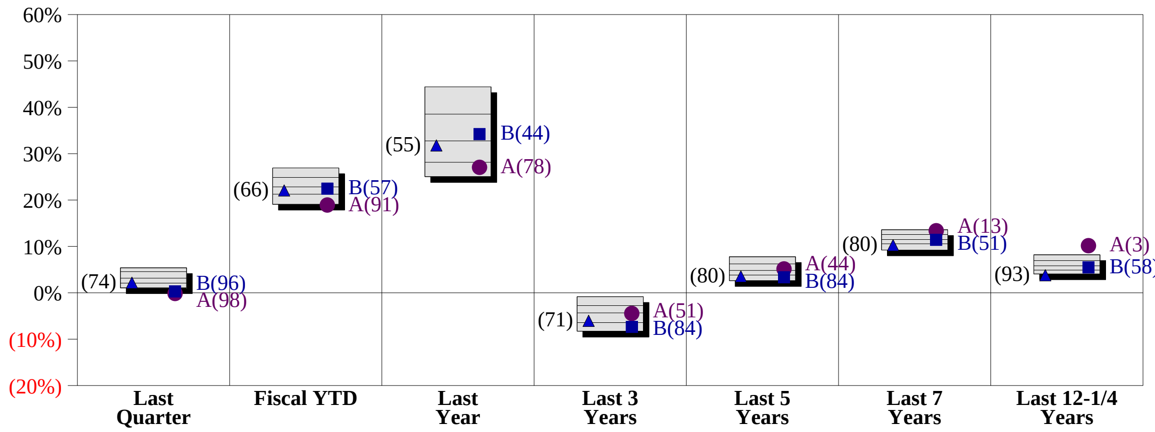
Quarterly Summary and Highlights

- Brandes's portfolio posted a (0.14)% return for the quarter placing it in the 98 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 78 percentile for the last year.
- Brandes's portfolio underperformed the MSCI EAFE Index by 2.32% for the quarter and underperformed the MSCI EAFE Index for the year by 4.72%.

Quarterly Asset Growth

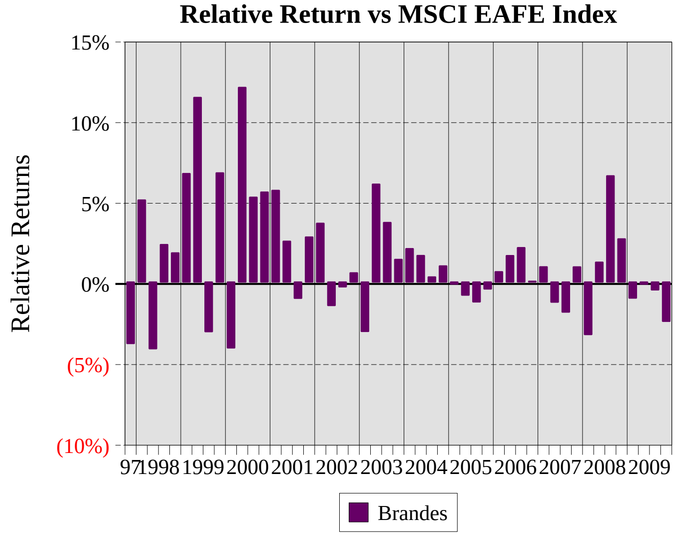
Beginning Market Value	$826,145,049
Net New Investment	$31,324
Investment Gains/(Losses)	$-1,172,315
Ending Market Value	$825,004,058

Performance vs CAI Non-U.S. Equity Style (Gross)

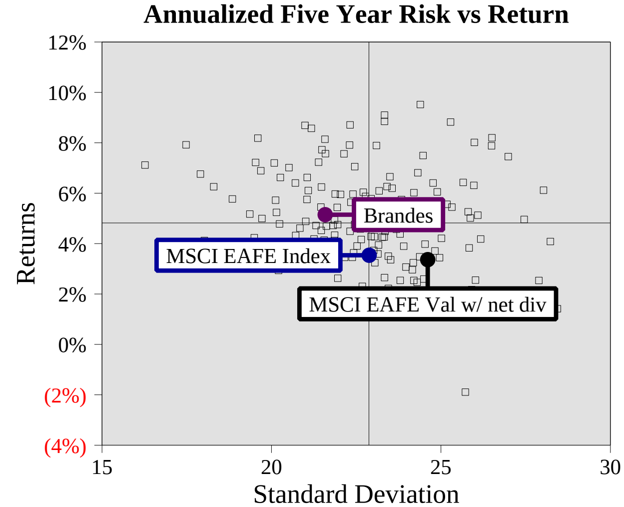


		Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 12-1/4 Years
10th Percentile		5.39	26.93	44.41	(0.84)	7.77	13.60	8.20
25th Percentile		4.56	24.88	38.53	(2.76)	6.23	12.57	6.94
Median		3.15	22.84	32.75	(4.33)	4.82	11.48	5.83
75th Percentile		2.08	21.26	28.15	(6.43)	3.83	10.57	4.89
90th Percentile		1.06	19.07	25.05	(8.28)	2.62	9.21	4.06
Brandes	● A	(0.14)	18.93	27.06	(4.45)	5.15	13.38	10.16
MSCI EAFE Val w/ net div	■ B	0.28	22.47	34.23	(7.35)	3.36	11.42	5.47
MSCI EAFE Index	▲	2.18	22.07	31.78	(6.04)	3.54	10.27	3.79

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

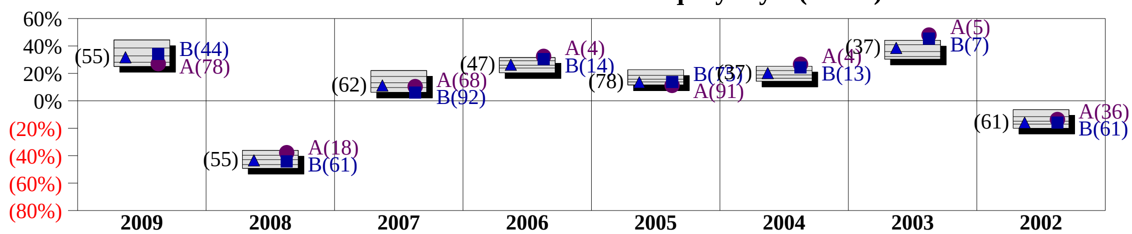


BRANDES
RETURN ANALYSIS SUMMARY

Return Analysis

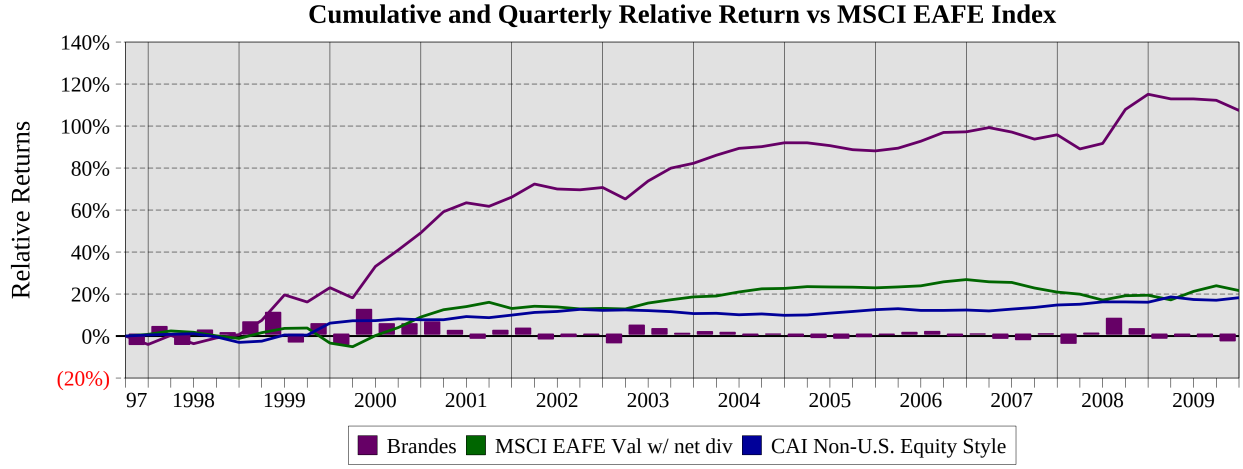
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

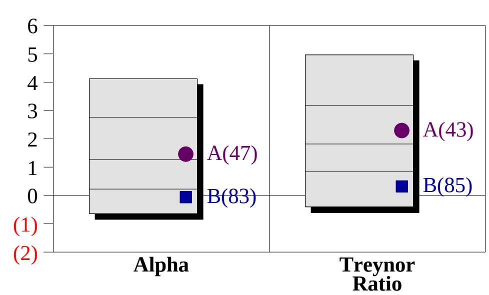


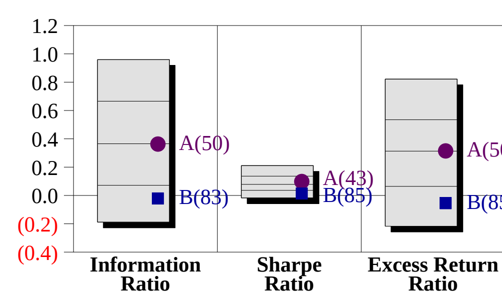
		2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile		44.41	(36.13)	22.08	31.57	22.67	25.22	44.12	(6.45)
25th Percentile		38.53	(39.67)	17.77	29.21	18.58	22.05	40.89	(11.54)
Median		32.75	(42.91)	13.17	25.98	15.78	18.88	35.91	(14.84)
75th Percentile		28.15	(46.51)	9.68	23.91	13.78	16.48	32.32	(16.97)
90th Percentile		25.05	(49.26)	6.23	20.44	11.55	14.28	30.36	(20.01)
Brandes	● A	27.06	(37.80)	10.38	32.43	11.25	26.68	47.96	(13.63)
MSCI EAFE Val w/ net div	■ B	34.23	(44.09)	5.96	30.38	13.80	24.33	45.30	(15.91)
MSCI EAFE Index	▲	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59	(15.94)

Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended December 31, 2009





		Alpha	Treynor Ratio
10th Percentile		4.12	4.97
25th Percentile		2.76	3.18
Median		1.27	1.82
75th Percentile		0.22	0.84
90th Percentile		(0.64)	(0.40)
Brandes	● A	1.46	2.29
MSCI EAFE Val w/ net div	■ B	(0.06)	0.32

		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.96	0.21	0.82
25th Percentile		0.67	0.14	0.53
Median		0.37	0.08	0.31
75th Percentile		0.07	0.04	0.06
90th Percentile		(0.19)	(0.02)	(0.22)
Brandes	● A	0.36	0.10	0.31
MSCI EAFE Val w/ net div	■ B	(0.02)	0.01	(0.05)

CAPITAL GUARDIAN
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Capital Guardian Trust Company runs their Non-U.S. Equity portfolio with a bottom-up, research driven approach. The firm conducts extensive fundamental research and uses a system of multiple managers to manage individual segments of the portfolios. High-conviction investments and portfolio diversity are the result of each manager and analyst being responsible for investing a portion of the portfolio in his or her highest conviction ideas.

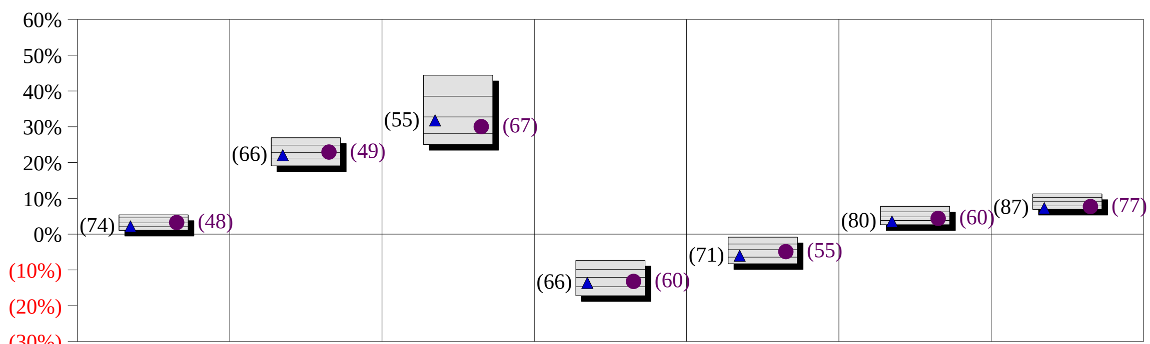
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a 3.25% return for the quarter placing it in the 48 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 67 percentile for the last year.
- Capital Guardian's portfolio outperformed the MSCI EAFE Index by 1.07% for the quarter and underperformed the MSCI EAFE Index for the year by 1.74%.

Quarterly Asset Growth

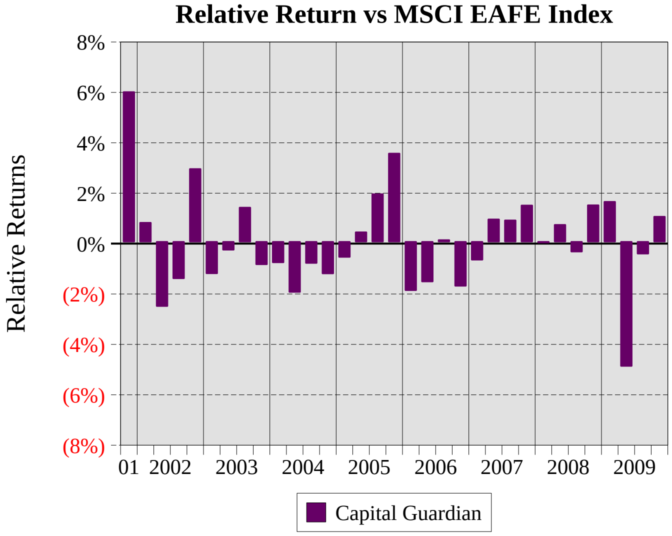
Beginning Market Value	$532,592,133
Net New Investment	$0
Investment Gains/(Losses)	$17,320,637
Ending Market Value	$549,912,770

Performance vs CAI Non-U.S. Equity Style (Gross)

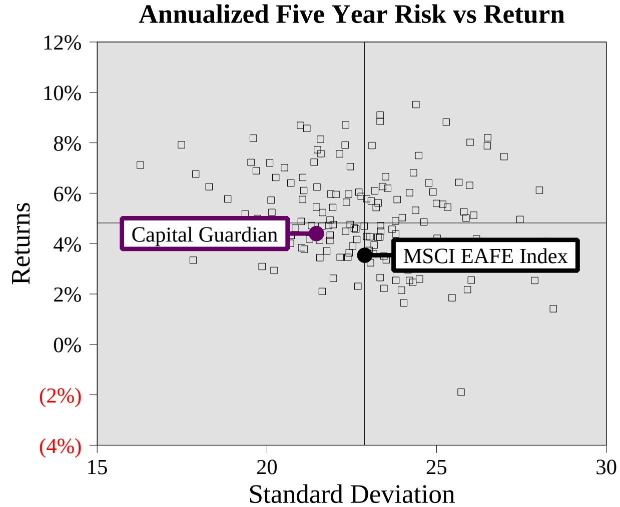


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 8-1/4 Years
10th Percentile	5.39	26.93	44.41	(7.32)	(0.84)	7.77	11.24
25th Percentile	4.56	24.88	38.53	(9.86)	(2.76)	6.23	10.23
Median	3.15	22.84	32.75	(12.08)	(4.33)	4.82	9.18
75th Percentile	2.08	21.26	28.15	(14.68)	(6.43)	3.83	7.89
90th Percentile	1.06	19.07	25.05	(17.22)	(8.28)	2.62	6.93
Capital Guardian ●	3.25	22.94	30.04	(13.20)	(4.88)	4.40	7.72
MSCI EAFE Index ▲	2.18	22.07	31.78	(13.62)	(6.04)	3.54	7.26

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

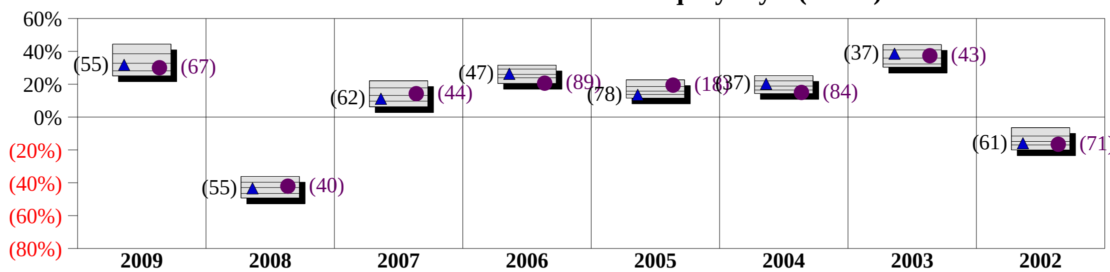


CAPITAL GUARDIAN
RETURN ANALYSIS SUMMARY

Return Analysis

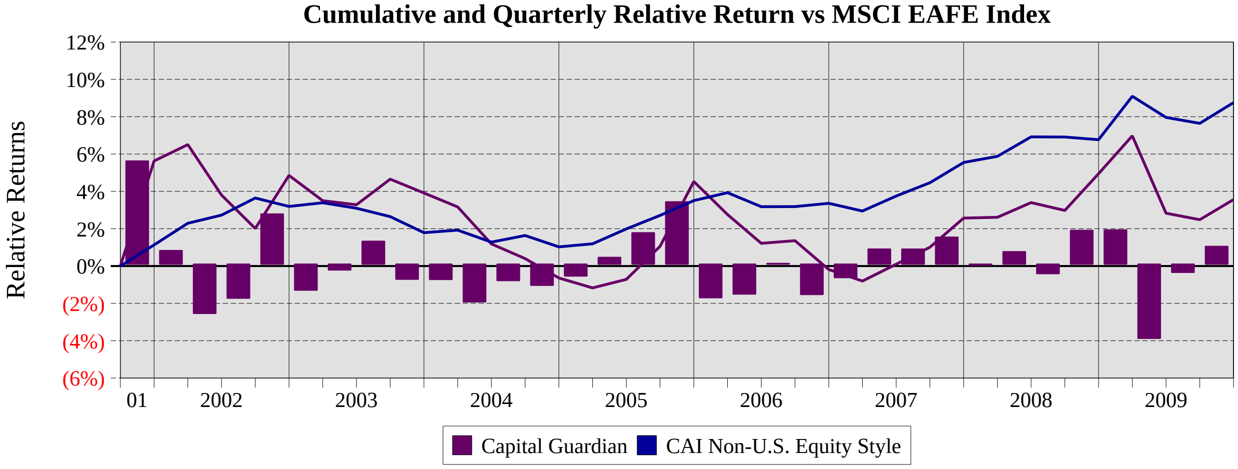
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

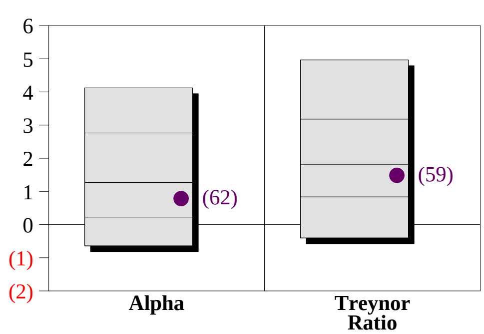


	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	44.41	(36.13)	22.08	31.57	22.67	25.22	44.12	(6.45)
25th Percentile	38.53	(39.67)	17.77	29.21	18.58	22.05	40.89	(11.54)
Median	32.75	(42.91)	13.17	25.98	15.78	18.88	35.91	(14.84)
75th Percentile	28.15	(46.51)	9.68	23.91	13.78	16.48	32.32	(16.97)
90th Percentile	25.05	(49.26)	6.23	20.44	11.55	14.28	30.36	(20.01)
Capital Guardian ●	30.04	(42.07)	14.24	20.64	19.44	14.98	37.34	(16.56)
MSCI EAFE Index ▲	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59	(15.94)

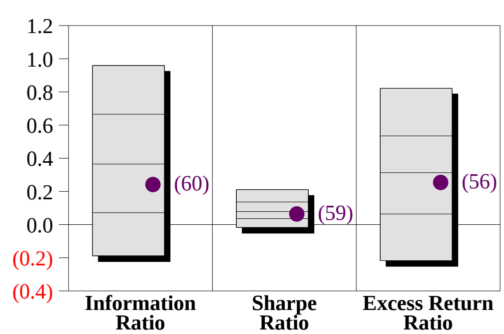
Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	4.12	4.97
25th Percentile	2.76	3.18
Median	1.27	1.82
75th Percentile	0.22	0.84
90th Percentile	(0.64)	(0.40)
Capital Guardian ●	0.78	1.48



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.96	0.21	0.82
25th Percentile	0.67	0.14	0.53
Median	0.37	0.08	0.31
75th Percentile	0.07	0.04	0.06
90th Percentile	(0.19)	(0.02)	(0.22)
Capital Guardian ●	0.24	0.06	0.25

LAZARD FRERES ASSET MANAGEMENT
PERIOD ENDED DECEMBER 31, 2009

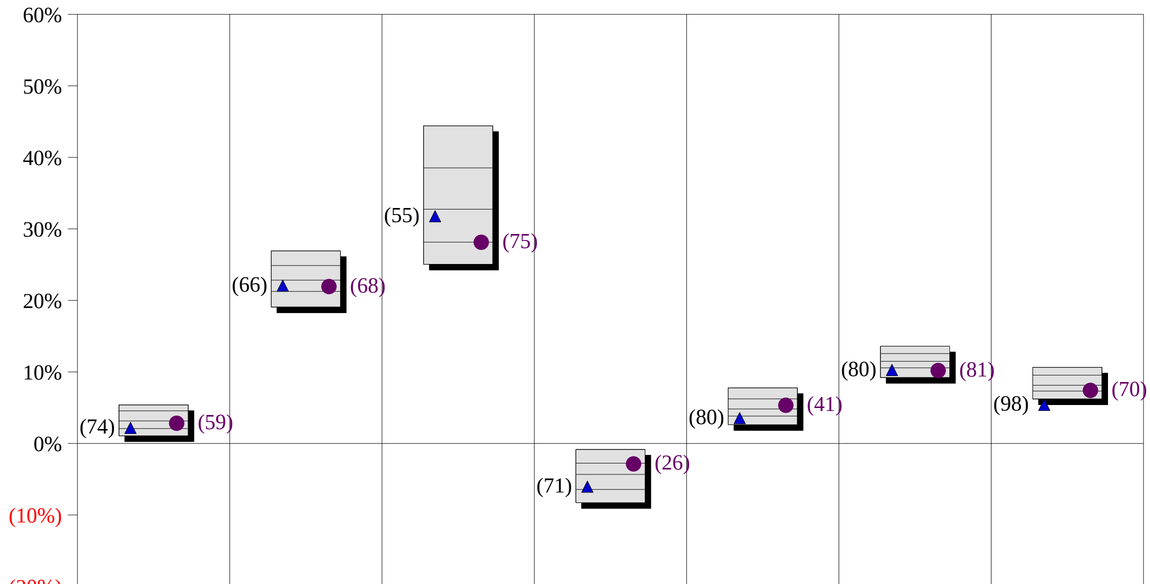
Quarterly Summary and Highlights

- Lazard Freres's portfolio posted a 2.83% return for the quarter placing it in the 59 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 75 percentile for the last year.
- Lazard Freres's portfolio outperformed the MSCI EAFE Index by 0.65% for the quarter and underperformed the MSCI EAFE Index for the year by 3.65%.

Quarterly Asset Growth

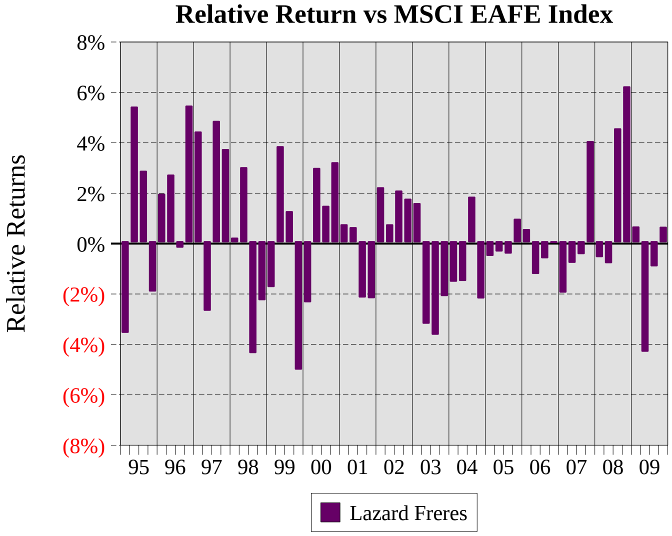
Beginning Market Value	$333,258,836
Net New Investment	$0
Investment Gains/(Losses)	$9,417,369
Ending Market Value	$342,676,204

Performance vs CAI Non-U.S. Equity Style (Gross)

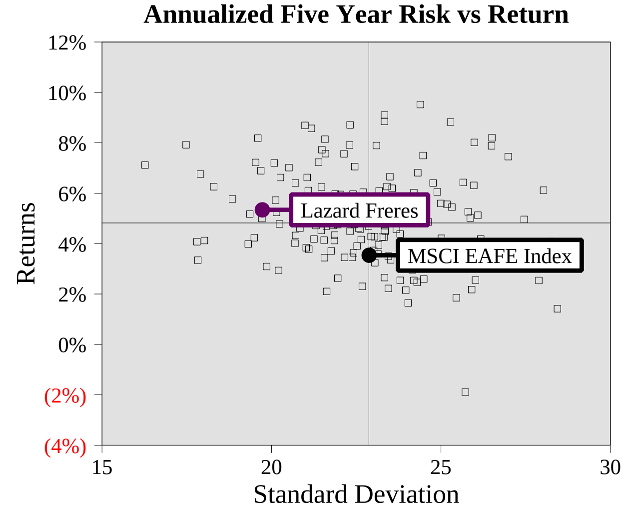


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 16-1/2 Years
10th Percentile	5.39	26.93	44.41	(0.84)	7.77	13.60	10.65
25th Percentile	4.56	24.88	38.53	(2.76)	6.23	12.57	9.55
Median	3.15	22.84	32.75	(4.33)	4.82	11.48	8.14
75th Percentile	2.08	21.26	28.15	(6.43)	3.83	10.57	7.33
90th Percentile	1.06	19.07	25.05	(8.28)	2.62	9.21	6.22
Lazard Freres ●	2.83	21.94	28.13	(2.86)	5.34	10.20	7.42
MSCI EAFE Index ▲	2.18	22.07	31.78	(6.04)	3.54	10.27	5.40

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

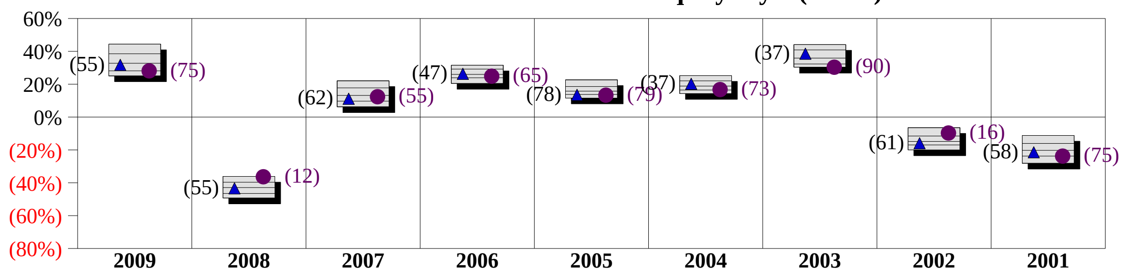


LAZARD FRERES ASSET MANAGEMENT
RETURN ANALYSIS SUMMARY

Return Analysis

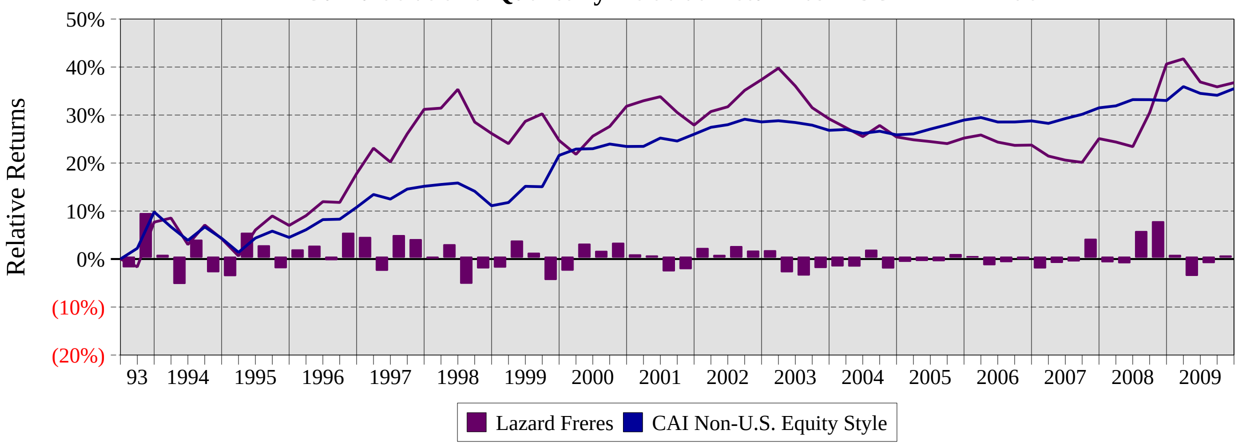
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

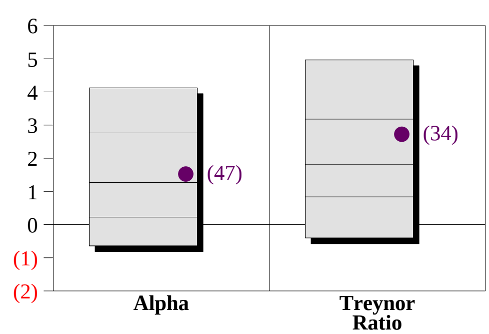


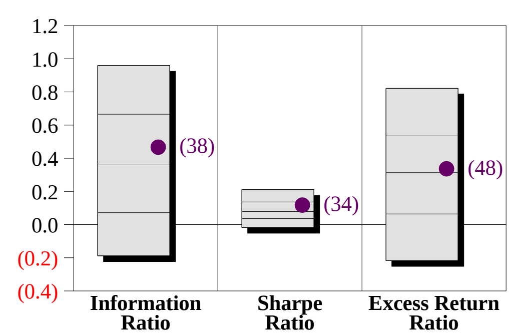
	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	44.41	(36.13)	22.08	31.57	22.67	25.22	44.12	(6.45)	(11.22)
25th Percentile	38.53	(39.67)	17.77	29.21	18.58	22.05	40.89	(11.54)	(16.06)
Median	32.75	(42.91)	13.17	25.98	15.78	18.88	35.91	(14.84)	(20.26)
75th Percentile	28.15	(46.51)	9.68	23.91	13.78	16.48	32.32	(16.97)	(23.75)
90th Percentile	25.05	(49.26)	6.23	20.44	11.55	14.28	30.36	(20.01)	(28.15)
Lazard Freres ●	28.13	(36.34)	12.38	24.87	13.33	16.73	30.35	(9.72)	(23.78)
MSCI EAFE Index ▲	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59	(15.94)	(21.44)

Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	4.12	4.97
25th Percentile	2.76	3.18
Median	1.27	1.82
75th Percentile	0.22	0.84
90th Percentile	(0.64)	(0.40)
Lazard Freres ●	1.52	2.72

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.96	0.21	0.82
25th Percentile	0.67	0.14	0.53
Median	0.37	0.08	0.31
75th Percentile	0.07	0.04	0.06
90th Percentile	(0.19)	(0.02)	(0.22)
Lazard Freres ●	0.47	0.12	0.34

MCKINLEY CAPITAL
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

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

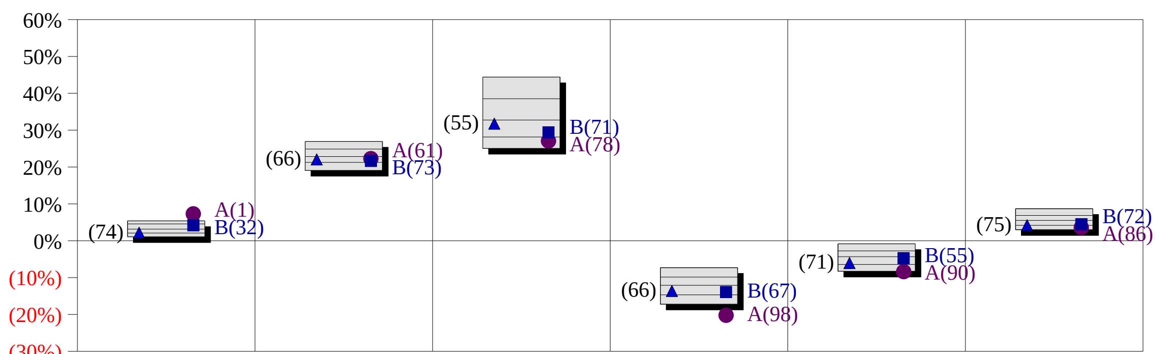
Quarterly Summary and Highlights

- McKinley Capital's portfolio posted a 7.30% return for the quarter placing it in the 1 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 78 percentile for the last year.
- McKinley Capital's portfolio outperformed the MSCI EAFE Index by 5.12% for the quarter and underperformed the MSCI EAFE Index for the year by 4.69%.

Quarterly Asset Growth

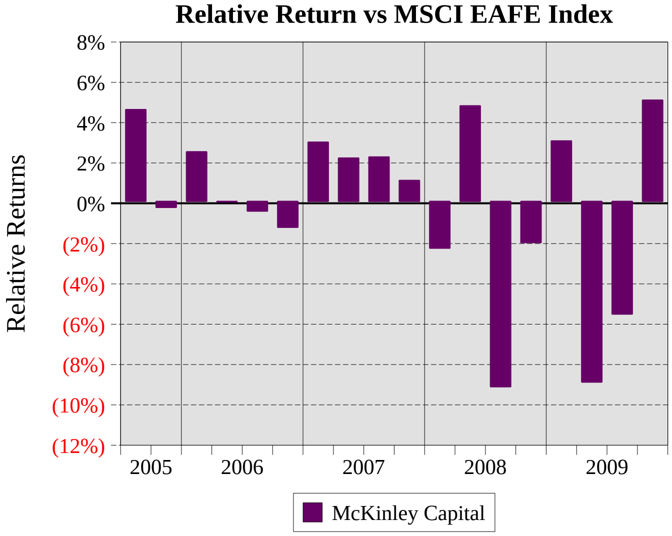
Beginning Market Value	$296,088,531
Net New Investment	$0
Investment Gains/(Losses)	$21,603,550
Ending Market Value	$317,692,082

Performance vs CAI Non-U.S. Equity Style (Gross)

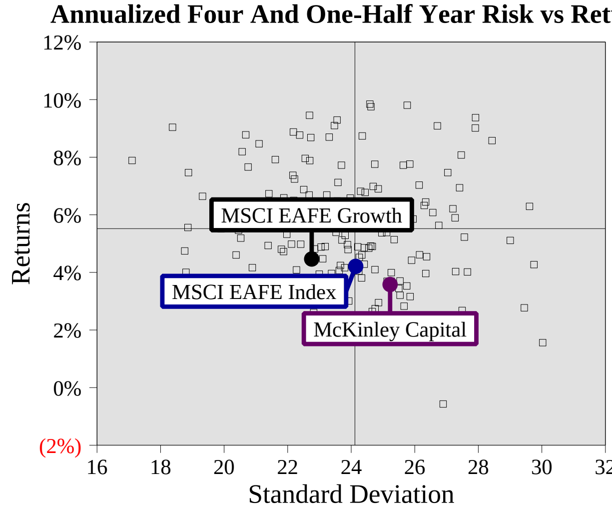


		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		5.39	26.93	44.41	(7.32)	(0.84)	8.69
25th Percentile		4.56	24.88	38.53	(9.86)	(2.76)	6.86
Median		3.15	22.84	32.75	(12.08)	(4.33)	5.52
75th Percentile		2.08	21.26	28.15	(14.68)	(6.43)	4.18
90th Percentile		1.06	19.07	25.05	(17.22)	(8.28)	2.99
McKinley Capital	● A	7.30	22.29	27.08	(20.23)	(8.38)	3.58
MSCI EAFE Growth	■ B	4.17	21.65	29.36	(13.90)	(4.78)	4.46
MSCI EAFE Index	▲	2.18	22.07	31.78	(13.62)	(6.04)	4.21

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Four And One-Half Year Risk vs Return



SSGA INTL
PERIOD ENDED DECEMBER 31, 2009

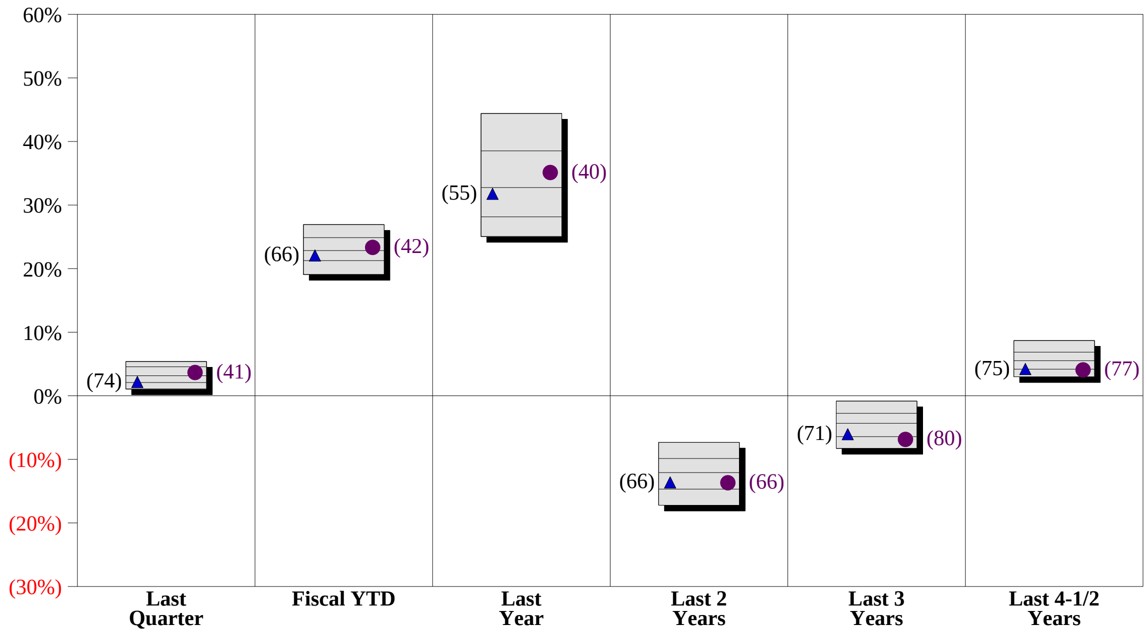
Quarterly Summary and Highlights

- SSGA Intl's portfolio posted a 3.66% return for the quarter placing it in the 41 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 40 percentile for the last year.
- SSGA Intl's portfolio outperformed the MSCI EAFE Index by 1.48% for the quarter and outperformed the MSCI EAFE Index for the year by 3.34%.

Quarterly Asset Growth

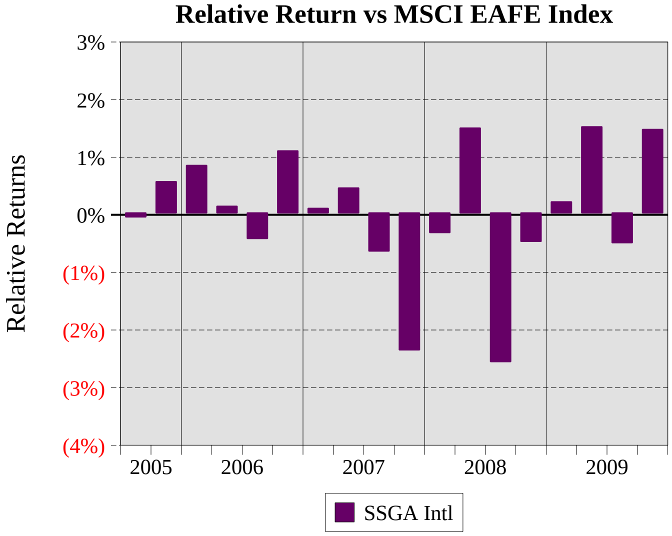
Beginning Market Value	$256,461,690
Net New Investment	$0
Investment Gains/(Losses)	$9,387,594
Ending Market Value	$265,849,284

Performance vs CAI Non-U.S. Equity Style (Gross)

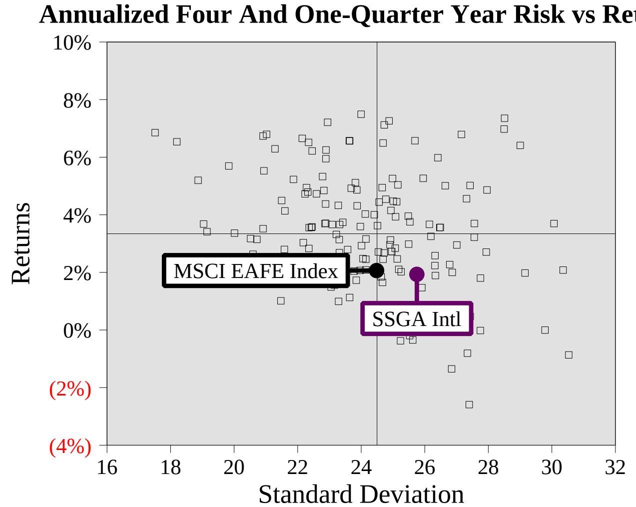


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	5.39	26.93	44.41	(7.32)	(0.84)	8.69
25th Percentile	4.56	24.88	38.53	(9.86)	(2.76)	6.86
Median	3.15	22.84	32.75	(12.08)	(4.33)	5.52
75th Percentile	2.08	21.26	28.15	(14.68)	(6.43)	4.18
90th Percentile	1.06	19.07	25.05	(17.22)	(8.28)	2.99
SSGA Intl ●	3.66	23.34	35.12	(13.68)	(6.86)	4.08
MSCI EAFE Index ▲	2.18	22.07	31.78	(13.62)	(6.04)	4.21

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Four And One-Quarter Year Risk vs Return



EMERGING MARKET POOL
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

The International Emerging Market Equity Database consists of all separate account international equity products that concentrate on newly emerging second and third world countries in the regions of the Far East, Africa, Europe, and South America.

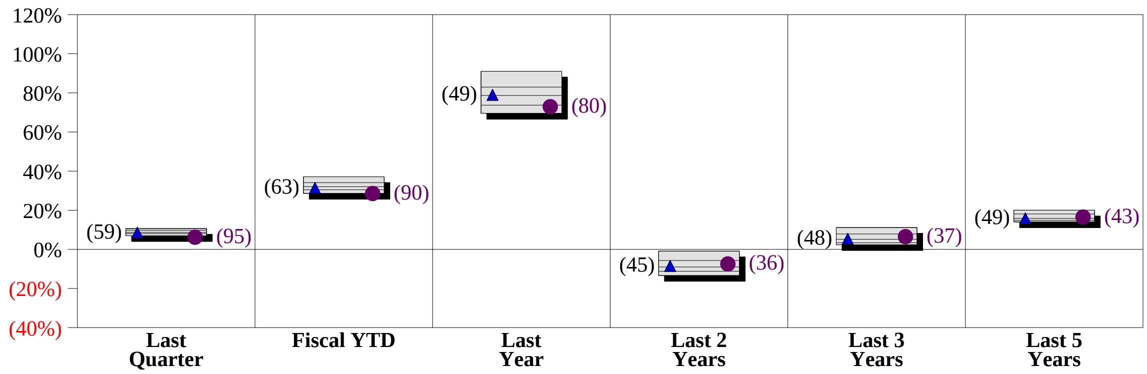
Quarterly Summary and Highlights

- Emerging Markets Pool's portfolio posted a 6.22% return for the quarter placing it in the 95 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 80 percentile for the last year.
- Emerging Markets Pool's portfolio underperformed the MSCI Emerging Mkts Idx by 2.36% for the quarter and underperformed the MSCI Emerging Mkts Idx for the year by 6.09%.

Quarterly Asset Growth

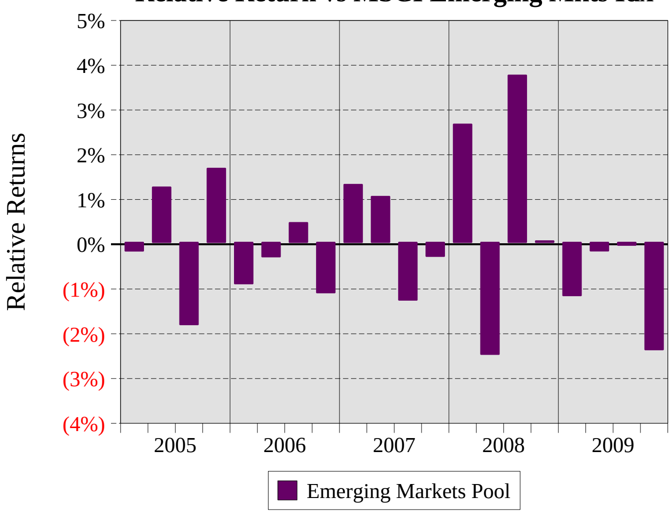
Beginning Market Value	$429,390,751
Net New Investment	$34,693,630
Investment Gains/(Losses)	$29,246,499
Ending Market Value	$493,330,880

Performance vs CAI Emerging Markets Equity DB (Gross)

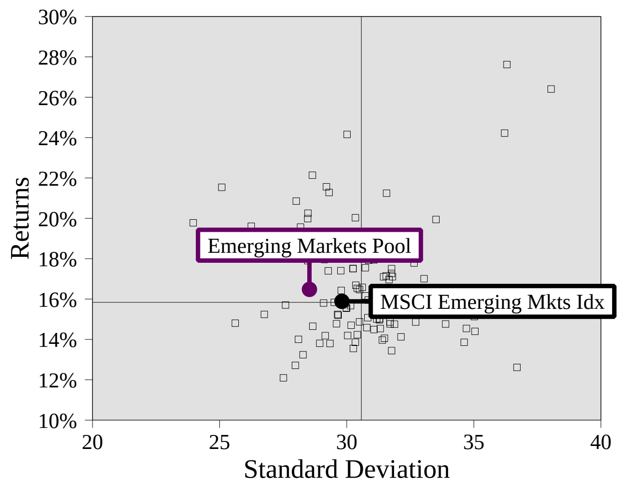


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	10.68	37.11	91.04	(0.89)	11.16	20.02
25th Percentile	9.80	34.12	82.96	(5.70)	7.85	18.09
Median	8.72	32.05	78.68	(9.01)	5.16	15.84
75th Percentile	8.03	30.46	73.71	(11.18)	3.36	14.86
90th Percentile	6.95	28.58	69.56	(13.38)	2.33	14.01
Emerging Markets Pool ●	6.22	28.54	72.93	(7.47)	6.48	16.48
MSCI Emerging Mkts Idx ▲	8.58	31.42	79.02	(8.45)	5.42	15.88

Relative Return vs MSCI Emerging Mkts Idx



CAI Emerging Markets Equity DB (Gross) Annualized Five Year Risk vs Return

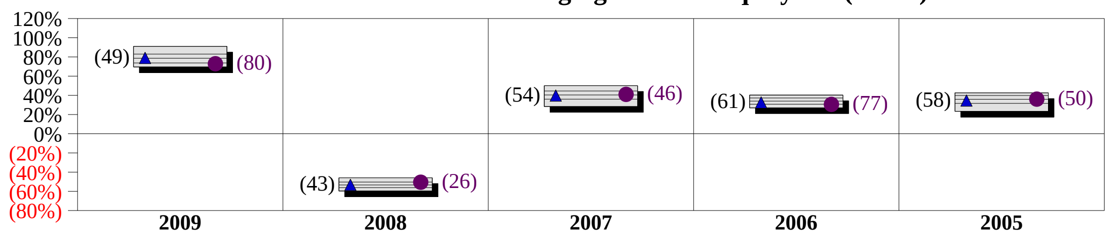


EMERGING MARKETS POOL
RETURN ANALYSIS SUMMARY

Return Analysis

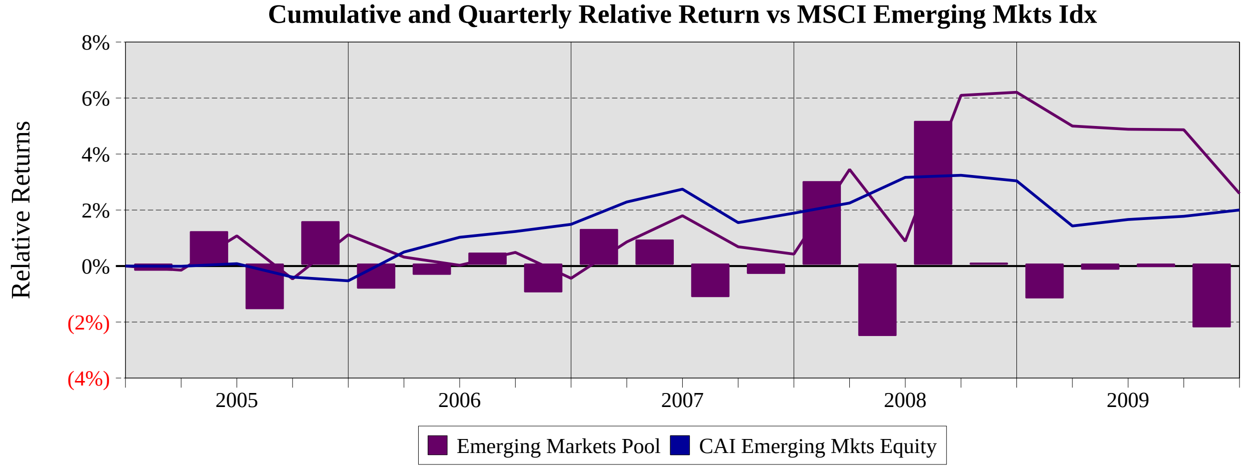
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Emerging Markets Equity DB (Gross)

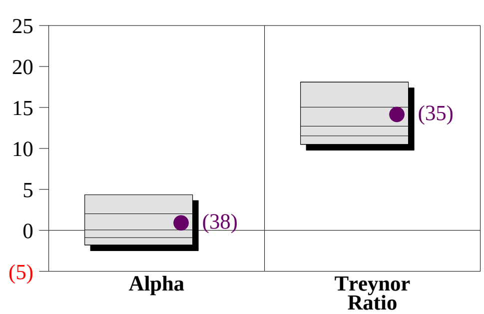


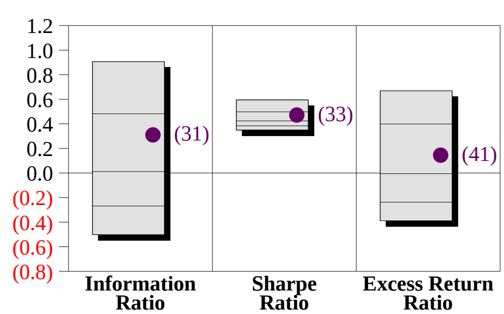
	2009	2008	2007	2006	2005
10th Percentile	91.04	(45.90)	50.04	40.27	42.62
25th Percentile	82.96	(50.35)	44.52	37.25	39.82
Median	78.68	(53.37)	40.39	34.00	35.90
75th Percentile	73.71	(56.13)	36.01	30.78	31.65
90th Percentile	69.56	(59.68)	28.34	26.94	23.33
Emerging Markets Pool ●	72.93	(50.49)	40.99	30.55	36.04
MSCI Emerging Mkts Idx ▲	79.02	(53.18)	39.78	32.59	34.54

Cumulative and Quarterly Relative Return vs MSCI Emerging Mkts Idx



Risk Adjusted Return Measures vs MSCI Emerging Mkts Idx
Rankings Against CAI Emerging Markets Equity DB (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	4.34	18.10
25th Percentile	2.02	15.04
Median	0.05	12.71
75th Percentile	(0.89)	11.53
90th Percentile	(1.79)	10.49
Emerging Markets Pool ●	0.91	14.15

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.91	0.59	0.67
25th Percentile	0.48	0.50	0.40
Median	0.01	0.42	(0.01)
75th Percentile	(0.27)	0.38	(0.24)
90th Percentile	(0.50)	0.35	(0.39)
Emerging Markets Pool ●	0.31	0.47	0.15

CAPITAL GUARDIAN TRUST COMPANY
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Capital utilizes a multiple portfolio manager system, which enables several key decision-makers to work on each account by dividing the portfolio into smaller segments. Each manager is free to make his or her own decisions as to individual security, country, and industry selection, timing and percentage to be invested for that portion of the assets.

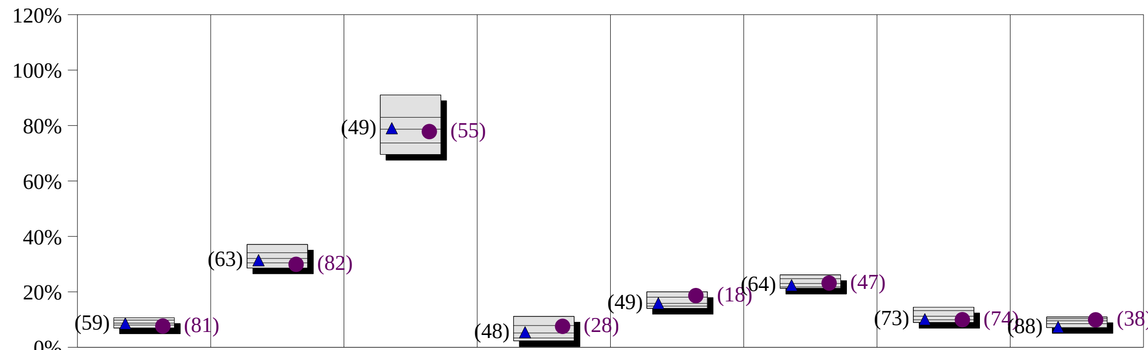
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a 7.66% return for the quarter placing it in the 81 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 55 percentile for the last year.
- Capital Guardian's portfolio underperformed the MSCI Emerging Mkts Idx by 0.92% for the quarter and underperformed the MSCI Emerging Mkts Idx for the year by 1.20%.

Quarterly Asset Growth

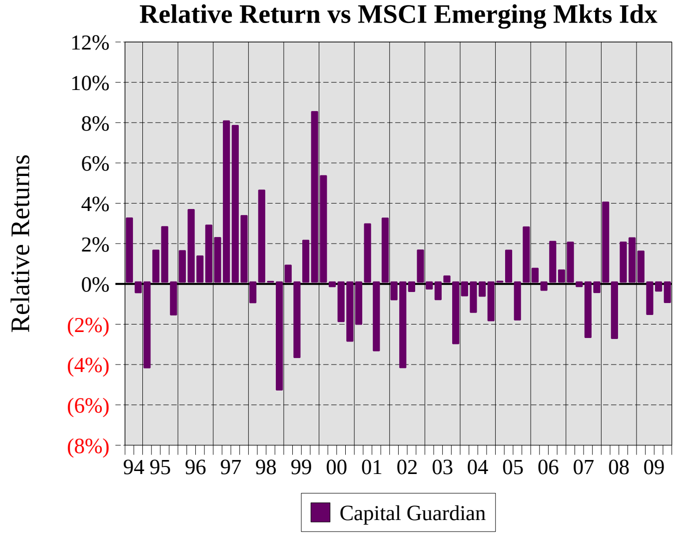
Beginning Market Value	$306,640,335
Net New Investment	$50,000,000
Investment Gains/(Losses)	$25,592,125
Ending Market Value	$382,232,460

Performance vs CAI Emerging Markets Equity DB (Gross)

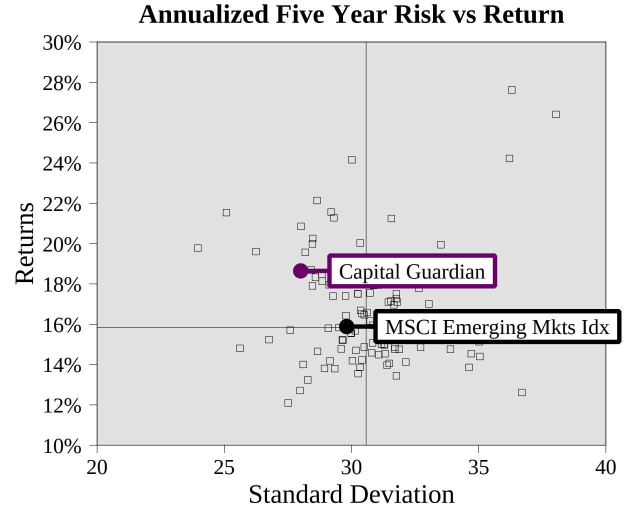


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 15-1/2 Years
10th Percentile	10.68	37.11	91.04	11.16	20.02	26.14	14.47	10.94
25th Percentile	9.80	34.12	82.96	7.85	18.09	24.74	13.23	10.34
Median	8.72	32.05	78.68	5.16	15.84	23.01	11.21	9.56
75th Percentile	8.03	30.46	73.71	3.36	14.86	21.78	9.91	8.50
90th Percentile	6.95	28.58	69.56	2.33	14.01	21.27	8.95	7.10
Capital Guardian ●	7.66	29.93	77.82	7.57	18.64	23.17	9.95	9.90
MSCI Emerging Mkts Idx ▲	8.58	31.42	79.02	5.42	15.88	22.39	10.11	7.32

Relative Return vs MSCI Emerging Mkts Idx



CAI Emerging Markets Equity DB (Gross) Annualized Five Year Risk vs Return

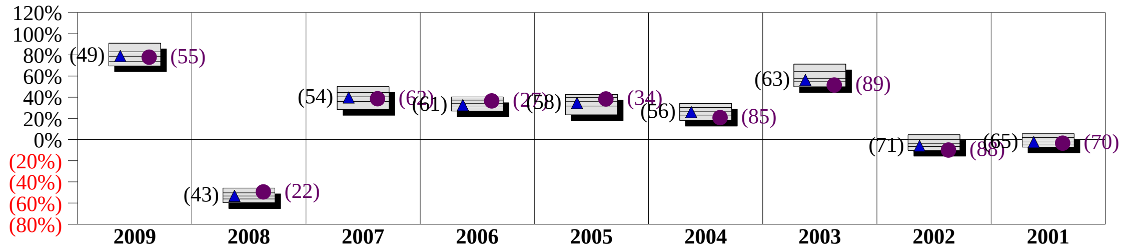


CAPITAL GUARDIAN TRUST COMPANY
RETURN ANALYSIS SUMMARY

Return Analysis

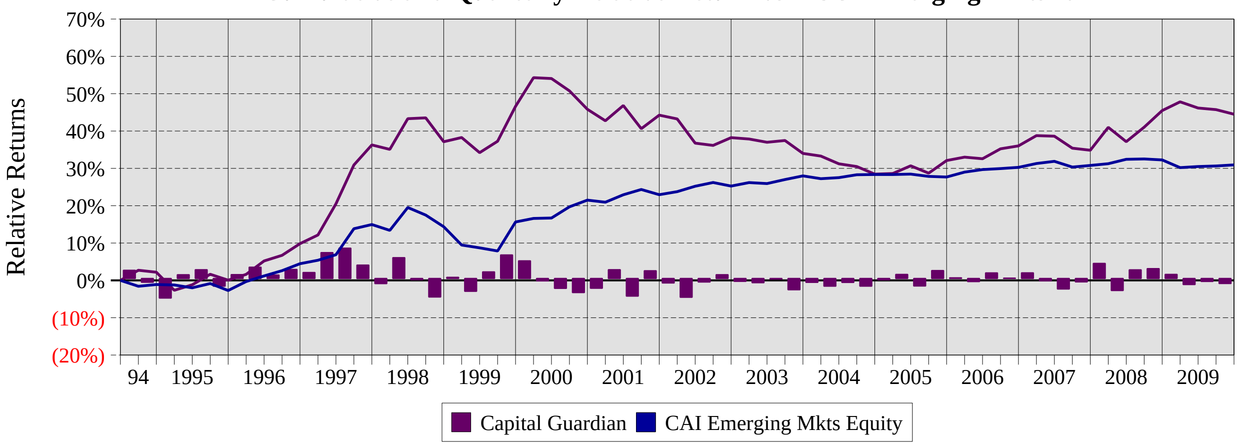
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Emerging Markets Equity DB (Gross)

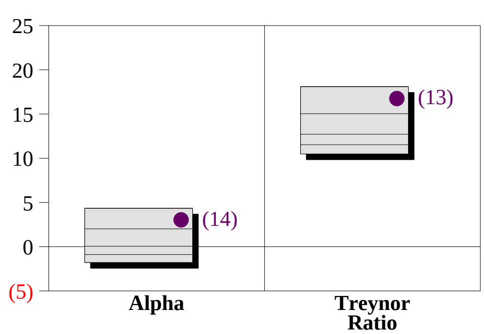


	2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile	91.04	(45.90)	50.04	40.27	42.62	34.11	71.30	4.55	5.48
25th Percentile	82.96	(50.35)	44.52	37.25	39.82	30.31	64.32	(0.04)	1.88
Median	78.68	(53.37)	40.39	34.00	35.90	26.30	57.86	(3.93)	(1.41)
75th Percentile	73.71	(56.13)	36.01	30.78	31.65	23.09	54.73	(6.65)	(4.28)
90th Percentile	69.56	(59.68)	28.34	26.94	23.33	18.12	49.84	(10.28)	(7.14)
Capital Guardian ●	77.82	(49.49)	38.58	36.53	38.35	20.74	51.51	(9.93)	(3.43)
MSCI Emerging Mkts Idx ▲	79.02	(53.18)	39.78	32.59	34.54	25.95	56.28	(6.00)	(2.37)

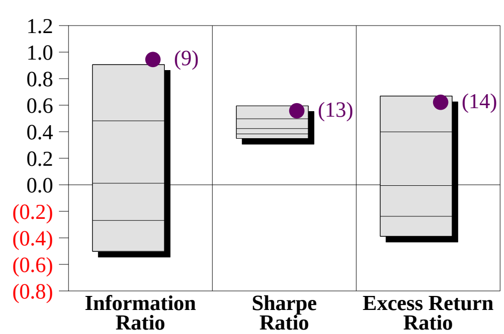
Cumulative and Quarterly Relative Return vs MSCI Emerging Mkts Idx



Risk Adjusted Return Measures vs MSCI Emerging Mkts Idx
Rankings Against CAI Emerging Markets Equity DB (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	4.34	18.10
25th Percentile	2.02	15.04
Median	0.05	12.71
75th Percentile	(0.89)	11.53
90th Percentile	(1.79)	10.49
Capital Guardian ●	3.04	16.75



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.91	0.59	0.67
25th Percentile	0.48	0.50	0.40
Median	0.01	0.42	(0.01)
75th Percentile	(0.27)	0.38	(0.24)
90th Percentile	(0.50)	0.35	(0.39)
Capital Guardian ●	0.94	0.56	0.62

EATON VANCE
PERIOD ENDED DECEMBER 31, 2009

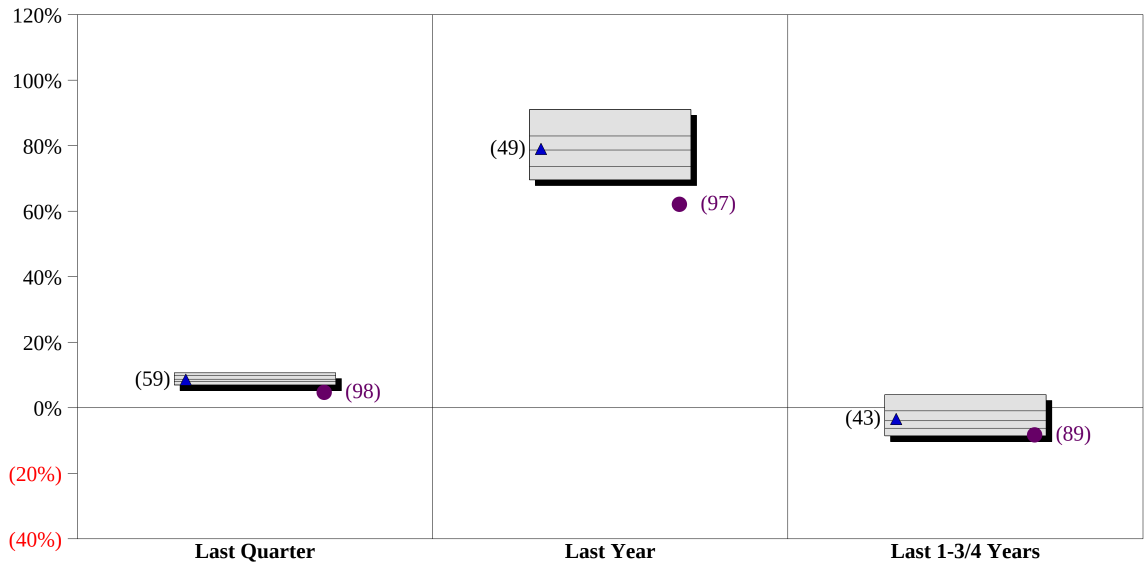
Quarterly Summary and Highlights

- Eaton Vance's portfolio posted a 4.70% return for the quarter placing it in the 98 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 97 percentile for the last year.
- Eaton Vance's portfolio underperformed the MSCI Emerging Mkts Idx by 3.87% for the quarter and underperformed the MSCI Emerging Mkts Idx for the year by 16.91%.

Quarterly Asset Growth

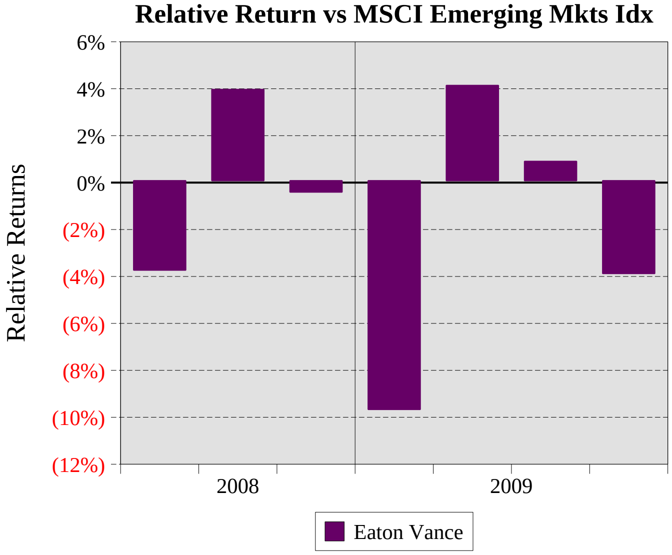
Beginning Market Value	$176,141,111
Net New Investment	$0
Investment Gains/(Losses)	$8,281,477
Ending Market Value	$184,422,588

Performance vs CAI Emerging Markets Equity DB (Gross)

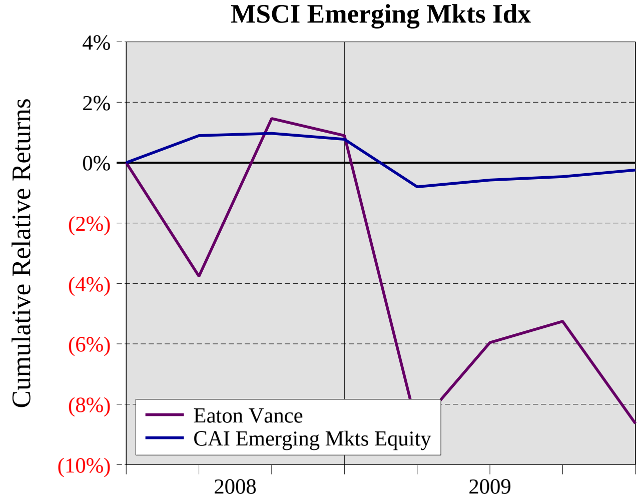


	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	10.68	91.04	3.99
25th Percentile	9.80	82.96	(0.94)
Median	8.72	78.68	(3.97)
75th Percentile	8.03	73.71	(6.24)
90th Percentile	6.95	69.56	(8.57)
Eaton Vance ●	4.70	62.11	(8.28)
MSCI Emerging Mkts Idx ▲	8.58	79.02	(3.42)

Relative Return vs MSCI Emerging Mkts Idx



Cumulative Returns vs MSCI Emerging Mkts Idx



LAZARD EMERGING
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Lazard employs a bottom-up stock selection process focusing on companies which are financially productive yet inexpensively priced.

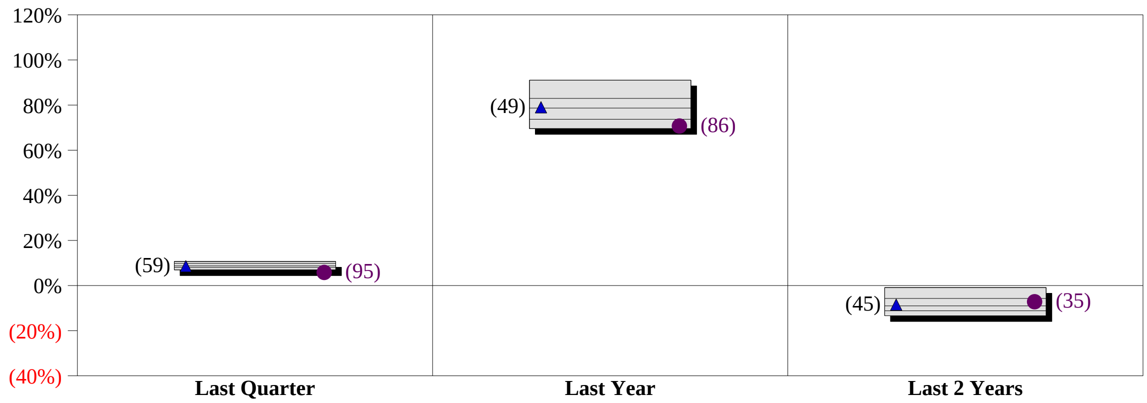
Quarterly Summary and Highlights

- Lazard Emerging's portfolio posted a 5.82% return for the quarter placing it in the 95 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 86 percentile for the last year.
- Lazard Emerging's portfolio underperformed the MSCI Emerging Mkts Idx by 2.76% for the quarter and underperformed the MSCI Emerging Mkts Idx for the year by 8.30%.

Quarterly Asset Growth

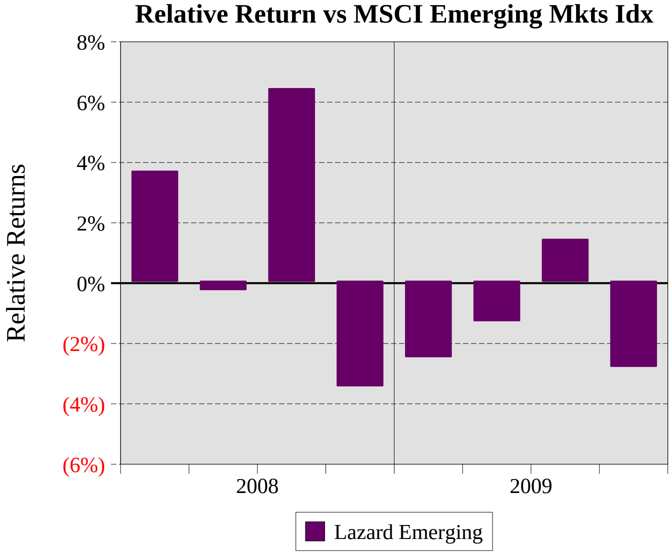
Beginning Market Value	$209,883,791
Net New Investment	$25,000,000
Investment Gains/(Losses)	$14,040,448
Ending Market Value	$248,924,239

Performance vs CAI Emerging Markets Equity DB (Gross)

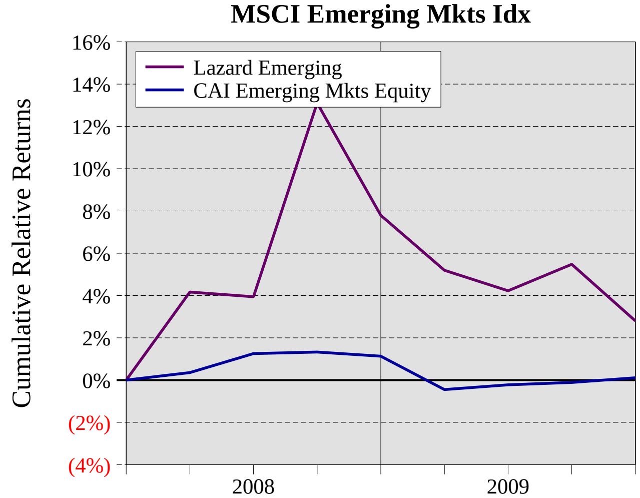


	Last Quarter	Last Year	Last 2 Years
10th Percentile	10.68	91.04	(0.89)
25th Percentile	9.80	82.96	(5.70)
Median	8.72	78.68	(9.01)
75th Percentile	8.03	73.71	(11.18)
90th Percentile	6.95	69.56	(13.38)
Lazard Emerging ●	5.82	70.73	(7.18)
MSCI Emerging Mkts Idx ▲	8.58	79.02	(8.45)

Relative Return vs MSCI Emerging Mkts Idx



Cumulative Returns vs MSCI Emerging Mkts Idx



LAZARD FRERES ASSET MANAGEMENT
PERIOD ENDED DECEMBER 31, 2009

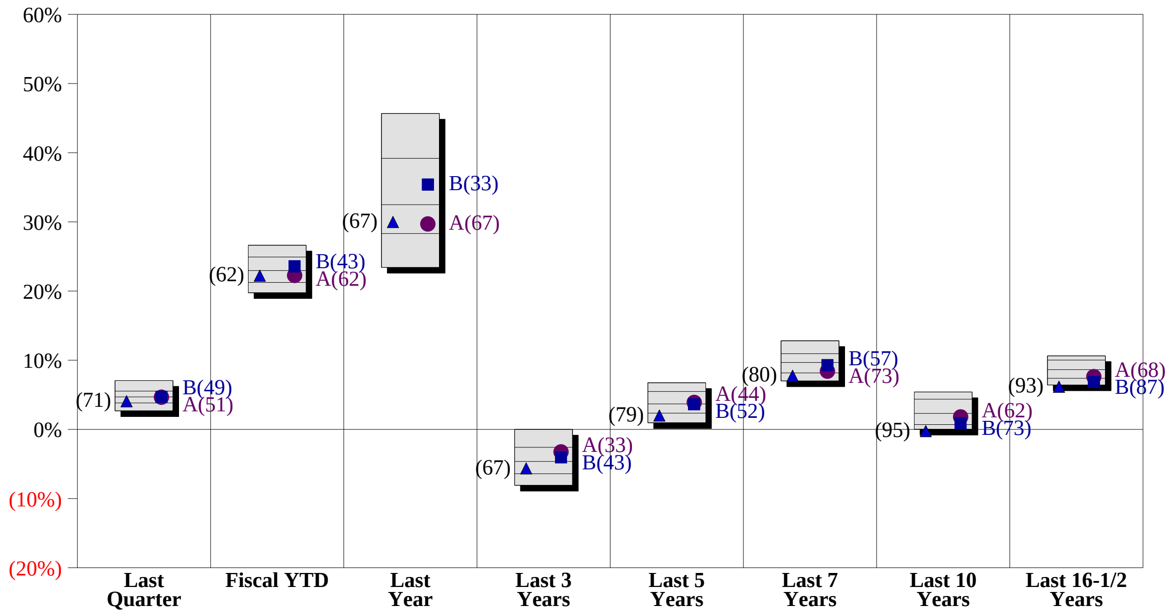
Quarterly Summary and Highlights

- Lazard Global's portfolio posted a 4.65% return for the quarter placing it in the 51 percentile of the CAI Global Equity Broad Style group for the quarter and in the 67 percentile for the last year.
- Lazard Global's portfolio outperformed the MSCI World Index by 0.58% for the quarter and underperformed the MSCI World Index for the year by 0.28%.

Quarterly Asset Growth

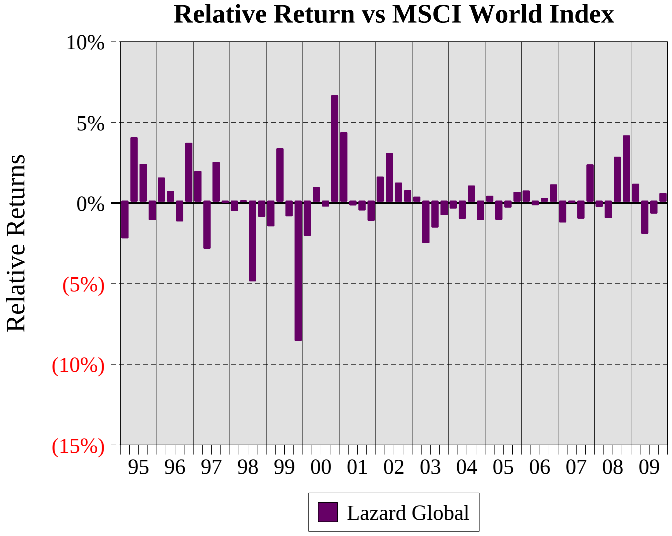
Beginning Market Value	$587,297,004
Net New Investment	$0
Investment Gains/(Losses)	$27,337,979
Ending Market Value	$614,634,983

Performance vs CAI Global Equity Broad Style (Gross)

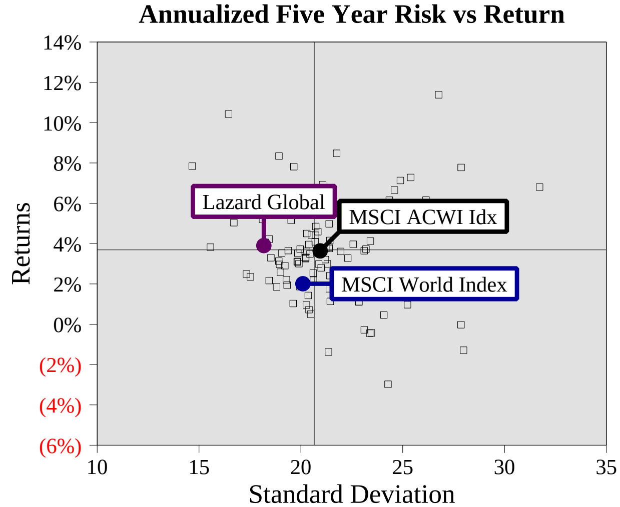


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 16-1/2 Years
10th Percentile	7.06	26.62	45.68	(0.00)	6.74	12.81	5.41	10.63
25th Percentile	5.53	24.92	39.19	(2.59)	5.48	10.95	4.37	10.02
Median	4.70	22.96	32.49	(4.64)	3.69	9.68	2.31	8.64
75th Percentile	3.83	21.24	28.31	(6.41)	2.35	8.17	0.70	7.39
90th Percentile	2.68	19.75	23.42	(8.08)	0.96	7.01	0.02	6.42
Lazard Global ● A	4.65	22.26	29.70	(3.25)	3.90	8.42	1.80	7.63
MSCI ACWI Idx ■ B	4.72	23.56	35.41	(4.05)	3.64	9.30	0.89	6.85
MSCI World Index ▲	4.07	22.23	29.99	(5.63)	2.01	7.75	(0.24)	6.17

Relative Return vs MSCI World Index



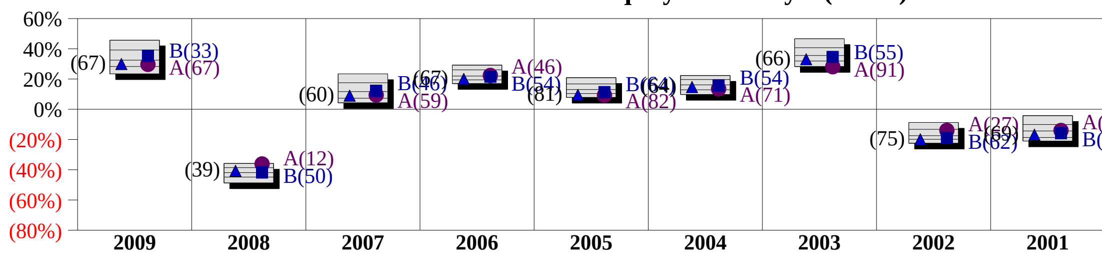
CAI Global Equity Broad Style (Gross)
Annualized Five Year Risk vs Return



Return Analysis

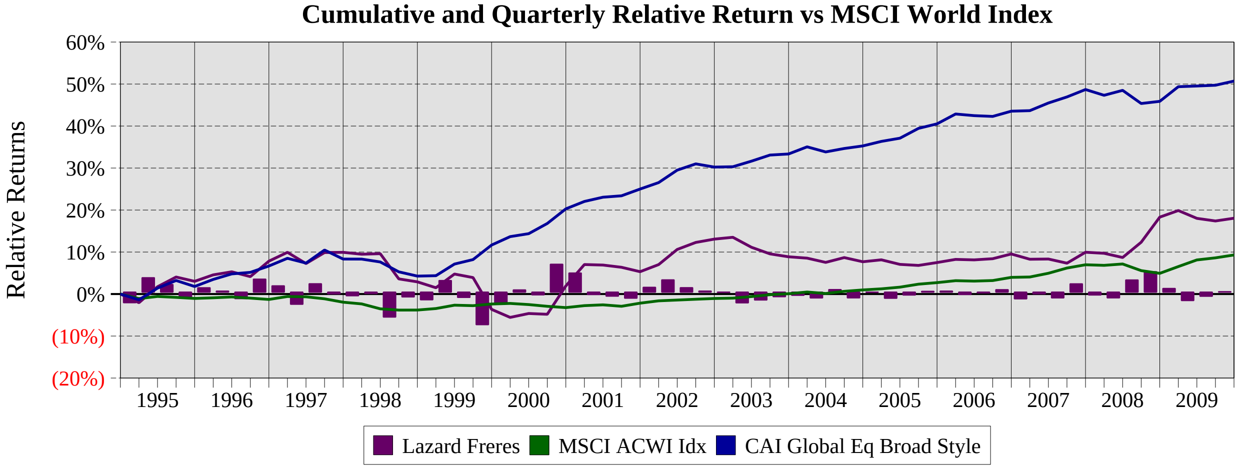
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Global Equity Broad Style (Gross)

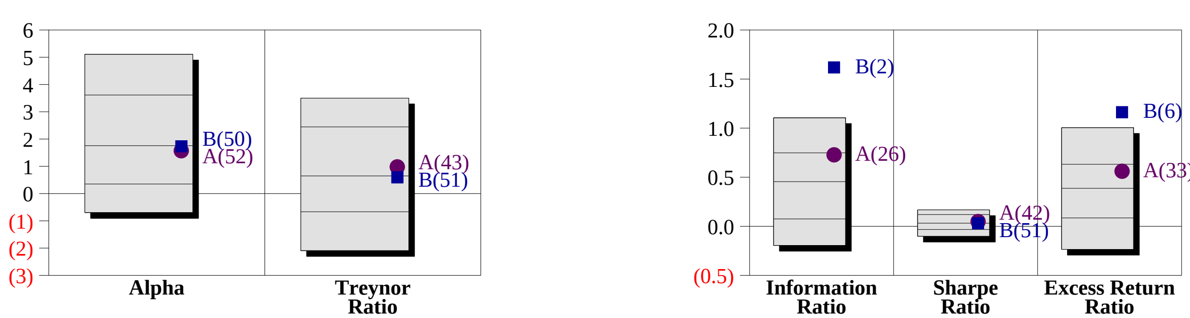


		2009	2008	2007	2006	2005	2004	2003	2002	2001
10th Percentile		45.68	(35.85)	23.41	29.21	20.90	22.32	46.65	(8.75)	(4.23)
25th Percentile		39.19	(38.64)	17.56	26.07	16.77	19.68	40.71	(13.28)	(10.09)
Median		32.49	(41.92)	11.69	21.97	13.05	16.14	35.58	(17.47)	(14.36)
75th Percentile		28.31	(44.84)	7.29	19.42	10.42	12.90	31.92	(19.87)	(18.66)
90th Percentile		23.42	(48.75)	4.27	16.96	7.86	9.75	28.23	(22.50)	(21.03)
Lazard Freres	● A	29.70	(36.20)	9.45	22.34	9.29	13.48	28.15	(13.98)	(14.05)
MSCI ACWI Idx	■ B	35.41	(41.85)	12.18	21.53	11.37	15.75	34.63	(18.98)	(15.91)
MSCI World Index	▲	29.99	(40.71)	9.04	20.07	9.49	14.72	33.11	(19.89)	(16.82)

Cumulative and Quarterly Relative Return vs MSCI World Index



Risk Adjusted Return Measures vs MSCI World Index
Rankings Against CAI Global Equity Broad Style (Gross)
Five Years Ended December 31, 2009



		Alpha	Treynor Ratio
10th Percentile		5.11	3.50
25th Percentile		3.61	2.45
Median		1.76	0.65
75th Percentile		0.35	(0.67)
90th Percentile		(0.70)	(2.09)
Lazard Freres	● A	1.57	0.98
MSCI ACWI Idx	■ B	1.73	0.59

		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		1.11	0.17	1.00
25th Percentile		0.75	0.12	0.63
Median		0.45	0.03	0.39
75th Percentile		0.07	(0.03)	0.09
90th Percentile		(0.20)	(0.10)	(0.24)
Lazard Freres	● A	0.73	0.05	0.56
MSCI ACWI Idx	■ B	1.62	0.03	1.16

International
Fixed-Income

MONDRIAN INVESTMENT PARTNERS
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Mondrian Investment Partners attempts to add value through purchasing the sovereign and supranational debt of countries with strong fundamentals and little, if any, default experience.

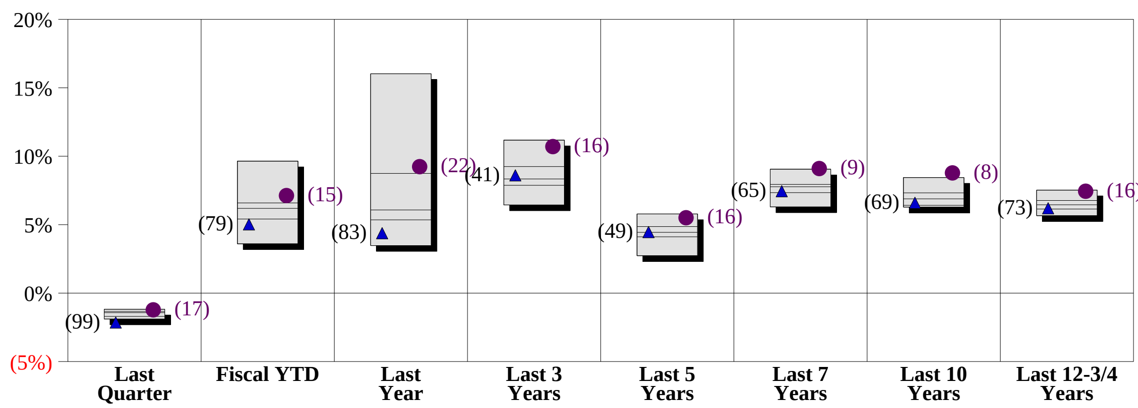
Quarterly Summary and Highlights

- Mondrian Investment Partners's portfolio posted a (1.22)% return for the quarter placing it in the 17 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 22 percentile for the last year.
- Mondrian Investment Partners's portfolio outperformed the Citi Non-US Gvt Bd Idx by 0.93% for the quarter and outperformed the Citi Non-US Gvt Bd Idx for the year by 4.86%.

Quarterly Asset Growth

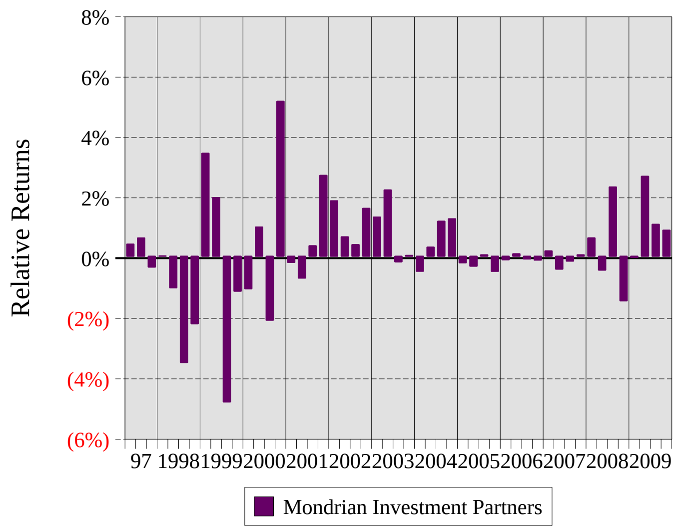
Beginning Market Value	$205,061,312
Net New Investment	$0
Investment Gains/(Losses)	$-2,507,865
Ending Market Value	$202,553,447

Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)

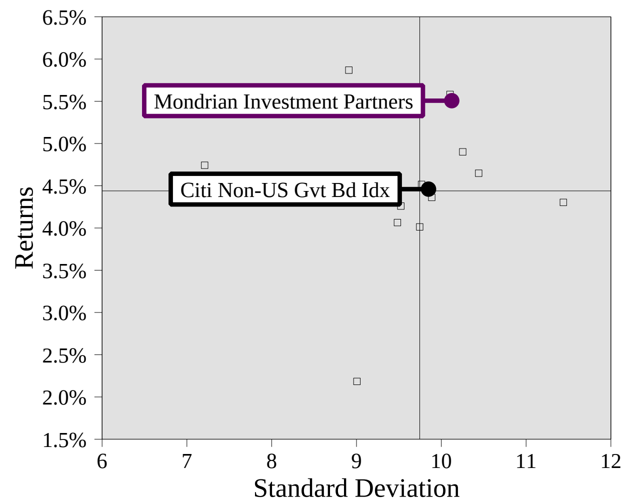


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 12-3/4 Years
10th Percentile	(1.18)	9.64	16.03	11.18	5.78	9.05	8.44	7.52
25th Percentile	(1.34)	6.59	8.74	9.25	4.86	7.94	7.33	6.77
Median	(1.43)	6.19	6.08	8.34	4.44	7.77	6.89	6.45
75th Percentile	(1.70)	5.41	5.35	7.88	4.11	7.34	6.41	6.14
90th Percentile	(1.89)	3.60	3.47	6.44	2.73	6.30	6.28	5.66
Mondrian Investment Partners ●	(1.22)	7.13	9.24	10.71	5.51	9.10	8.78	7.44
Citi Non-US Gvt Bd Idx ▲	(2.15)	5.02	4.38	8.60	4.46	7.45	6.60	6.20

Relative Return vs Citi Non-US Gvt Bd Idx



CAI Non-U.S. Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return

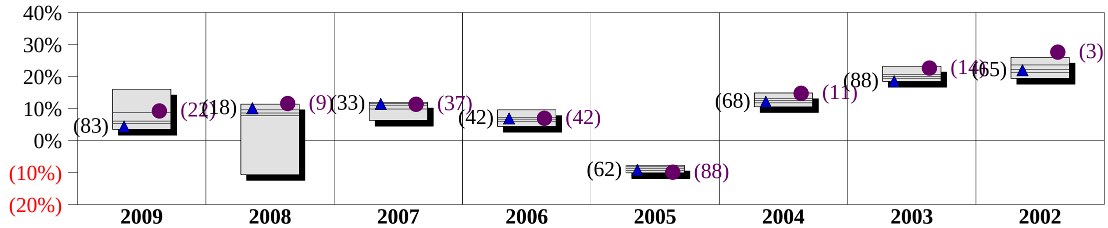


MONDRIAN INVESTMENT PARTNERS
RETURN ANALYSIS SUMMARY

Return Analysis

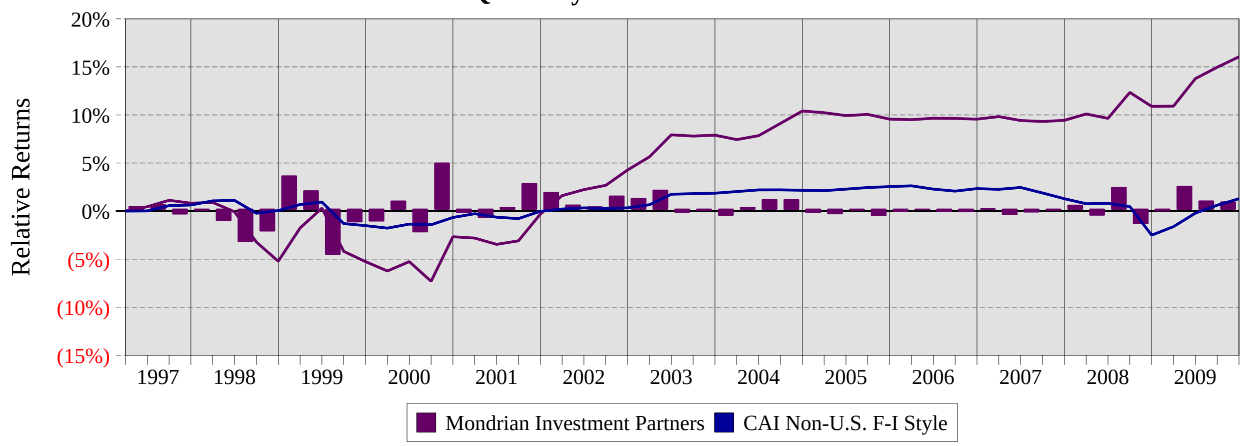
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)

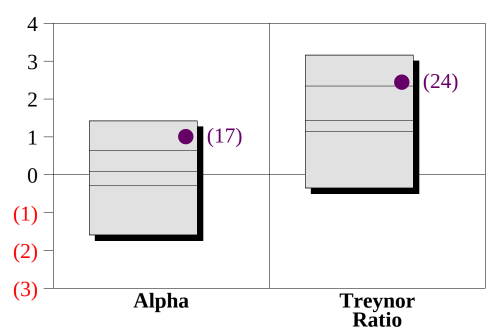


	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	16.03	11.37	11.96	9.60	(7.72)	14.86	23.21	25.99
25th Percentile	8.74	9.59	11.56	7.18	(8.22)	13.08	20.65	23.63
Median	6.08	8.60	11.06	6.69	(8.83)	12.47	20.03	22.22
75th Percentile	5.35	7.75	9.85	6.04	(9.36)	11.78	19.30	21.24
90th Percentile	3.47	(10.67)	6.31	4.40	(10.09)	10.54	18.46	19.41
Mondrian Investment Partners ●	9.24	11.57	11.33	6.95	(9.90)	14.75	22.64	27.62
Citi Non-US Gvt Bd Idx ▲	4.38	10.11	11.46	6.95	(9.21)	12.14	18.52	21.99

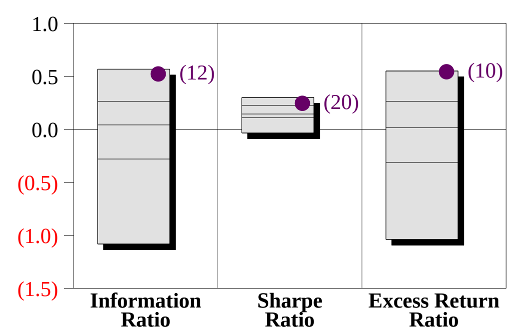
Cumulative and Quarterly Relative Return vs Citi Non-US Gvt Bd Idx



Risk Adjusted Return Measures vs Citi Non-US Gvt Bd Idx
Rankings Against CAI Non-U.S. Fixed-Inc Style (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	1.42	3.16
25th Percentile	0.64	2.34
Median	0.09	1.44
75th Percentile	(0.29)	1.14
90th Percentile	(1.59)	(0.35)
Mondrian Investment Partners ●	1.01	2.45



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.57	0.30	0.55
25th Percentile	0.26	0.23	0.26
Median	0.04	0.14	0.02
75th Percentile	(0.28)	0.11	(0.31)
90th Percentile	(1.08)	(0.03)	(1.04)
Mondrian Investment Partners ●	0.52	0.25	0.54

LAZARD EMERGING
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

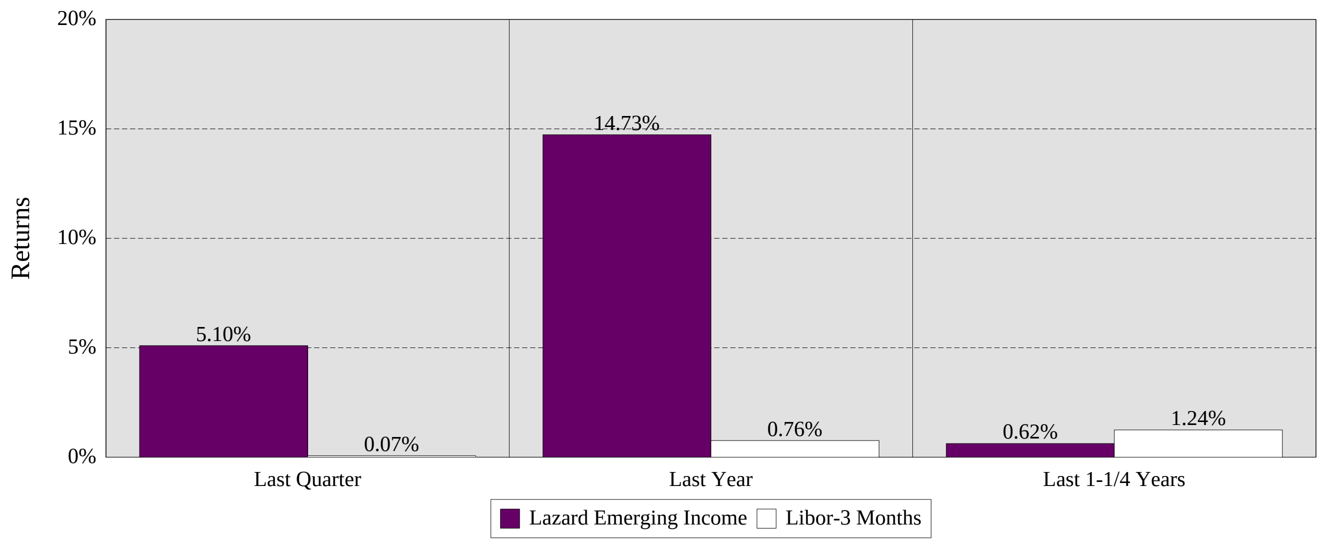
Lazard's Emerging Markets - Local Currency Debt strategy invests in short and intermediate-term fixed income securities from emerging market countries world-wide. These securities are denominated in the local currency and have short durations.

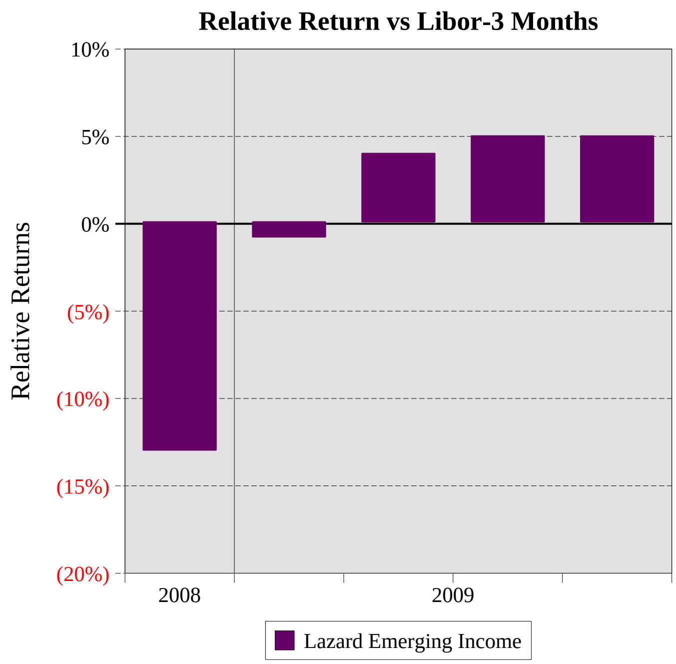
Quarterly Summary and Highlights

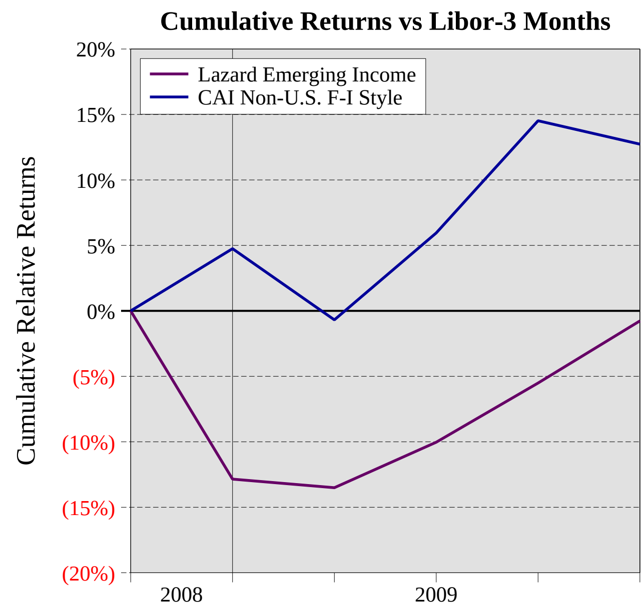
- Lazard Emerging Income's portfolio posted a 5.10% return for the quarter placing it in the 1 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 13 percentile for the last year.
- Lazard Emerging Income's portfolio outperformed the Libor-3 Months by 5.03% for the quarter and outperformed the Libor-3 Months for the year by 13.97%.

Quarterly Asset Growth

Beginning Market Value	$82,082,731
Net New Investment	$0
Investment Gains/(Losses)	$4,184,380
Ending Market Value	$86,267,111







REIT HOLDINGS
PERIOD ENDED DECEMBER 31, 2009

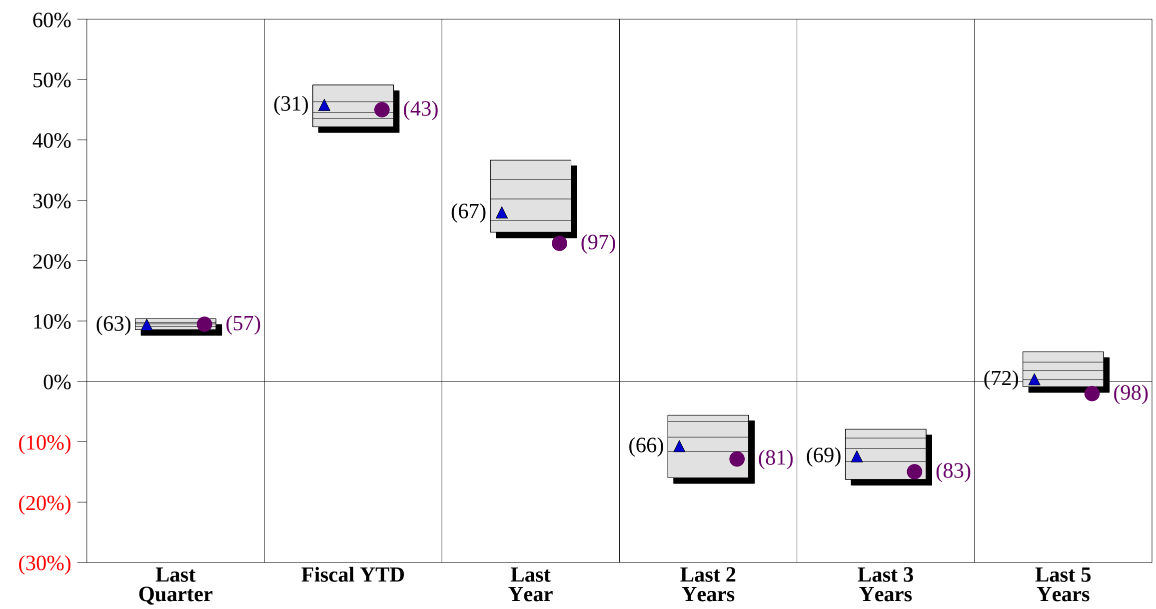
Quarterly Summary and Highlights

- REIT Holdings's portfolio posted a 9.47% return for the quarter placing it in the 57 percentile of the CAI Real Estate-REIT DB group for the quarter and in the 97 percentile for the last year.
- REIT Holdings's portfolio outperformed the NAREIT Equity Index by 0.07% for the quarter and underperformed the NAREIT Equity Index for the year by 5.13%.

Quarterly Asset Growth

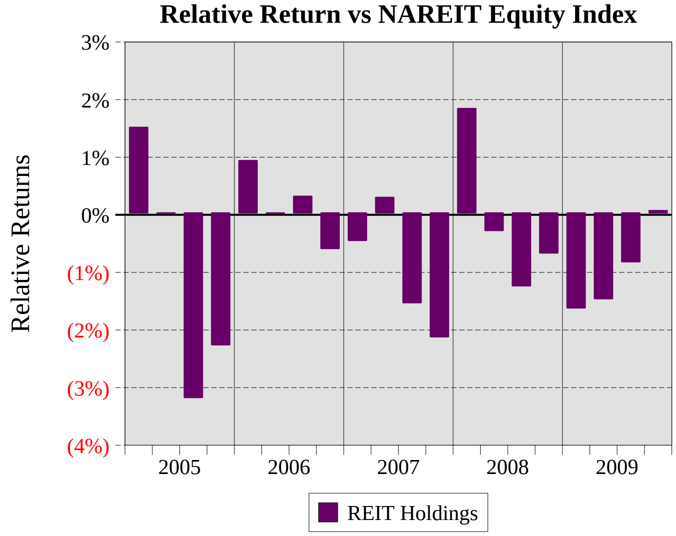
Beginning Market Value	$45,471,713
Net New Investment	$0
Investment Gains/(Losses)	$4,305,002
Ending Market Value	$49,776,715

Performance vs CAI Real Estate-REIT DB (Gross)

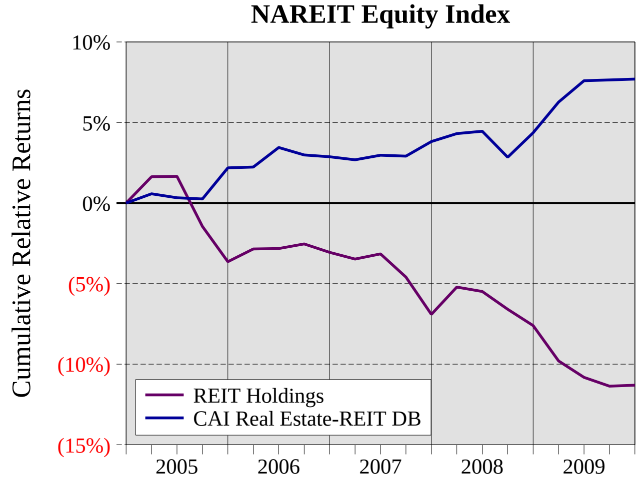


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	10.38	49.10	36.64	(5.60)	(7.92)	4.90
25th Percentile	9.74	46.30	33.45	(6.65)	(9.39)	3.19
Median	9.52	44.55	30.21	(9.23)	(11.11)	1.76
75th Percentile	9.05	43.57	26.69	(11.62)	(13.29)	0.26
90th Percentile	8.57	42.17	24.71	(15.96)	(16.24)	(0.88)
REIT Holdings ●	9.47	45.00	22.87	(12.85)	(14.97)	(2.02)
NAREIT Equity Index ▲	9.39	45.80	27.99	(10.72)	(12.41)	0.36

Relative Return vs NAREIT Equity Index



Cumulative Returns vs NAREIT Equity Index

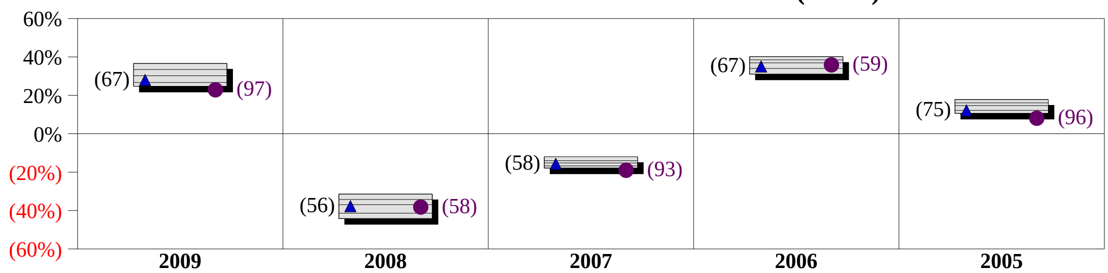


REIT HOLDINGS
RETURN ANALYSIS SUMMARY

Return Analysis

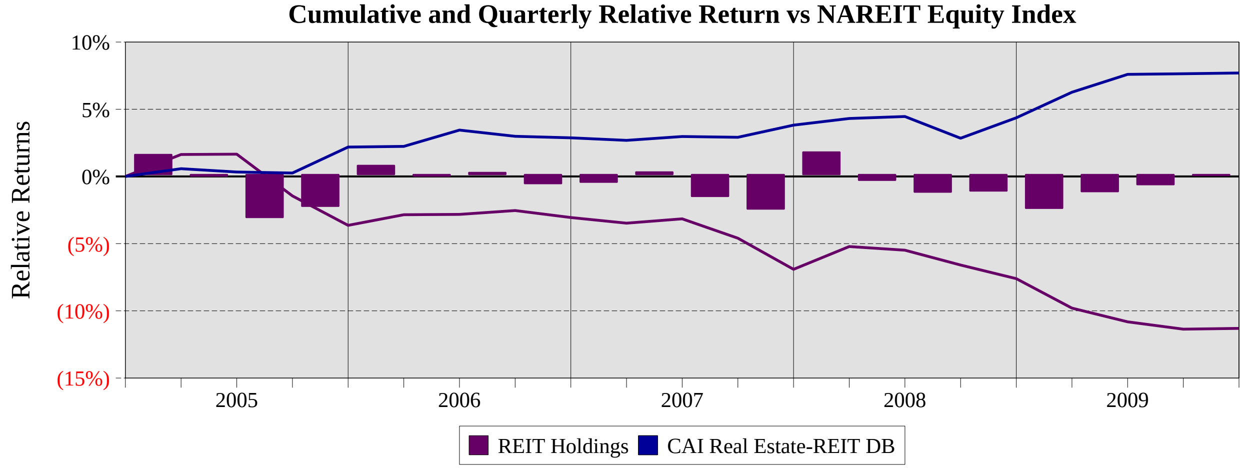
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Real Estate-REIT DB (Gross)

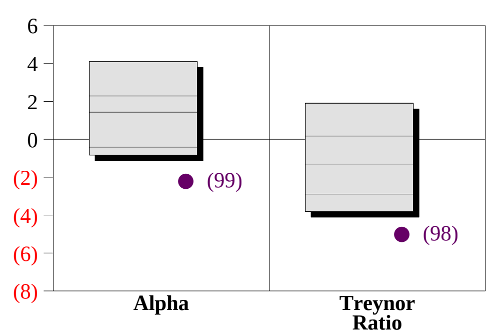


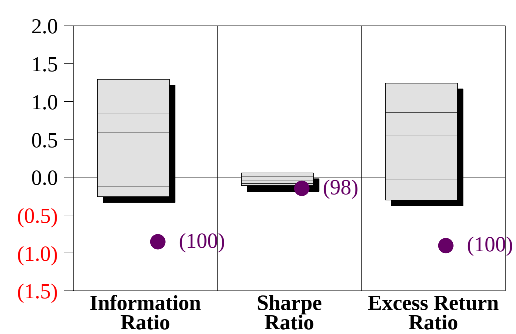
	2009	2008	2007	2006	2005
10th Percentile	36.64	(31.43)	(11.98)	40.15	17.80
25th Percentile	33.45	(34.23)	(14.06)	38.49	16.08
Median	30.21	(36.95)	(15.24)	36.92	14.66
75th Percentile	26.69	(41.37)	(16.75)	34.03	12.18
90th Percentile	24.71	(44.19)	(17.89)	31.04	10.61
REIT Holdings ●	22.87	(38.19)	(19.04)	35.88	8.07
NAREIT Equity Index ▲	27.99	(37.72)	(15.69)	35.06	12.15

Cumulative and Quarterly Relative Return vs NAREIT Equity Index



Risk Adjusted Return Measures vs NAREIT Equity Index
Rankings Against CAI Real Estate-REIT DB (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	4.10	1.90
25th Percentile	2.29	0.17
Median	1.43	(1.31)
75th Percentile	(0.41)	(2.89)
90th Percentile	(0.83)	(3.81)
REIT Holdings ●	(2.22)	(5.02)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.29	0.06	1.24
25th Percentile	0.85	0.01	0.85
Median	0.59	(0.04)	0.56
75th Percentile	(0.13)	(0.08)	(0.02)
90th Percentile	(0.26)	(0.11)	(0.30)
REIT Holdings ●	(0.85)	(0.15)	(0.90)

ALASKA RETIREMENT MANAGEMENT BOARD
TOP 10 PORTFOLIO HOLDINGS CHARACTERISTICS
REIT HOLDINGS
AS OF DECEMBER 31, 2009

10 Largest Holdings

Stock	Sector	Ending Market Value	Percent of Portfolio	Qtrly Return	Market Capital	Price/ Forecasted Earnings Ratio	Dividend Yield	Forecasted Growth in Earnings
Simon Property Group	Financials	$4,623,692	9.3%	15.90%	22.74	52.16	0.75%	2.00%
Public Storage	Financials	$2,804,323	5.7%	9.05%	13.81	35.11	2.70%	2.90%
Vornado Realty Trust	Financials	$2,547,005	5.1%	9.71%	12.60	73.16	3.72%	(6.58)%
Equity Residential	Financials	$2,189,620	4.4%	11.18%	9.25	146.87	4.00%	21.52%
Boston Properties	Financials	$1,869,241	3.8%	3.06%	9.29	53.23	2.98%	5.00%
Hcp Inc	Financials	$1,811,022	3.7%	7.96%	8.88	31.16	6.02%	13.00%
Ventas	Financials	$1,721,169	3.5%	14.95%	6.85	31.02	4.69%	8.00%
Avalonbay Communities	Financials	$1,586,529	3.2%	14.08%	6.56	59.50	4.35%	2.50%
Host Hotels & Resorts Inc	Financials	$1,478,799	3.0%	1.80%	7.25	(29.17)	8.57%	(33.00)%
Health Care Reit	Financials	$1,375,250	2.8%	8.23%	5.31	26.07	6.14%	4.80%

10 Best Performers

Stock	Sector	Ending Market Value	Percent of Portfolio	Qtrly Return	Market Capital	Price/ Forecasted Earnings Ratio	Dividend Yield	Forecasted Growth in Earnings
Plum Creek Timber Co Inc	Financials	$1,259,296	2.5%	24.78%	6.15	32.00	4.45%	5.00%
Omega Healthcare Invs Inc	Financials	$326,566	0.7%	23.83%	1.62	17.84	6.17%	7.00%
Macerich Co	Financials	$960,260	1.9%	21.08%	3.40	1198.33	6.68%	1.50%
Sovran Self Storage Inc	Financials	$198,659	0.4%	19.17%	0.96	27.48	5.04%	2.00%
Alexandria Real Estate	Financials	$559,323	1.1%	18.84%	2.79	28.45	2.18%	10.00%
Equity Lifestyle Pptys Inc	Financials	$456,249	0.9%	18.63%	1.53	37.11	2.38%	26.89%
Douglas Emmett Inc	Financials	$352,545	0.7%	16.85%	1.73	(49.14)	2.81%	1.00%
Senior Hsg Pptys Tr Sh Ben Int	Financials	$549,812	1.1%	16.60%	2.78	21.23	6.58%	7.00%
Hospitality Pptys Tr Com Sh Ben Int	Financials	$586,822	1.2%	16.50%	2.90	20.80	0.00%	1.42%
Prologis	Financials	$1,225,939	2.5%	16.21%	6.06	(62.23)	4.38%	8.00%

10 Worst Performers

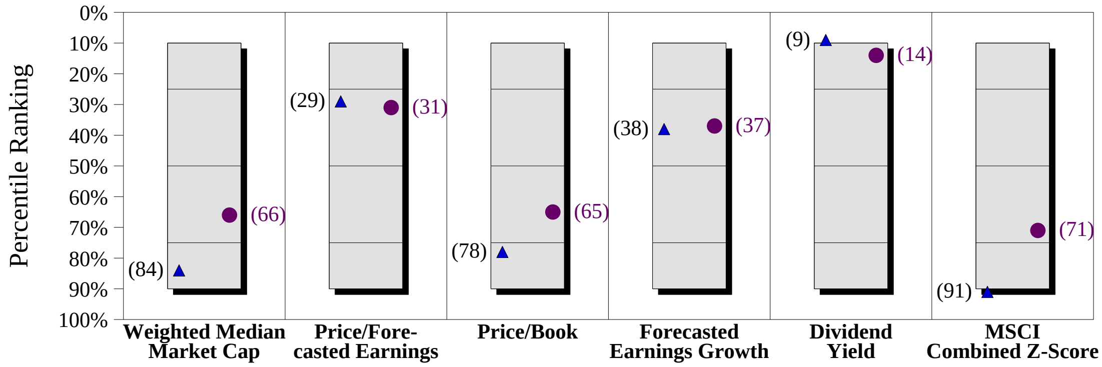
Stock	Sector	Ending Market Value	Percent of Portfolio	Qtrly Return	Market Capital	Price/ Forecasted Earnings Ratio	Dividend Yield	Forecasted Growth in Earnings
Hrpt Properties Trust	Financials	$295,161	0.6%	(10.84)%	1.45	30.81	7.42%	0.70%
Regency Ctrs Corp	Financials	$570,777	1.2%	(4.08)%	3.10	83.48	5.28%	2.00%
U-Store-It Trust	Financials	$243,097	0.5%	(3.42)%	0.65	(28.15)	1.37%	2.00%
Washington Real Estate Invt Sh Ben I	Financials	$313,794	0.6%	(2.79)%	1.60	95.00	6.28%	(5.95)%
Cousins Pptys Inc	Financials	$152,982	0.3%	(1.97)%	0.72	19.08	4.72%	(25.07)%
Ps Business Pks Inc Calif	Financials	$222,222	0.4%	(1.59)%	1.20	36.01	3.52%	18.00%
Liberty Property Trust	Financials	$724,386	1.5%	(0.16)%	3.57	25.81	5.94%	5.60%
Developers Divers Realty	Financials	$302,802	0.6%	(0.05)%	1.49	(92.60)	0.86%	(10.74)%
Cbl & Assoc Pptys Inc	Financials	$271,824	0.5%	0.17%	1.33	64.47	2.07%	2.00%
Corporate Office Pptys Tr Sh Ben Int	Financials	$410,989	0.8%	0.37%	2.13	55.50	4.29%	9.11%

REIT HOLDINGS
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Real Estate-REIT DB
as of December 31, 2009

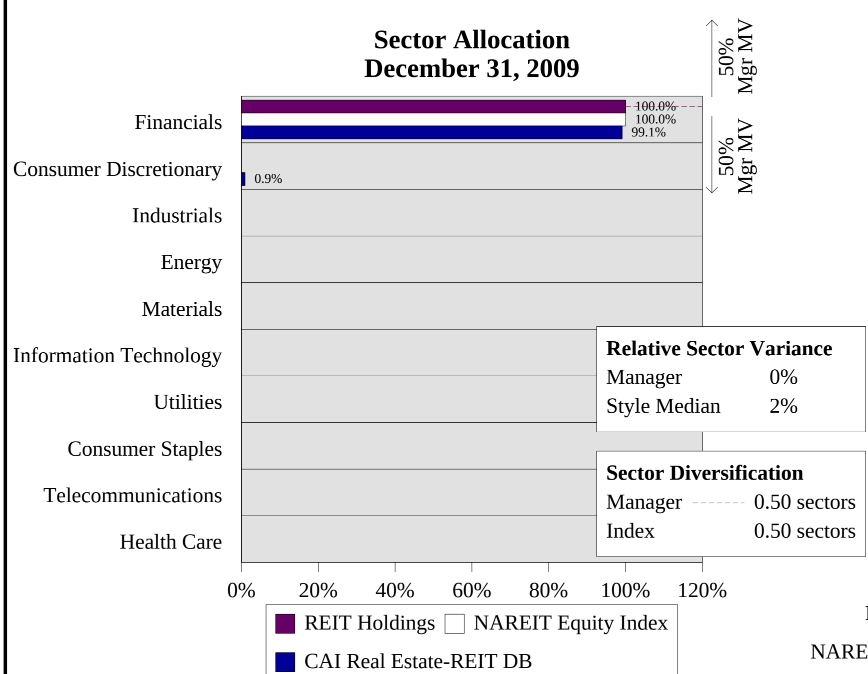


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	7.19	93.93	2.05	6.22	4.05	(0.77)
25th Percentile	6.08	76.34	1.96	4.98	3.87	(0.81)
Median	5.54	56.45	1.82	3.15	3.77	(0.85)
75th Percentile	5.14	52.38	1.72	2.75	3.67	(0.93)
90th Percentile	3.88	48.70	1.64	2.37	3.49	(0.97)
REIT Holdings ●	5.38	70.42	1.77	4.05	4.00	(0.90)
NAREIT Equity Index ▲	4.39	72.07	1.70	3.73	4.06	(0.98)

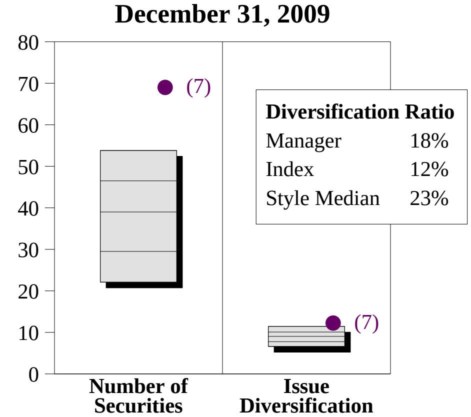
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of largest holdings that comprise half of the portfolio's market value.

Sector Allocation
December 31, 2009



Diversification
December 31, 2009



	Number of Securities	Issue Diversification
10th Percentile	54	11
25th Percentile	47	10
Median	39	9
75th Percentile	30	8
90th Percentile	22	7
REIT Holdings ●	69	12
NAREIT Equity Index ▲	115	14

ABSOLUTE RETURN COMPOSITE
PERIOD ENDED DECEMBER 31, 2009

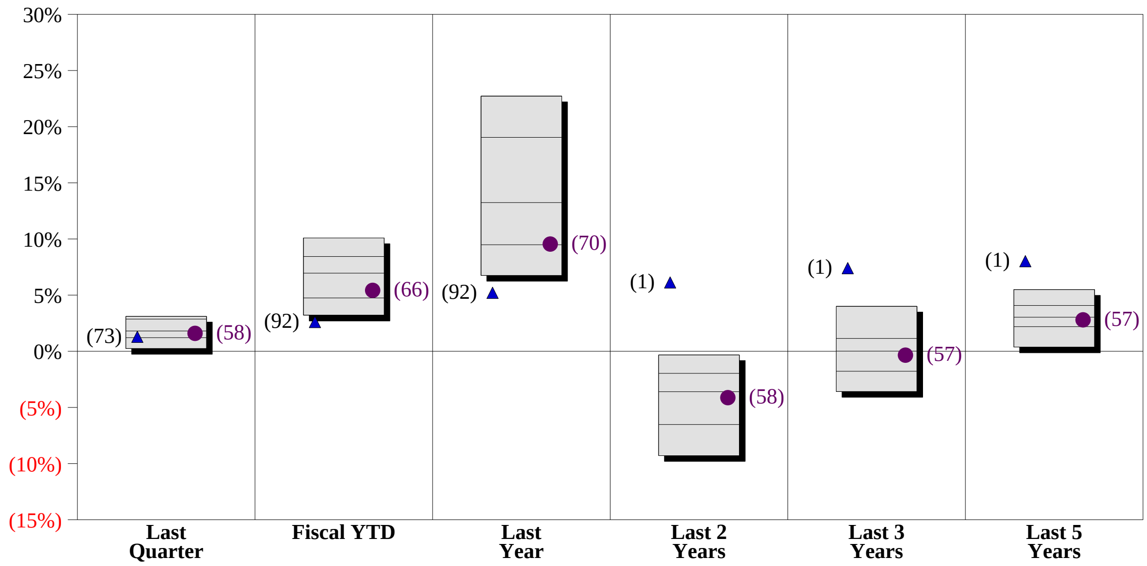
Investment Philosophy

The manager returns below are current through the periods shown.

Quarterly Summary and Highlights

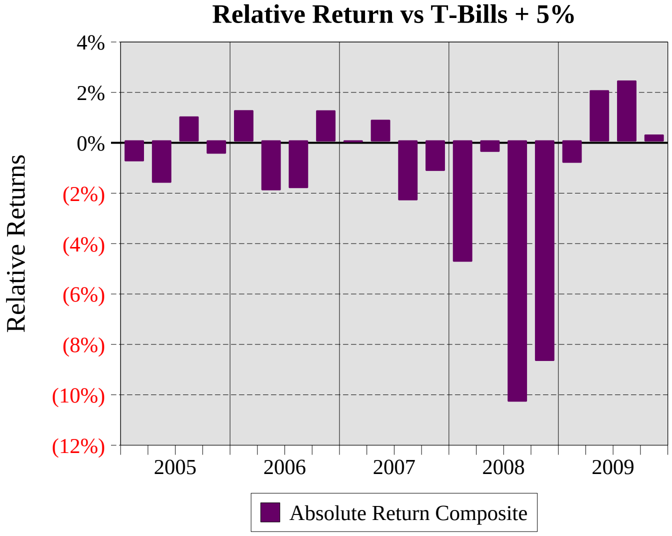
- Absolute Return Composite's portfolio posted a 1.60% return for the quarter placing it in the 58 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 70 percentile for the last year.
- Absolute Return Composite's portfolio outperformed the T-Bills + 5% by 0.31% for the quarter and outperformed the T-Bills + 5% for the year by 4.34%.

Performance vs Absolute Return Hedge FoFs Style (Net)

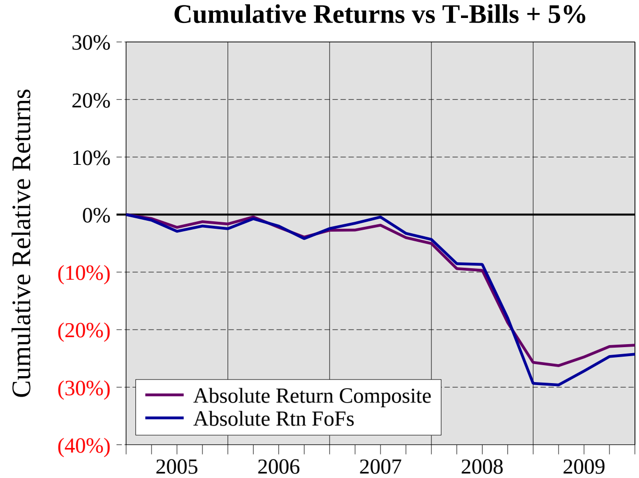


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.10	10.09	22.72	(0.33)	4.00	5.49
25th Percentile	2.87	8.44	19.05	(1.96)	1.14	4.08
Median	1.81	6.96	13.24	(3.60)	0.01	3.03
75th Percentile	1.21	4.75	9.49	(6.52)	(1.78)	2.19
90th Percentile	0.25	3.22	6.75	(9.29)	(3.58)	0.38
Absolute Return Composite ●	1.60	5.42	9.55	(4.13)	(0.34)	2.80
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

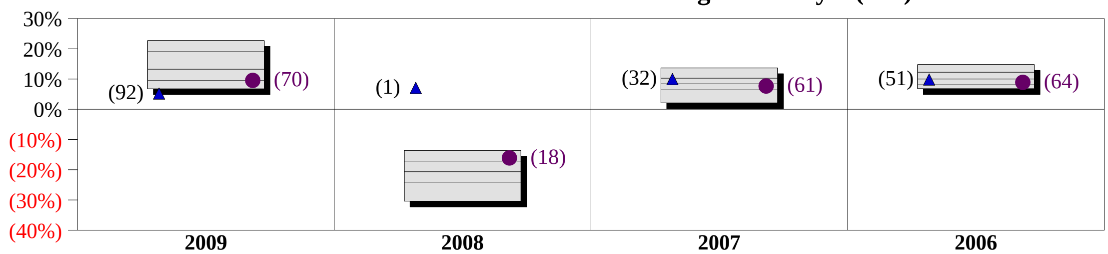


ABSOLUTE RETURN COMPOSITE
RETURN ANALYSIS SUMMARY

Return Analysis

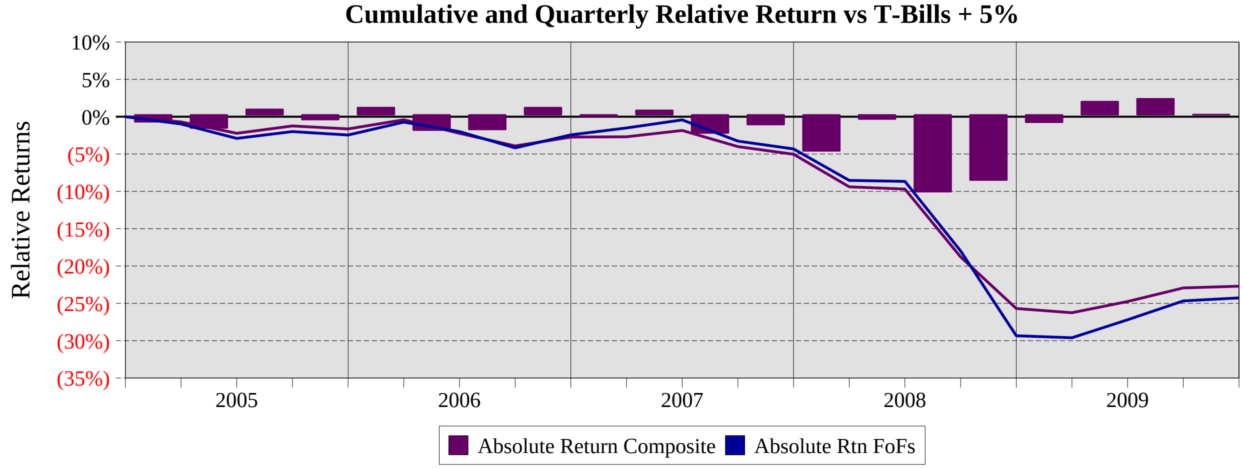
The graphs below analyze the manager’s return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager’s ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager’s ranking relative to their style using various risk-adjusted return measures.

Performance vs Absolute Return Hedge FoFs Style (Net)

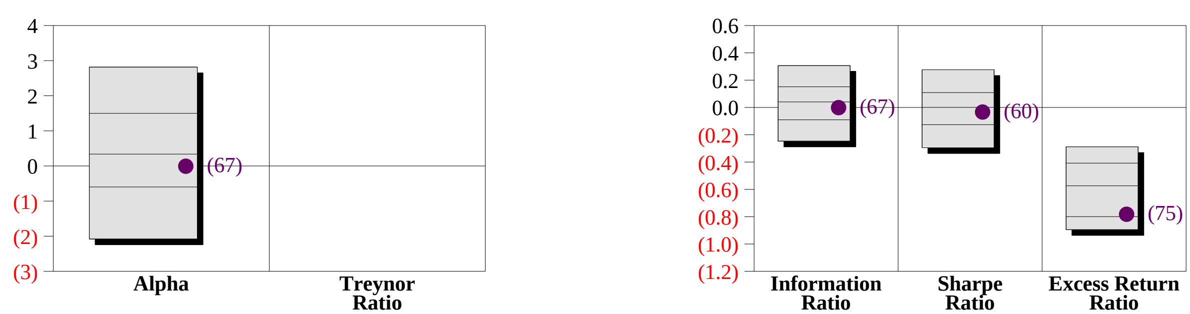


	2009	2008	2007	2006
10th Percentile	22.72	(13.60)	13.68	14.78
25th Percentile	19.05	(17.15)	10.27	12.24
Median	13.24	(20.66)	8.42	10.00
75th Percentile	9.49	(24.11)	6.43	8.10
90th Percentile	6.75	(30.39)	2.11	6.79
Absolute Return Composite ●	9.55	(16.10)	7.68	8.91
T-Bills + 5% ▲	5.21	7.06	10.00	9.85

Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Absolute Return Hedge FoFs Style (Net)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	2.82	-
25th Percentile	1.50	-
Median	0.34	-
75th Percentile	(0.60)	-
90th Percentile	(2.08)	-
Absolute Return Composite ●	(0.01)	-

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.31	0.28	(0.29)
25th Percentile	0.15	0.11	(0.41)
Median	0.04	0.00	(0.57)
75th Percentile	(0.09)	(0.13)	(0.80)
90th Percentile	(0.25)	(0.30)	(0.90)
Absolute Return Composite ●	(0.00)	(0.03)	(0.78)

CADOGAN MANAGEMENT
PERIOD ENDED DECEMBER 31, 2009

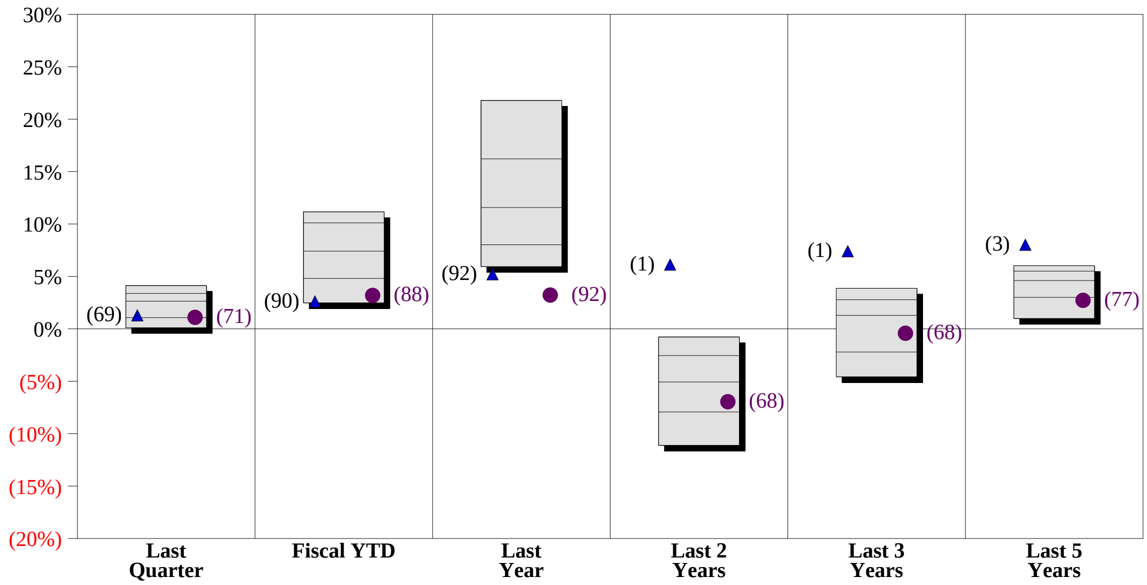
Investment Philosophy

The manager returns below are current through periods shown.

Quarterly Summary and Highlights

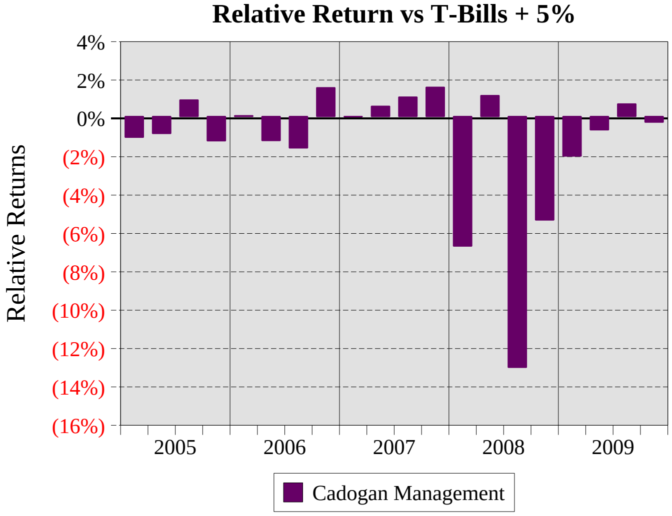
- Cadogan Management's portfolio posted a 1.10% return for the quarter placing it in the 71 percentile of the Long Short Hedge FoF Style group for the quarter and in the 92 percentile for the last year.
- Cadogan Management's portfolio underperformed the T-Bills + 5% by 0.20% for the quarter and underperformed the T-Bills + 5% for the year by 1.99%.

Performance vs Long Short Hedge FoF Style (Net)

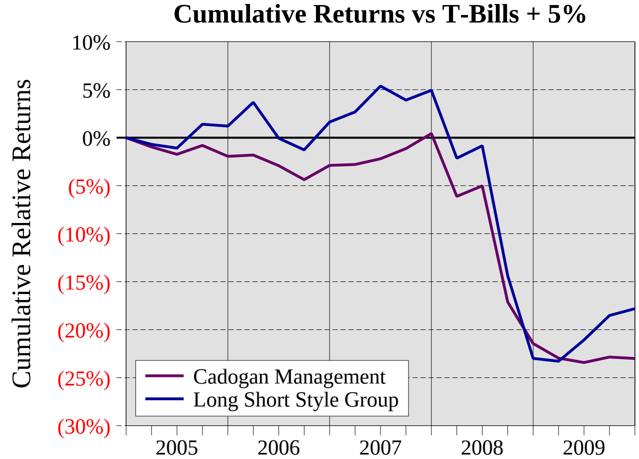


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	4.13	11.16	21.78	(0.78)	3.87	6.02
25th Percentile	3.38	10.11	16.21	(2.55)	2.77	5.50
Median	2.64	7.41	11.57	(5.07)	1.28	4.61
75th Percentile	1.07	4.81	8.02	(7.93)	(2.21)	3.00
90th Percentile	0.10	2.47	5.93	(11.12)	(4.58)	0.98
Cadogan Management ●	1.10	3.19	3.22	(6.95)	(0.42)	2.72
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

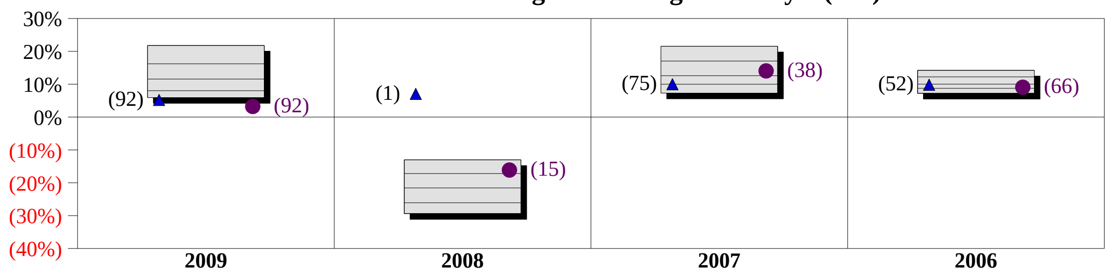


CADOGAN MANAGEMENT
RETURN ANALYSIS SUMMARY

Return Analysis

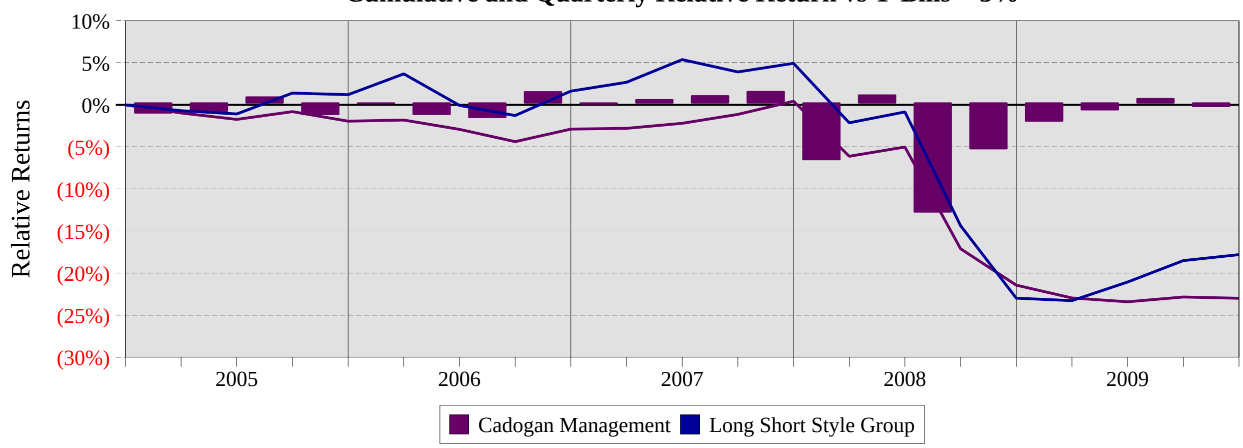
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Long Short Hedge FoF Style (Net)

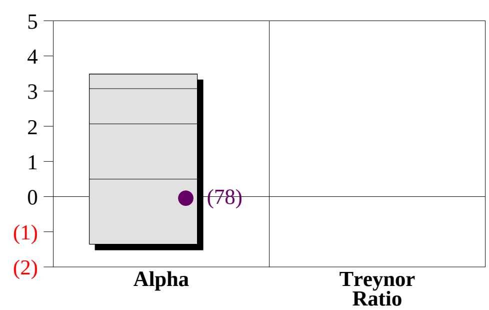


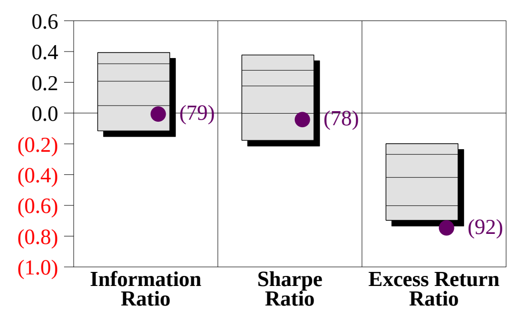
	2009	2008	2007	2006
10th Percentile	21.78	(13.02)	21.56	14.24
25th Percentile	16.21	(17.19)	17.05	12.23
Median	11.57	(21.58)	12.59	10.02
75th Percentile	8.02	(26.08)	10.00	8.75
90th Percentile	5.93	(29.37)	7.30	7.23
Cadogan Management ●	3.22	(16.12)	14.05	9.07
T-Bills + 5% ▲	5.21	7.06	10.00	9.85

Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Long Short Hedge FoF Style (Net)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	3.49	-
25th Percentile	3.07	-
Median	2.07	-
75th Percentile	0.50	-
90th Percentile	(1.35)	-
Cadogan Management ●	(0.05)	-

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.39	0.38	(0.20)
25th Percentile	0.32	0.28	(0.27)
Median	0.21	0.18	(0.42)
75th Percentile	0.05	(0.00)	(0.60)
90th Percentile	(0.12)	(0.18)	(0.70)
Cadogan Management ●	(0.01)	(0.04)	(0.75)

CRESTLINE INVESTORS
PERIOD ENDED DECEMBER 31, 2009

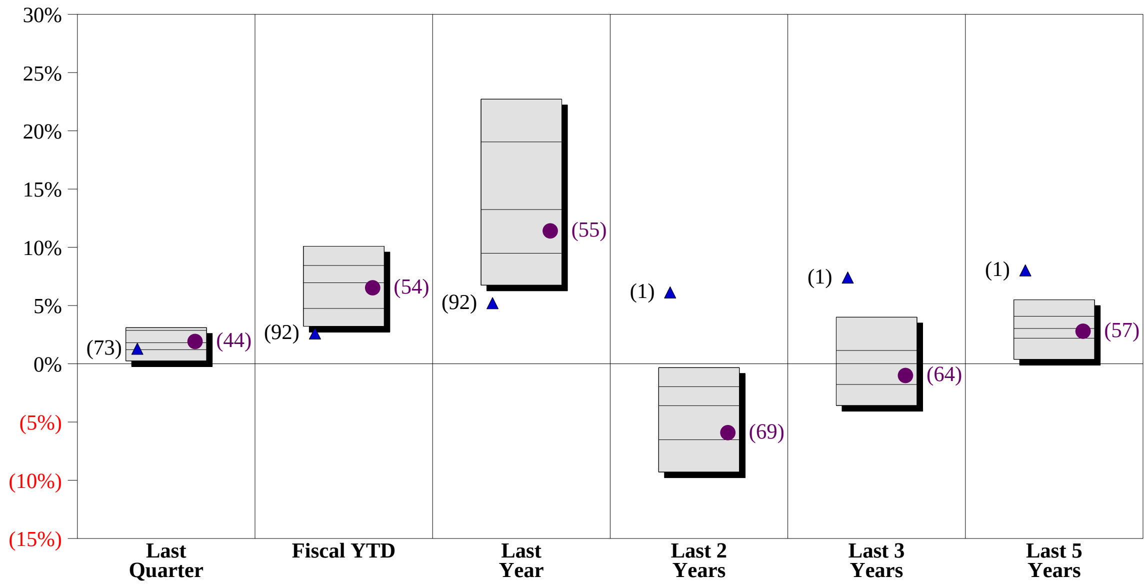
Investment Philosophy

The manager returns below are current through the periods shown.

Quarterly Summary and Highlights

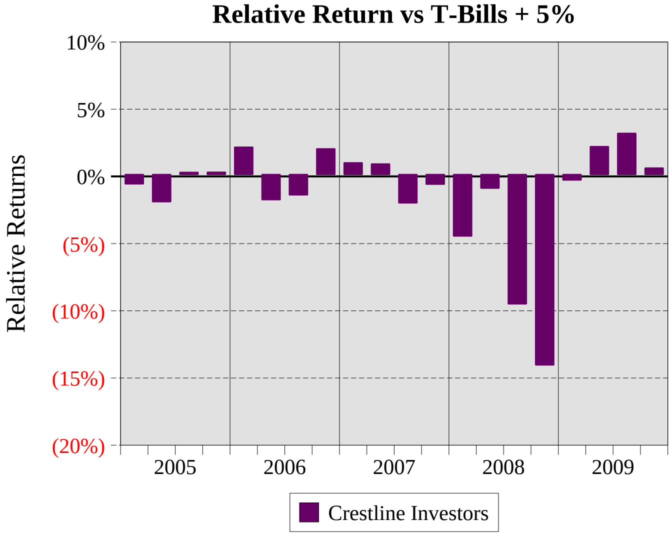
- Crestline Investors's portfolio posted a 1.92% return for the quarter placing it in the 44 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 55 percentile for the last year.
- Crestline Investors's portfolio outperformed the T-Bills + 5% by 0.63% for the quarter and outperformed the T-Bills + 5% for the year by 6.20%.

Performance vs Absolute Return Hedge FoFs Style (Net)

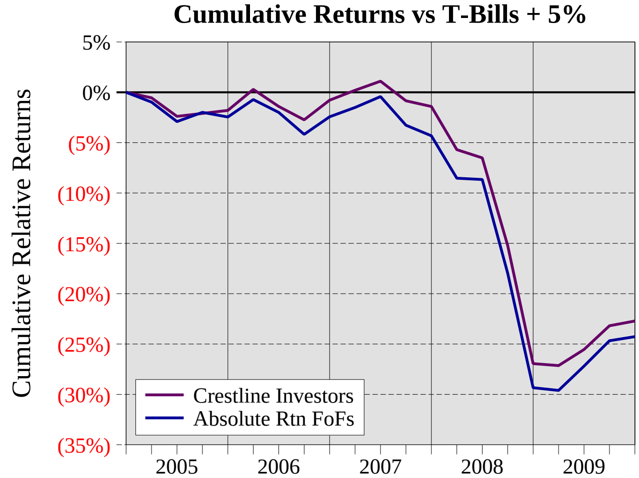


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.10	10.09	22.72	(0.33)	4.00	5.49
25th Percentile	2.87	8.44	19.05	(1.96)	1.14	4.08
Median	1.81	6.96	13.24	(3.60)	0.01	3.03
75th Percentile	1.21	4.75	9.49	(6.52)	(1.78)	2.19
90th Percentile	0.25	3.22	6.75	(9.29)	(3.58)	0.38
Crestline Investors ●	1.92	6.53	11.41	(5.91)	(1.01)	2.79
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

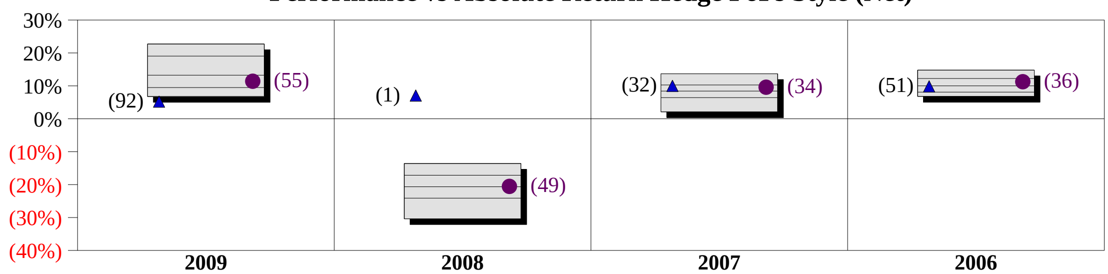


CRESTLINE INVESTORS
RETURN ANALYSIS SUMMARY

Return Analysis

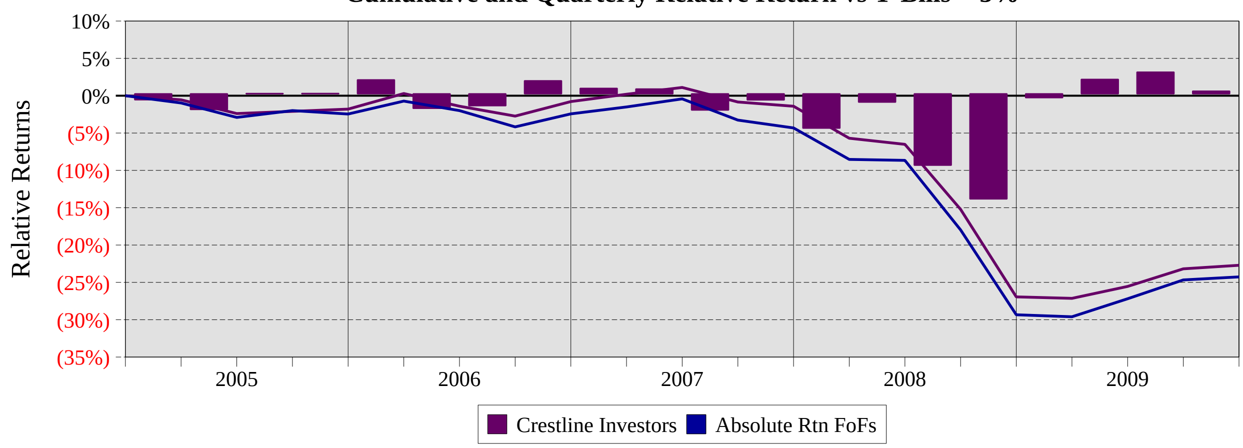
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Absolute Return Hedge FoFs Style (Net)

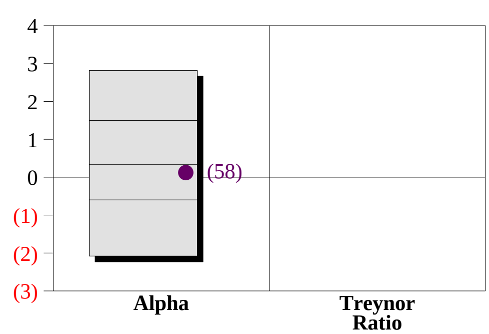


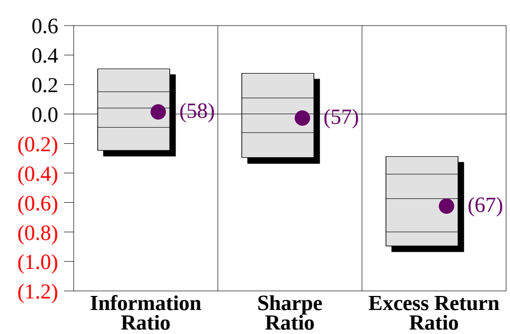
	2009	2008	2007	2006
10th Percentile	22.72	(13.60)	13.68	14.78
25th Percentile	19.05	(17.15)	10.27	12.24
Median	13.24	(20.66)	8.42	10.00
75th Percentile	9.49	(24.11)	6.43	8.10
90th Percentile	6.75	(30.39)	2.11	6.79
Crestline Investors ●	11.41	(20.54)	9.59	11.26
T-Bills + 5% ▲	5.21	7.06	10.00	9.85

Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Absolute Return Hedge FoFs Style (Net)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	2.82	-
25th Percentile	1.50	-
Median	0.34	-
75th Percentile	(0.60)	-
90th Percentile	(2.08)	-
Crestline Investors ●	0.12	-

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.31	0.28	(0.29)
25th Percentile	0.15	0.11	(0.41)
Median	0.04	0.00	(0.57)
75th Percentile	(0.09)	(0.13)	(0.80)
90th Percentile	(0.25)	(0.30)	(0.90)
Crestline Investors ●	0.01	(0.03)	(0.62)

MARINER INVESTMENT GROUP
PERIOD ENDED DECEMBER 31, 2009

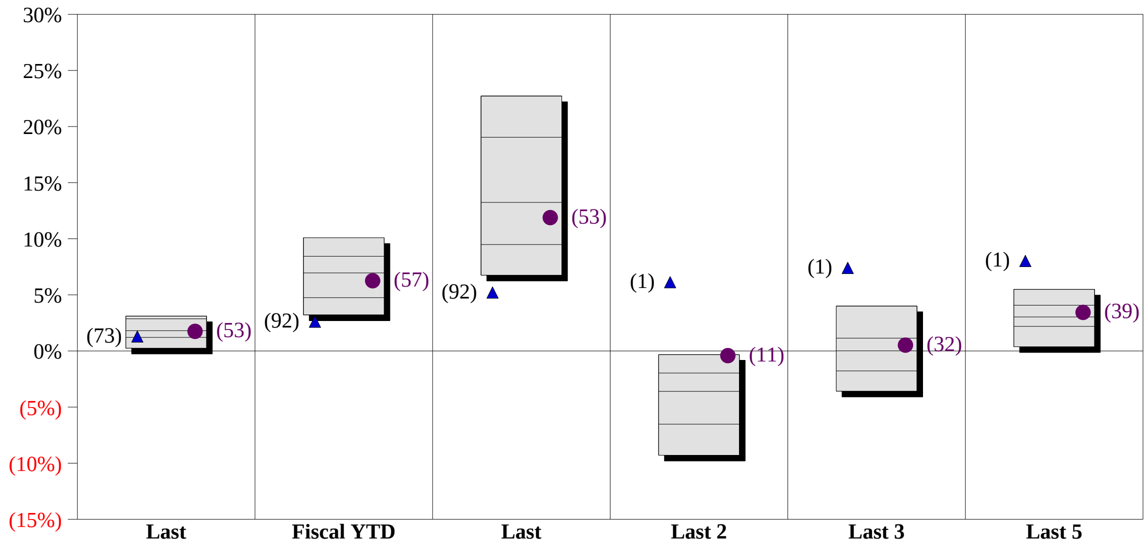
Investment Philosophy

The manager returns below are current through periods shown.

Quarterly Summary and Highlights

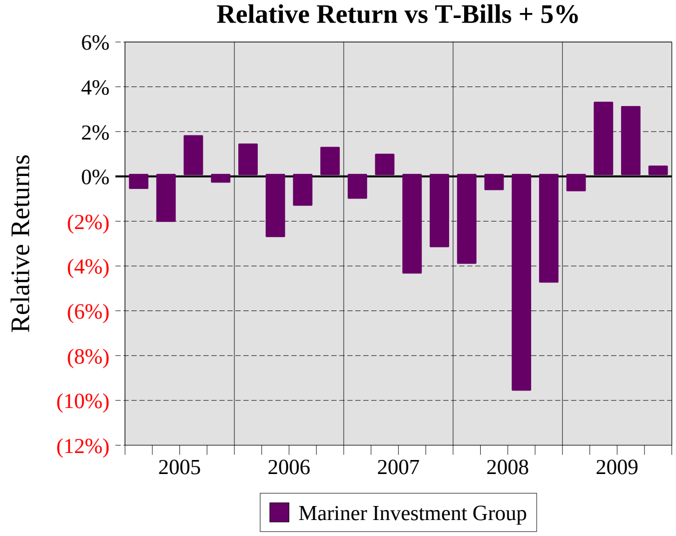
- Mariner Investment Group's portfolio posted a 1.75% return for the quarter placing it in the 53 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 53 percentile for the last year.
- Mariner Investment Group's portfolio outperformed the T-Bills + 5% by 0.46% for the quarter and outperformed the T-Bills + 5% for the year by 6.68%.

Performance vs Absolute Return Hedge FoFs Style (Net)

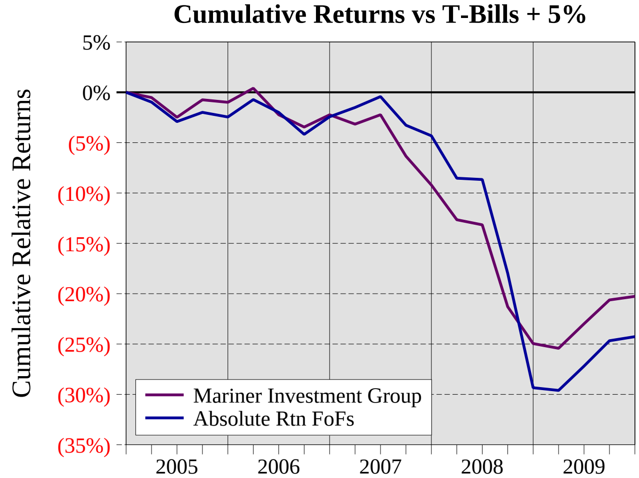


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.10	10.09	22.72	(0.33)	4.00	5.49
25th Percentile	2.87	8.44	19.05	(1.96)	1.14	4.08
Median	1.81	6.96	13.24	(3.60)	0.01	3.03
75th Percentile	1.21	4.75	9.49	(6.52)	(1.78)	2.19
90th Percentile	0.25	3.22	6.75	(9.29)	(3.58)	0.38
Mariner Investment Group ●	1.75	6.26	11.89	(0.41)	0.52	3.44
T-Bills + 5% ▲	1.29	2.61	5.21	6.13	7.40	8.02

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

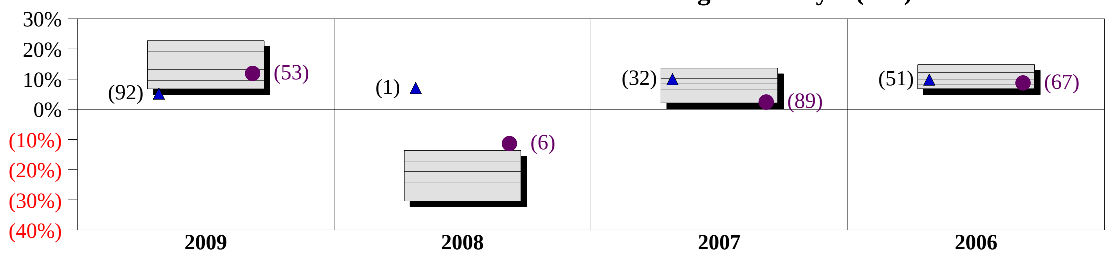


MARINER INVESTMENT GROUP
RETURN ANALYSIS SUMMARY

Return Analysis

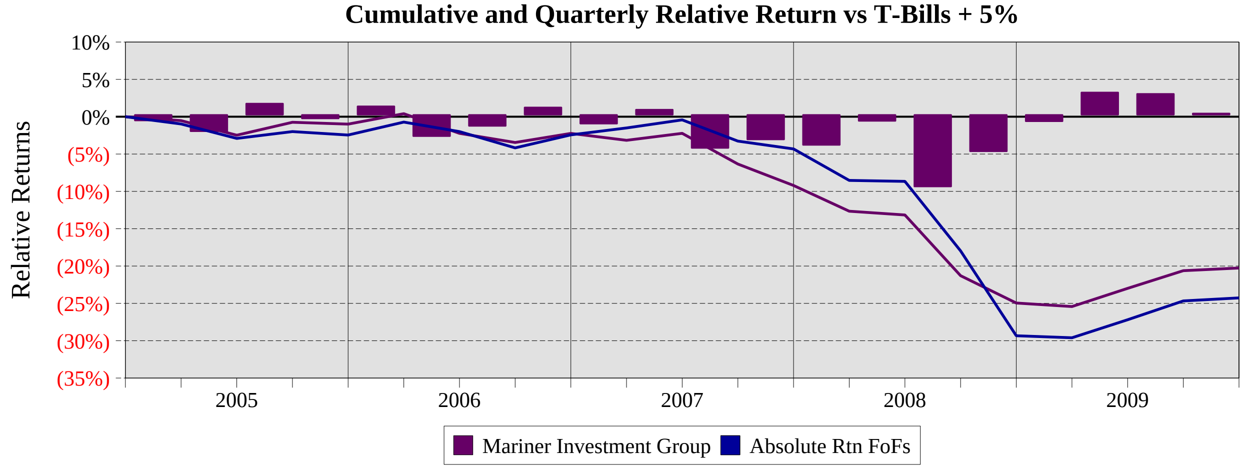
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Absolute Return Hedge FoFs Style (Net)

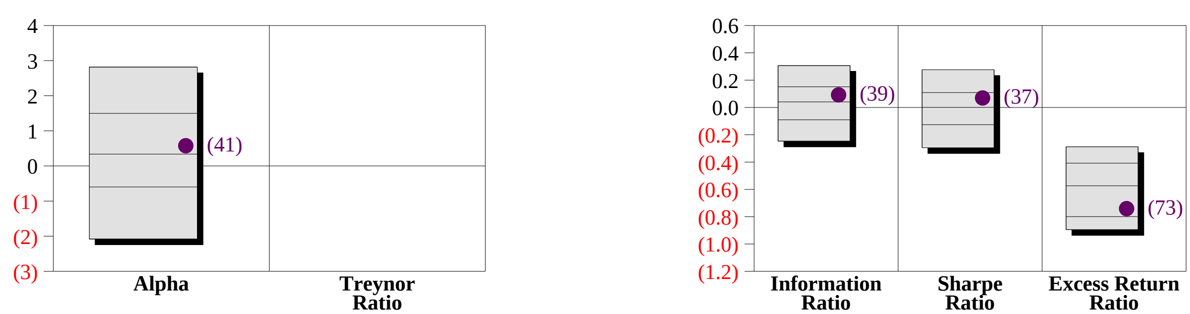


	2009	2008	2007	2006
10th Percentile	22.72	(13.60)	13.68	14.78
25th Percentile	19.05	(17.15)	10.27	12.24
Median	13.24	(20.66)	8.42	10.00
75th Percentile	9.49	(24.11)	6.43	8.10
90th Percentile	6.75	(30.39)	2.11	6.79
Mariner Investment Group ●	11.89	(11.36)	2.42	8.75
T-Bills + 5% ▲	5.21	7.06	10.00	9.85

Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Absolute Return Hedge FoFs Style (Net)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	2.82	-
25th Percentile	1.50	-
Median	0.34	-
75th Percentile	(0.60)	-
90th Percentile	(2.08)	-
Mariner Investment Group ●	0.58	-

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.31	0.28	(0.29)
25th Percentile	0.15	0.11	(0.41)
Median	0.04	0.00	(0.57)
75th Percentile	(0.09)	(0.13)	(0.80)
90th Percentile	(0.25)	(0.30)	(0.90)
Mariner Investment Group ●	0.09	0.07	(0.74)

High Yield

HIGH YIELD COMPOSITE
PERIOD ENDED DECEMBER 31, 2009

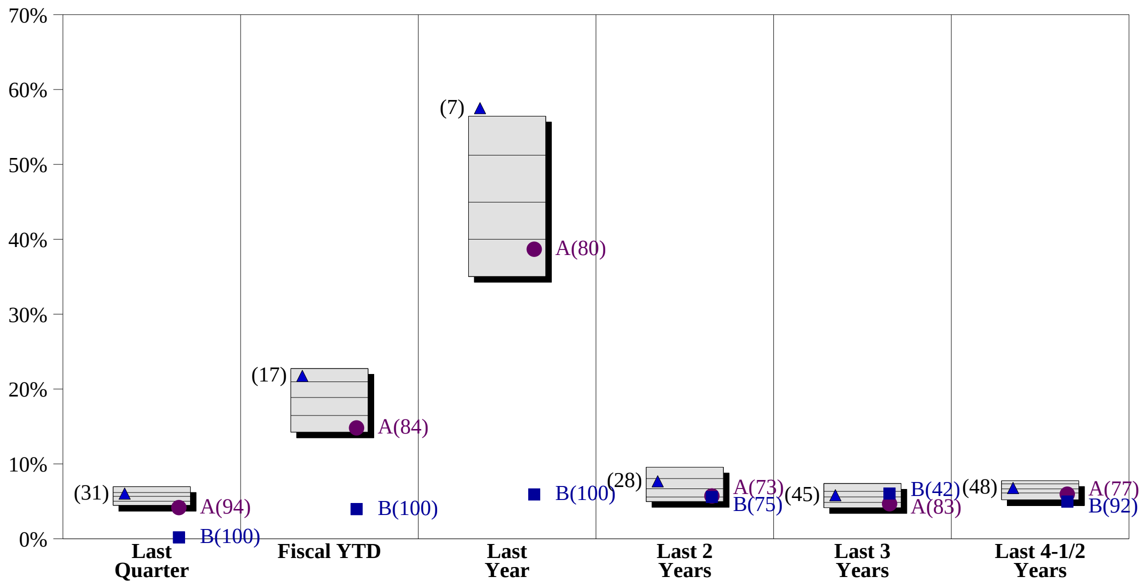
Quarterly Summary and Highlights

- High Yield Composite's portfolio posted a 4.17% return for the quarter placing it in the 94 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 80 percentile for the last year.
- High Yield Composite's portfolio underperformed the High Yield Target by 1.87% for the quarter and underperformed the High Yield Target for the year by 18.84%.

Quarterly Asset Growth

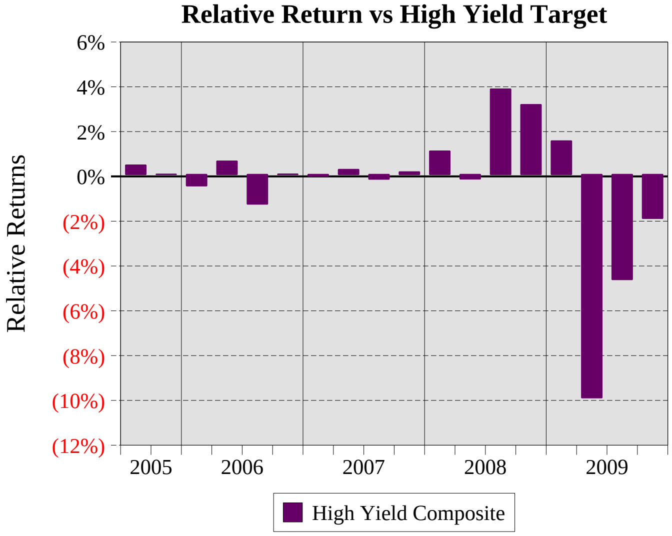
Beginning Market Value	$302,477,475
Net New Investment	$0
Investment Gains/(Losses)	$12,603,936
Ending Market Value	$315,081,411

Performance vs CAI High Yield Fixed-Inc Style (Gross)

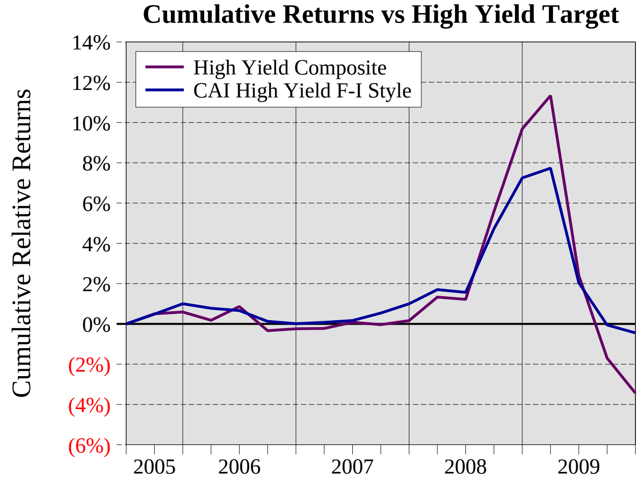


		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		6.96	22.73	56.44	9.56	7.39	7.76
25th Percentile		6.18	20.97	51.23	8.04	6.34	7.34
Median		5.67	18.87	44.95	6.68	5.59	6.67
75th Percentile		5.02	16.47	40.00	5.58	4.86	6.12
90th Percentile		4.46	14.24	35.02	4.97	4.15	5.21
High Yield Composite	● A	4.17	14.81	38.67	5.72	4.68	5.96
BC Aggregate Index	■ B	0.20	3.95	5.93	5.58	6.04	4.96
High Yield Target	▲	6.04	21.75	57.51	7.68	5.82	6.79

Relative Return vs High Yield Target



Cumulative Returns vs High Yield Target



MACKAY SHIELDS
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Target: ML Hi Yield Master II from 12/31/06; ML Hi Yield Cash Pay prior to 12/31/06.

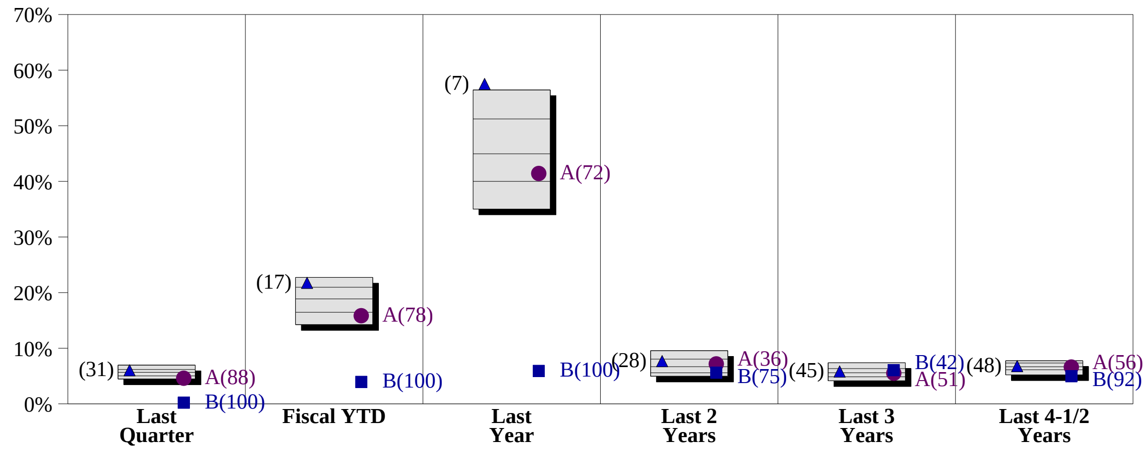
Quarterly Summary and Highlights

- MacKay Shields's portfolio posted a 4.61% return for the quarter placing it in the 88 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 72 percentile for the last year.
- MacKay Shields's portfolio underperformed the High Yield Target by 1.43% for the quarter and underperformed the High Yield Target for the year by 16.09%.

Quarterly Asset Growth

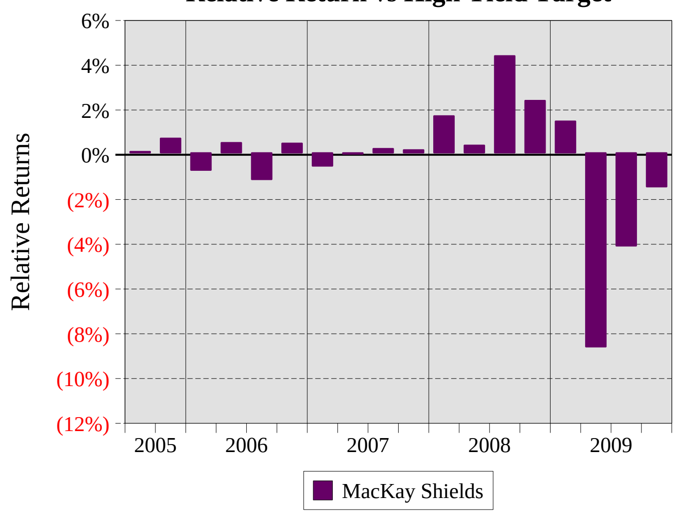
Beginning Market Value	$154,100,797
Net New Investment	$0
Investment Gains/(Losses)	$7,101,635
Ending Market Value	$161,202,432

Performance vs CAI High Yield Fixed-Inc Style (Gross)

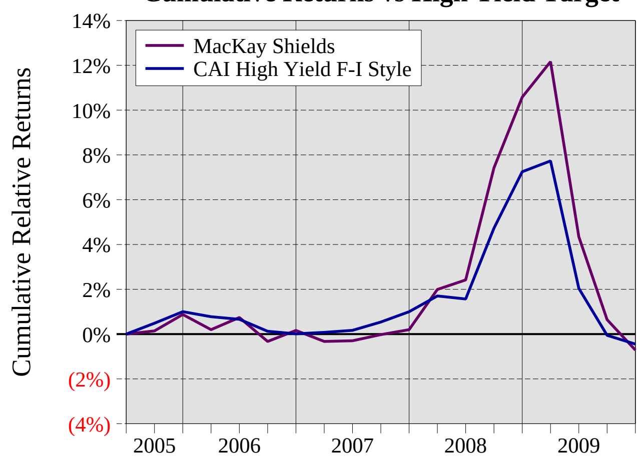


		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		6.96	22.73	56.44	9.56	7.39	7.76
25th Percentile		6.18	20.97	51.23	8.04	6.34	7.34
Median		5.67	18.87	44.95	6.68	5.59	6.67
75th Percentile		5.02	16.47	40.00	5.58	4.86	6.12
90th Percentile		4.46	14.24	35.02	4.97	4.15	5.21
MacKay Shields	● A	4.61	15.85	41.42	7.19	5.51	6.62
BC Aggregate Index	■ B	0.20	3.95	5.93	5.58	6.04	4.96
High Yield Target	▲	6.04	21.75	57.51	7.68	5.82	6.79

Relative Return vs High Yield Target



Cumulative Returns vs High Yield Target



ROGGE GLOBAL PARTNERS
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

Target: ML Hi Yield Master II from 12/31/06; ML Hi Yield Cash Pay prior to 12/31/06.

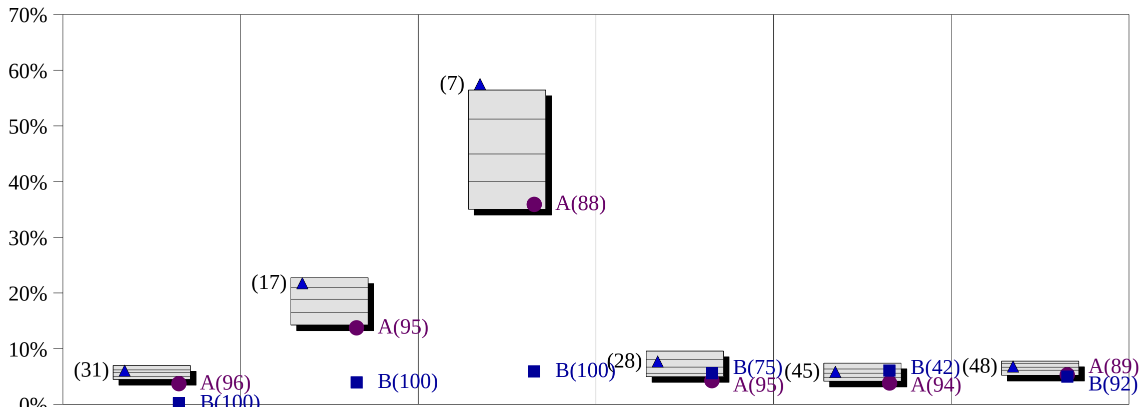
Quarterly Summary and Highlights

- Rogge Global Partners's portfolio posted a 3.71% return for the quarter placing it in the 96 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 88 percentile for the last year.
- Rogge Global Partners's portfolio underperformed the High Yield Target by 2.33% for the quarter and underperformed the High Yield Target for the year by 21.61%.

Quarterly Asset Growth

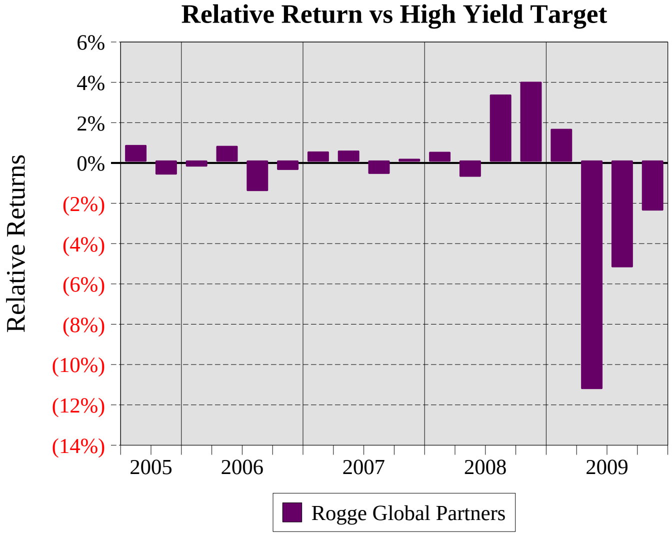
Beginning Market Value	$148,376,678
Net New Investment	$0
Investment Gains/(Losses)	$5,502,301
Ending Market Value	$153,878,979

Performance vs CAI High Yield Fixed-Inc Style (Gross)

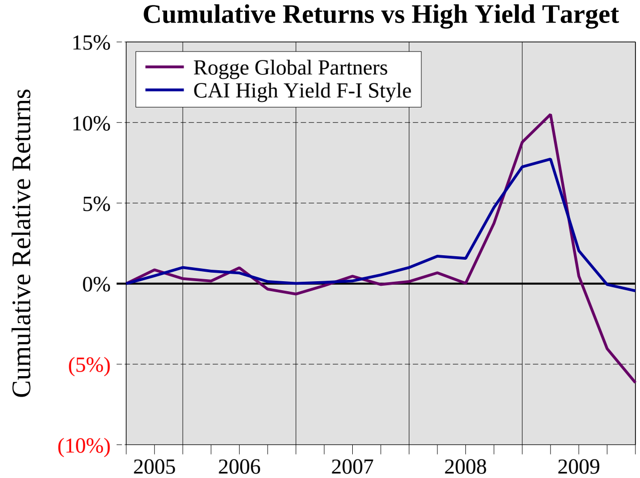


		Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		6.96	22.73	56.44	9.56	7.39	7.76
25th Percentile		6.18	20.97	51.23	8.04	6.34	7.34
Median		5.67	18.87	44.95	6.68	5.59	6.67
75th Percentile		5.02	16.47	40.00	5.58	4.86	6.12
90th Percentile		4.46	14.24	35.02	4.97	4.15	5.21
Rogge Global Partners	● A	3.71	13.74	35.90	4.25	3.83	5.29
BC Aggregate Index	■ B	0.20	3.95	5.93	5.58	6.04	4.96
High Yield Target	▲	6.04	21.75	57.51	7.68	5.82	6.79

Relative Return vs High Yield Target



Cumulative Returns vs High Yield Target



RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Socially Responsible Investing in DC Plans
Jimmy Veneruso. October 2009

The Odyssey of Risk – Find Your Compass
Jim McKee. October 2009

The Great Target Date Fund Debate: Managing Target Date Funds "To" versus "Through" Retirement
Jason Ellement, CFA; Lori Lucas, CFA. July 2009

Newsletters and Data Package

DC Observer and Callan DC Index™ – 3rd Quarter 2009

Hedge Fund Monitor – 3rd Quarter 2009

Capital Market Review – 4th Quarter 2009

Quarterly Performance Data Package – 4th Quarter 2009

Private Markets Trends – Fall 2009

Surveys

How Investment Managers Survived the Market Collapse – October 2009

2009 Investment Management Fee Survey – September 2009

2009 Securities Lending Survey – July 2009

CALLAN
INVESTMENTS
INSTITUTE

FOURTH QUARTER 2009

RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2009 Regional Breakfast Workshop – October 2009
"Has Your Policy Portfolio Failed? Revisiting the Policy Portfolio"

Presentation: 2009 Regional Breakfast Workshop – October 2009
"Has Your Policy Portfolio Failed? Revisiting the Policy Portfolio"

Upcoming Educational Programs

The 30th Annual National Conference
February 1–3, 2010 in San Francisco

June 2010 Regional Breakfast Workshops
June 22 in Atlanta
June 23 in San Francisco
Subject TBA

October 2010 Regional Breakfast Workshops
October 19 in Chicago
October 20 in New York
Subject TBA

If you have any questions regarding these programs, please contact Ray Combs at 415.974.5060 or institute@callan.com.

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

FOURTH QUARTER 2009

EDUCATIONAL SESSIONS

An Introduction to Investments

April 13–14 in San Francisco
October 12–13 in San Francisco

This two day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. It will familiarize fund sponsor trustees and staff with basic investment theory, terminology, and practices. Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment program structures.

Advanced Investment Topics

March 9–11 in San Francisco
July 20–22 in San Francisco

This program is designed for individuals who have more than two years' experience and provides attendees with a complete and thorough overview of prudent investment practices for both trustee-directed and participant-directed funds. This session is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, endowment & foundation, corporate, and Taft-Hartley retirement funds; representatives of family trusts; and investment management professionals.

Alternative Investments

May 4–5 in San Francisco

Callan Associates will share its alternative investment expertise through an educational program designed to advance the participants' knowledge, understanding and comfort with hedge funds, private equity, real estate, timber, energy, commodities, and infrastructure.

Tuition for the "Callan College" Introduction to Investments is $2,350 per person; tuition for all other sessions is $2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day and dinner on the first evening with the instructors.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

The Center for Investment Training ("Callan College") provides relevant and practical educational opportunities to all professionals engaged in the investment decision making process. This educational forum offers basic-to-intermediate level instruction on all components of the investment management process

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 12/31/2009, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

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Manager Name	Educational Services	Consulting Services
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
AIG Investments	Y	
Allegiant Asset Management Group	Y	Y
AllianceBernstein	Y	
Allianz Investor Services, LLC		Y
Allstate Investments LLC		Y
American Century Investment Management	Y	
Analytic Investors	Y	
Artio Global Management (fka. Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
AOR Capital Management	Y	
AXA Rosenberg Investment Management	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
BlueCrest Capital Management	Y	
Boston Company Asset Management, LLC (The)	Y	Y
BNY Mellon Asset Management	Y	
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Chartwell Investment Partners	Y	
Clear Bridge Advisors	Y	Y
Columbia Management Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cramer Rosenthal McGlynn, LLC	Y	
Credit Suisse Asset Management	Y	
DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
DuPont Capital Management	Y	
DWS Investments	Y	
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
EIM Asset Management	Y	
Entrust Capital Inc.	Y	
Fayez Sarofim & Company	Y	Y
Federated Investors		Y
Fifth Third Asset Management, Inc.	Y	
Fortis Investments	Y	
Franklin Templeton	Y	Y

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Manager Name	Educational Services	Consulting Services
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grande-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co./The Hartford	Y	Y
Heartland Advisors, Inc.		Y
Henderson Global Investors	Y	
Hennessy Funds	Y	
HSBC Investments (USA) Inc.		Y
ING Clarion	Y	
ING Investment Management	Y	Y
INVESCO	Y	Y
Institutional Capital LLC	Y	
Janus Capital Management, LLC	Y	Y
Jensen Investment Management		Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	Y
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	
LSV Asset Management	Y	Y
MacKay Shields LLC		Y
Madison Square Investors	Y	
Marvin & Palmer Associates, I nc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFC Global Investment Management (U.S.) LLC	Y	
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Investment Management	Y	Y
Natixis Global Asset Management	Y	Y
Newton Capital Management	Y	
Neuberger Berman (fka, Lehman Brothers)	Y	Y
Nomura Asset Management U.S.A., Inc.	Y	
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Oppenheimer Capital	Y	
Pacific Investment Management Company	Y	
Peregrine Capital Management, Inc.		Y
Permal Group Inc.	Y	
Philadelphia International Advisors, LP	Y	
Pioneer Investment Management, Inc.	Y	Y
Principal Global Investors	Y	Y
Prudential Investment Management	Y	Y
Putnam Investments	Y	Y

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Manager Name	Educational Services	Consulting Services
Pyramis Global Advisors	Y	
RCM	Y	Y
Rice Hall James & Associates, LLC		Y
RiverSource Investments, LLC	Y	Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
RREEF	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
SEI Investments		Y
Smith Group Asset Management	Y	Y
Southeastern Asset Management, Inc.		Y
SSI Investment Management	Y	
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	Y
Sterne Agee Asset Management		Y
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
TD Asset Management (USA)	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
TimesSquare Capital Management, LLC	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
Victory Capital Management Inc.	Y	Y
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	
Zephyr Management	Y	

Callan Associates Inc.
Investment Measurement Service
Quarterly Review

State of Alaska
Deferred Compensation Plan
December 31, 2009

Deferred Compensation
Plan

The Deferred Compensation Plan is comprised of several different Barclays Global Investors Funds (30.6 %), an RCM Socially Responsible Fund (1.6%), a T. Rowe Price Small Cap Fund (10.0%), a Brandes Instl International Equity Fund (9.1%), a T Rowe Price Long Term Balanced Fund and Target Date Funds (6.5%) the Interest Income Fund (30.6%) and SSgA Funds (11.6%).

Barclays Global Investors

There are currently three BGI Funds. They are the Large-Cap Index Fund, the Intermediate Bond Fund and the Government/Credit Bond Fund.

Capital Guardian Trust Company

In July of 2009 Capital Guardian's Global Balanced Fund was converted to the SSgA Global Balanced Fund.

RCM Sustainable Core

The RCM Sustainable Core Fund was established during fourth quarter 2008.

T. Rowe Price

On October 1 of 2001, T. Rowe Price Small Cap Equity Fund and on August 15, 2007 the Long-Term Balanced Trust were added and to the Deferred Compensation Plan. The Target Date Funds were added 4/30/09 and 7/22/09.

Brandes Instl

On October 1 of 2001, Brandes Intsl International Equity Fund was added to the Deferred Compensation Plan.

New Investment Options – State Street

On September 22 of 2008, seven new investment options were added: SSgA Treasury Money Mkt, US TIPS, Long US Treasury Bd, World Govt Bd ex US, Russell 3000, World Equity ex US and US Real Estate Inv Trust.

The Interest Income Fund

The BC Intermediate Aggregate portfolio replaced the Constant Duration and Structured Payout portfolios during May 2008.
The current wrap providers are: Ixis Finl; Bank of America, Pacific Life , Rabobank State Street Bank and Trust
Fourth quarter of 2009 performance is shown below.

	Market Value	*Annualized Gross Crediting Rate*	*Underlying Asset Performance*
BC Intermediate Aggregate	$156.5 mil	4.53%	0.51%

Investment Fund Balances

The table below compares the fund's investment fund balances as of December 31, 2009 with that of September 30, 2009.

Asset Distribution Across Investment Funds

	December 31, 2009		September 30, 2009	
	Market Value	Percent	Market Value	Percent
Balanced/Target Funds				
Alaska Balanced Fund	1,490,181	0.29%	1,257,442	0.25%
Long Term Balanced Fund	28,077,385	5.49%	26,404,651	5.32%
Target 2010 Trust	821,483	0.16%	926,360	0.19%
Target 2015 Trust	1,014,713	0.20%	664,486	0.13%
Target 2020 Trust	926,979	0.18%	539,711	0.11%
Target 2025 Trust	227,649	0.04%	111,718	0.02%
Target 2030 Trust	211,231	0.04%	114,063	0.02%
Target 2035 Trust	280,588	0.05%	95,483	0.02%
Target 2040 Trust	80,723	0.02%	74,601	0.02%
Target 2045 Trust	535	0.00%	170	0.00%
Target 2050 Trust	30,245	0.01%	-	-
Target 2055 Trust	1,152	0.00%	1,056	0.00%
Domestic Equity Funds				
Large Cap Equity	109,051,765	21.34%	103,991,374	20.97%
RCM Socially Responsible	8,031,662	1.57%	6,713,289	1.35%
Russell 3000 Index	2,241,147	0.44%	1,890,347	0.38%
Small Cap Equity	50,907,390	9.96%	49,153,696	9.91%
International Equity Funds				
International Equity	-	-	48,630,010	9.81%
International Equity Fd (new)	46,786,503	9.15%	-	-
World Eq Ex-US Index	4,482,317	0.88%	3,617,552	0.73%
Fixed-Income Funds				
Govt/Credit Fd	30,614,782	5.99%	30,734,223	6.20%
Intermediate Bond Fund	16,906,577	3.31%	17,361,910	3.50%
Long US Treasury Bond	1,094,523	0.21%	1,180,650	0.24%
US TIPS	5,786,889	1.13%	4,608,268	0.93%
World Gov't Bond Ex-US	1,247,603	0.24%	1,093,506	0.22%
Global Balanced Funds				
SSgA Global Balanced	35,206,510	6.89%	34,245,496	6.91%
Real Estate Funds				
US REITS	4,171,069	0.82%	3,962,050	0.80%
Short Term Funds				
Interest Income Fund	156,332,630	30.59%	154,041,801	31.06%
SSgA Inst Trsry MM	5,086,333	1.00%	4,497,235	0.91%
Total Fund	**$511,110,564**	**100.0%**	**$495,911,148**	**100.0%**

INTEREST INCOME FUND
PERIOD ENDED DECEMBER 31, 2009

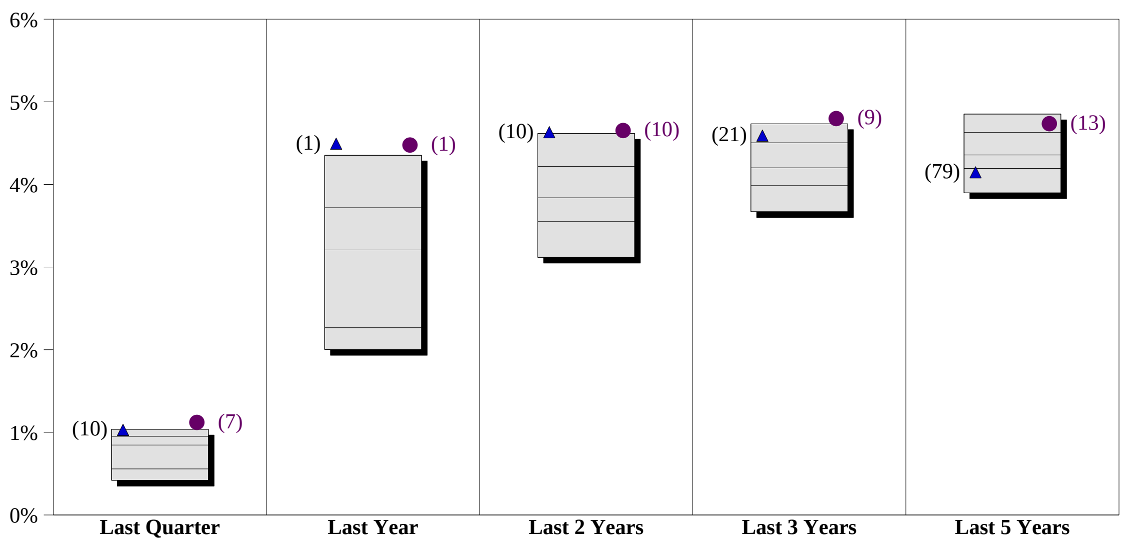
Investment Philosophy

The current wrap providers are: Ixis Finl, Bank of America, Pacific Life, Rabobank and State Street Bank and Trust. Annual fees are 20 basis points.

Quarterly Summary and Highlights

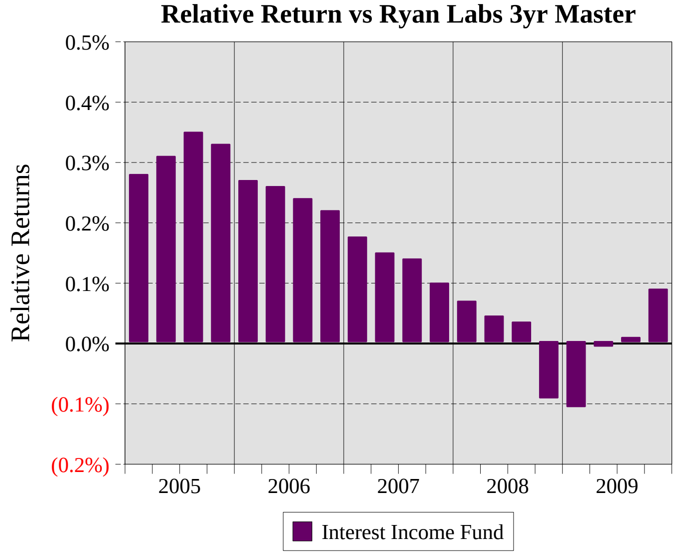
- Interest Income Fund's portfolio posted a 1.12% return for the quarter placing it in the 7 percentile of the CAI Stable Value Database group for the quarter and in the 1 percentile for the last year.
- Interest Income Fund's portfolio outperformed the Ryan Labs 3yr Master by 0.09% for the quarter and underperformed the Ryan Labs 3yr Master for the year by 0.02%.

Performance vs CAI Stable Value Database (Gross)

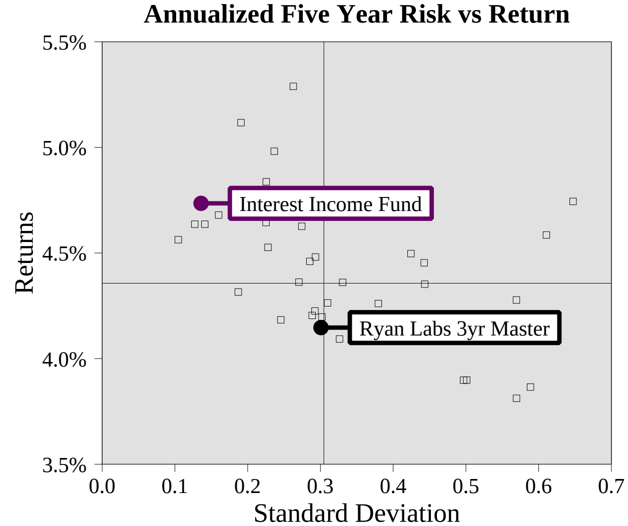


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	1.04	4.35	4.62	4.73	4.85
25th Percentile	0.95	3.72	4.22	4.50	4.63
Median	0.85	3.21	3.84	4.20	4.36
75th Percentile	0.56	2.27	3.55	3.99	4.19
90th Percentile	0.42	2.00	3.12	3.67	3.90
Interest Income Fund ●	1.12	4.48	4.65	4.80	4.74
Ryan Labs 3yr Master ▲	1.03	4.49	4.63	4.59	4.15

Relative Return vs Ryan Labs 3yr Master



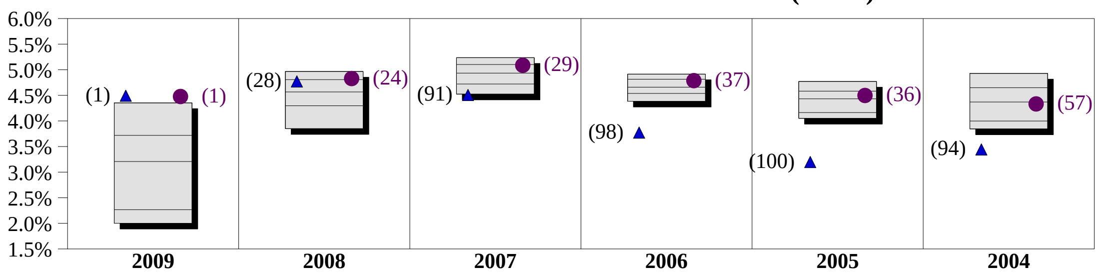
CAI Stable Value Database (Gross)
Annualized Five Year Risk vs Return



Return Analysis

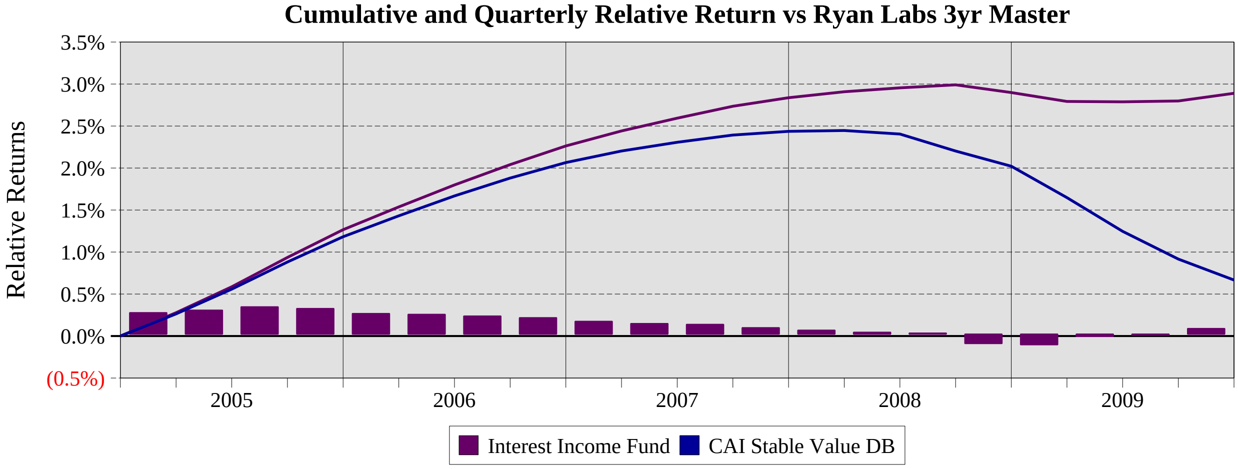
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Stable Value Database (Gross)

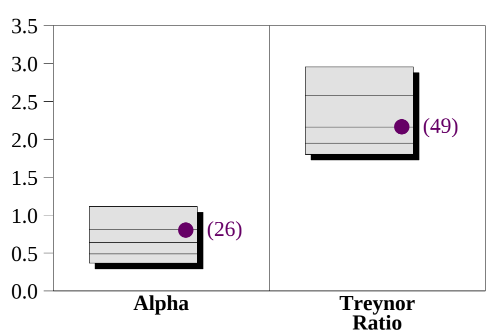


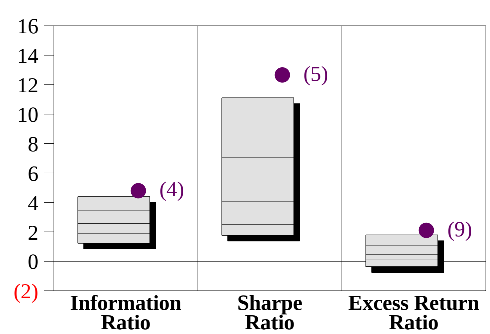
	2009	2008	2007	2006	2005	2004
10th Percentile	4.35	4.97	5.24	4.91	4.77	4.93
25th Percentile	3.72	4.81	5.10	4.81	4.58	4.65
Median	3.21	4.57	4.93	4.66	4.43	4.37
75th Percentile	2.27	4.30	4.72	4.54	4.16	4.00
90th Percentile	2.00	3.85	4.52	4.38	4.05	3.84
Interest Income Fund ●	4.48	4.83	5.09	4.79	4.50	4.33
Ryan Labs 3yr Master ▲	4.49	4.77	4.51	3.77	3.20	3.44

Cumulative and Quarterly Relative Return vs Ryan Labs 3yr Master



Risk Adjusted Return Measures vs Ryan Labs 3yr Master
Rankings Against CAI Stable Value Database (Gross)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	1.11	2.96
25th Percentile	0.81	2.58
Median	0.64	2.16
75th Percentile	0.49	1.95
90th Percentile	0.37	1.80
Interest Income Fund ●	0.80	2.16

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	4.39	11.10	1.79
25th Percentile	3.47	7.03	1.09
Median	2.57	4.05	0.45
75th Percentile	1.87	2.49	0.09
90th Percentile	1.23	1.77	(0.36)
Interest Income Fund ●	4.80	12.66	2.10

BC INTERMEDIATE AGGREGATE
PERIOD ENDED DECEMBER 31, 2009

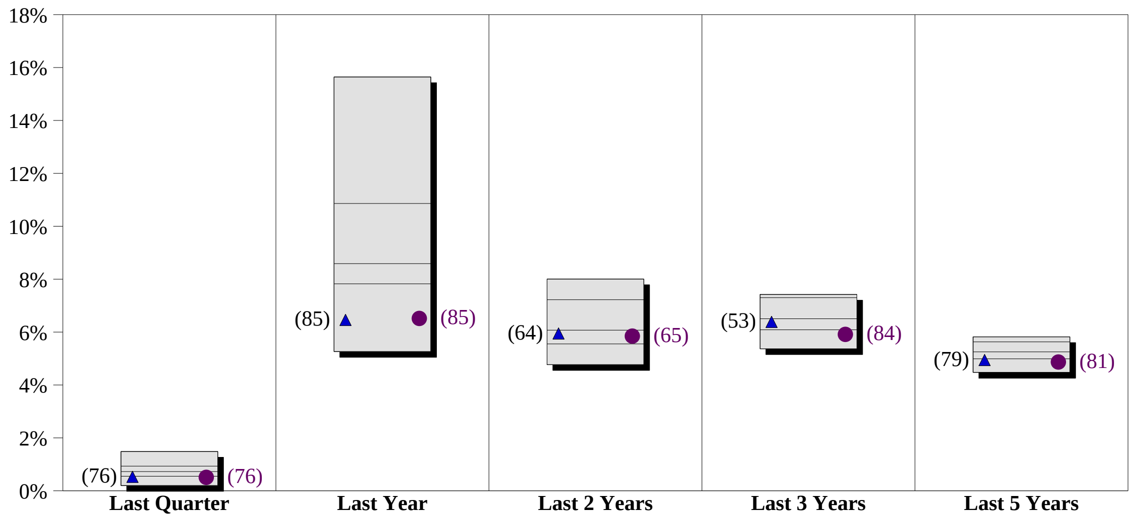
Investment Philosophy

The BC Intermediate Aggregate portfolio replaced the Constant Duration and Structured Payout portfolios during May 2008. Benchmark: BC Govt/Cred 1-5 Year Index through 3/31/08; thereafter BC Intermediate Aggregate Index.

Quarterly Summary and Highlights

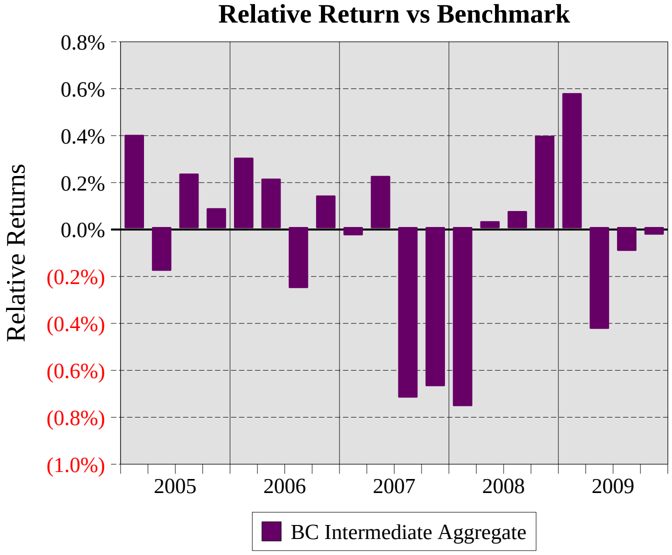
- BC Intermediate Aggregate's portfolio posted a 0.51% return for the quarter placing it in the 76 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter and in the 85 percentile for the last year.
- BC Intermediate Aggregate's portfolio underperformed the Benchmark by 0.02% for the quarter and outperformed the Benchmark for the year by 0.06%.

Performance vs CAI Intermediate Fixed-Inc Style (Gross)

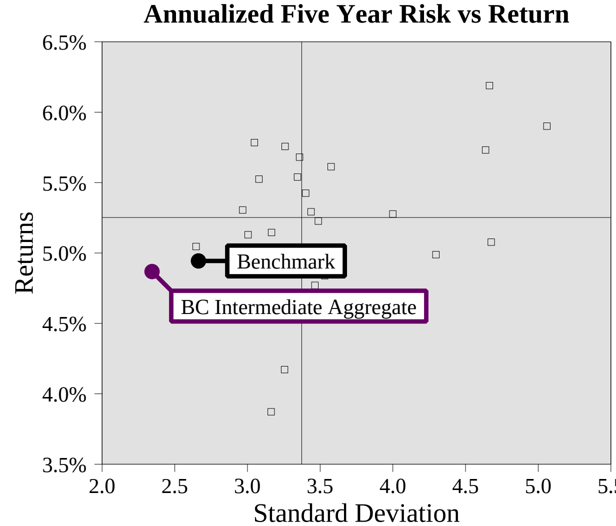


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	1.49	15.64	8.00	7.42	5.82
25th Percentile	0.93	10.86	7.22	7.30	5.63
Median	0.73	8.59	6.07	6.50	5.25
75th Percentile	0.55	7.82	5.55	6.09	4.99
90th Percentile	0.20	5.26	4.77	5.37	4.48
BC Intermediate Aggregate ●	0.51	6.52	5.85	5.91	4.87
Benchmark ▲	0.53	6.46	5.95	6.39	4.94

Relative Return vs Benchmark



CAI Intermediate Fixed-Inc Style (Gross)
Annualized Five Year Risk vs Return

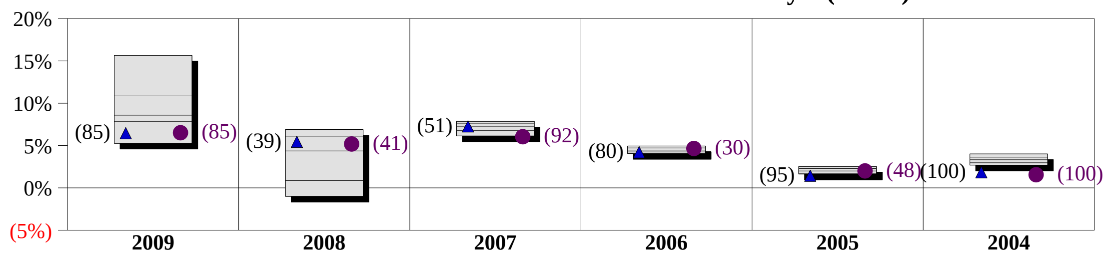


BC AGGREGATE INTERMEDIATE
RETURN ANALYSIS SUMMARY

Return Analysis

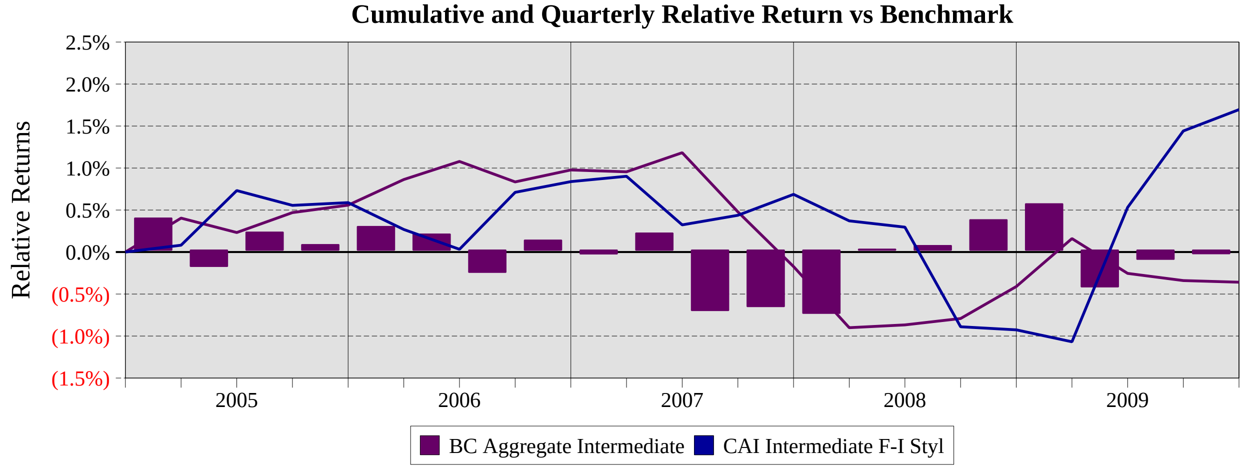
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Intermediate Fixed-Inc Style (Gross)

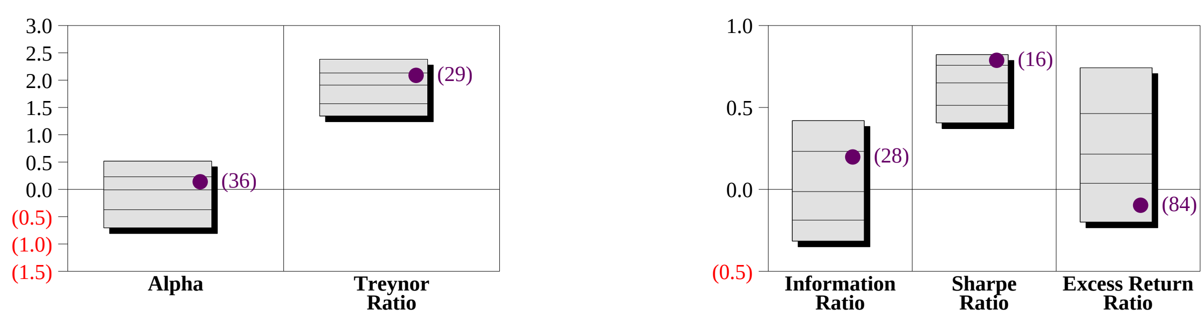


	2009	2008	2007	2006	2005	2004
10th Percentile	15.64	6.89	7.86	4.95	2.54	4.01
25th Percentile	10.86	6.11	7.64	4.72	2.28	3.63
Median	8.59	4.36	7.28	4.46	2.00	3.32
75th Percentile	7.82	0.86	6.76	4.25	1.71	2.97
90th Percentile	5.26	(1.00)	6.13	4.05	1.63	2.69
BC Aggregate Intermediate ●	6.52	5.18	6.05	4.65	2.00	1.55
Benchmark ▲	6.46	5.43	7.27	4.22	1.44	1.85

Cumulative and Quarterly Relative Return vs Benchmark



Risk Adjusted Return Measures vs Benchmark
Rankings Against CAI Intermediate Fixed-Inc Style (Gross)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	0.52	2.38
25th Percentile	0.23	2.13
Median	(0.01)	1.91
75th Percentile	(0.37)	1.57
90th Percentile	(0.70)	1.34
BC Aggregate Intermediate ●	0.14	2.09

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.42	0.82	0.74
25th Percentile	0.23	0.76	0.46
Median	(0.01)	0.65	0.22
75th Percentile	(0.19)	0.51	0.04
90th Percentile	(0.32)	0.41	(0.20)
BC Aggregate Intermediate ●	0.20	0.79	(0.10)

Intermediate
Govt Bond Fund

INTERMEDIATE GOVT BOND FUND
PERIOD ENDED DECEMBER 31, 2009

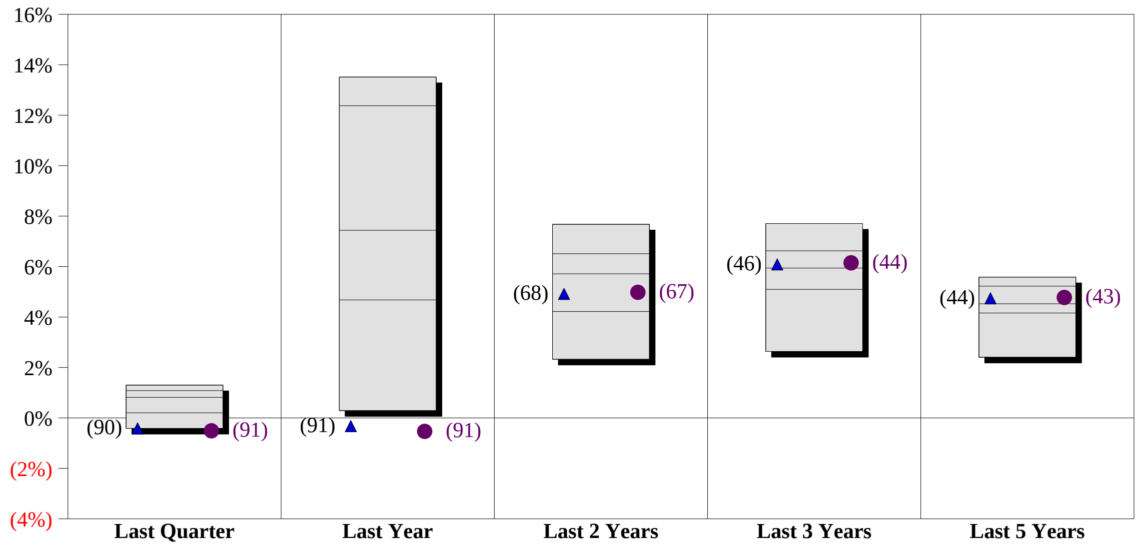
Investment Philosophy

The Intermediate Govt Bond Fund is managed by Barclays. Annual fees are 8 basis points. Passively managed.

Quarterly Summary and Highlights

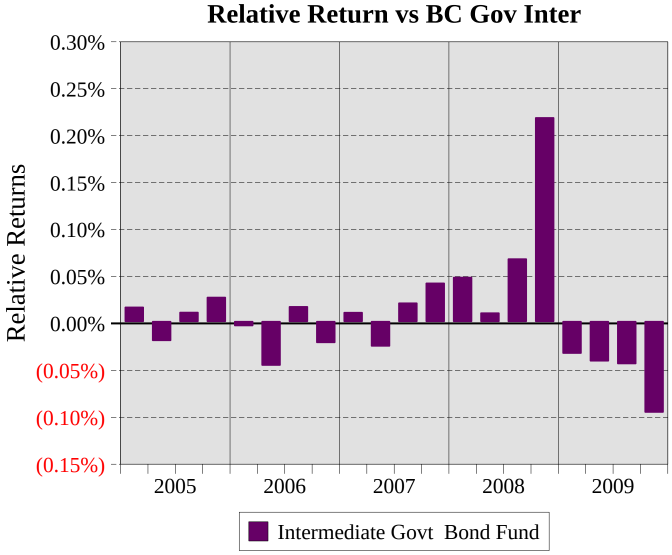
- Intermediate Govt Bond Fund's portfolio posted a (0.51)% return for the quarter placing it in the 91 percentile of the CAI MF - Intermediate Style group for the quarter and in the 91 percentile for the last year.
- Intermediate Govt Bond Fund's portfolio underperformed the BC Gov Inter by 0.09% for the quarter and underperformed the BC Gov Inter for the year by 0.21%.

Performance vs CAI MF - Intermediate Style (Net)

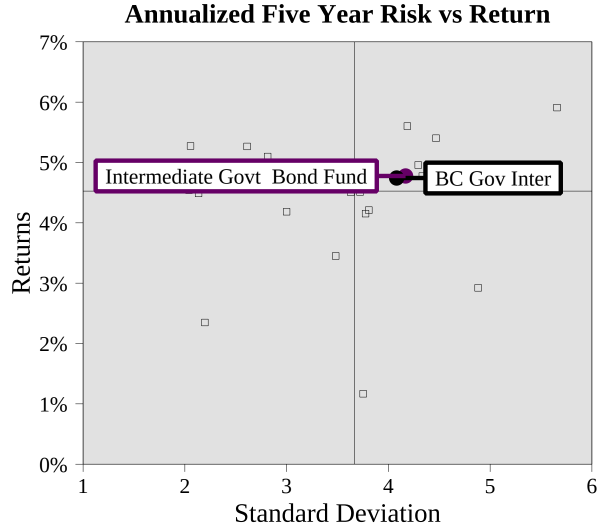


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	1.30	13.51	7.68	7.71	5.58
25th Percentile	1.08	12.38	6.51	6.62	5.22
Median	0.81	7.44	5.71	5.94	4.53
75th Percentile	0.20	4.68	4.22	5.10	4.16
90th Percentile	(0.41)	0.29	2.33	2.64	2.41
Intermediate Govt Bond Fund ●	(0.51)	(0.53)	4.98	6.15	4.78
BC Gov Inter ▲	(0.42)	(0.32)	4.92	6.09	4.74

Relative Return vs BC Gov Inter



CAI MF - Intermediate Style (Net)
Annualized Five Year Risk vs Return

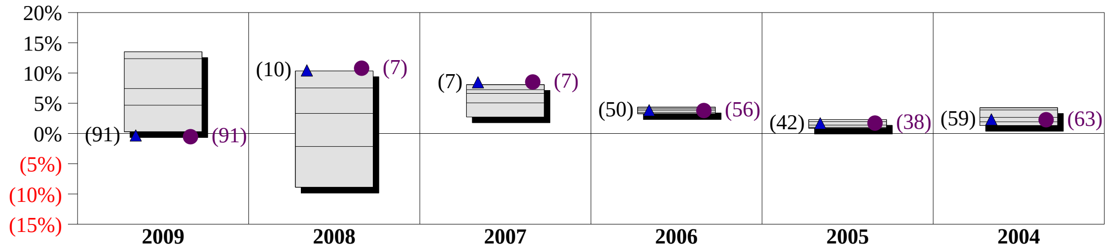


INTERMEDIATE GOVT BOND FUND
RETURN ANALYSIS SUMMARY

Return Analysis

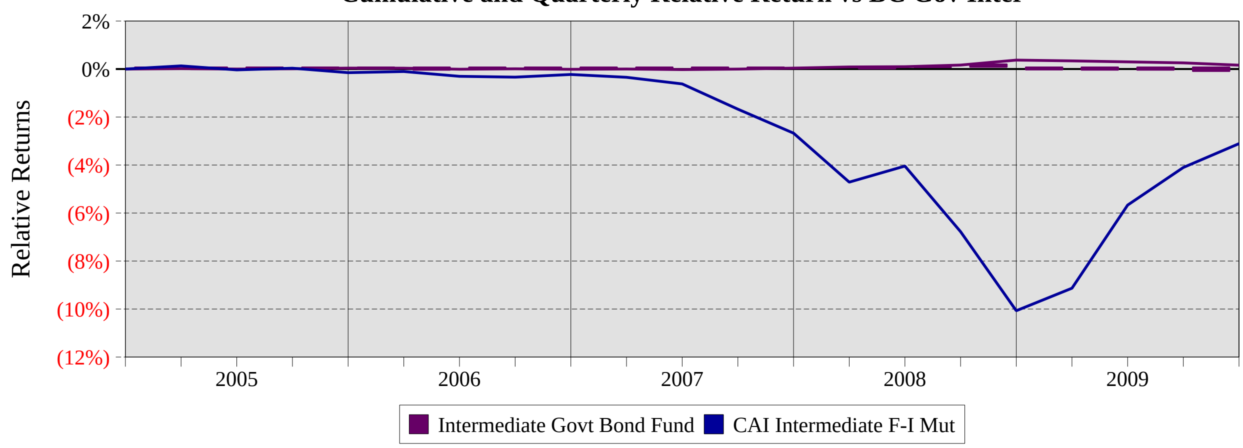
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Intermediate Style (Net)

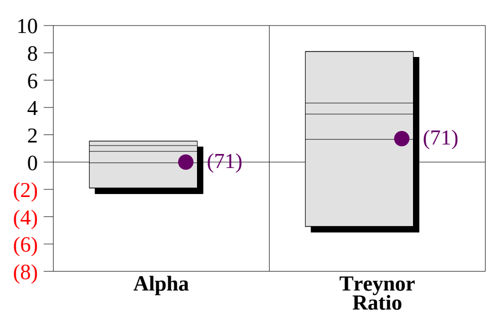


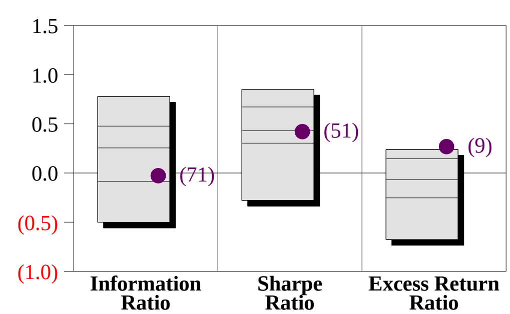
	2009	2008	2007	2006	2005	2004
10th Percentile	13.51	10.35	8.08	4.35	2.31	4.26
25th Percentile	12.38	7.53	7.25	4.09	1.97	3.89
Median	7.44	3.32	6.63	3.85	1.39	2.66
75th Percentile	4.68	(2.15)	5.07	3.49	1.01	1.94
90th Percentile	0.29	(8.89)	2.73	3.27	0.86	1.32
Intermediate Govt Bond Fund ●	(0.53)	10.80	8.52	3.79	1.72	2.27
BC Gov Inter ▲	(0.32)	10.43	8.47	3.84	1.68	2.33

Cumulative and Quarterly Relative Return vs BC Gov Inter



Risk Adjusted Return Measures vs BC Gov Inter
Rankings Against CAI MF - Intermediate Style (Net)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	1.54	8.10
25th Percentile	1.21	4.32
Median	0.79	3.52
75th Percentile	(0.05)	1.66
90th Percentile	(1.90)	(4.71)
Intermediate Govt Bond Fund ●	(0.00)	1.72

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.78	0.85	0.24
25th Percentile	0.48	0.67	0.15
Median	0.26	0.43	(0.07)
75th Percentile	(0.09)	0.30	(0.25)
90th Percentile	(0.50)	(0.28)	(0.68)
Intermediate Govt Bond Fund ●	(0.03)	0.42	0.27

GOVT/CREDIT BOND FUND
PERIOD ENDED DECEMBER 31, 2009

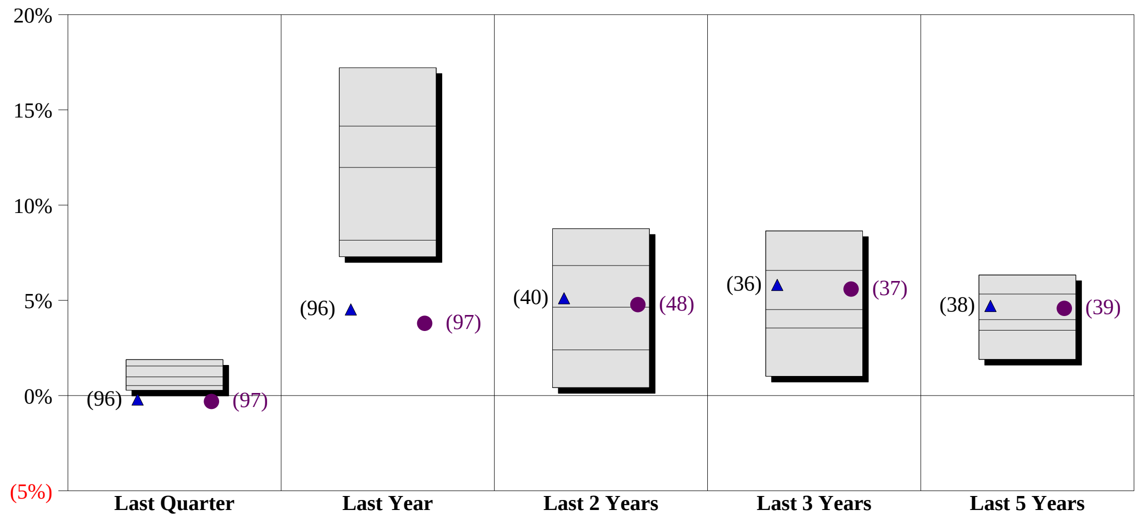
Investment Philosophy

The Govt/Credit Bond Fund is managed by Barclays Global Investors. Annual fees are 8 basis points. Passively managed.

Quarterly Summary and Highlights

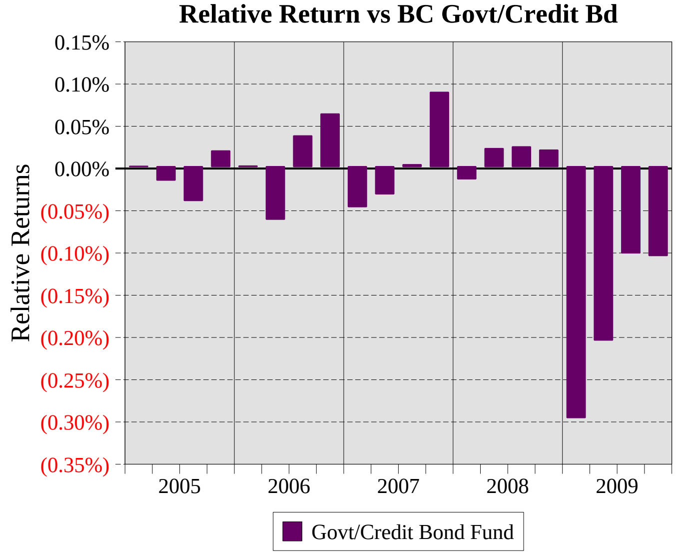
- Govt/Credit Bond Fund's portfolio posted a (0.31)% return for the quarter placing it in the 97 percentile of the CAI MF - Core Bond Style group for the quarter and in the 97 percentile for the last year.
- Govt/Credit Bond Fund's portfolio underperformed the BC Govt/Credit Bd by 0.10% for the quarter and underperformed the BC Govt/Credit Bd for the year by 0.73%.

Performance vs CAI MF - Core Bond Style (Net)

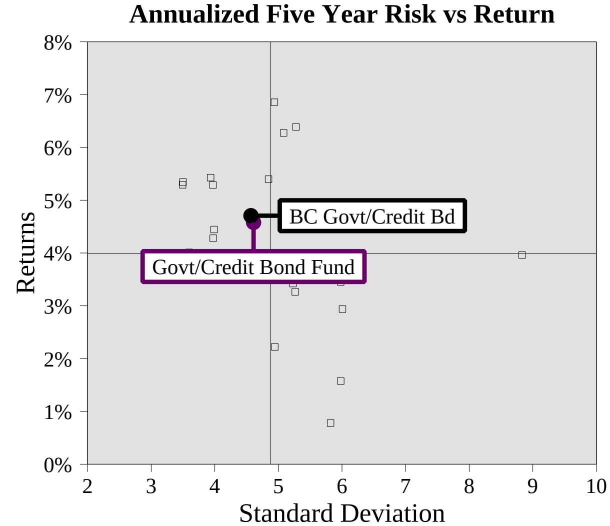


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	1.89	17.21	8.76	8.65	6.33
25th Percentile	1.55	14.15	6.83	6.57	5.33
Median	0.98	11.98	4.64	4.51	3.99
75th Percentile	0.52	8.16	2.40	3.55	3.43
90th Percentile	0.28	7.29	0.42	1.01	1.90
Govt/Credit Bond Fund ●	(0.31)	3.79	4.77	5.59	4.58
BC Govt/Credit Bd ▲	(0.21)	4.52	5.11	5.81	4.71

Relative Return vs BC Govt/Credit Bd



CAI MF - Core Bond Style (Net)
Annualized Five Year Risk vs Return

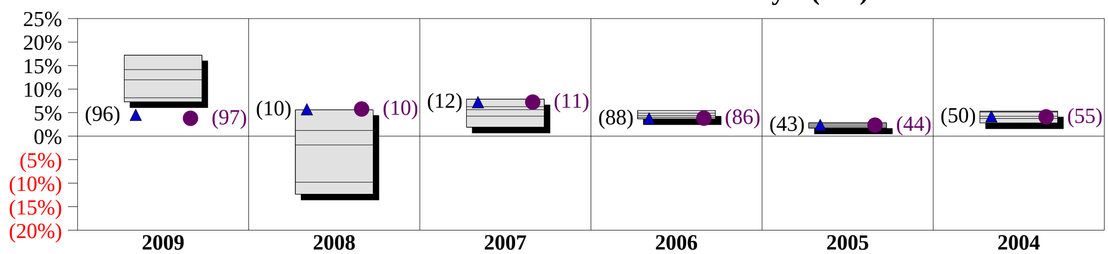


GOVT/CREDIT BOND FUND
RETURN ANALYSIS SUMMARY

Return Analysis

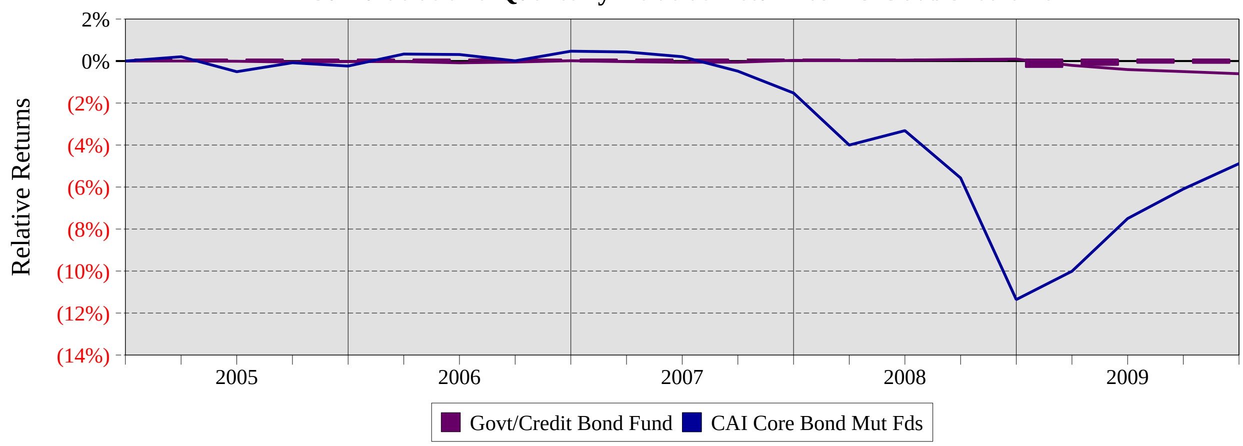
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Core Bond Style (Net)

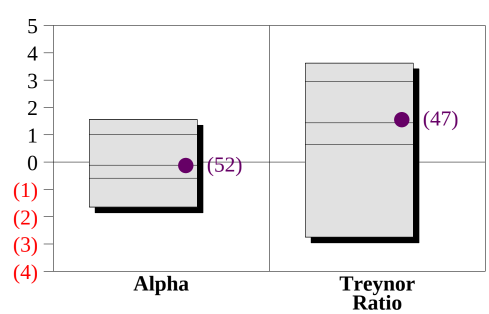


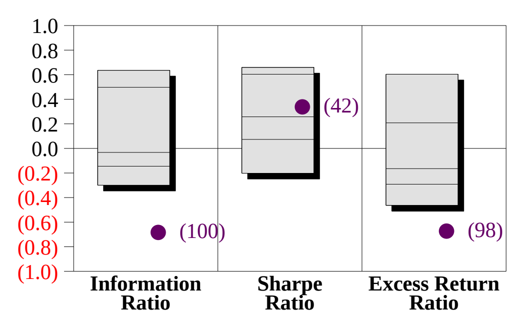
	2009	2008	2007	2006	2005	2004
10th Percentile	17.21	5.59	7.86	5.45	2.85	5.30
25th Percentile	14.15	1.21	6.27	4.87	2.57	5.11
Median	11.98	(1.88)	5.63	4.38	2.24	4.22
75th Percentile	8.16	(9.80)	4.25	3.99	1.93	3.75
90th Percentile	7.29	(12.35)	1.90	3.67	1.70	2.81
Govt/Credit Bond Fund ●	3.79	5.77	7.24	3.82	2.34	4.10
BC Govt/Credit Bd ▲	4.52	5.70	7.23	3.78	2.37	4.19

Cumulative and Quarterly Relative Return vs BC Govt/Credit Bd



Risk Adjusted Return Measures vs BC Govt/Credit Bd
Rankings Against CAI MF - Core Bond Style (Net)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	1.56	3.62
25th Percentile	1.01	2.95
Median	(0.11)	1.44
75th Percentile	(0.59)	0.65
90th Percentile	(1.65)	(2.75)
Govt/Credit Bond Fund ●	(0.13)	1.55

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.64	0.66	0.60
25th Percentile	0.50	0.60	0.21
Median	(0.03)	0.26	(0.16)
75th Percentile	(0.15)	0.07	(0.29)
90th Percentile	(0.30)	(0.20)	(0.46)
Govt/Credit Bond Fund ●	(0.68)	0.34	(0.67)

US Treasury Inflation
Protected

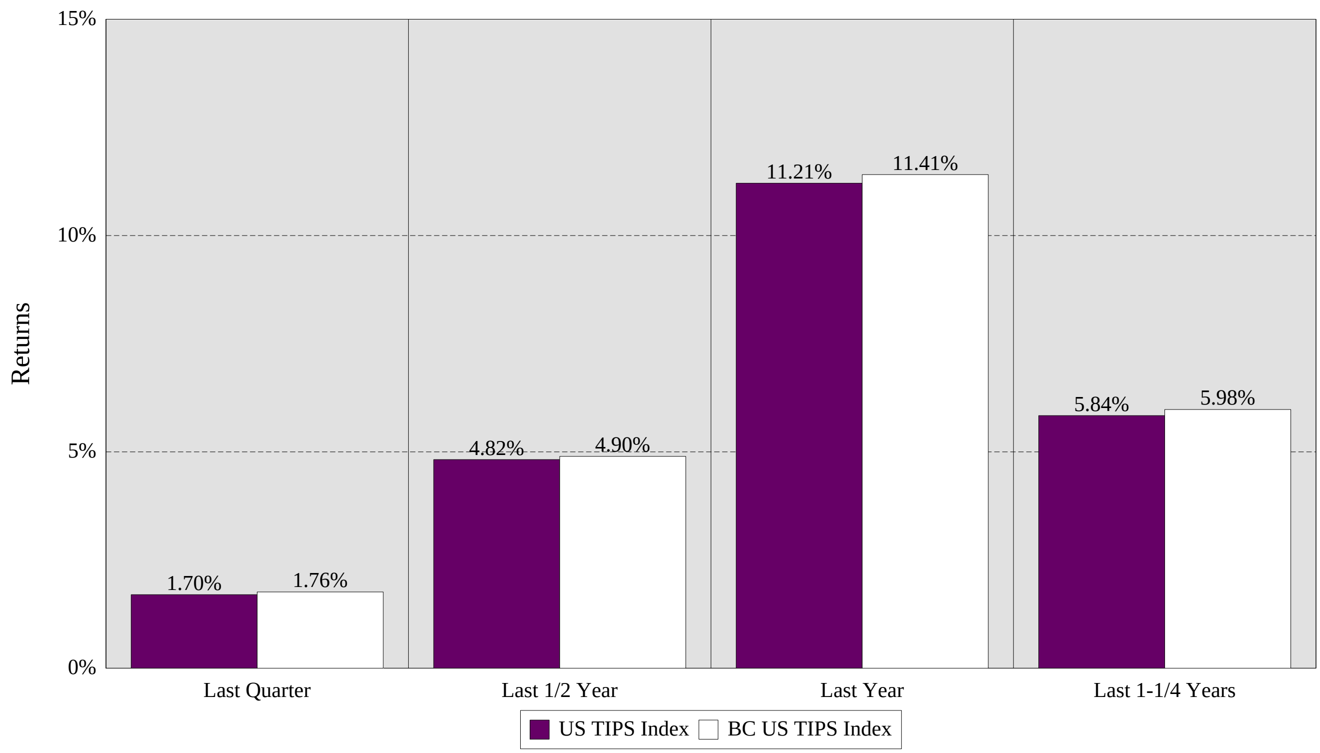
US TIPS INDEX
PERIOD ENDED DECEMBER 31, 2009

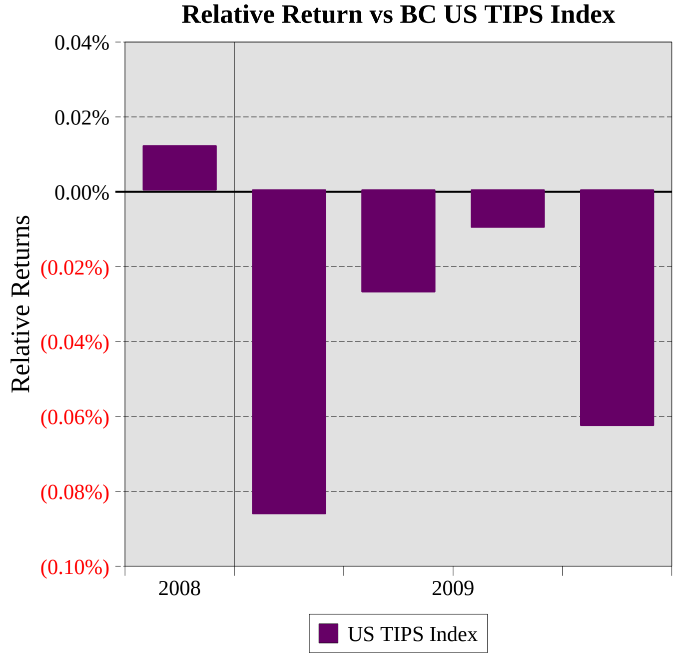
Investment Philosophy

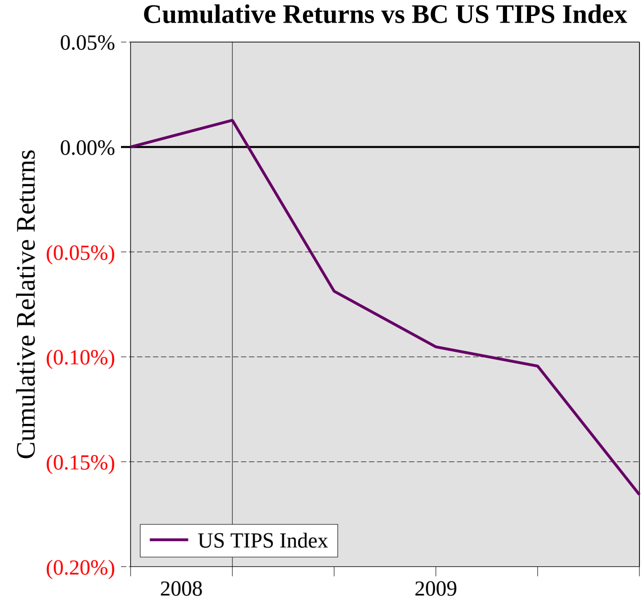
The US TIPS Fund is managed by SSgA. Annual fees are 9 basis points. Passively managed.

Quarterly Summary and Highlights

- US TIPS Index's portfolio underperformed the BC US TIPS Index by 0.06% for the quarter and underperformed the BC US TIPS Index for the year by 0.20%.







Long US Treasury
Bond Index

LONG US TREASURY INDEX
PERIOD ENDED DECEMBER 31, 2009

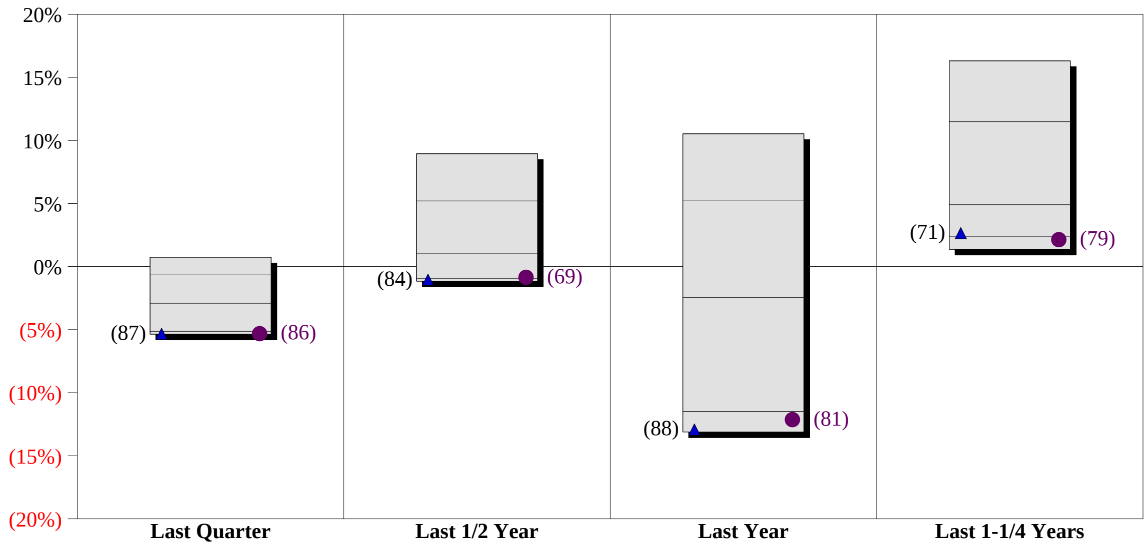
Investment Philosophy

The Long US Treasury Index is managed by SSgA. Annual fees are 7 basis points. Passively managed.

Quarterly Summary and Highlights

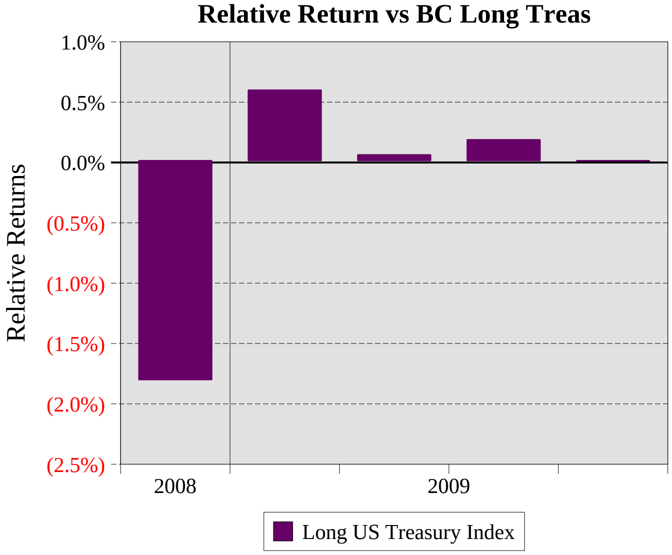
- Long US Treasury Index's portfolio posted a (5.32)% return for the quarter placing it in the 86 percentile of the CAI MF - Extended Maturity group for the quarter and in the 81 percentile for the last year.
- Long US Treasury Index's portfolio outperformed the BC Long Treas by 0.01% for the quarter and outperformed the BC Long Treas for the year by 0.78%.

Performance vs CAI MF - Extended Maturity (Net)

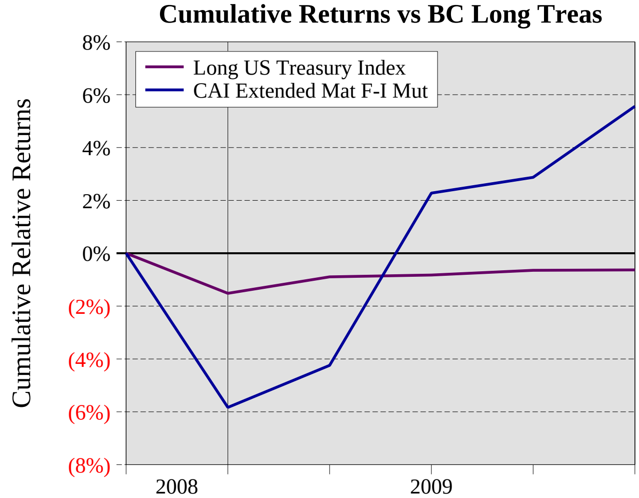


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	0.74	8.95	10.53	16.31
25th Percentile	(0.66)	5.21	5.27	11.49
Median	(2.91)	1.01	(2.46)	4.91
75th Percentile	(5.13)	(0.93)	(11.48)	2.40
90th Percentile	(5.36)	(1.16)	(13.11)	1.37
Long US Treasury Index ●	(5.32)	(0.85)	(12.14)	2.14
BC Long Treas ▲	(5.33)	(1.04)	(12.92)	2.65

Relative Return vs BC Long Treas



Cumulative Returns vs BC Long Treas



World Govt Bond
ex-US Index

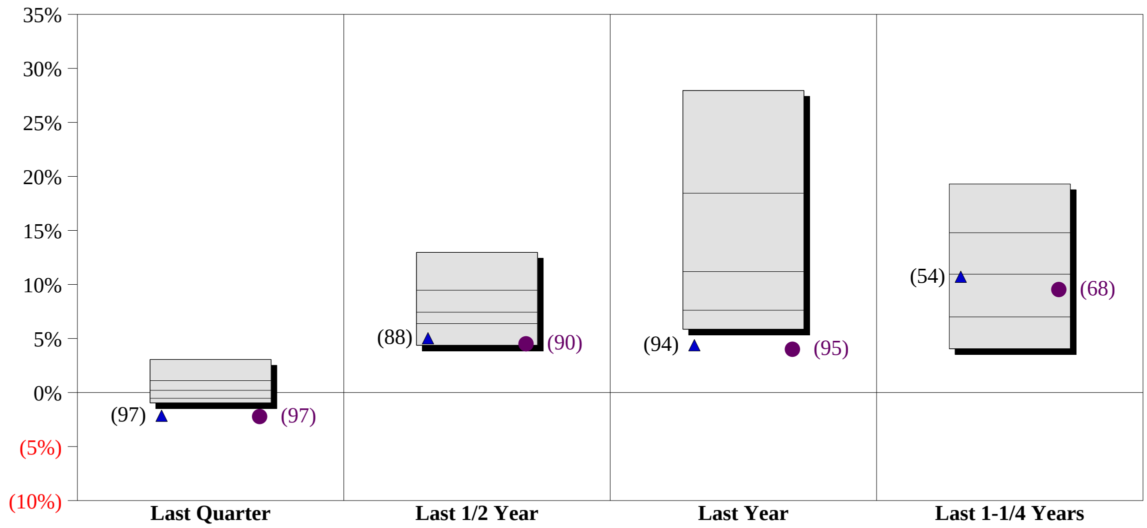
Investment Philosophy

The World Govt Bond ex US Index Fund is managed by SSgA. Annual fees are 9 basis points. Passively managed.

Quarterly Summary and Highlights

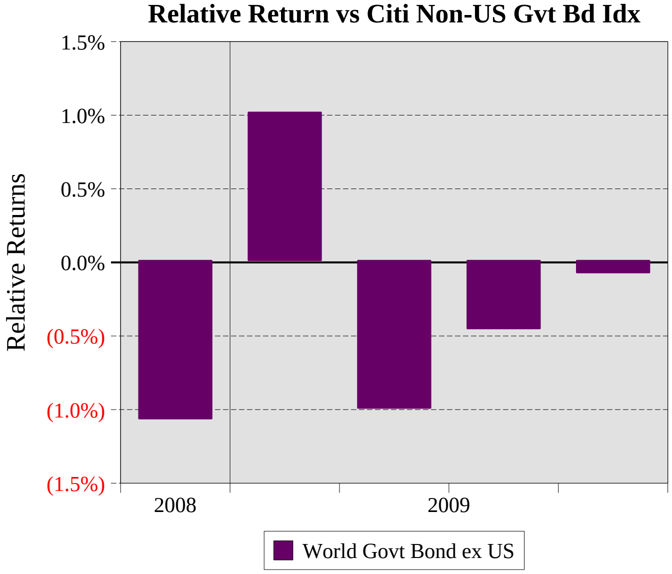
- World Govt Bond ex US's portfolio posted a (2.22)% return for the quarter placing it in the 97 percentile of the CAI MF - Global Fixed Income Style group for the quarter and in the 95 percentile for the last year.
- World Govt Bond ex US's portfolio underperformed the Citi Non-US Gvt Bd Idx by 0.07% for the quarter and underperformed the Citi Non-US Gvt Bd Idx for the year by 0.37%.

Performance vs CAI MF - Global Fixed Income Style (Net)

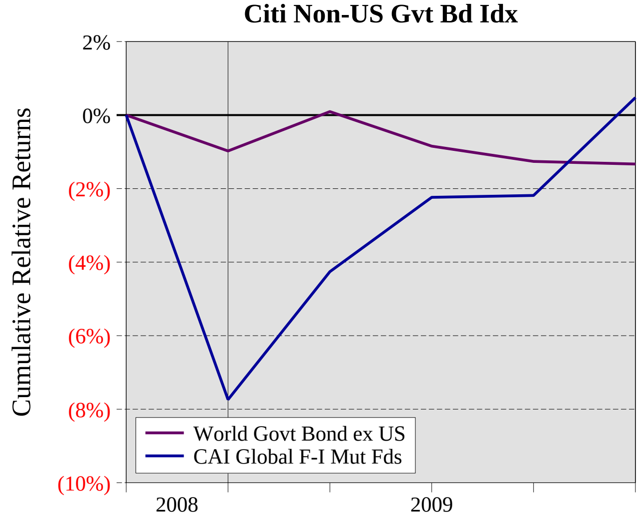


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	3.05	12.97	27.95	19.30
25th Percentile	1.10	9.47	18.45	14.79
Median	0.20	7.43	11.19	10.95
75th Percentile	(0.54)	6.38	7.62	7.00
90th Percentile	(0.96)	4.37	5.86	4.05
World Govt Bond ex US ●	(2.22)	4.51	4.01	9.53
Citi Non-US Gvt Bd Idx ▲	(2.15)	5.02	4.38	10.71

Relative Return vs Citi Non-US Gvt Bd Idx



Cumulative Returns vs Citi Non-US Gvt Bd Idx



S&P 500 Stock
Index Fund

S&P 500 STOCK INDEX FUND
PERIOD ENDED DECEMBER 31, 2009

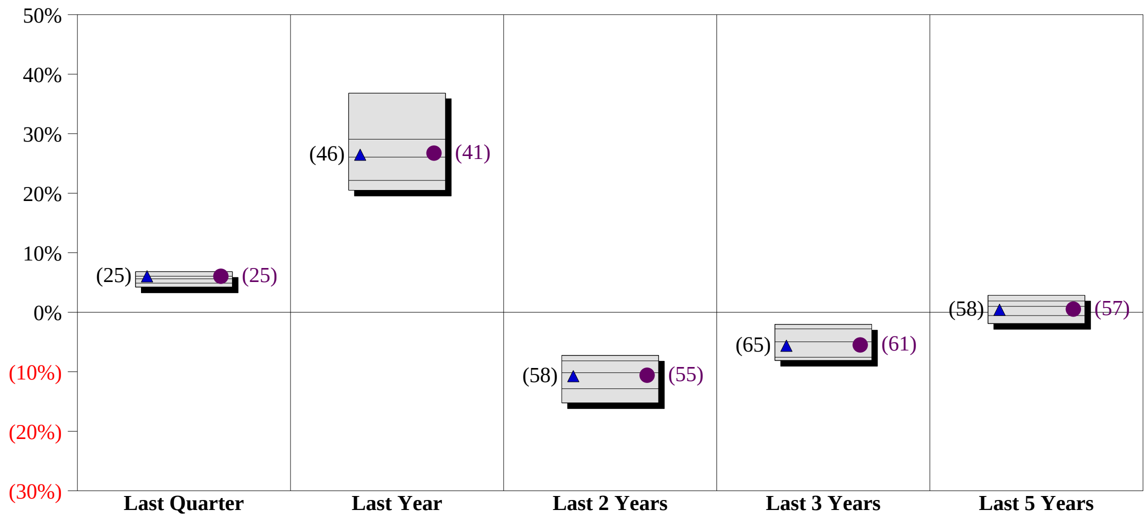
Investment Philosophy

The S&P 500 Stock Index Fund is managed by Barclays Global Investors. Annual fees are 3 basis points. Passively managed.

Quarterly Summary and Highlights

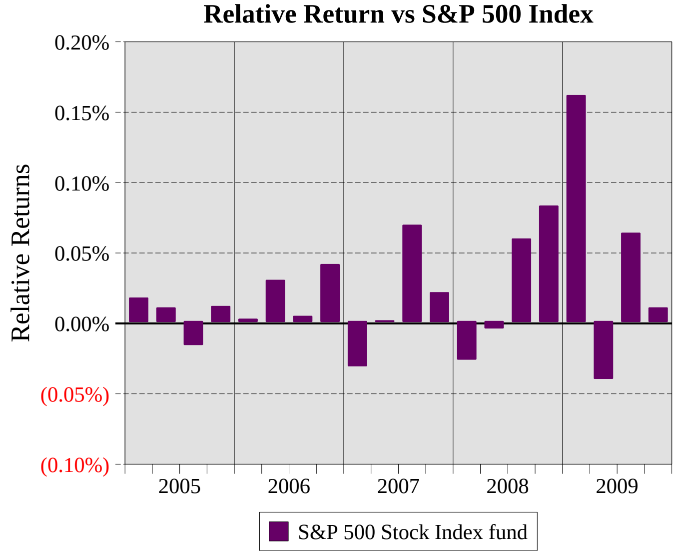
- S&P 500 Stock Index fund's portfolio posted a 6.05% return for the quarter placing it in the 25 percentile of the CAI MF - Core Equity Style group for the quarter and in the 41 percentile for the last year.
- S&P 500 Stock Index fund's portfolio outperformed the S&P 500 Index by 0.01% for the quarter and outperformed the S&P 500 Index for the year by 0.27%.

Performance vs CAI MF - Core Equity Style (Net)

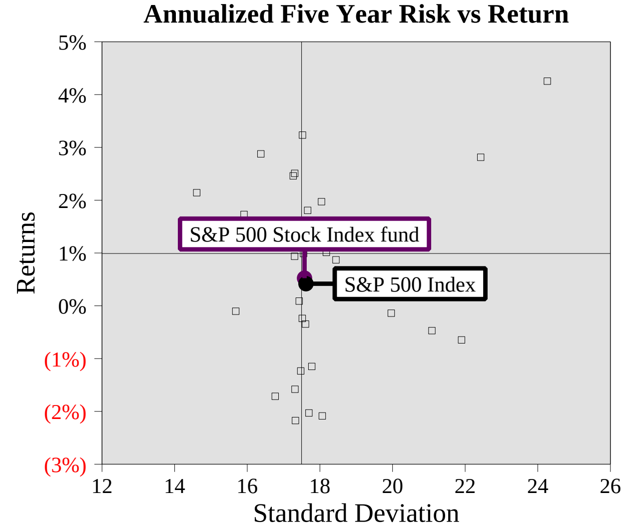


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	6.82	36.80	(7.25)	(2.04)	2.85
25th Percentile	6.05	29.07	(8.17)	(2.80)	1.89
Median	5.61	26.06	(10.16)	(4.97)	0.99
75th Percentile	4.89	22.15	(12.85)	(7.56)	(0.56)
90th Percentile	4.23	20.49	(15.23)	(8.11)	(1.90)
S&P 500 Stock Index fund ●	6.05	26.74	(10.58)	(5.49)	0.52
S&P 500 Index ▲	6.04	26.47	(10.74)	(5.63)	0.42

Relative Return vs S&P 500 Index



CAI MF - Core Equity Style (Net) Annualized Five Year Risk vs Return

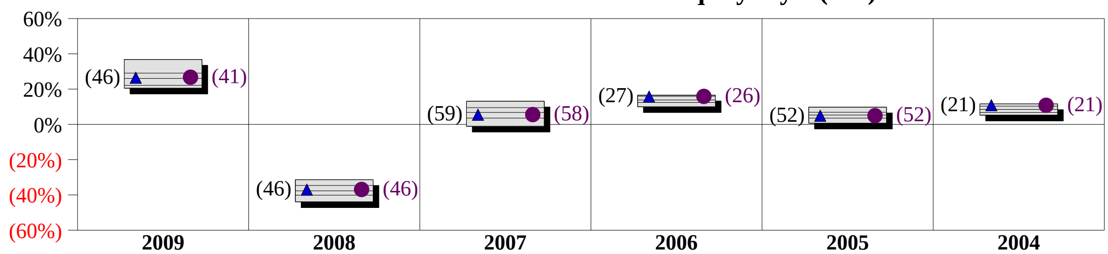


S&P 500 STOCK INDEX FUND
RETURN ANALYSIS SUMMARY

Return Analysis

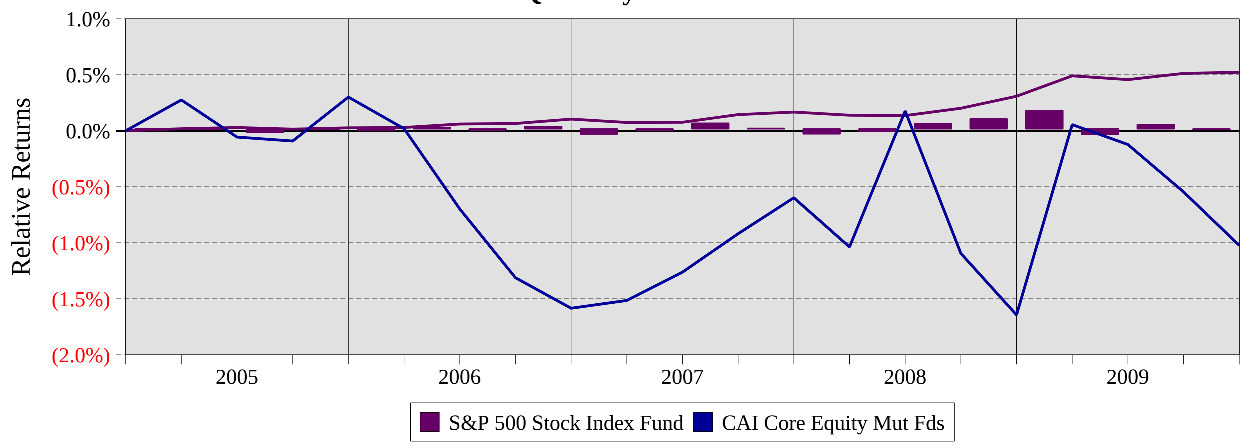
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Core Equity Style (Net)

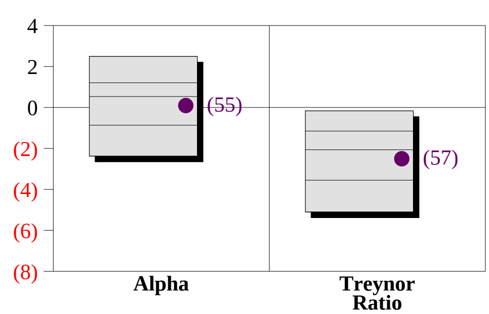


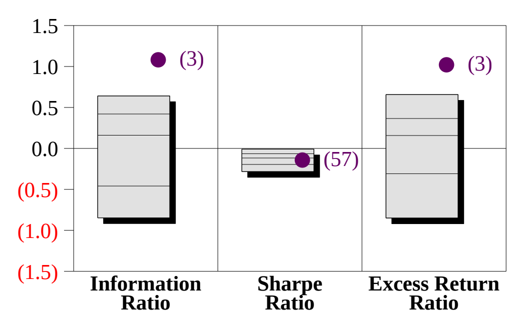
	2009	2008	2007	2006	2005	2004
10th Percentile	36.80	(31.36)	13.12	16.54	9.77	11.63
25th Percentile	29.07	(34.63)	9.48	15.95	6.87	10.31
Median	26.06	(37.68)	6.81	13.84	5.28	8.49
75th Percentile	22.15	(40.13)	3.56	12.42	3.55	6.76
90th Percentile	20.49	(43.92)	(1.09)	9.99	0.66	5.23
S&P 500 Stock Index Fund ●	26.74	(36.91)	5.56	15.88	4.94	10.84
S&P 500 Index ▲	26.47	(37.00)	5.49	15.79	4.91	10.88

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI MF - Core Equity Style (Net)
Five Years Ended December 31, 2009





	Alpha	Treynor Ratio
10th Percentile	2.50	(0.16)
25th Percentile	1.20	(1.15)
Median	0.53	(2.07)
75th Percentile	(0.87)	(3.55)
90th Percentile	(2.38)	(5.10)
S&P 500 Stock Index Fund ●	0.09	(2.50)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.64	(0.01)	0.66
25th Percentile	0.42	(0.06)	0.37
Median	0.16	(0.12)	0.16
75th Percentile	(0.46)	(0.20)	(0.31)
90th Percentile	(0.85)	(0.28)	(0.85)
S&P 500 Stock Index Fund ●	1.08	(0.14)	1.02

SMALL CAP STOCK TRUST
PERIOD ENDED DECEMBER 31, 2009

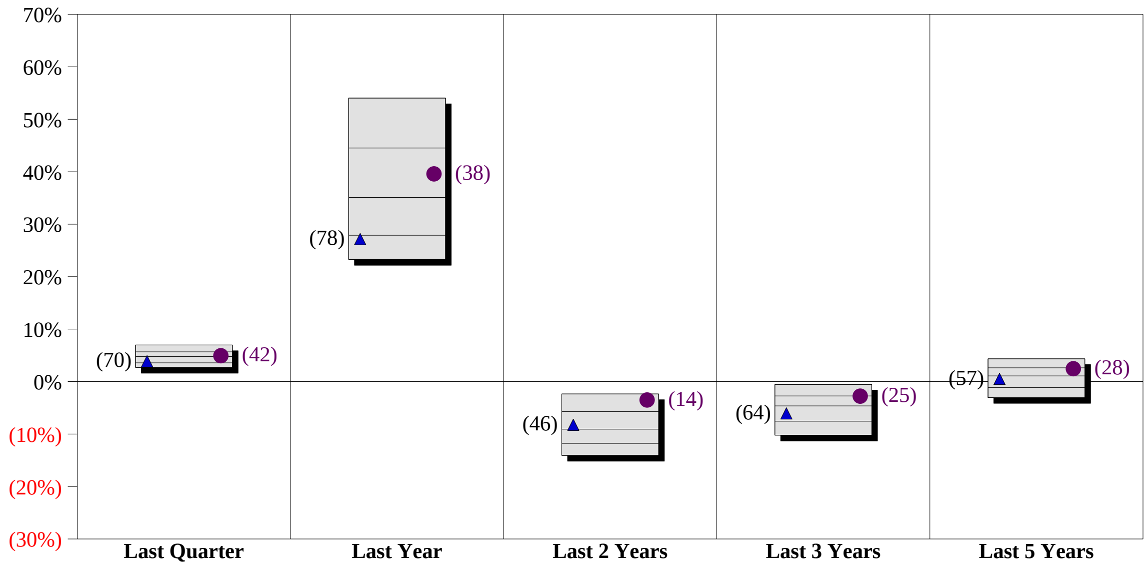
Investment Philosophy

The Small Cap Stock Trust is managed by T. Rowe Price. The annual fees are 70 basis points. Actively managed.

Quarterly Summary and Highlights

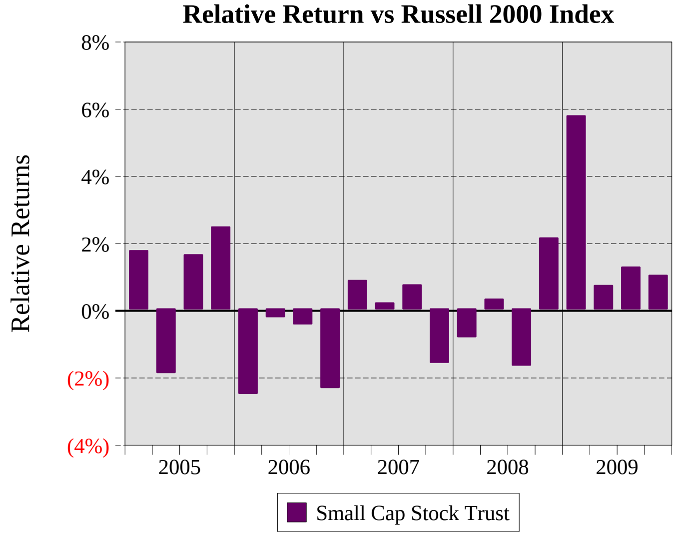
- Small Cap Stock Trust's portfolio posted a 4.93% return for the quarter placing it in the 42 percentile of the CAI MF - Small Cap Broad Style group for the quarter and in the 38 percentile for the last year.
- Small Cap Stock Trust's portfolio outperformed the Russell 2000 Index by 1.06% for the quarter and outperformed the Russell 2000 Index for the year by 12.42%.

Performance vs CAI MF - Small Cap Broad Style (Net)

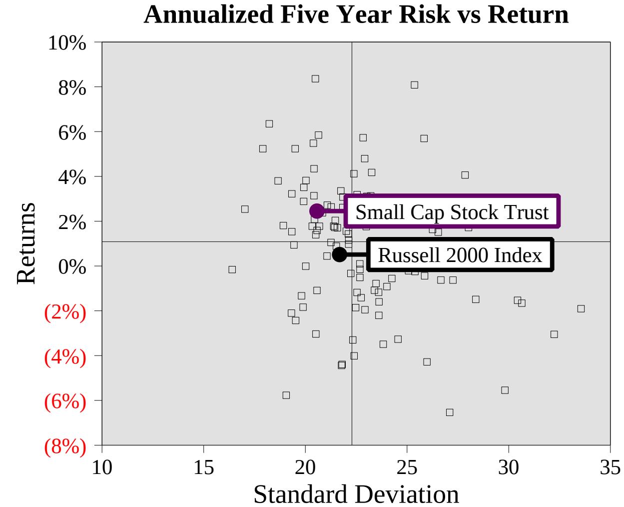


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	6.97	54.04	(2.35)	(0.55)	4.34
25th Percentile	5.67	44.52	(5.72)	(2.74)	2.62
Median	4.76	35.11	(9.07)	(4.63)	1.08
75th Percentile	3.58	27.89	(11.78)	(7.56)	(1.13)
90th Percentile	2.70	23.27	(14.07)	(10.22)	(3.05)
Small Cap Stock Trust ●	4.93	39.59	(3.51)	(2.78)	2.45
Russell 2000 Index ▲	3.87	27.17	(8.24)	(6.07)	0.51

Relative Return vs Russell 2000 Index



CAI MF - Small Cap Broad Style (Net) Annualized Five Year Risk vs Return

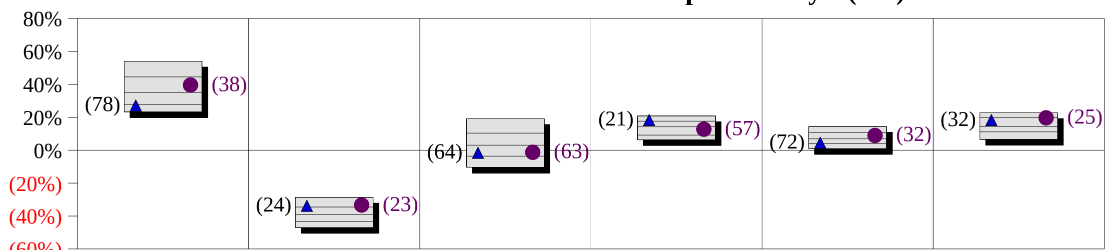


SMALL CAP STOCK TRUST
RETURN ANALYSIS SUMMARY

Return Analysis

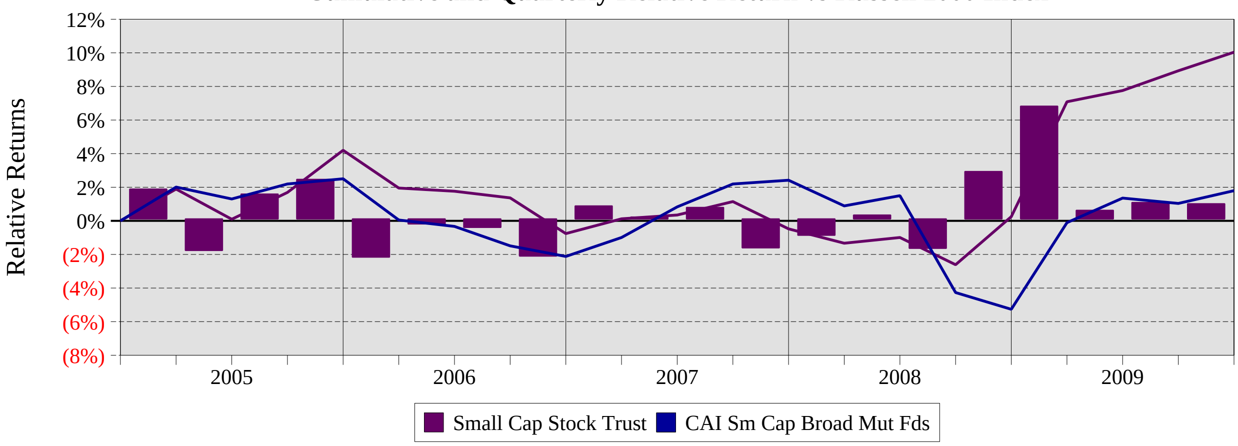
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Small Cap Broad Style (Net)

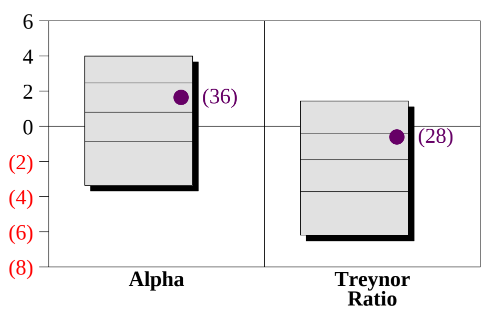


	2009	2008	2007	2006	2005	2004
10th Percentile	54.04	(28.66)	19.12	20.83	14.40	22.75
25th Percentile	44.52	(34.53)	10.39	17.65	10.76	19.90
Median	35.11	(38.94)	3.07	14.23	6.91	14.31
75th Percentile	27.89	(43.30)	(3.60)	9.19	4.04	11.15
90th Percentile	23.27	(47.03)	(10.37)	6.31	0.92	6.56
Small Cap Stock Trust ●	39.59	(33.30)	(1.29)	12.74	8.94	19.67
Russell 2000 Index ▲	27.17	(33.79)	(1.57)	18.37	4.55	18.33

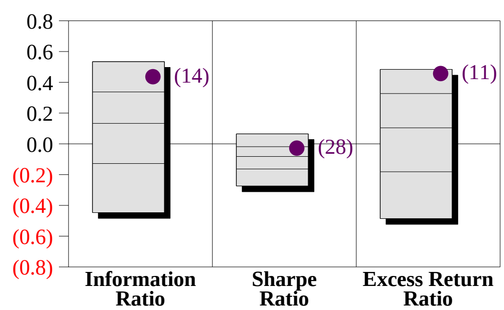
Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI MF - Small Cap Broad Style (Net)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	3.99	1.44
25th Percentile	2.47	(0.43)
Median	0.80	(1.90)
75th Percentile	(0.88)	(3.72)
90th Percentile	(3.36)	(6.19)
Small Cap Stock Trust ●	1.64	(0.61)



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.53	0.06	0.48
25th Percentile	0.34	(0.02)	0.33
Median	0.13	(0.08)	0.10
75th Percentile	(0.13)	(0.16)	(0.18)
90th Percentile	(0.45)	(0.27)	(0.49)
Small Cap Stock Trust ●	0.44	(0.03)	0.46

RUSSELL 3000 INDEX FUND
PERIOD ENDED DECEMBER 31, 2009

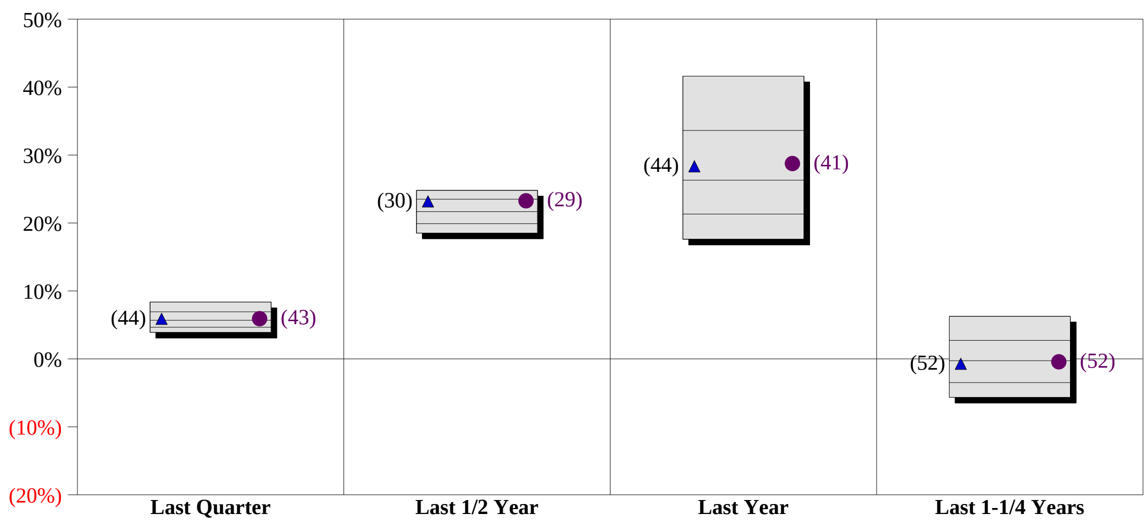
Investment Philosophy

The Russell 3000 Index Fund, managed by SSgA, seeks to replicate the returns and characteristics of the Russell 3000 Index. Annual fees are 3 basis points. Passively managed.

Quarterly Summary and Highlights

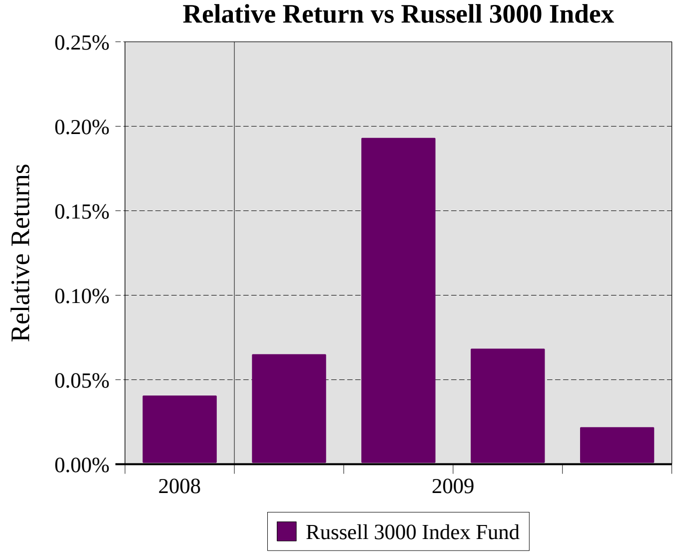
- Russell 3000 Index Fund's portfolio posted a 5.92% return for the quarter placing it in the 43 percentile of the CAI MF - Large Cap Broad Style group for the quarter and in the 41 percentile for the last year.
- Russell 3000 Index Fund's portfolio outperformed the Russell 3000 Index by 0.02% for the quarter and outperformed the Russell 3000 Index for the year by 0.41%.

Performance vs CAI MF - Large Cap Broad Style (Net)

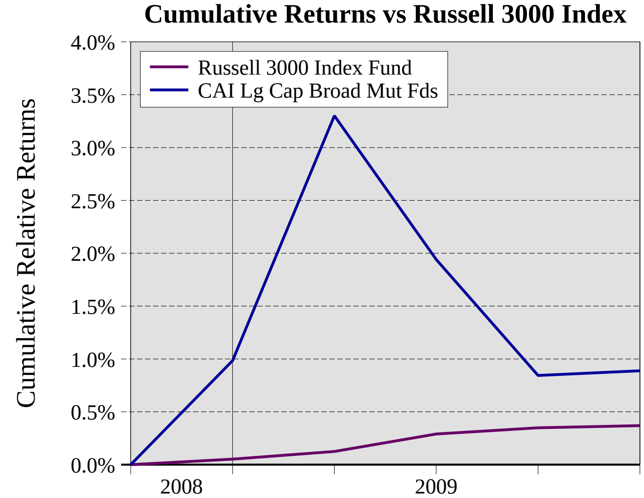


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	8.37	24.80	41.61	6.27
25th Percentile	6.93	23.50	33.62	2.72
Median	5.68	21.67	26.30	(0.26)
75th Percentile	4.66	19.90	21.31	(3.48)
90th Percentile	3.91	18.51	17.61	(5.66)
Russell 3000 Index Fund ●	5.92	23.27	28.75	(0.42)
Russell 3000 Index ▲	5.90	23.17	28.34	(0.72)

Relative Return vs Russell 3000 Index



Cumulative Returns vs Russell 3000 Index



RCM Socially
Responsible

RCM SOCIALLY RESP INV FD
PERIOD ENDED DECEMBER 31, 2009

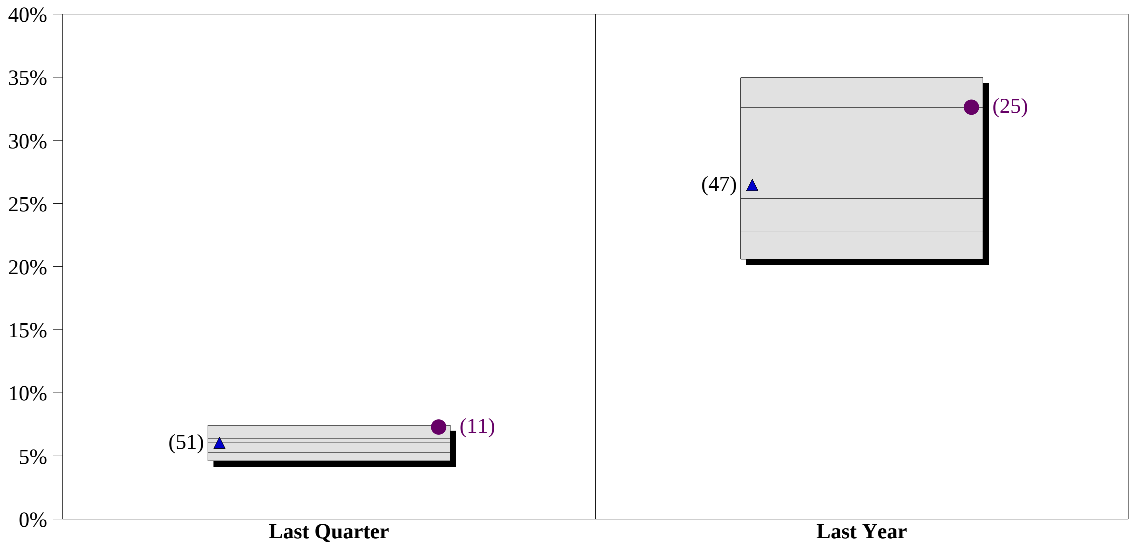
Investment Philosophy

The RCM Socially Responsible Inv. Fd is actively managed. Annual fees are 50 basis points.

Quarterly Summary and Highlights

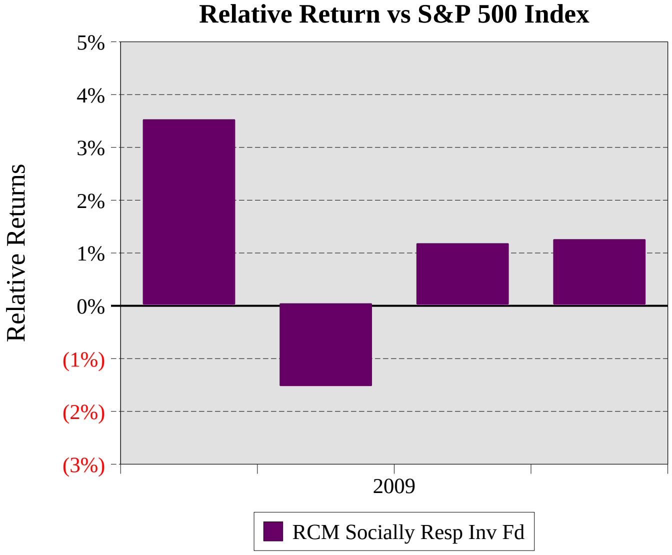
- RCM Socially Resp Inv Fd's portfolio posted a 7.29% return for the quarter placing it in the 11 percentile of the CAI Large Cap Core Style group for the quarter and in the 25 percentile for the last year.
- RCM Socially Resp Inv Fd's portfolio outperformed the S&P 500 Index by 1.25% for the quarter and outperformed the S&P 500 Index for the year by 6.16%.

Performance vs CAI Large Cap Core Style (Gross)

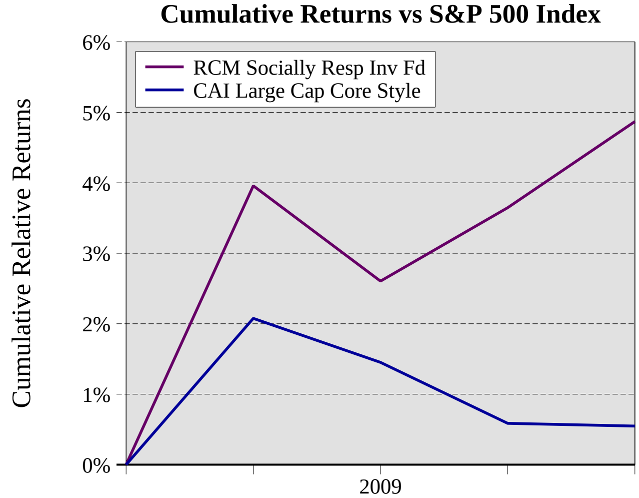


	Last Quarter	Last Year
10th Percentile	7.44	34.96
25th Percentile	6.36	32.58
Median	6.09	25.38
75th Percentile	5.29	22.82
90th Percentile	4.61	20.59
RCM Socially Resp Inv Fd ●	7.29	32.62
S&P 500 Index ▲	6.04	26.47

Relative Return vs S&P 500 Index



Cumulative Returns vs S&P 500 Index



World Equity
ex-US Index

WORLD EQUITY EX-US
PERIOD ENDED DECEMBER 31, 2009

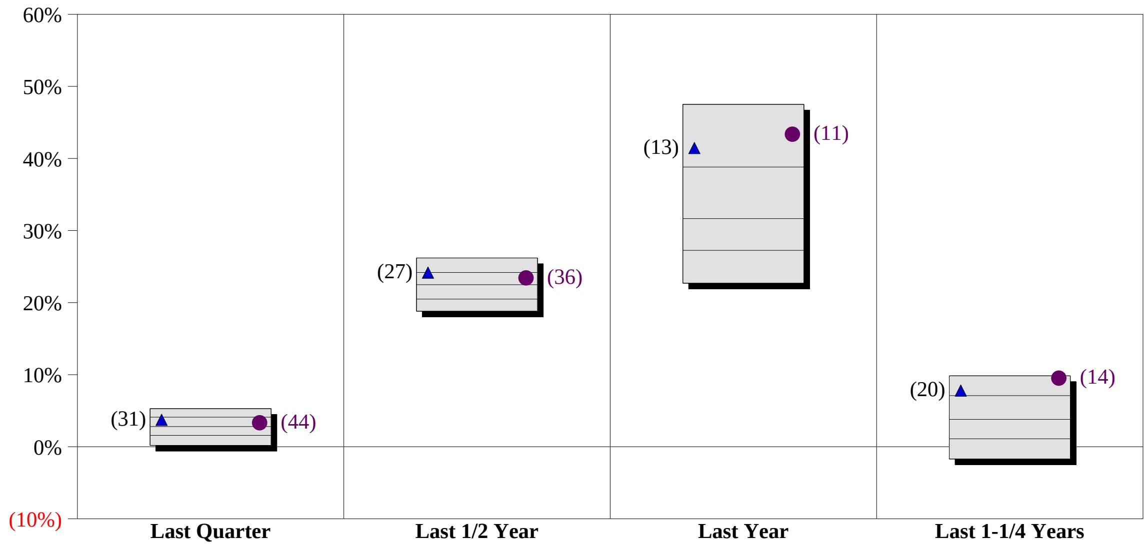
Investment Philosophy

The World Equity ex US fund is managed by SSgA. It is passively managed. Annual fees are 17 basis points.

Quarterly Summary and Highlights

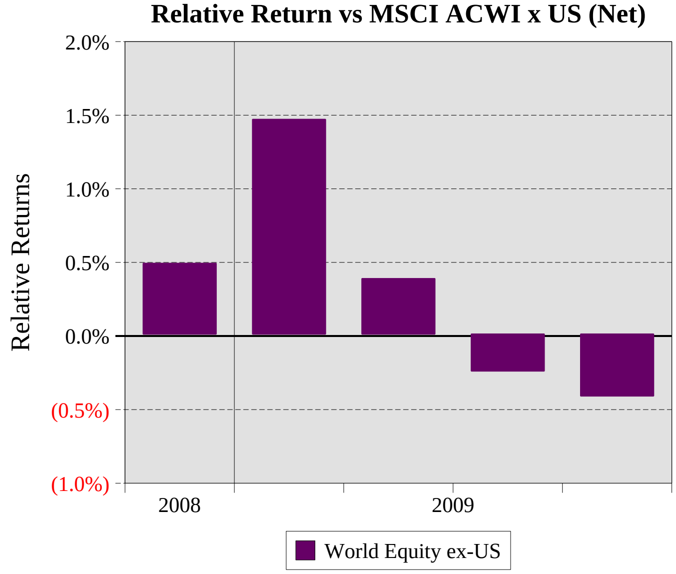
- World Equity ex-US's portfolio posted a 3.33% return for the quarter placing it in the 44 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 11 percentile for the last year.
- World Equity ex-US's portfolio underperformed the MSCI ACWI x US (Net) by 0.41% for the quarter and outperformed the MSCI ACWI x US (Net) for the year by 1.92%.

Performance vs CAI MF - Non-US Equity Style (Net)

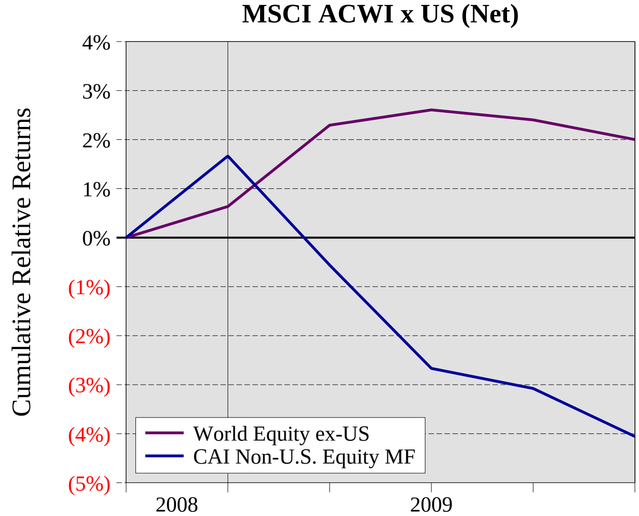


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	5.29	26.19	47.51	9.84
25th Percentile	4.11	24.18	38.81	7.10
Median	2.80	22.48	31.65	3.80
75th Percentile	1.58	20.48	27.25	1.10
90th Percentile	0.18	18.81	22.69	(1.70)
World Equity ex-US ●	3.33	23.43	43.37	9.52
MSCI ACWI x US (Net) ▲	3.74	24.16	41.45	7.80

Relative Return vs MSCI ACWI x US (Net)



Cumulative Returns vs MSCI ACWI x US (Net)



Long Term Balanced
Trust

LONG TERM BALANCED TRUST
PERIOD ENDED DECEMBER 31, 2009

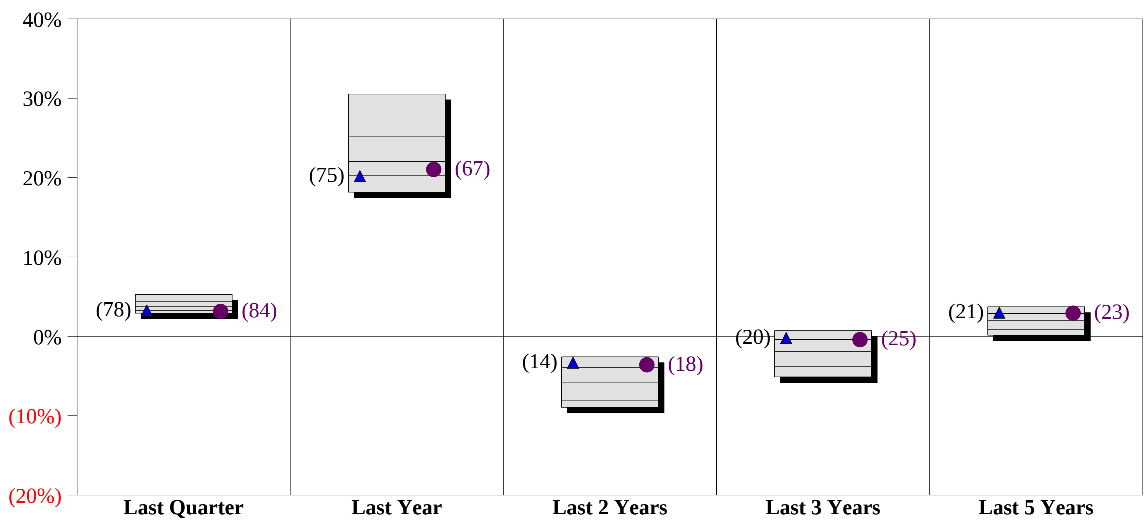
Investment Philosophy

The Long Term Balanced Trust is managed by T. Rowe Price. It is a combination of Enhanced Index (passive), Structured-Active and Actively managed portfolios.Annual fees are19 basis points.

Quarterly Summary and Highlights

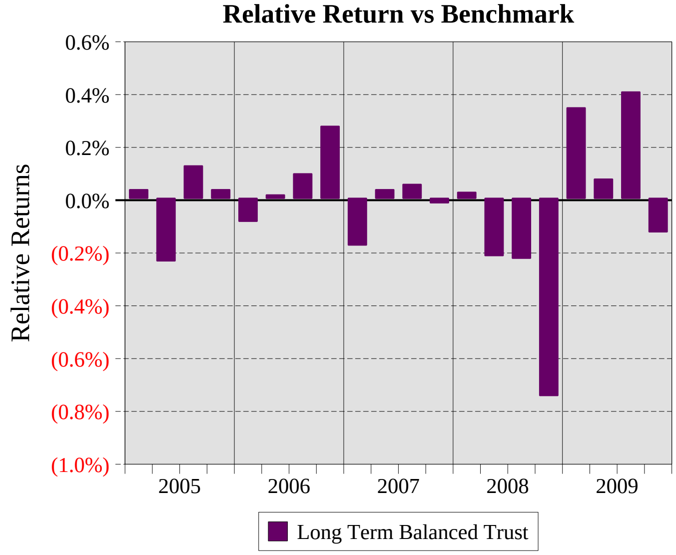
- Long Term Balanced Trust's portfolio posted a 3.14% return for the quarter placing it in the 84 percentile of the CAI MF - Domestic Balanced Style group for the quarter and in the 67 percentile for the last year.
- Long Term Balanced Trust's portfolio underperformed the Benchmark by 0.12% for the quarter and outperformed the Benchmark for the year by 0.84%.

Performance vs CAI MF - Domestic Balanced Style (Net)

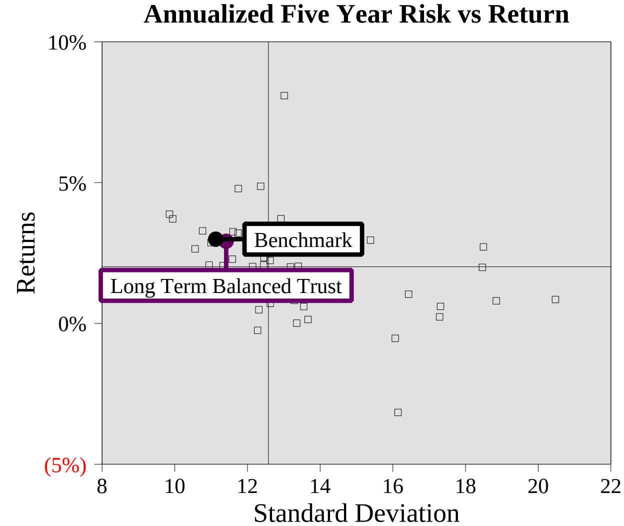


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	5.29	30.53	(2.59)	0.71	3.72
25th Percentile	4.41	25.21	(3.92)	(0.40)	2.88
Median	3.74	22.03	(5.78)	(1.92)	2.01
75th Percentile	3.27	20.24	(8.05)	(3.82)	0.84
90th Percentile	2.92	18.17	(8.94)	(5.11)	0.15
Long Term Balanced Trust ●	3.14	21.03	(3.59)	(0.42)	2.92
Benchmark ▲	3.26	20.19	(3.31)	(0.20)	2.99

Relative Return vs Benchmark



CAI MF - Domestic Balanced Style (Net)
Annualized Five Year Risk vs Return

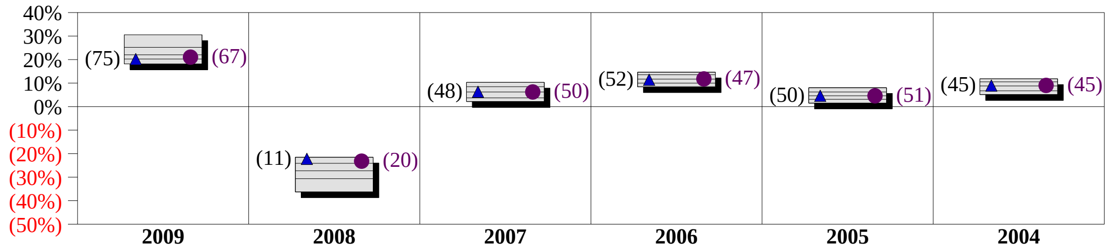


LONG TERM BALANCED TRUST
RETURN ANALYSIS SUMMARY

Return Analysis

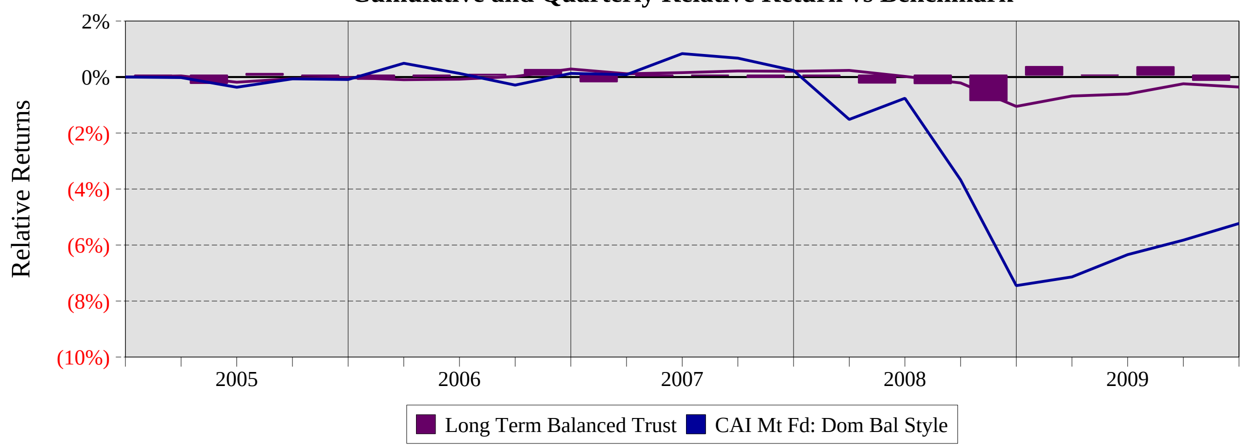
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Domestic Balanced Style (Net)

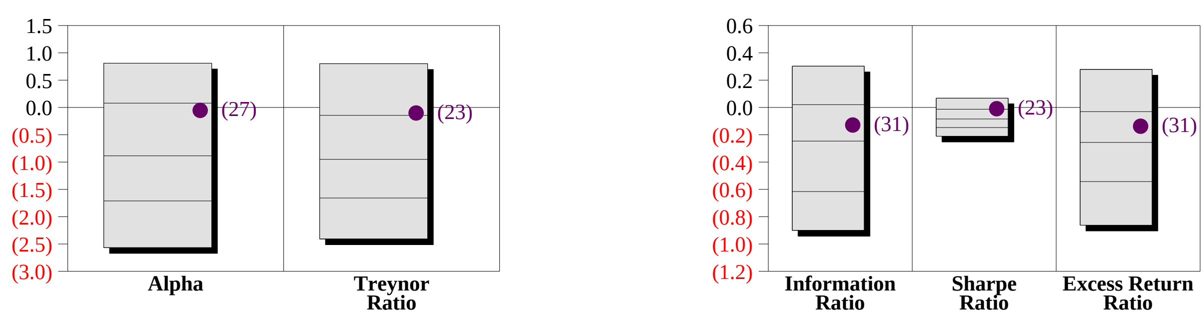


	2009	2008	2007	2006	2005	2004
10th Percentile	30.53	(21.52)	10.33	14.64	8.05	11.83
25th Percentile	25.21	(24.12)	8.48	13.58	6.21	10.54
Median	22.03	(27.29)	6.22	11.69	4.62	8.78
75th Percentile	20.24	(30.65)	3.73	9.99	3.12	6.73
90th Percentile	18.17	(36.29)	2.16	8.42	1.48	5.12
Long Term Balanced Trust ●	21.03	(23.19)	6.23	11.79	4.59	9.02
Benchmark ▲	20.19	(22.22)	6.32	11.45	4.61	8.97

Cumulative and Quarterly Relative Return vs Benchmark



Risk Adjusted Return Measures vs Benchmark
Rankings Against CAI MF - Domestic Balanced Style (Net)
Five Years Ended December 31, 2009



	Alpha	Treynor Ratio
10th Percentile	0.81	0.80
25th Percentile	0.08	(0.14)
Median	(0.89)	(0.95)
75th Percentile	(1.71)	(1.66)
90th Percentile	(2.57)	(2.41)
Long Term Balanced Trust ●	(0.05)	(0.10)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.30	0.07	0.28
25th Percentile	0.02	(0.01)	(0.03)
Median	(0.25)	(0.08)	(0.26)
75th Percentile	(0.62)	(0.15)	(0.54)
90th Percentile	(0.90)	(0.21)	(0.86)
Long Term Balanced Trust ●	(0.13)	(0.01)	(0.14)

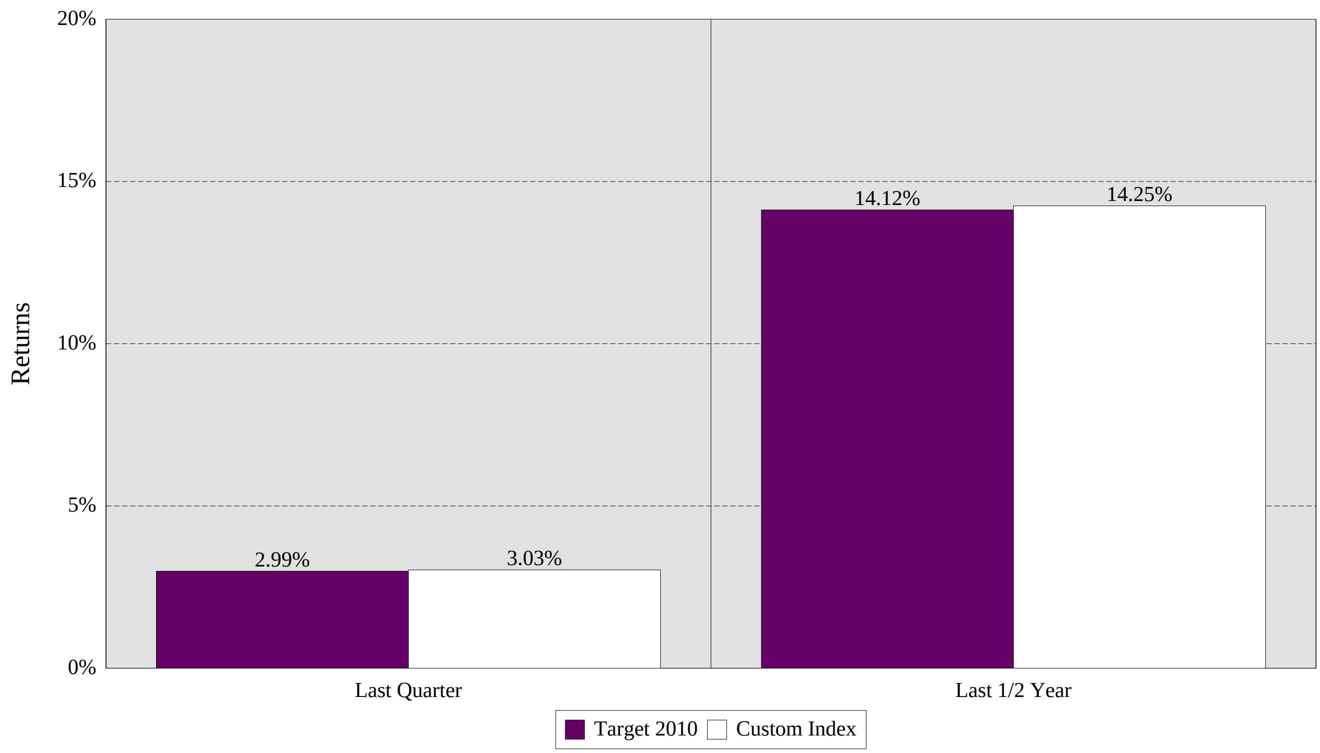
TARGET 2010
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

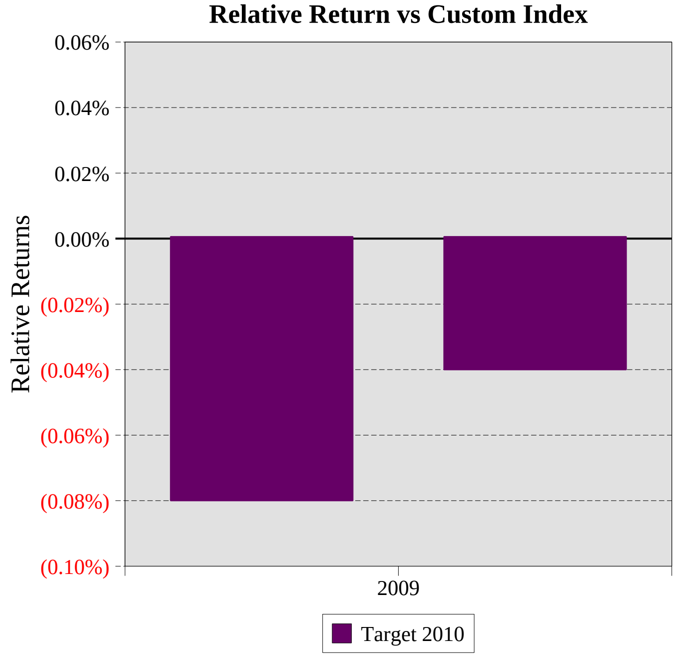
Annual fees are 2 basis points.

Quarterly Summary and Highlights

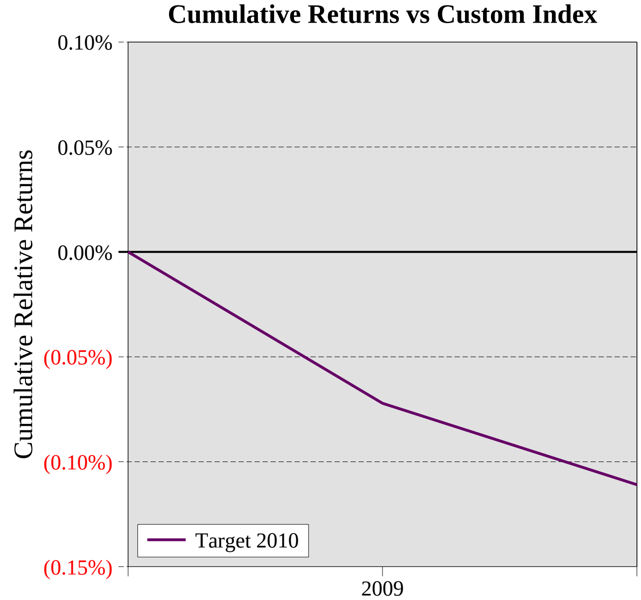
- Target 2010's portfolio underperformed the Custom Index by 0.04% for the quarter and underperformed the Custom Index for the one-half year by 0.13%.



Relative Return vs Custom Index



Cumulative Returns vs Custom Index



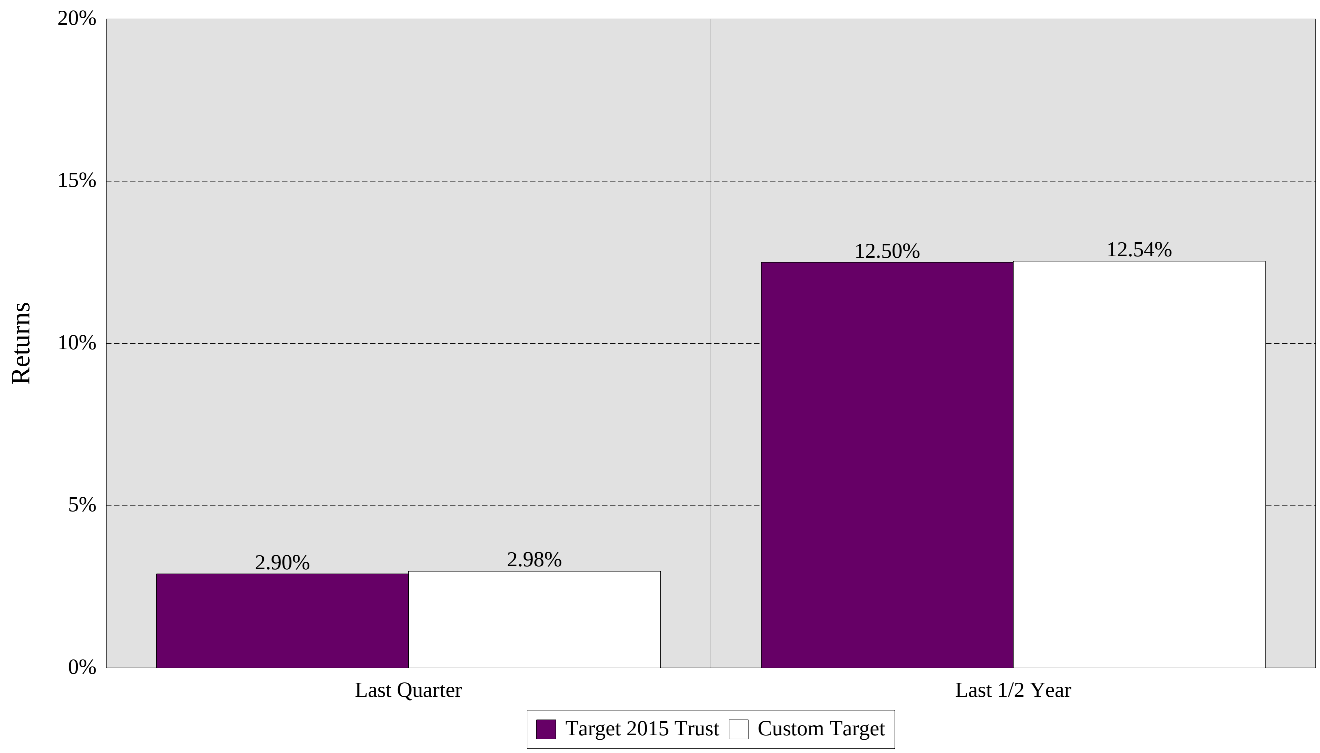
TARGET 2015 TRUST
PERIOD ENDED DECEMBER 31, 2009

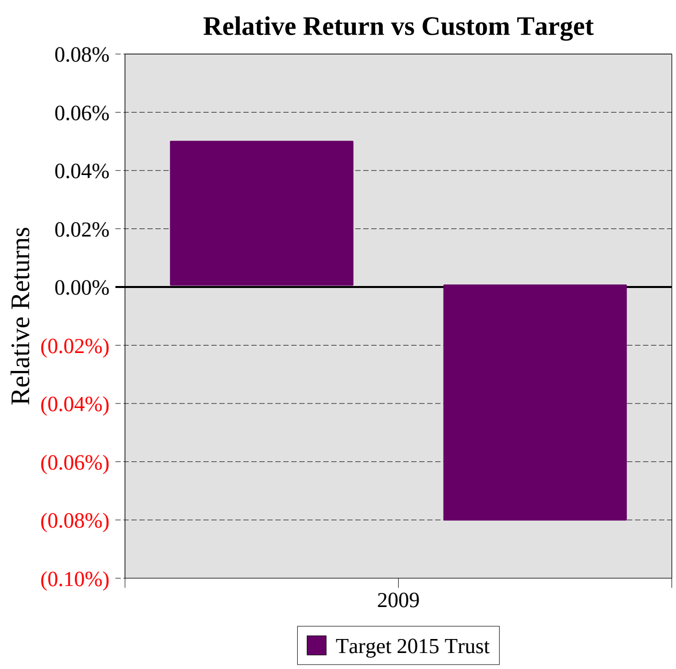
Investment Philosophy

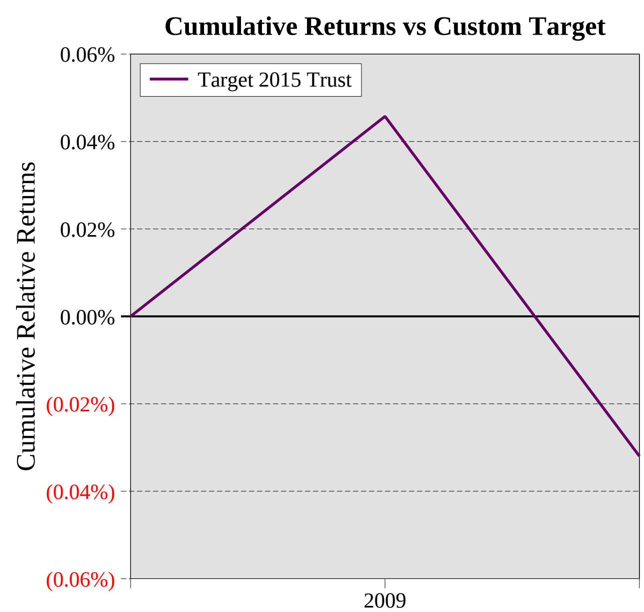
Annual fees are 16 basis points.

Quarterly Summary and Highlights

- Target 2015 Trust's portfolio underperformed the Custom Target by 0.08% for the quarter and underperformed the Custom Target for the one-half year by 0.04%.







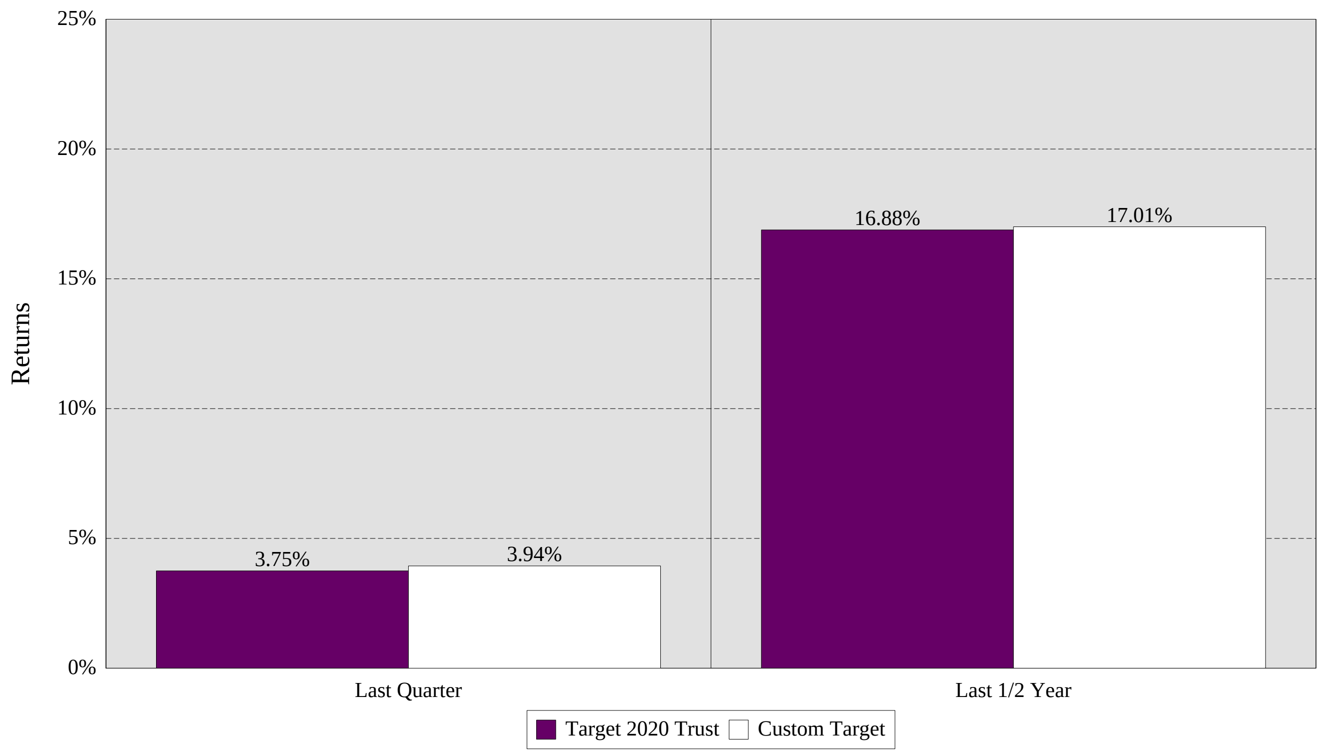
TARGET 2020 TRUST
PERIOD ENDED DECEMBER 31, 2009

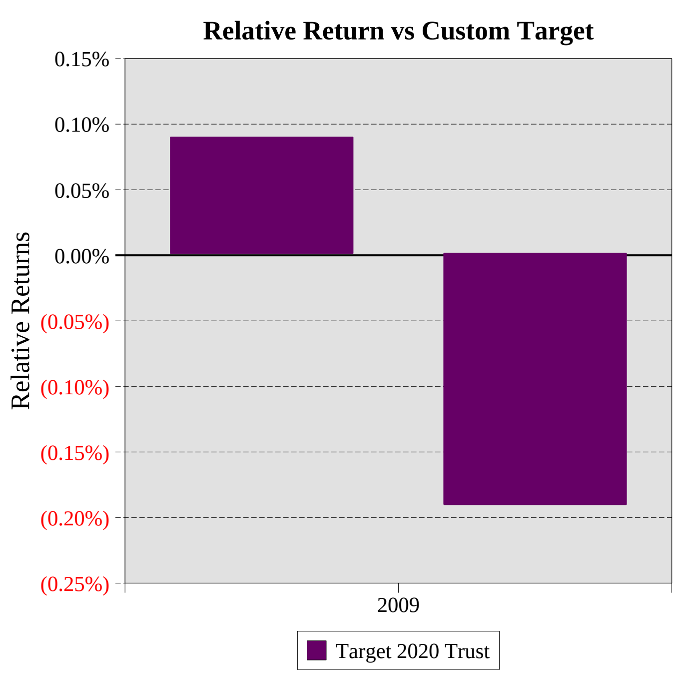
Investment Philosophy

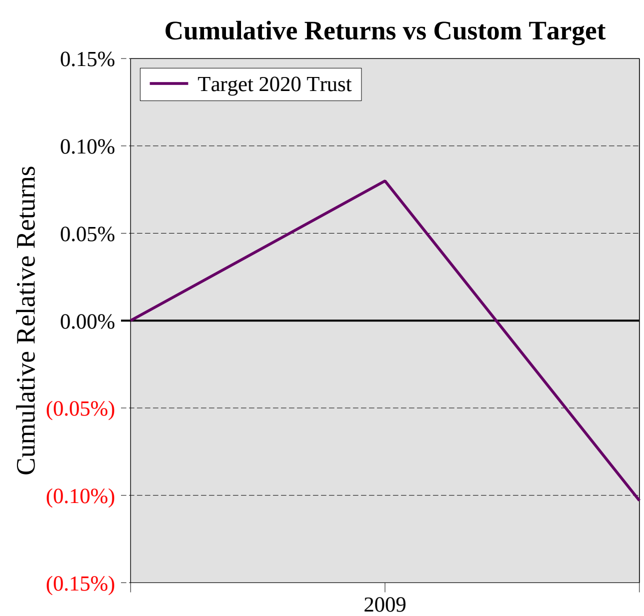
Annual fees are 20 basis points.

Quarterly Summary and Highlights

- Target 2020 Trust's portfolio underperformed the Custom Target by 0.19% for the quarter and underperformed the Custom Target for the one-half year by 0.12%.







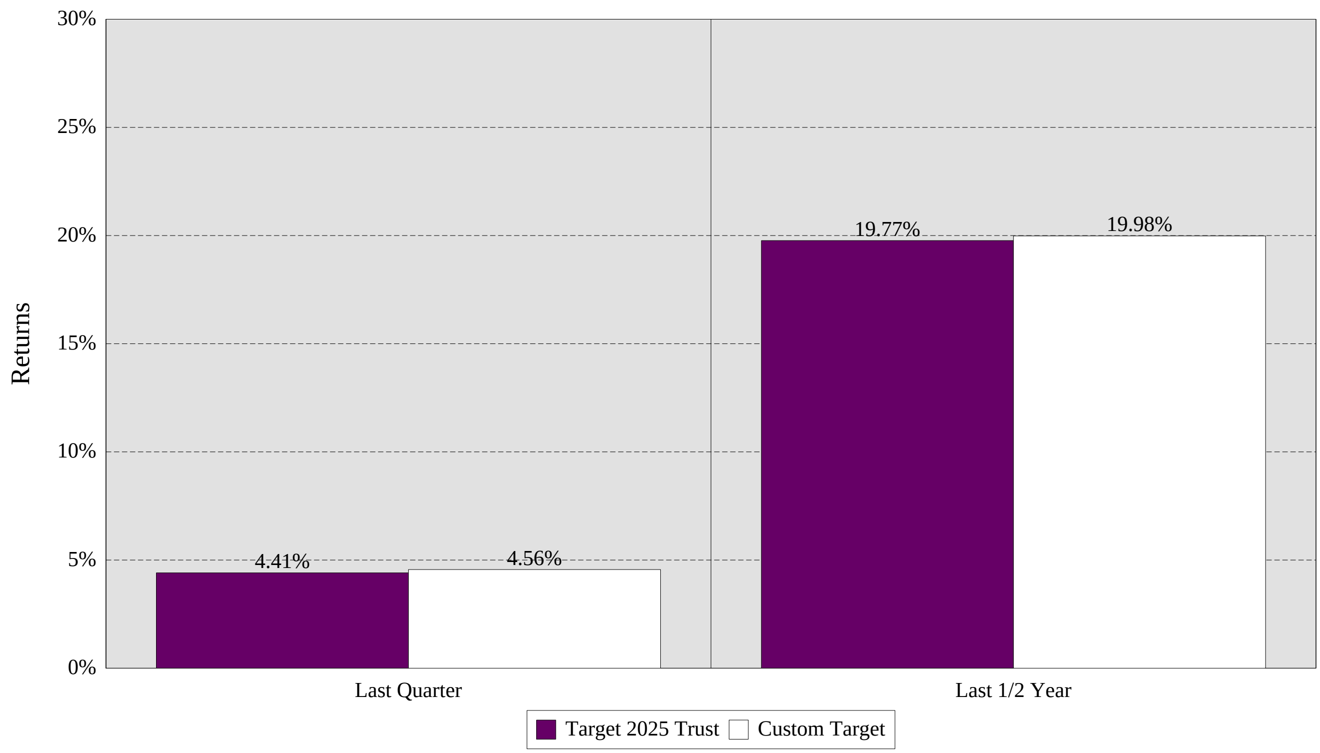
TARGET 2025 TRUST
PERIOD ENDED DECEMBER 31, 2009

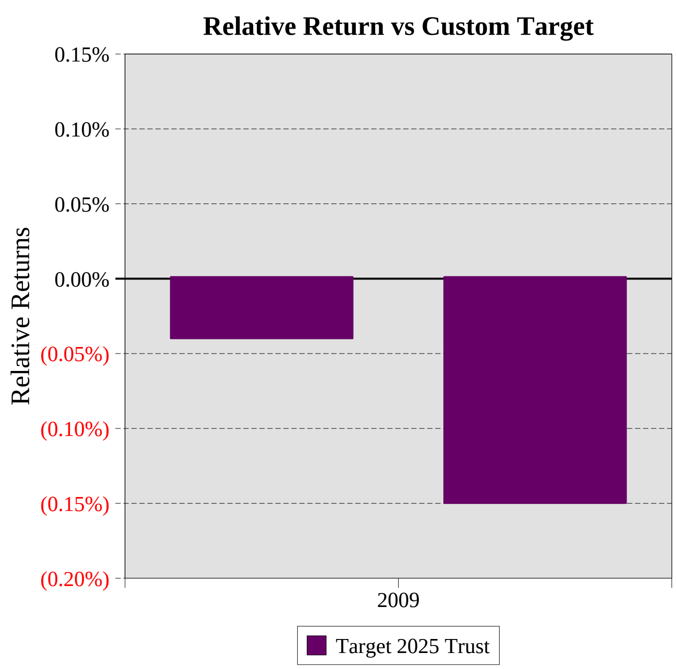
Investment Philosophy

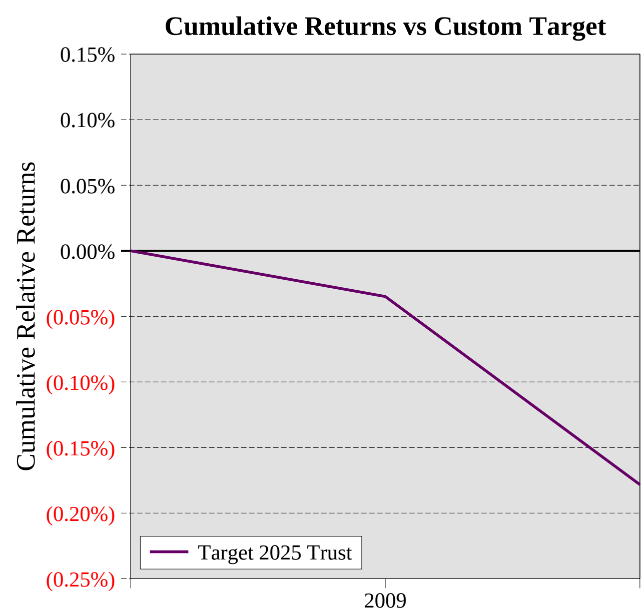
Annual fees are 21 basis points.

Quarterly Summary and Highlights

- Target 2025 Trust's portfolio underperformed the Custom Target by 0.15% for the quarter and underperformed the Custom Target for the one-half year by 0.21%.







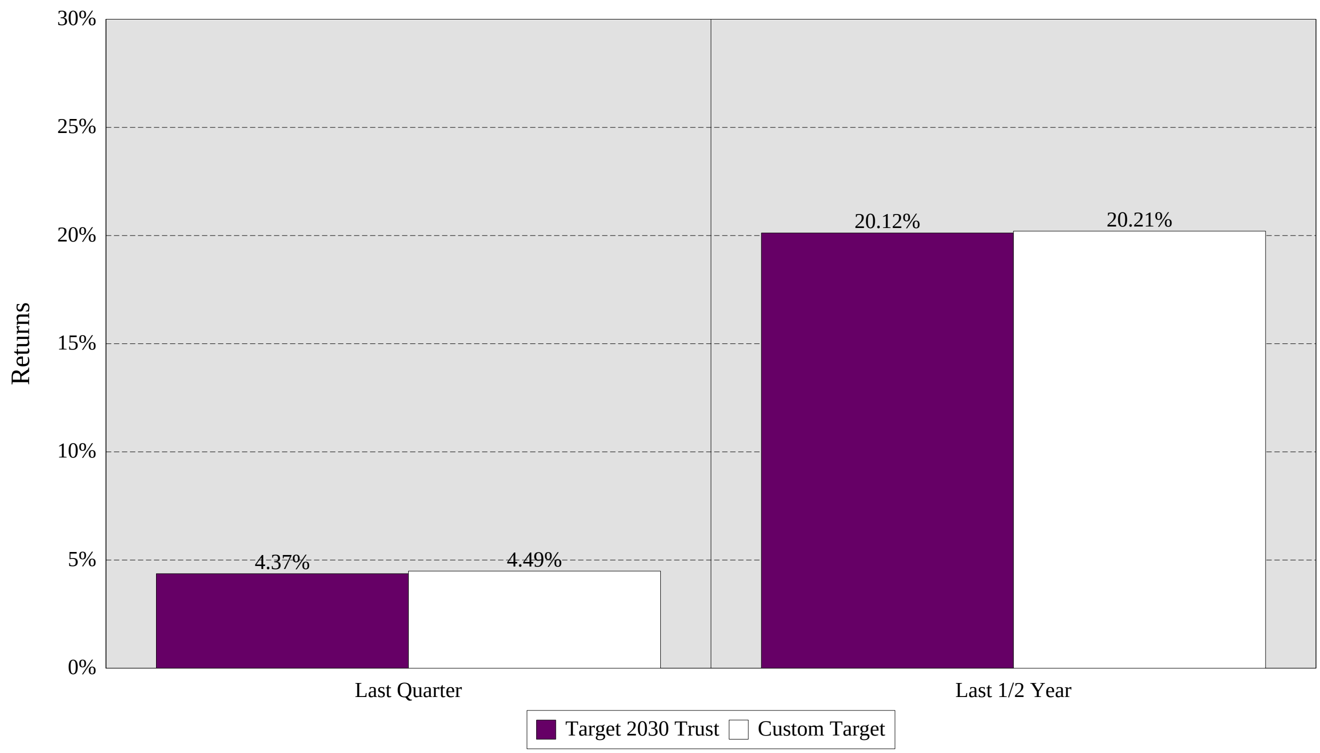
TARGET 2030 TRUST
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

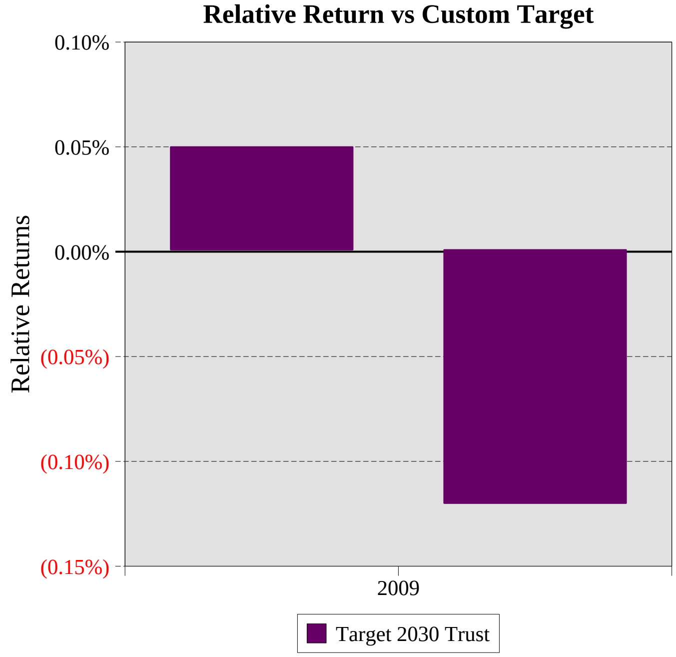
Annual fees are 2 basis points.

Quarterly Summary and Highlights

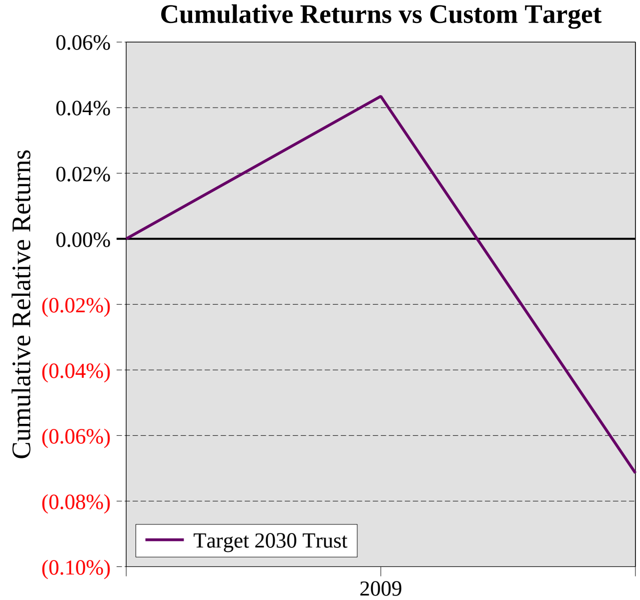
- Target 2030 Trust's portfolio underperformed the Custom Target by 0.12% for the quarter and underperformed the Custom Target for the one-half year by 0.09%.



Relative Return vs Custom Target



Cumulative Returns vs Custom Target



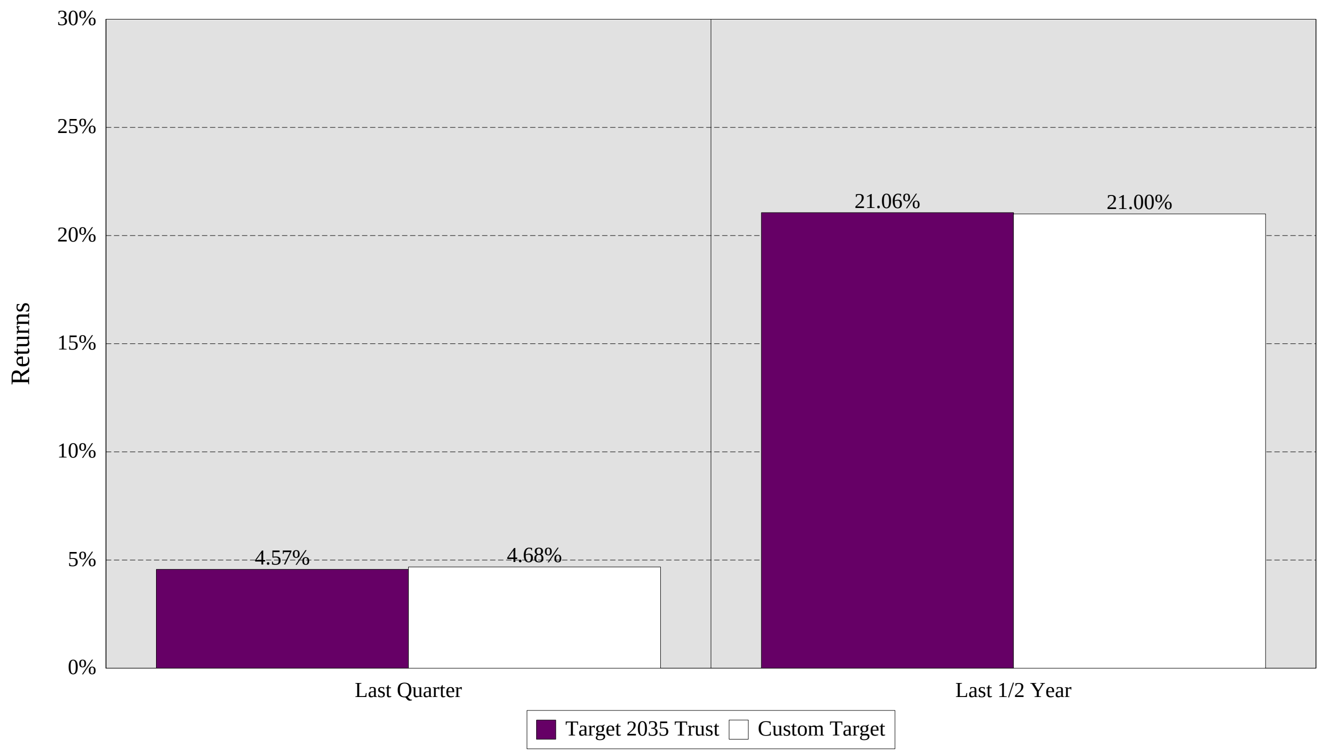
TARGET 2035 TRUST
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

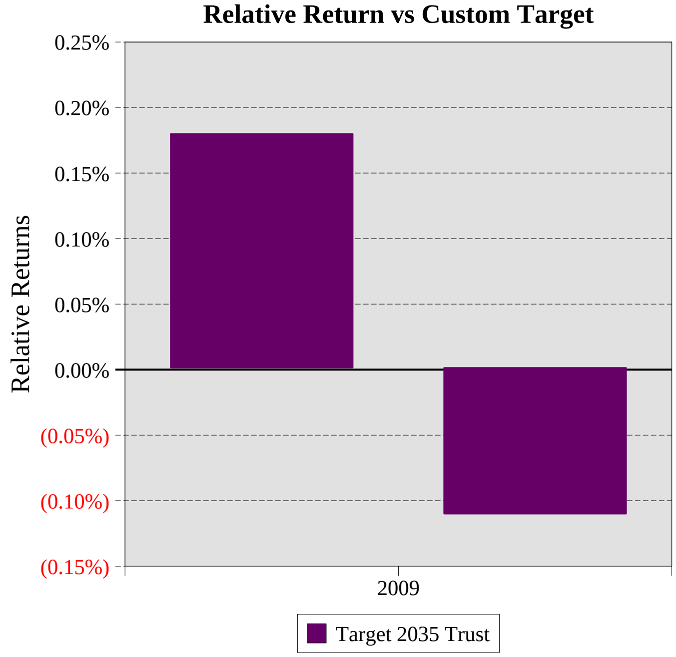
Annual fees are 2 basis points.

Quarterly Summary and Highlights

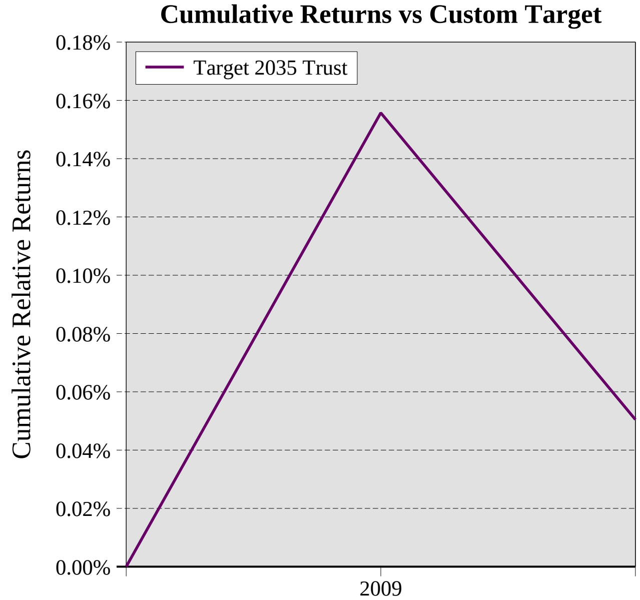
- Target 2035 Trust's portfolio underperformed the Custom Target by 0.11% for the quarter and outperformed the Custom Target for the one-half year by 0.06%.



Relative Return vs Custom Target



Cumulative Returns vs Custom Target



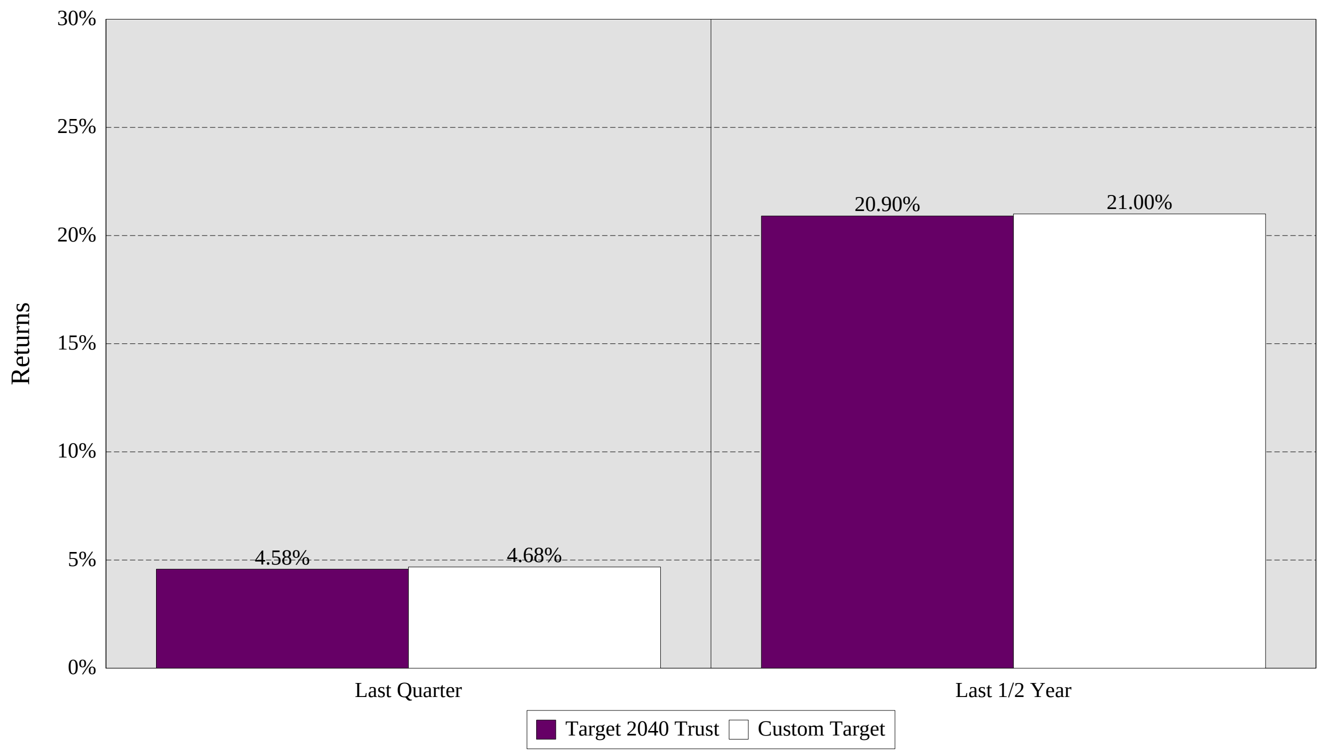
TARGET 2040 TRUST
PERIOD ENDED DECEMBER 31, 2009

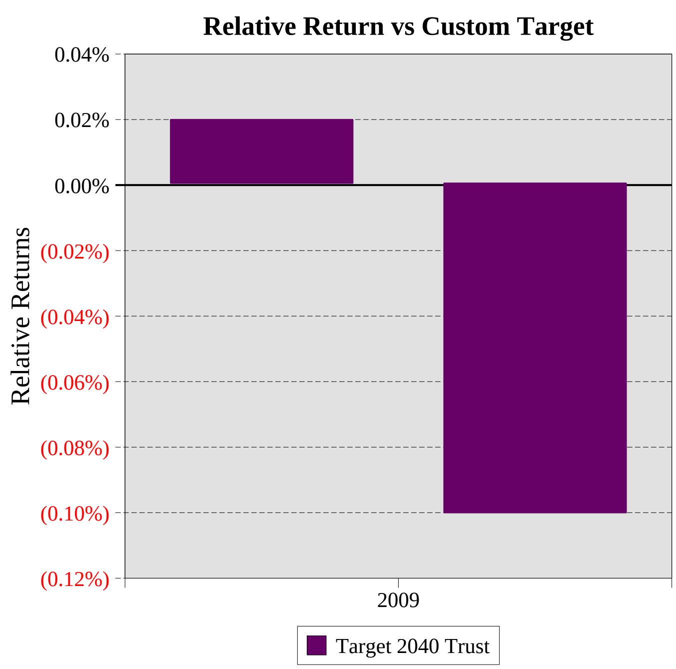
Investment Philosophy

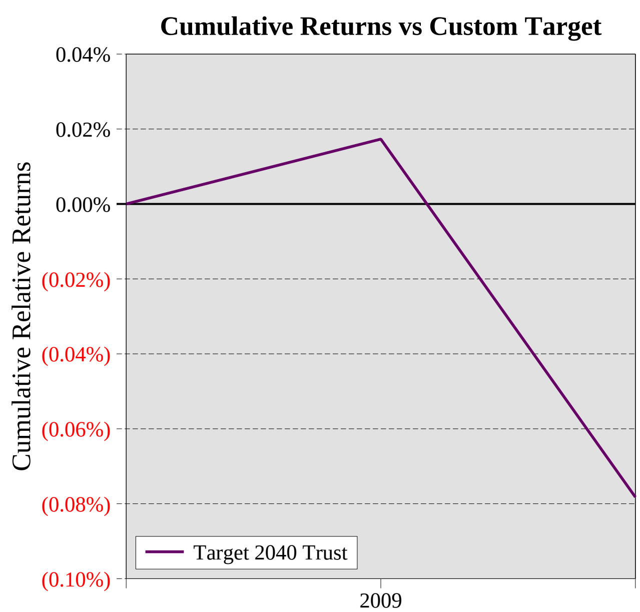
Annual fees are 2 basis points.

Quarterly Summary and Highlights

- Target 2040 Trust's portfolio underperformed the Custom Target by 0.10% for the quarter and underperformed the Custom Target for the one-half year by 0.09%.







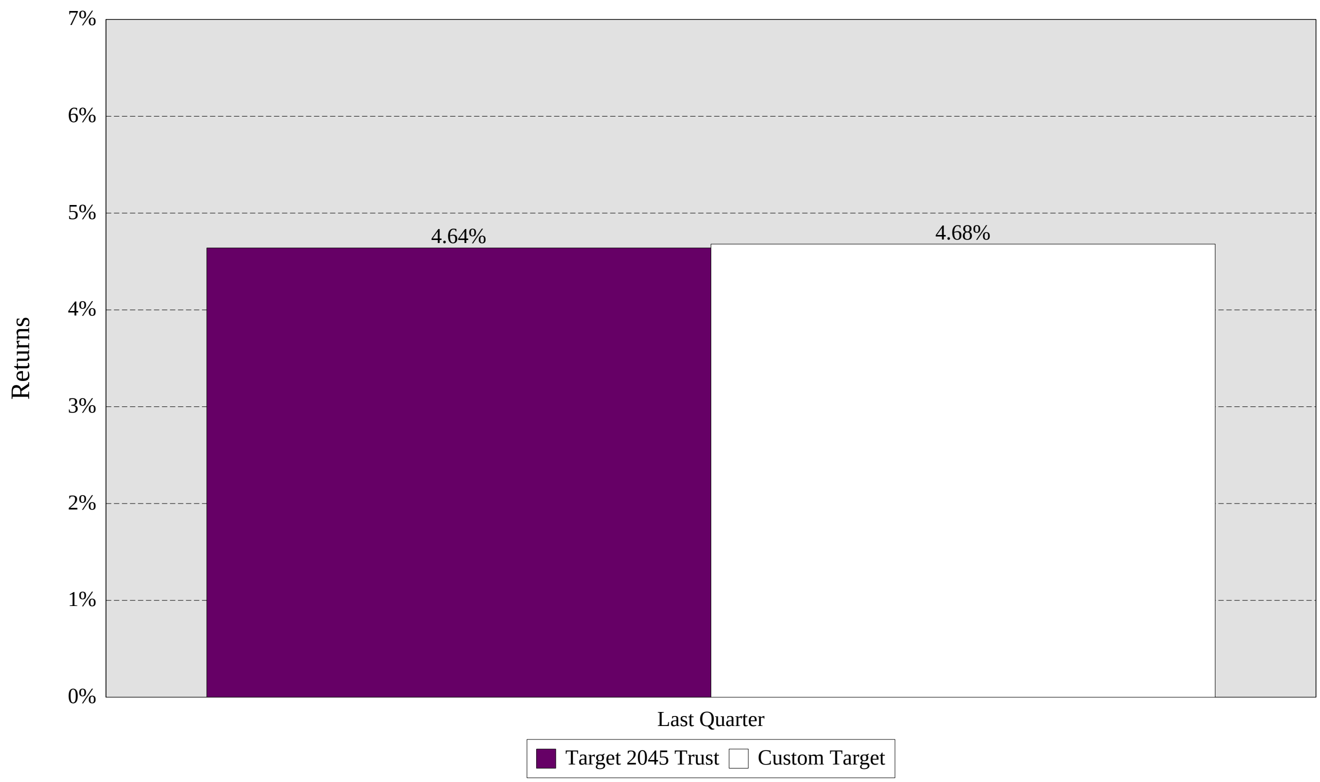
TARGET 2045 TRUST
PERIOD ENDED DECEMBER 31, 2009

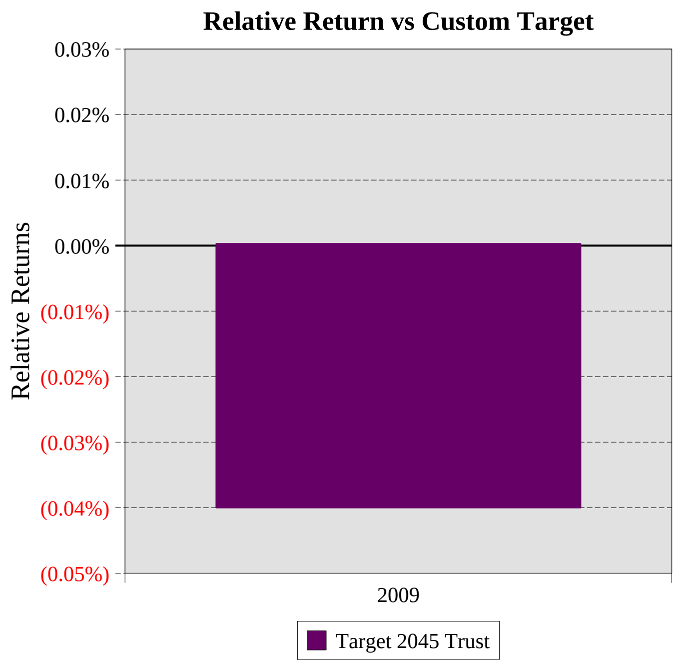
Investment Philosophy

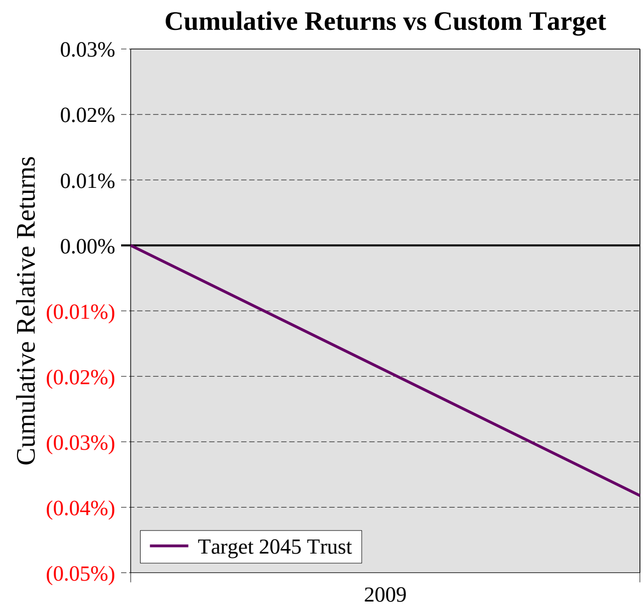
Annual fees are 2 basis points.

Quarterly Summary and Highlights

- Target 2045 Trust's portfolio underperformed the Custom Target by 0.04% for the quarter.



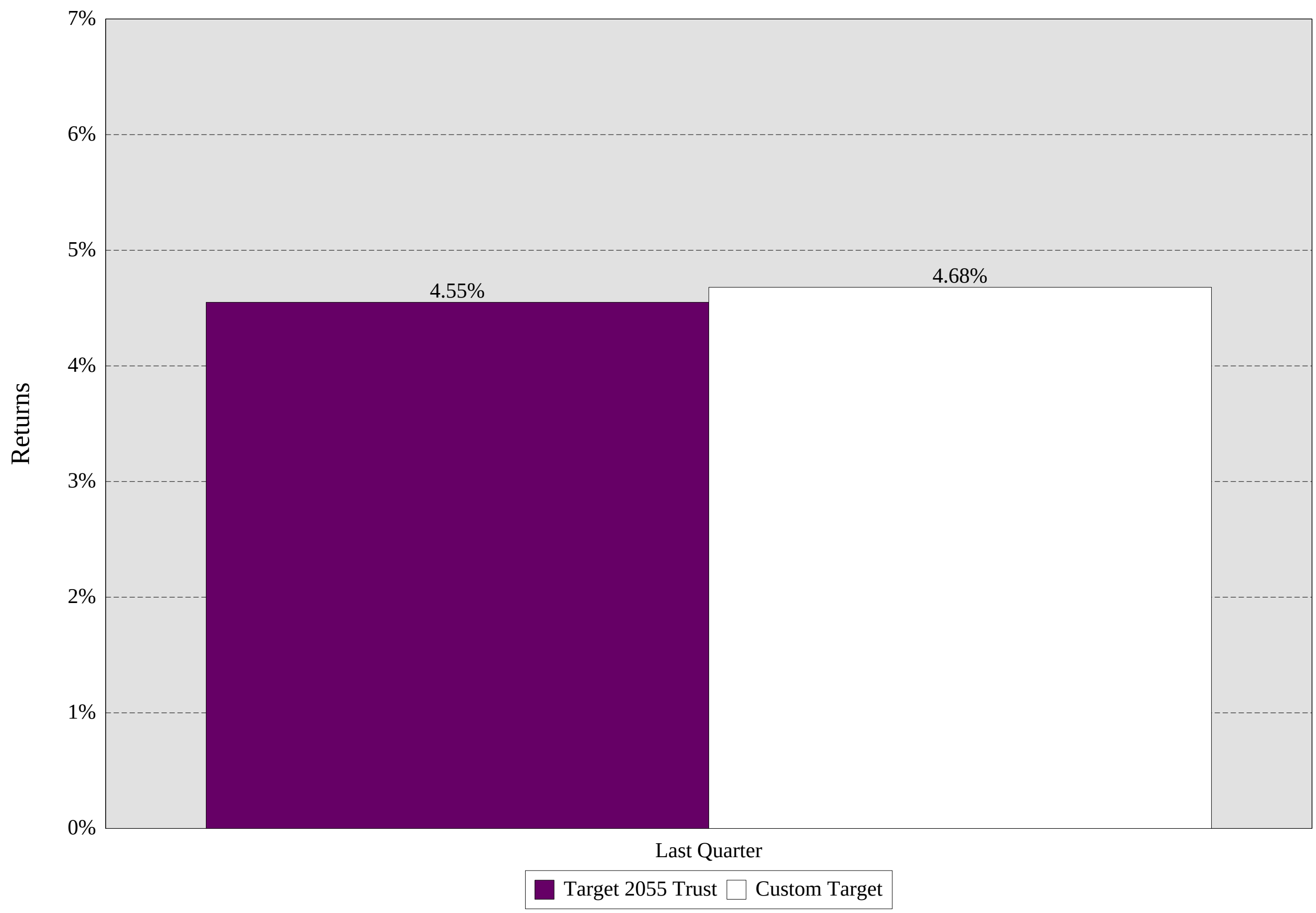


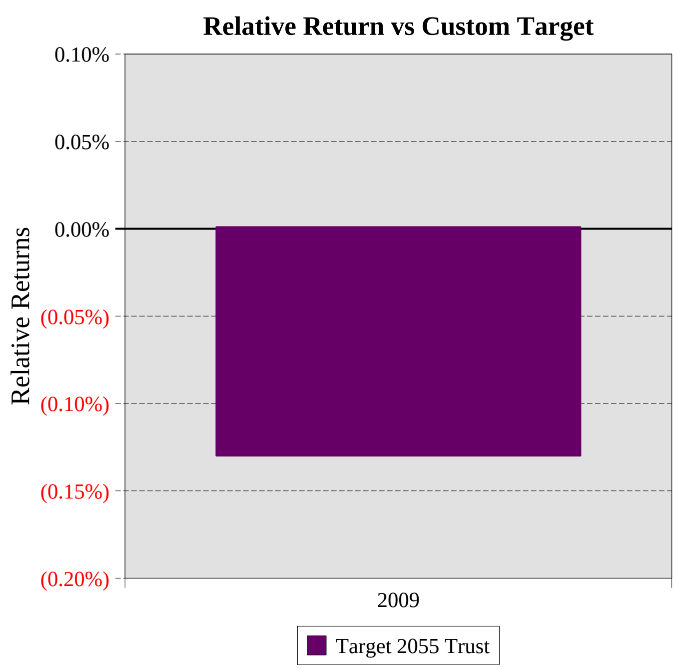


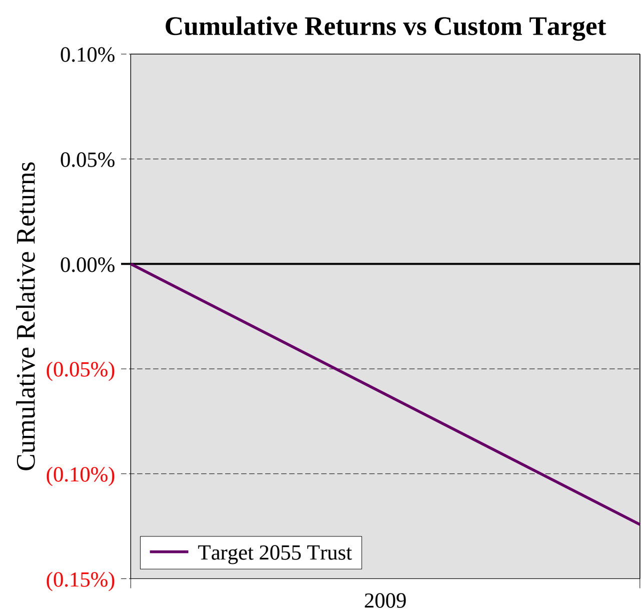
TARGET 2055 TRUST
PERIOD ENDED DECEMBER 31, 2009

Quarterly Summary and Highlights

- Target 2055 Trust's portfolio underperformed the Custom Target by 0.13% for the quarter.







US Real Estate Investment
Trust Index

US REAL ESTATE INV TRUST
PERIOD ENDED DECEMBER 31, 2009

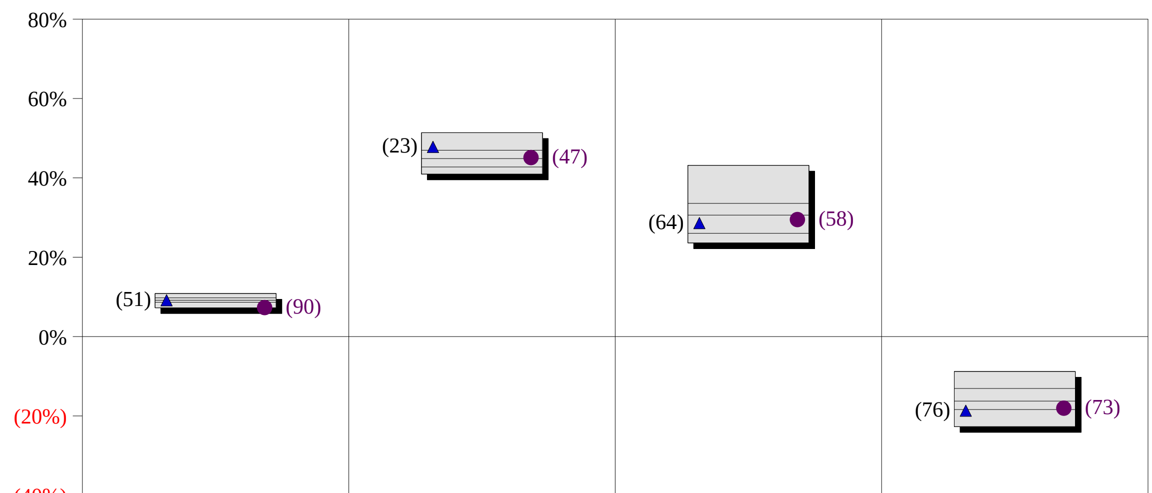
Investment Philosophy

The US Real Estate Investment Trust Index Fund is managed by SSgA. Passively managed. Annual fees are 17 basis points.

Quarterly Summary and Highlights

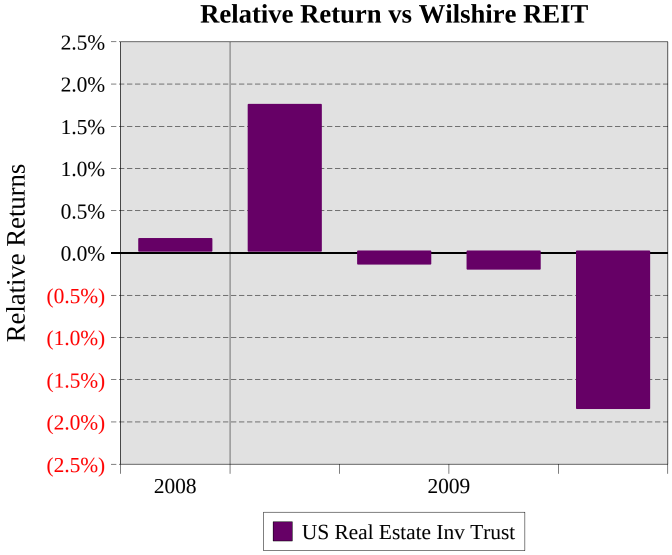
- US Real Estate Inv Trust's portfolio posted a 7.31% return for the quarter placing it in the 90 percentile of the Real Estate Mut Fds group for the quarter and in the 58 percentile for the last year.
- US Real Estate Inv Trust's portfolio underperformed the Wilshire REIT by 1.84% for the quarter and outperformed the Wilshire REIT for the year by 0.89%.

Performance vs Real Estate Mut Fds (Gross)

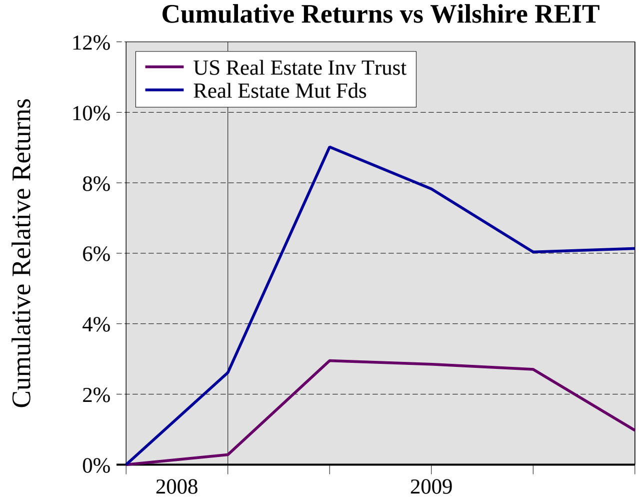


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	10.86	51.39	43.15	(8.79)
25th Percentile	9.76	46.96	33.57	(13.08)
Median	9.16	44.86	30.61	(16.26)
75th Percentile	8.66	42.74	26.02	(18.39)
90th Percentile	7.24	40.94	23.60	(22.70)
US Real Estate Inv Trust ●	7.31	45.12	29.49	(18.05)
Wilshire REIT ▲	9.15	47.81	28.60	(18.68)

Relative Return vs Wilshire REIT



Cumulative Returns vs Wilshire REIT



CALLAN
INVESTMENTS
INSTITUTE

FOURTH QUARTER 2009

RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Socially Responsible Investing in DC Plans
Jimmy Veneruso. October 2009

The Odyssey of Risk – Find Your Compass
Jim McKee. October 2009

The Great Target Date Fund Debate: Managing Target Date Funds "To" versus "Through" Retirement
Jason Ellement, CFA; Lori Lucas, CFA. July 2009

Newsletters and Data Package

DC Observer and Callan DC Index™ – 3rd Quarter 2009

Hedge Fund Monitor – 3rd Quarter 2009

Capital Market Review – 4th Quarter 2009

Quarterly Performance Data Package – 4th Quarter 2009

Private Markets Trends – Fall 2009

Surveys

How Investment Managers Survived the Market Collapse – October 2009

2009 Investment Management Fee Survey – September 2009

2009 Securities Lending Survey – July 2009

RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2009 Regional Breakfast Workshop – October 2009
"Has Your Policy Portfolio Failed? Revisiting the Policy Portfolio"

Presentation: 2009 Regional Breakfast Workshop – October 2009
"Has Your Policy Portfolio Failed? Revisiting the Policy Portfolio"

Upcoming Educational Programs

The 30th Annual National Conference
February 1–3, 2010 in San Francisco

June 2010 Regional Breakfast Workshops
June 22 in Atlanta
June 23 in San Francisco
Subject TBA

October 2010 Regional Breakfast Workshops
October 19 in Chicago
October 20 in New York
Subject TBA

If you have any questions regarding these programs, please contact Ray Combs at 415.974.5060 or institute@callan.com.

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

FOURTH QUARTER 2009

EDUCATIONAL SESSIONS

An Introduction to Investments

April 13–14 in San Francisco

October 12–13 in San Francisco

This two day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. It will familiarize fund sponsor trustees and staff with basic investment theory, terminology, and practices. Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment program structures.

Advanced Investment Topics

March 9–11 in San Francisco

July 20–22 in San Francisco

This program is designed for individuals who have more than two years' experience and provides attendees with a complete and thorough overview of prudent investment practices for both trustee-directed and participant-directed funds. This session is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, endowment & foundation, corporate, and Taft-Hartley retirement funds; representatives of family trusts; and investment management professionals.

Alternative Investments

May 4–5 in San Francisco

Callan Associates will share its alternative investment expertise through an educational program designed to advance the participants' knowledge, understanding and comfort with hedge funds, private equity, real estate, timber, energy, commodities, and infrastructure.

Tuition for the "Callan College" Introduction to Investments is $2,350 per person; tuition for all other sessions is $2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day and dinner on the first evening with the instructors.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

The Center for Investment Training ("Callan College") provides relevant and practical educational opportunities to all professionals engaged in the investment decision making process. This educational forum offers basic-to-intermediate level instruction on all components of the investment management process

101 California Street, Suite 3500, San Francisco, California 94111, 415.974.5060, www.callan.com

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 12/31/2009, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

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Manager Name	Educational Services	Consulting Services
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
AIG Investments	Y	
Allegiant Asset Management Group	Y	Y
AllianceBernstein	Y	
Allianz Investor Services, LLC		Y
Allstate Investments LLC		Y
American Century Investment Management	Y	
Analytic Investors	Y	
Artio Global Management (fka. Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
AOR Capital Management	Y	
AXA Rosenberg Investment Management	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
BlueCrest Capital Management	Y	
Boston Company Asset Management, LLC (The)	Y	Y
BNY Mellon Asset Management	Y	
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Chartwell Investment Partners	Y	
Clear Bridge Advisors	Y	Y
Columbia Management Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cramer Rosenthal McGlynn, LLC	Y	
Credit Suisse Asset Management	Y	
DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
DuPont Capital Management	Y	
DWS Investments	Y	
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
EIM Asset Management	Y	
Entrust Capital Inc.	Y	
Fayez Sarofim & Company	Y	Y
Federated Investors		Y
Fifth Third Asset Management, Inc.	Y	
Fortis Investments	Y	
Franklin Templeton	Y	Y

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Manager Name	Educational Services	Consulting Services
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grande-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co./The Hartford	Y	Y
Heartland Advisors, Inc.		Y
Henderson Global Investors	Y	
Hennessy Funds	Y	
HSBC Investments (USA) Inc.		Y
ING Clarion	Y	
ING Investment Management	Y	Y
INVESCO	Y	Y
Institutional Capital LLC	Y	
Janus Capital Management, LLC	Y	Y
Jensen Investment Management		Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	Y
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	
LSV Asset Management	Y	Y
MacKay Shields LLC		Y
Madison Square Investors	Y	
Marvin & Palmer Associates, I nc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFC Global Investment Management (U.S.) LLC	Y	
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Investment Management	Y	Y
Natixis Global Asset Management	Y	Y
Newton Capital Management	Y	
Neuberger Berman (fka, Lehman Brothers)	Y	Y
Nomura Asset Management U.S.A., Inc.	Y	
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Oppenheimer Capital	Y	
Pacific Investment Management Company	Y	
Peregrine Capital Management, Inc.		Y
Permal Group Inc.	Y	
Philadelphia International Advisors, LP	Y	
Pioneer Investment Management, Inc.	Y	Y
Principal Global Investors	Y	Y
Prudential Investment Management	Y	Y
Putnam Investments	Y	Y

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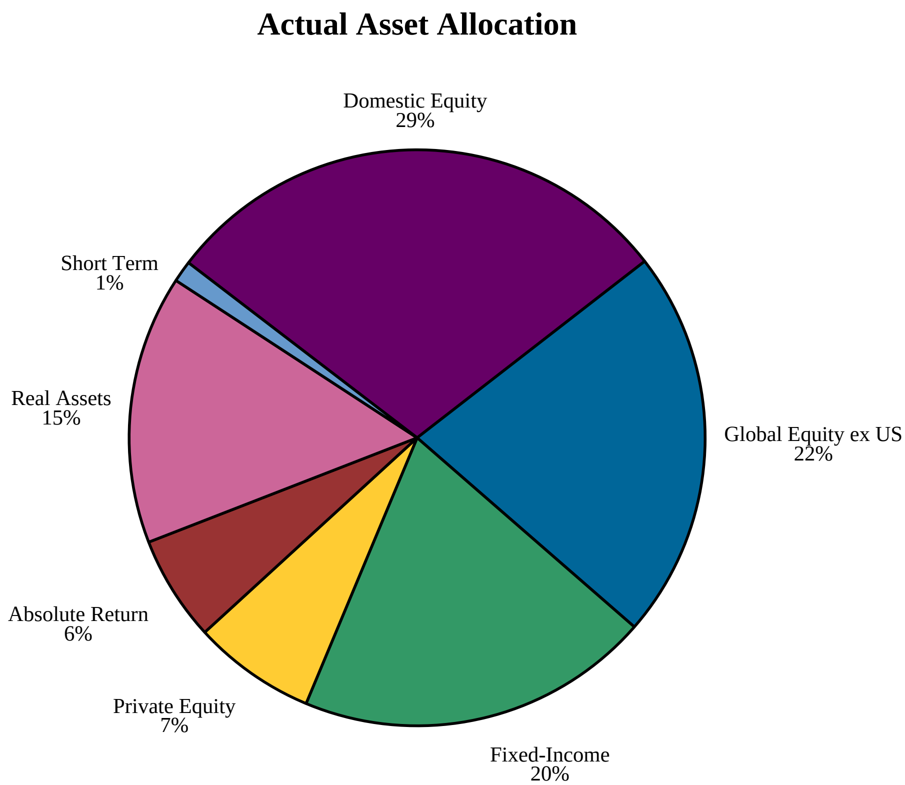
Manager Name	Educational Services	Consulting Services
Pyramis Global Advisors	Y	
RCM	Y	Y
Rice Hall James & Associates, LLC		Y
RiverSource Investments, LLC	Y	Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
RREEF	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
SEI Investments		Y
Smith Group Asset Management	Y	Y
Southeastern Asset Management, Inc.		Y
SSI Investment Management	Y	
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	Y
Sterne Agee Asset Management		Y
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
TD Asset Management (USA)	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
TimesSquare Capital Management, LLC	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
Victory Capital Management Inc.	Y	Y
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	
Zephyr Management	Y	

Callan Associates Inc.
Investment Measurement Service
Quarterly Review

Alaska Retirement Management Board
Defined Contribution Plans
December 31, 2009

Actual Asset Allocation

ARMB PERS Retiree Medical allocation as of September 30, 2009.

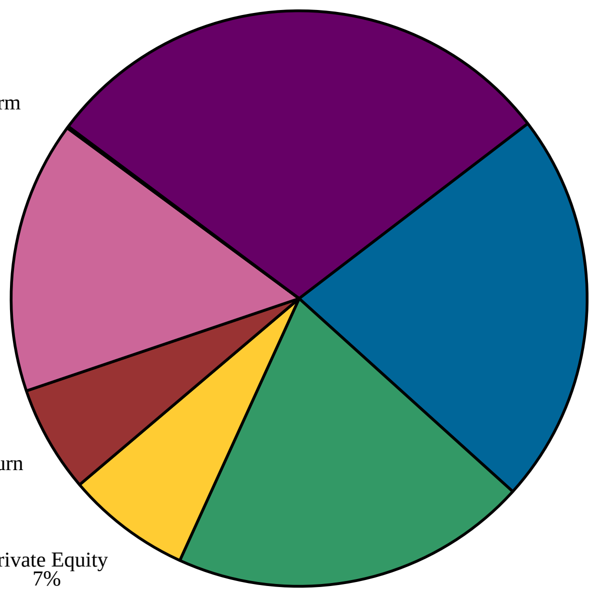


Asset Class	$Dollars Actual	Percent Actual
Domestic Equity	1,877,696	29.1%
Global Equity ex US	1,413,505	21.9%
Fixed-Income	1,285,768	19.9%
Private Equity	447,919	6.9%
Absolute Return	382,876	5.9%
Real Assets	975,914	15.1%
Short Term	75,207	1.2%
Total	6,458,886	100.0%

Actual Asset Allocation

ARMB TRS Retiree Medical allocation as of September 30, 2009.

Actual Asset Allocation



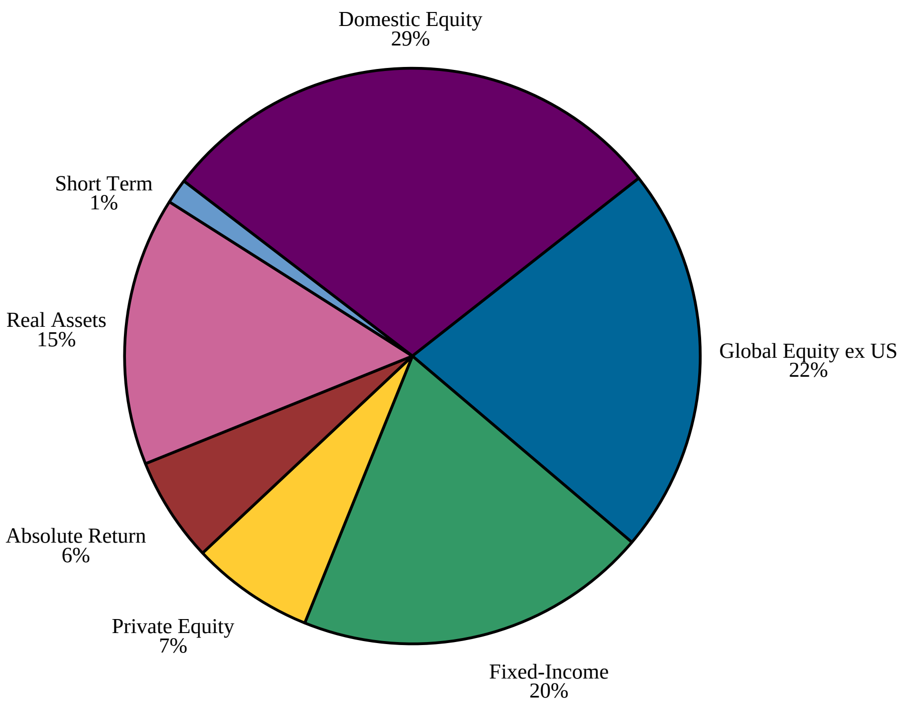
Asset Class	$Dollars Actual	Percent Actual
Domestic Equity	785,028	29.4%
Global Equity ex US	590,846	22.1%
Fixed-Income	537,355	20.1%
Private Equity	187,241	7.0%
Absolute Return	159,663	6.0%
Real Assets	407,858	15.3%
Short Term	1,451	0.1%
Total	2,669,443	100.0%

Health Reimbursement

Actual Asset Allocation

ARMB PERS Health Reimbursement allocation as of September 30, 2009.

Actual Asset Allocation

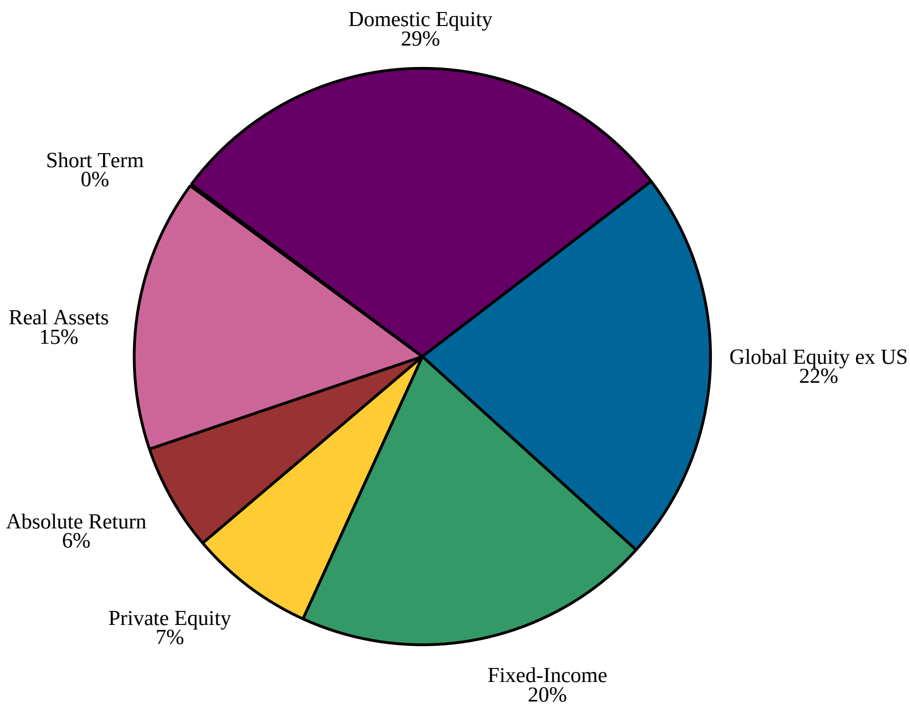


Asset Class	$Dollars Actual	Percent Actual
Domestic Equity	6,903,498	29.0%
Global Equity ex US	5,195,728	21.8%
Fixed-Income	4,725,049	19.9%
Private Equity	1,646,583	6.9%
Absolute Return	1,402,790	5.9%
Real Assets	3,586,345	15.1%
Short Term	328,701	1.4%
Total	23,788,694	100.0%

Actual Asset Allocation

ARMB TRS Health Reimbursement allocation as of September 30, 2009.

Actual Asset Allocation

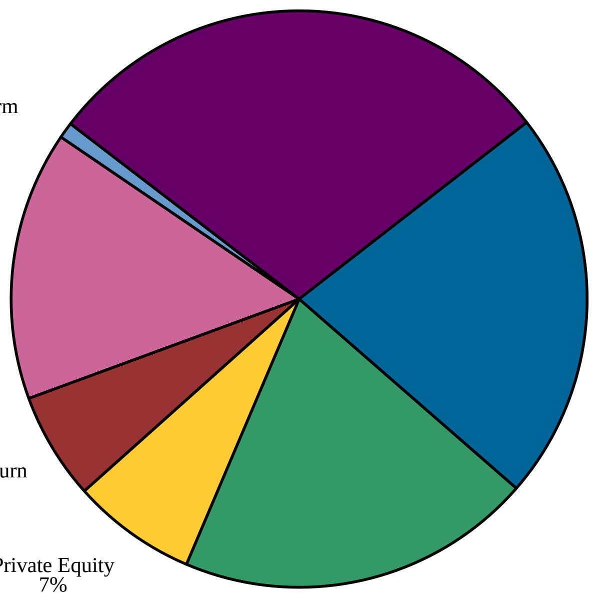


Asset Class	$Dollars Actual	Percent Actual
Domestic Equity	2,300,952	29.4%
Global Equity ex US	1,731,626	22.1%
Fixed-Income	1,574,688	20.1%
Private Equity	548,778	7.0%
Absolute Return	467,266	6.0%
Real Assets	1,195,200	15.3%
Short Term	3,578	0.0%
Total	7,822,088	100.0%

Actual Asset Allocation

ARMB PERS ODD allocation as of September 30, 2009.

Actual Asset Allocation

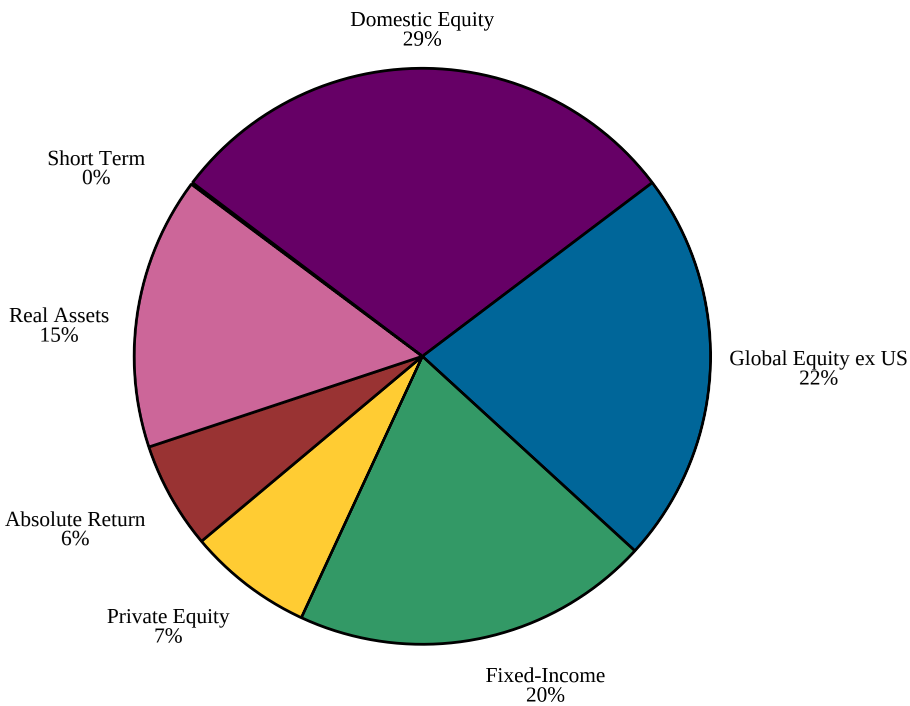


Asset Class	$Dollars Actual	Percent Actual
Domestic Equity	816,736	29.1%
Global Equity ex US	614,980	21.9%
Fixed-Income	559,550	20.0%
Private Equity	194,859	7.0%
Absolute Return	167,170	6.0%
Real Assets	424,712	15.1%
Short Term	25,444	0.9%
Total	2,803,451	100.0%

Actual Asset Allocation

ARMB TRS ODD allocation as of September 30, 2009.

Actual Asset Allocation

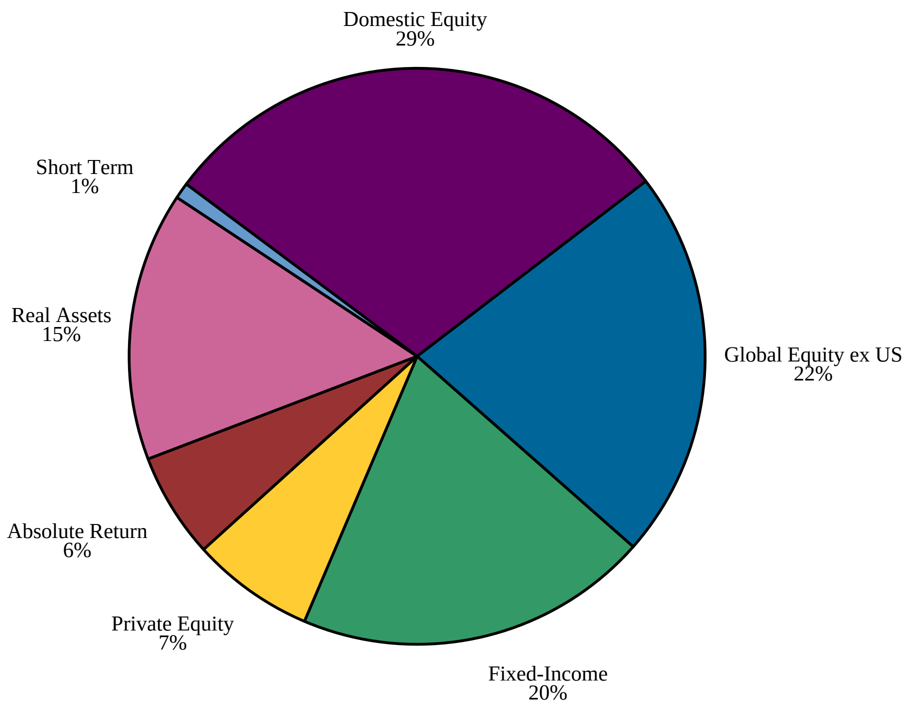


Asset Class	$Dollars Actual	Percent Actual
Domestic Equity	351,402	29.4%
Global Equity ex US	264,576	22.1%
Fixed-Income	240,677	20.1%
Private Equity	83,835	7.0%
Absolute Return	71,857	6.0%
Real Assets	182,703	15.3%
Short Term	465	0.0%
Total	1,195,515	100.0%

Actual Asset Allocation

ARMB P & F ODD allocation as of September 30, 2009.

Actual Asset Allocation



Asset Class	$Dollars Actual	Percent Actual
Domestic Equity	255,433	29.4%
Global Equity ex US	190,020	21.9%
Fixed-Income	172,817	19.9%
Private Equity	60,215	6.9%
Absolute Return	51,311	5.9%
Real Assets	131,161	15.1%
Short Term	7,689	0.9%
Total	868,646	100.0%

Investment Fund Returns

The table below details the rates of return for the Sponsor's investment funds over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended December 31, 2009

	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years
Total Retiree Medical Plan	**2.83%**	**12.48%**	**14.58%**	**(7.91%)**	**(3.57%)**
Retiree Medical PERS	**2.81%**	**12.41%**	**14.46%**	**-**	**-**
Retiree Medical TRS	**2.86%**	**12.62%**	**14.75%**	**-**	**-**
Benchmark	2.93%	14.65%	20.10%	(8.06%)	(3.64%)
Total Health Reimbursement	**2.87%**	**12.50%**	**14.59%**	**(7.70%)**	**(3.33%)**
Health Reimbursement PERS	**2.88%**	**12.47%**	**14.47%**	**-**	**-**
Health Reimbursement TRS	**2.84%**	**13.13%**	**15.27%**	**-**	**-**
Benchmark	2.93%	14.65%	20.10%	(8.06%)	(3.64%)
ODD PERS	**3.04%**	**12.66%**	**13.78%**	**(7.95%)**	**(3.56%)**
Benchmark	2.93%	14.65%	20.10%	(8.06%)	(3.64%)
ODD TRS	**3.23%**	**12.96%**	**14.44%**	**(5.88%)**	**-**
Benchmark	2.93%	14.65%	20.10%	(8.06%)	(3.64%)

* Current Quarter Target = 30.0% Russell 3000 Index, 22.0% MSCI ACWI ex-US Index, 14.0% BC Aggregate Index, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% BC Treasury, 2.0% Citi Non-US Gvt Bd Idx, 2.0% Hi Yld II Index, 1.6% NCREIF Farmland Index and 1.6% NCREIF Timberland Index.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2009, with the distribution as of September 30, 2009.

Asset Distribution Across Investment Managers

	December 31, 2009		September 30, 2009	
	Market Value	Percent	Market Value	Percent
Balanced/Target Funds				
Alaska Balanced Trust	85,672	0.11%	73,357	0.11%
Alaska Long-Term Balanced	8,925,496	11.06%	6,039,943	8.74%
2010 Trust	30,896	0.04%	9,016	0.01%
2015 Trust	125,868	0.16%	45,478	0.07%
2020 Trust	183,110	0.23%	57,671	0.08%
2025 Trust	286,096	0.35%	118,162	0.17%
2030 Trust	269,756	0.33%	104,678	0.15%
2035 Trust	241,685	0.30%	56,978	0.08%
2040 Trust	682,223	0.85%	298,447	0.43%
2045 Trust	317,523	0.39%	70,624	0.10%
2050 Trust	349,926	0.43%	68,496	0.10%
2055 Trust	75,411	0.09%	13,137	0.02%
Domestic Equity Funds				
S&P 500 Stock Index Fd	20,787,152	25.75%	21,359,232	30.92%
RCM Socially Resp Inv Fd	6,655,082	8.25%	364,434	0.53%
Russell 3000 Index Fd	99,373	0.12%	73,737	0.11%
T. Rowe Small Cap	12,412,295	15.38%	14,883,993	21.54%
International Equity Funds				
Brandes Intl Equity (new)	22,371,638	27.72%	-	-
Brandes Intl Equity	-	-	20,068,754	29.05%
World Equity ex US	119,995	0.15%	86,012	0.12%
Fixed-Income Funds				
Barclays Govt/Credit	3,108,256	3.85%	2,599,770	3.76%
Long US Treasury Bd	58,120	0.07%	41,210	0.06%
Intermediate Bond Fund	107,145	0.13%	89,159	0.13%
US TIPS	92,684	0.11%	68,601	0.10%
World Govt Bd ex US	52,389	0.06%	29,082	0.04%
Global Balanced Funds				
SSgA Global Balanced	1,220,859	1.51%	1,305,245	1.89%
Real Estate Funds				
US REIT Index	123,383	0.15%	85,300	0.12%
Short Term Funds				
Money Market	1,835,113	2.27%	966,911	1.40%
SSgA Treas Money Mkt Fd	96,546	0.12%	112,144	0.16%
Total	**$80,713,692**	**100.0%**	**$69,089,571**	**100.0%**

TRS Defined Contribution Plan

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2009, with the distribution as of September 30, 2009.

Asset Distribution Across Investment Managers

	December 31, 2009		September 30, 2009	
	Market Value	Percent	Market Value	Percent
Balanced/Target Funds				
Alaska Balanced Trust	43,424	0.12%	38,252	0.13%
Alaska Long-Term Balanced	3,915,812	10.84%	2,708,296	8.97%
2010 Trust	21,794	0.06%	3,120	0.01%
2015Trust	100,653	0.28%	21,469	0.07%
2020 Trust	97,696	0.27%	16,743	0.06%
2025 Trust	114,342	0.32%	18,836	0.06%
2030 Trust	135,424	0.37%	22,231	0.07%
2035 Trust	226,022	0.63%	40,211	0.13%
2040 Trust	274,221	0.76%	56,073	0.19%
2045 Trust	401,318	1.11%	49,275	0.16%
2050 Trust	469,411	1.30%	49,931	0.17%
2055 Trust	9,763	0.03%	1,608	0.01%
Domestic Equity Funds				
S&P 500 Stock Index Fd	9,127,798	25.26%	9,311,409	30.84%
RCM Socially Resp Inv Fd	3,042,908	8.42%	206,871	0.69%
Russell 3000 Index Fd	19,287	0.05%	11,540	0.04%
T. Rowe Small Cap	5,427,667	15.02%	6,529,247	21.63%
International Equity Funds				
Brandes Intl Equity (new)	9,914,627	27.44%	-	-
Brandes Intl Equity	-	-	8,865,282	29.37%
World Equity ex US	10,760	0.03%	1,718	0.01%
Fixed-Income Funds				
Barclays Govt/Credit	1,416,945	3.92%	1,157,488	3.83%
Long US Treasury Bd	5,515	0.02%	4,269	0.01%
Intermediate Bond Fund	23,657	0.07%	25,903	0.09%
US TIPS	30,359	0.08%	16,268	0.05%
World Govt Bd ex US	5,434	0.02%	554	0.00%
Global Balanced Funds				
SSgA Global Balanced	515,881	1.43%	573,569	1.90%
Real Estate Funds				
US REIT Index	10,473	0.03%	7,037	0.02%
Short Term Funds				
Alaska Money Market	771,117	2.13%	445,239	1.47%
SSgA Money Mkt	-	-	7,451	0.02%
Total	**$36,132,308**	**100.0%**	**$30,189,890**	**100.0%**

Manager Performance

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended December 31, 2009

	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 3-1/4 Years
S&P 500 Stock Index Fd	**6.02%**	**22.54%**	**26.67%**	**(5.53%)**	**(3.19%)**
RCM Socially Responsible Inv(1)	**7.29%**	**25.29%**	**32.62%**	-	-
S&P 500 Index	6.04%	22.59%	26.47%	(5.63%)	(3.29%)
Russell 3000 Index Fund	**5.92%**	**23.27%**	**28.75%**	-	-
Russell 3000	5.90%	23.17%	28.34%	(5.42%)	(2.98%)
T. Rowe Price Small-Cap Stock Tr	**4.93%**	**26.52%**	**39.59%**	**(2.78%)**	**(0.62%)**
Russell 2000	3.87%	23.90%	27.17%	(6.07%)	(3.10%)
MSCI EAFE Index	2.18%	22.07%	31.78%	(6.04%)	(2.68%)
World Equity ex US	**3.33%**	**23.43%**	**43.37%**	-	-
MSCI ACWI x US (Net)	3.74%	24.16%	41.45%	(3.49%)	(0.03%)
SSgA Global Balanced	**2.67%**	-	-	-	-
Global Balanced Target	2.62%	-	-	-	-
Barclays Govt/Credit Bond Fund(2)	**(0.31%)**	**3.74%**	**3.79%**	**5.63%**	**5.54%**
BC Govt/Credit Bd	(0.21%)	3.94%	4.52%	5.81%	5.69%
Long US Treasury Bond	**(5.32%)**	**(0.85%)**	**(12.14%)**	-	-
BC Long Treasury	(5.33%)	(1.04%)	(12.92%)	5.85%	5.54%
Intermediate Bond Fund	**(0.51%)**	**1.07%**	**(0.53%)**	-	-
BC Govt Intermediate	(0.42%)	1.21%	(0.32%)	6.09%	5.89%
US TIPS	**1.70%**	**4.82%**	**11.21%**	-	-
BC US TIPS Index	1.76%	4.90%	11.41%	6.69%	5.74%
World Govt Bond ex US	**(2.22%)**	**4.51%**	**4.01%**	-	-
Citi Non-US Gvt Bd Idx	(2.15%)	5.02%	4.38%	8.60%	8.61%
Alaska Balanced Trust	**1.91%**	**10.60%**	**15.16%**	**2.47%**	**3.35%**
Alaska Balanced Benchmark	1.99%	10.27%	14.24%	2.55%	3.36%
Alaska Long-Term Balanced Tr	**3.14%**	**15.33%**	**21.03%**	**(0.42%)**	**1.12%**
Alaska Long-Term Bal. Benchmark	3.26%	15.04%	20.19%	(0.20%)	1.24%
Target 2010 Trust	**2.99%**	**14.12%**	-	-	-
Target 2010 Benchmark	3.03%	14.25%	-	-	-
Target 2015 Trust	**2.90%**	-	-	-	-
Target 2015 Benchmark	2.98%	-	-	-	-
Target 2020 Trust	**3.75%**	**16.88%**	-	-	-
Target 2020 Benchmark	3.94%	17.01%	-	-	-

(1) RCM Socially Responsible Inv Fd replaced the Sentinel Sustainable Core Opp Fund on October 31, 2008.
(2) Relaced SSgA Govt/Corp Bond Fund during August 2007.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 2009. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended December 31, 2009

	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 3-1/4 Years
Target 2025 Trust	**4.41%**	**19.77%**	**25.69%**	**(4.23%)**	**(1.96%)**
Target 2025 Benchmark	4.56%	19.98%	25.06%	(4.36%)	(2.15%)
Target 2030 Trust	**4.37%**	**20.12%**	**-**	**-**	**-**
Target 2030 Benchmark	4.49%	20.21%	-	-	-
Target 2035 Trust	**4.57%**	**21.06%**	**-**	**-**	**-**
Target 2035 Benchmark	4.68%	21.00%	-	-	-
Target 2040 Trust	**4.58%**	**20.90%**	**-**	**-**	**-**
Target 2040 Benchmark	4.68%	21.00%	-	-	-
Target 2045 Trust	**4.64%**	**-**	**-**	**-**	**-**
Target 2045 Benchmark	4.68%	-	-	-	-
Target 2050 Trust	**4.62%**	**-**	**-**	**-**	**-**
Target 2050 Benchmark	4.68%	-	-	-	-
Target 2055 Trust	**4.55%**	**-**	**-**	**-**	**-**
Target 2055 Benchmark	4.68%	-	-	-	-
US Real Estate Inv Trust	**7.31%**	**45.12%**	**29.49%**	**-**	**-**
Dow Jones Wilshire REIT	9.15%	47.81%	28.60%	(13.61%)	(10.32%)
Alaska Money Market Trust	**0.06%**	**0.14%**	**0.51%**	**2.90%**	**3.06%**
Citigroup 90-day T-Bill	0.03%	0.07%	0.16%	2.22%	2.43%
SSgA Treas Mny Mkt	**0.01%**	**0.02%**	**0.03%**	**-**	**-**
Citigroup 90-day T-Bill	0.03%	0.07%	0.16%	2.22%	2.43%

S&P 500 STOCK INDEX FD
PERIOD ENDED DECEMBER 31, 2009

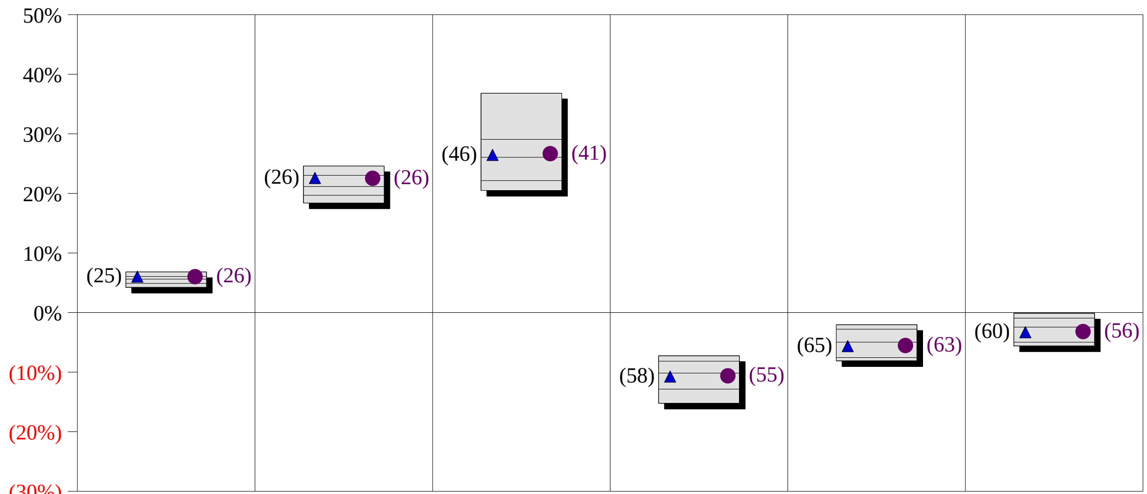
Investment Philosophy

State Street believes that their passive investment strategy can provide market-like returns with minimal transaction costs.

Quarterly Summary and Highlights

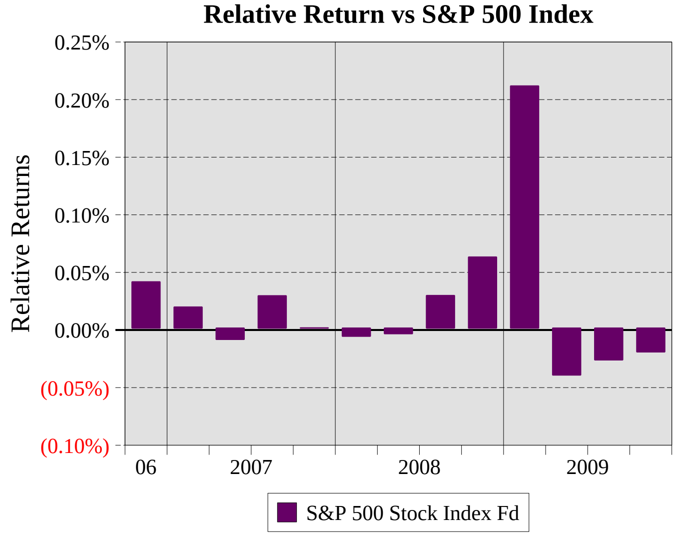
- S&P 500 Stock Index Fd's portfolio posted a 6.02% return for the quarter placing it in the 26 percentile of the CAI MF - Core Equity Style group for the quarter and in the 41 percentile for the last year.
- S&P 500 Stock Index Fd's portfolio underperformed the S&P 500 Index by 0.02% for the quarter and outperformed the S&P 500 Index for the year by 0.21%.

Performance vs CAI MF - Core Equity Style (Net)

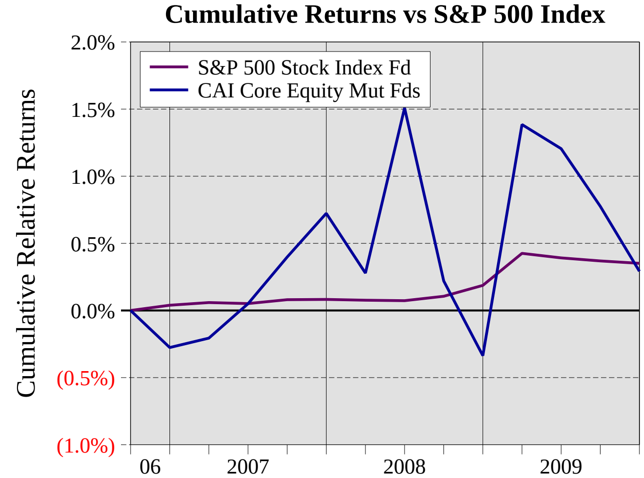


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	6.82	24.60	36.80	(7.25)	(2.04)	(0.12)
25th Percentile	6.05	23.03	29.07	(8.17)	(2.80)	(0.94)
Median	5.61	21.16	26.06	(10.16)	(4.97)	(2.45)
75th Percentile	4.89	19.68	22.15	(12.85)	(7.56)	(4.98)
90th Percentile	4.23	18.39	20.49	(15.23)	(8.11)	(5.60)
S&P 500 Stock Index Fd ●	6.02	22.54	26.67	(10.62)	(5.53)	(3.19)
S&P 500 Index ▲	6.04	22.59	26.47	(10.74)	(5.63)	(3.29)

Relative Return vs S&P 500 Index



Cumulative Returns vs S&P 500 Index

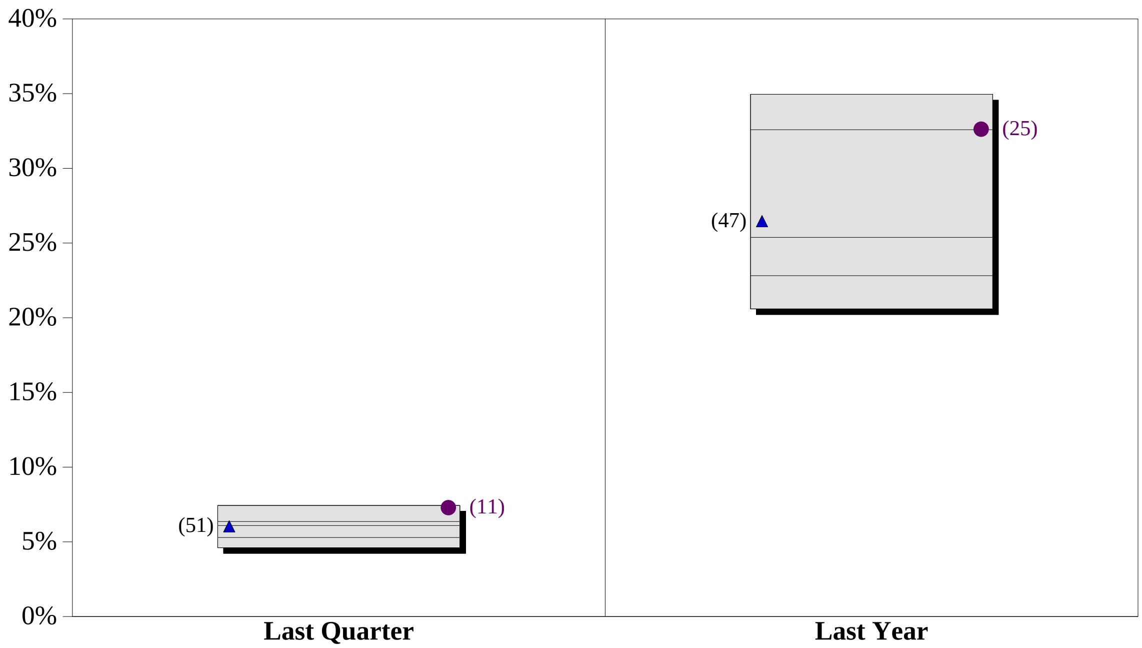


RCM SOCIALLY RESP. INV. FUND
PERIOD ENDED DECEMBER 31, 2009

Quarterly Summary and Highlights

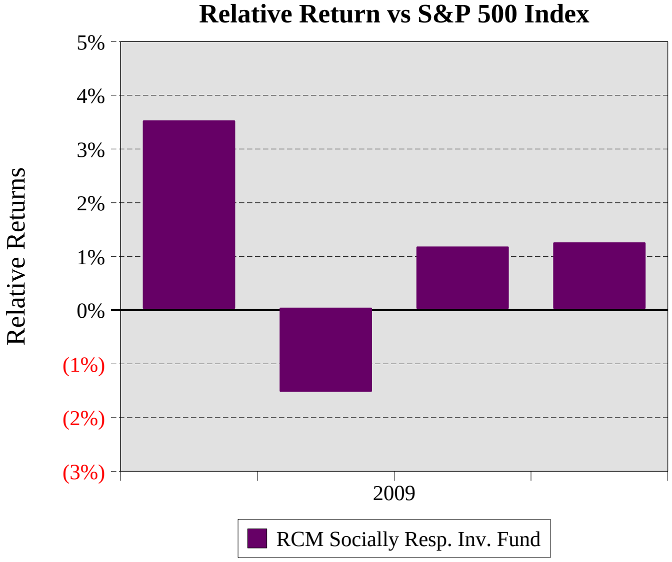
- RCM Socially Resp. Inv. Fund’s portfolio posted a 7.29% return for the quarter placing it in the 11 percentile of the CAI Large Cap Core Style group for the quarter and in the 25 percentile for the last year.
- RCM Socially Resp. Inv. Fund’s portfolio outperformed the S&P 500 Index by 1.25% for the quarter and outperformed the S&P 500 Index for the year by 6.16%.

Performance vs CAI Large Cap Core Style (Gross)

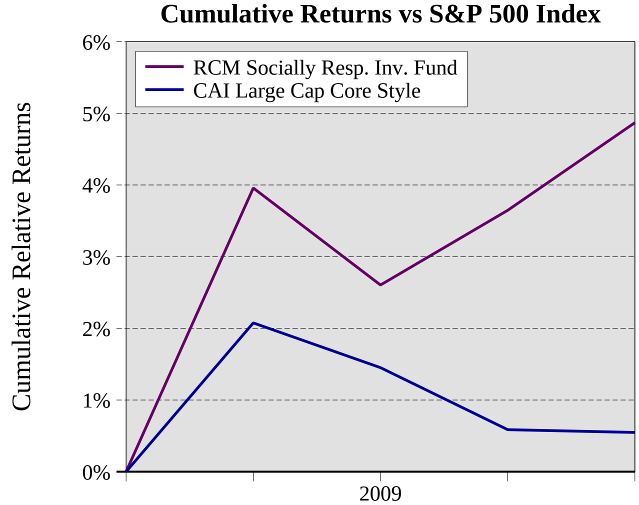


	Last Quarter	Last Year
10th Percentile	7.44	34.96
25th Percentile	6.36	32.58
Median	6.09	25.38
75th Percentile	5.29	22.82
90th Percentile	4.61	20.59
RCM Socially Resp. Inv. Fund ●	7.29	32.62
S&P 500 Index ▲	6.04	26.47

Relative Return vs S&P 500 Index



Cumulative Returns vs S&P 500 Index



RUSSELL 3000 INDEX FUND
PERIOD ENDED DECEMBER 31, 2009

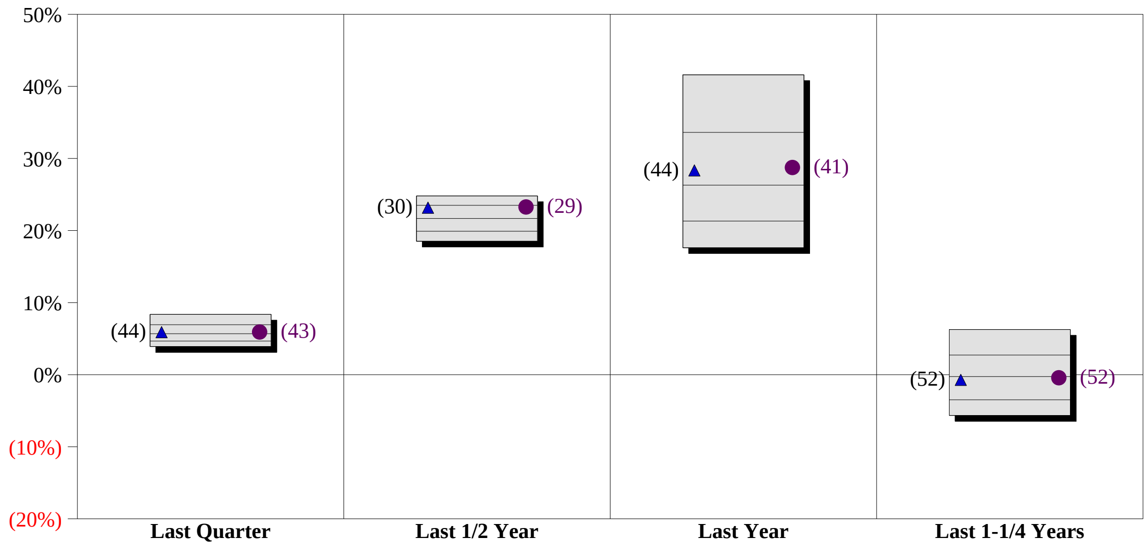
Investment Philosophy

The Russell 3000 Index Strategy seeks to replicate the returns and characteristics of the Russell 3000 Index. .

Quarterly Summary and Highlights

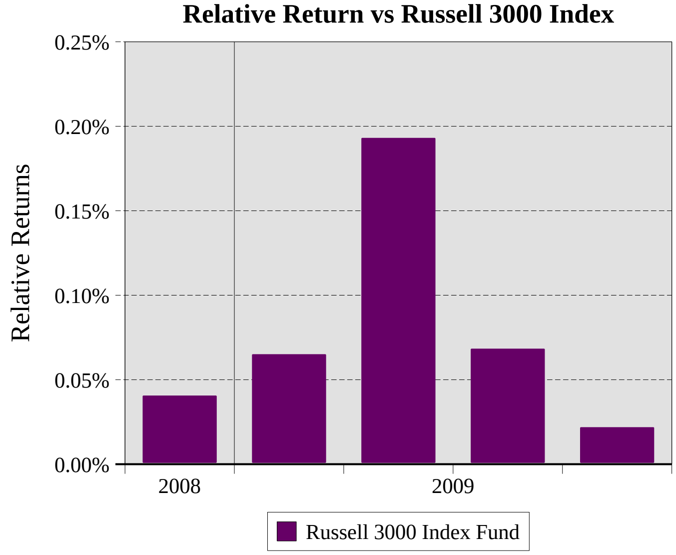
- Russell 3000 Index Fund's portfolio posted a 5.92% return for the quarter placing it in the 43 percentile of the CAI MF - Large Cap Broad Style group for the quarter and in the 41 percentile for the last year.
- Russell 3000 Index Fund's portfolio outperformed the Russell 3000 Index by 0.02% for the quarter and outperformed the Russell 3000 Index for the year by 0.41%.

Performance vs CAI MF - Large Cap Broad Style (Net)

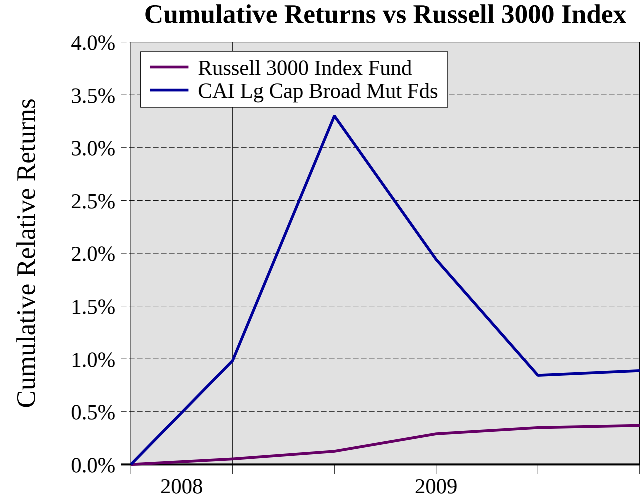


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	8.37	24.80	41.61	6.27
25th Percentile	6.93	23.50	33.62	2.72
Median	5.68	21.67	26.30	(0.26)
75th Percentile	4.66	19.90	21.31	(3.48)
90th Percentile	3.91	18.51	17.61	(5.66)
Russell 3000 Index Fund ●	5.92	23.27	28.75	(0.42)
Russell 3000 Index ▲	5.90	23.17	28.34	(0.72)

Relative Return vs Russell 3000 Index



Cumulative Returns vs Russell 3000 Index



T. ROWE PRICE SMALL-CAP
PERIOD ENDED DECEMBER 31, 2009

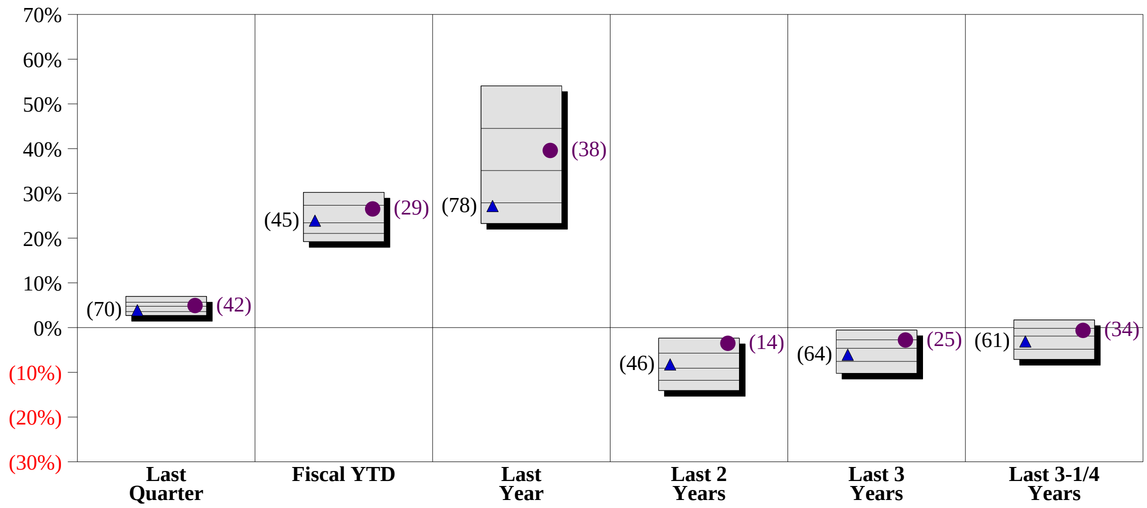
Investment Philosophy

T. Rowe Price believes that opportunistically blending small-cap value and growth stocks to capitalize on valuation anomalies will produce superior and consistent returns. They also believe that a broadly diversified portfolio can achieve those returns with below-market volatility.

Quarterly Summary and Highlights

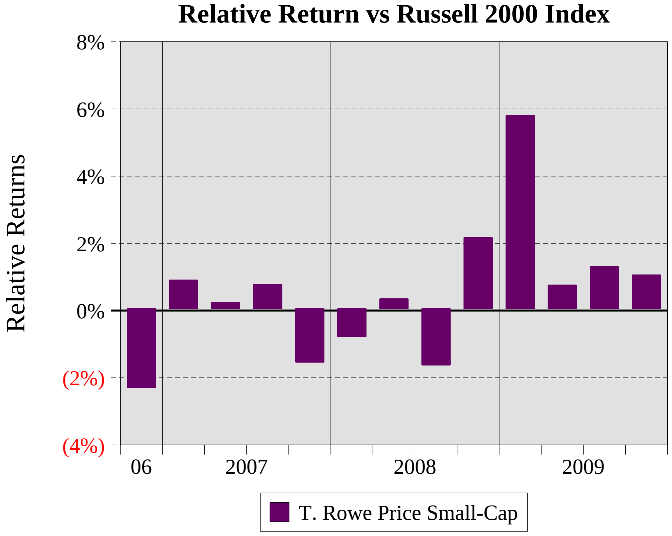
- T. Rowe Price Small-Cap's portfolio posted a 4.93% return for the quarter placing it in the 42 percentile of the CAI MF - Small Cap Broad Style group for the quarter and in the 38 percentile for the last year.
- T. Rowe Price Small-Cap's portfolio outperformed the Russell 2000 Index by 1.06% for the quarter and outperformed the Russell 2000 Index for the year by 12.42%.

Performance vs CAI MF - Small Cap Broad Style (Net)

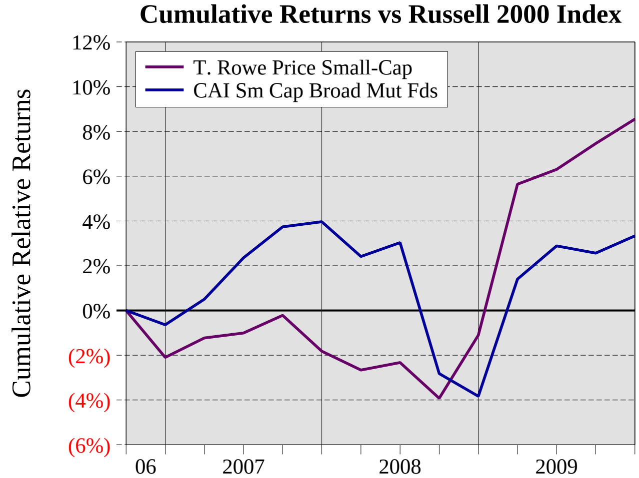


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	6.97	30.23	54.04	(2.35)	(0.55)	1.72
25th Percentile	5.67	27.34	44.52	(5.72)	(2.74)	(0.17)
Median	4.76	23.42	35.11	(9.07)	(4.63)	(1.89)
75th Percentile	3.58	21.05	27.89	(11.78)	(7.56)	(4.83)
90th Percentile	2.70	19.21	23.27	(14.07)	(10.22)	(7.12)
T. Rowe Price Small-Cap ●	4.93	26.52	39.59	(3.51)	(2.78)	(0.62)
Russell 2000 Index ▲	3.87	23.90	27.17	(8.24)	(6.07)	(3.10)

Relative Return vs Russell 2000 Index



Cumulative Returns vs Russell 2000 Index



BARCLAYS GOVT/CREDIT BOND FUND
PERIOD ENDED DECEMBER 31, 2009

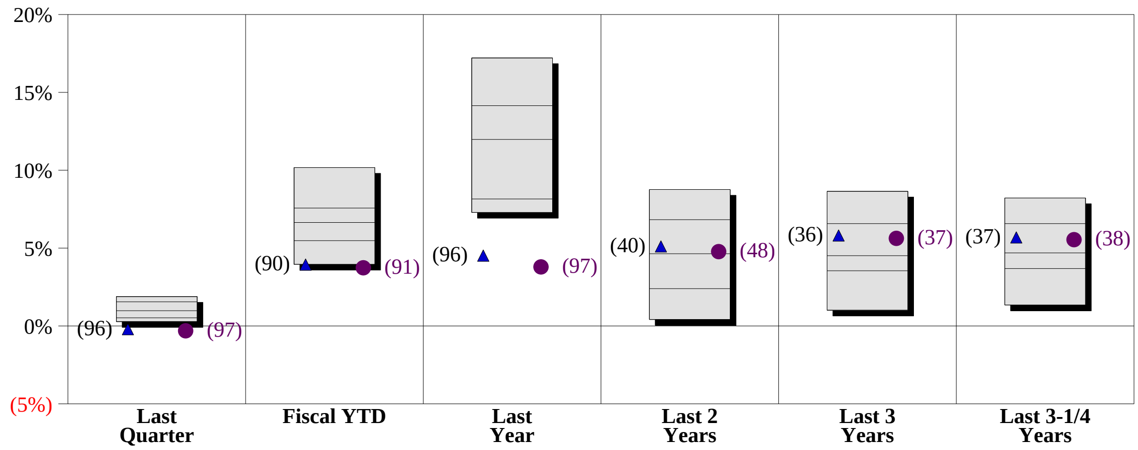
Investment Philosophy

The objective of the Government/Credit Bond Index Fund is to track the performance of its benchmark, the Lehman Brothers Government/Credit Bond Index. The fund provides institutional investors a high quality, cost-effective, index-based solution to their bond investment needs. BGI's proprietary databases amass a wealth of real-time data each day, providing us with an unmatched ability to efficiently execute market transactions. Additionally, they leverage size and trading volume to minimize or eliminate transaction costs for clients.

Quarterly Summary and Highlights

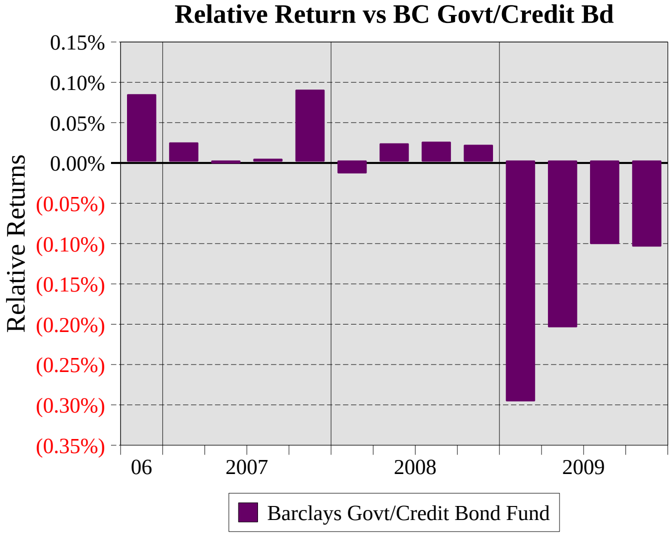
- Barclays Govt/Credit Bond Fund's portfolio posted a (0.31)% return for the quarter placing it in the 97 percentile of the CAI MF - Core Bond Style group for the quarter and in the 97 percentile for the last year.
- Barclays Govt/Credit Bond Fund's portfolio underperformed the BC Govt/Credit Bd by 0.10% for the quarter and underperformed the BC Govt/Credit Bd for the year by 0.73%.

Performance vs CAI MF - Core Bond Style (Net)

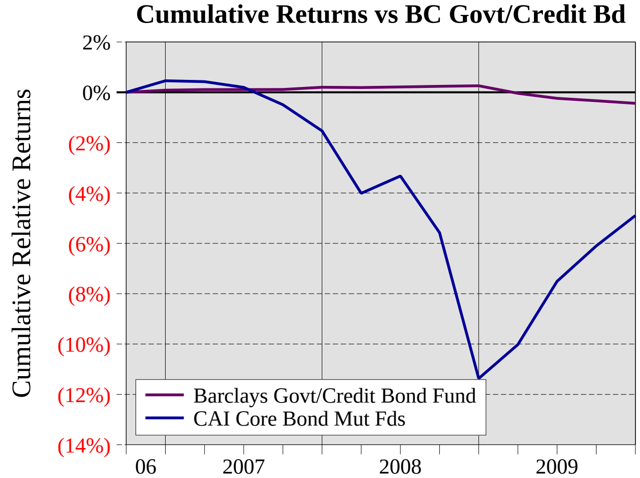


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	1.89	10.17	17.21	8.76	8.65	8.22
25th Percentile	1.55	7.57	14.15	6.83	6.57	6.57
Median	0.98	6.64	11.98	4.64	4.51	4.69
75th Percentile	0.52	5.48	8.16	2.40	3.55	3.69
90th Percentile	0.28	3.96	7.29	0.42	1.01	1.35
Barclays Govt/Credit Bond Fund ●	(0.31)	3.74	3.79	4.77	5.63	5.54
BC Govt/Credit Bd ▲	(0.21)	3.94	4.52	5.11	5.81	5.69

Relative Return vs BC Govt/Credit Bd



Cumulative Returns vs BC Govt/Credit Bd

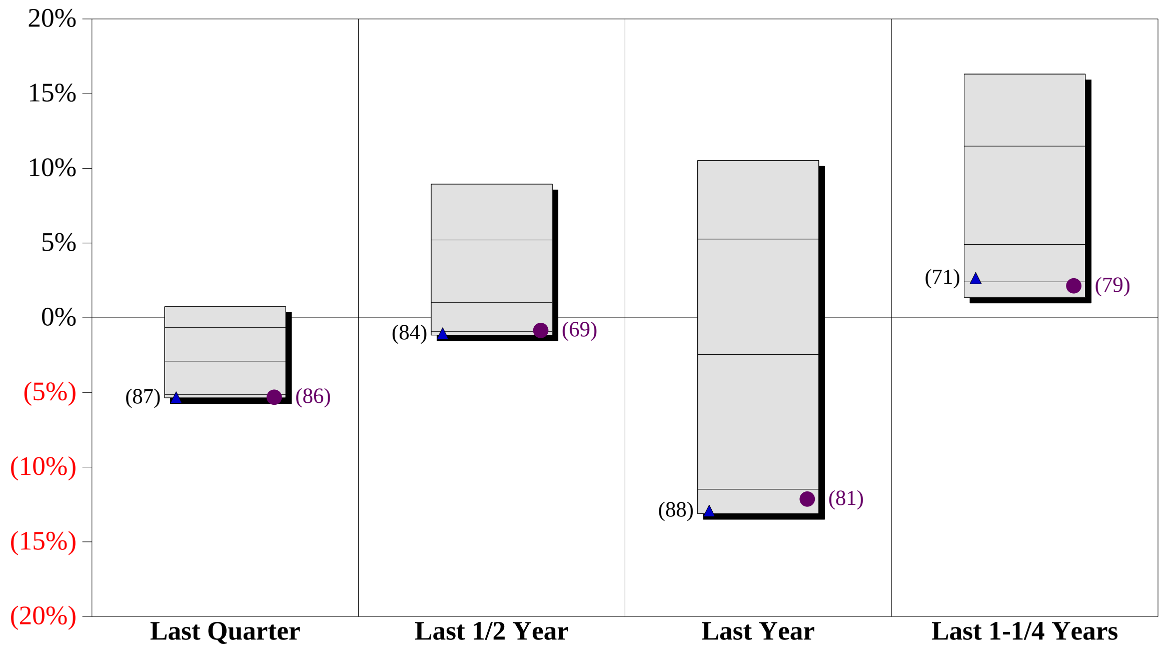


LONG US TREASURY BOND
PERIOD ENDED DECEMBER 31, 2009

Quarterly Summary and Highlights

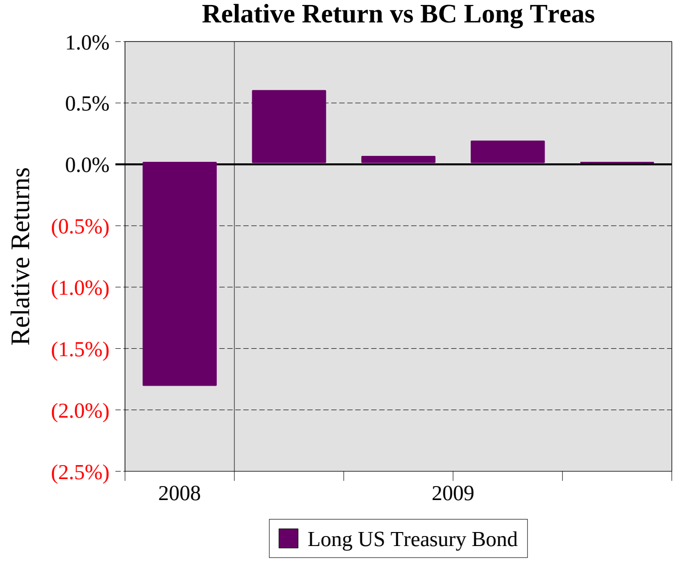
- Long US Treasury Bond's portfolio posted a (5.32)% return for the quarter placing it in the 86 percentile of the CAI MF - Extended Maturity group for the quarter and in the 81 percentile for the last year.
- Long US Treasury Bond's portfolio outperformed the BC Long Treas by 0.01% for the quarter and outperformed the BC Long Treas for the year by 0.78%.

Performance vs CAI MF - Extended Maturity (Net)

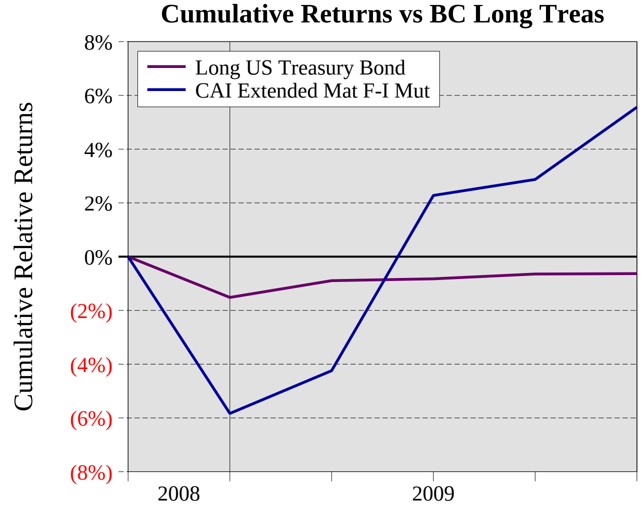


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	0.74	8.95	10.53	16.31
25th Percentile	(0.66)	5.21	5.27	11.49
Median	(2.91)	1.01	(2.46)	4.91
75th Percentile	(5.13)	(0.93)	(11.48)	2.40
90th Percentile	(5.36)	(1.16)	(13.11)	1.37
Long US Treasury Bond ●	(5.32)	(0.85)	(12.14)	2.14
BC Long Treas ▲	(5.33)	(1.04)	(12.92)	2.65

Relative Return vs BC Long Treas



Cumulative Returns vs BC Long Treas



INTERMEDIATE BOND FUND
PERIOD ENDED DECEMBER 31, 2009

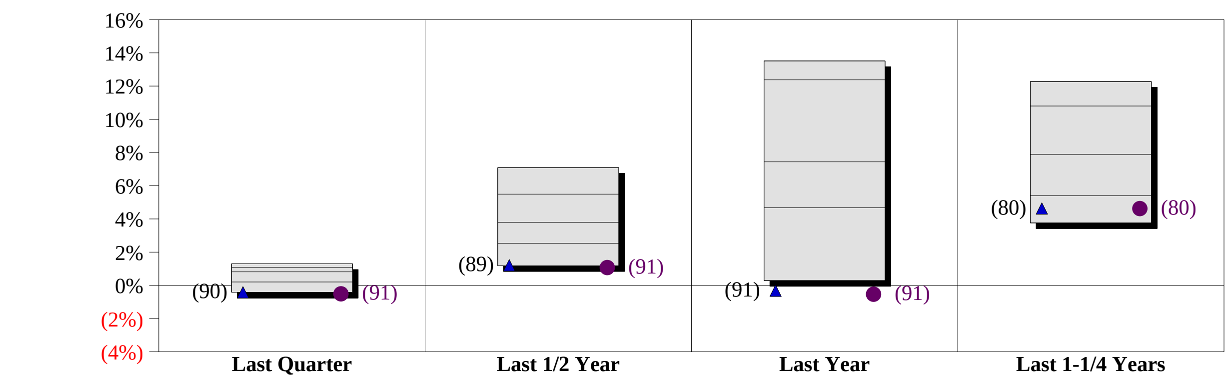
Investment Philosophy

The objective of the Intermediate Government/Credit Bond Index Fund is to track the performance of its benchmark, the Barclays Capital Intermediate Government/Credit Bond Index. The fund provides institutional investors a high quality, cost-effective, index-based solution to their bond investment needs. Our proprietary databases amass a wealth of real-time data each day, providing us with an unmatched ability to efficiently execute market transactions. Additionally, we leverage our size and trading volume to minimize or eliminate transaction costs for our clients. These competitive advantages enable us to deliver superior investment performance to our clients with efficiency and consistency that is unsurpassed.

Quarterly Summary and Highlights

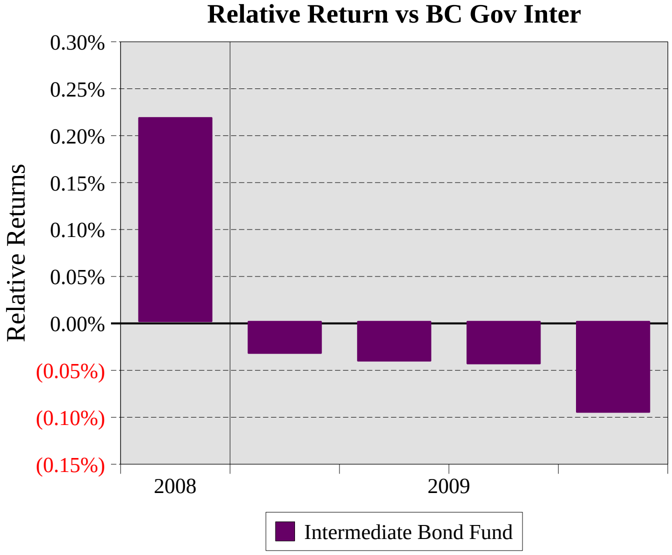
- Intermediate Bond Fund's portfolio posted a (0.51)% return for the quarter placing it in the 91 percentile of the CAI MF - Intermediate Style group for the quarter and in the 91 percentile for the last year.
- Intermediate Bond Fund's portfolio underperformed the BC Gov Inter by 0.09% for the quarter and underperformed the BC Gov Inter for the year by 0.21%.

Performance vs CAI MF - Intermediate Style (Net)

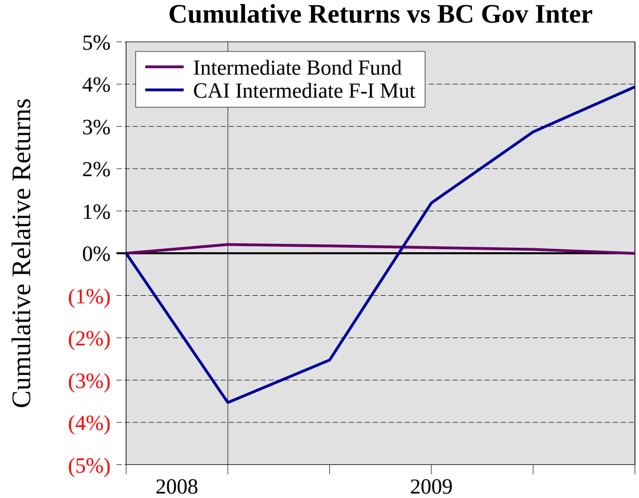


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	1.30	7.09	13.51	12.27
25th Percentile	1.08	5.49	12.38	10.80
Median	0.81	3.79	7.44	7.88
75th Percentile	0.20	2.54	4.68	5.40
90th Percentile	(0.41)	1.18	0.29	3.76
Intermediate Bond Fund ●	(0.51)	1.07	(0.53)	4.62
BC Gov Inter ▲	(0.42)	1.21	(0.32)	4.63

Relative Return vs BC Gov Inter



Cumulative Returns vs BC Gov Inter



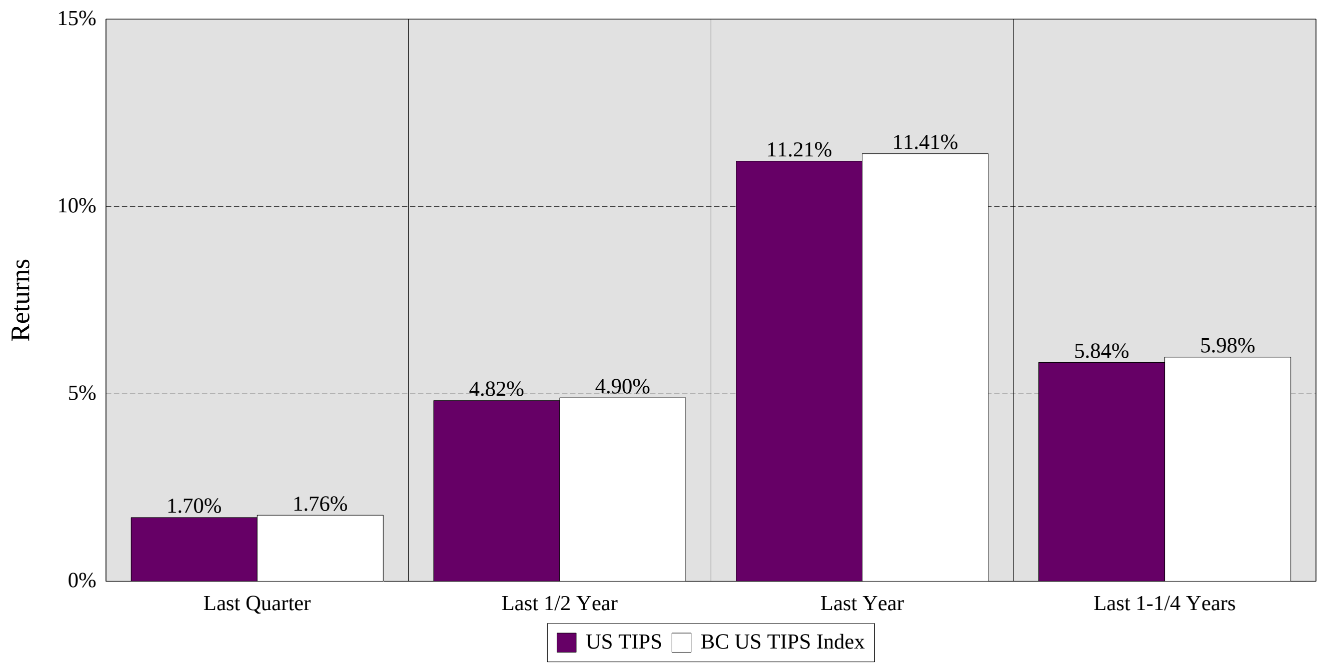
US TIPS
PERIOD ENDED DECEMBER 31, 2009

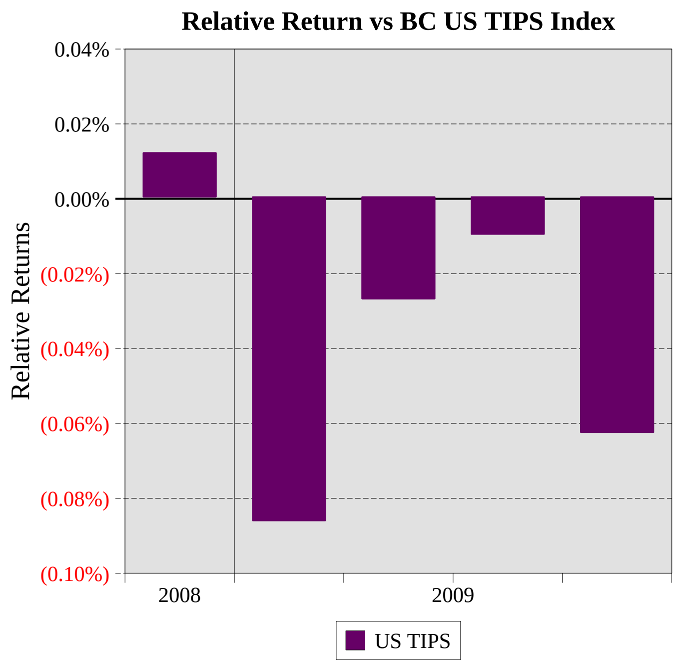
Investment Philosophy

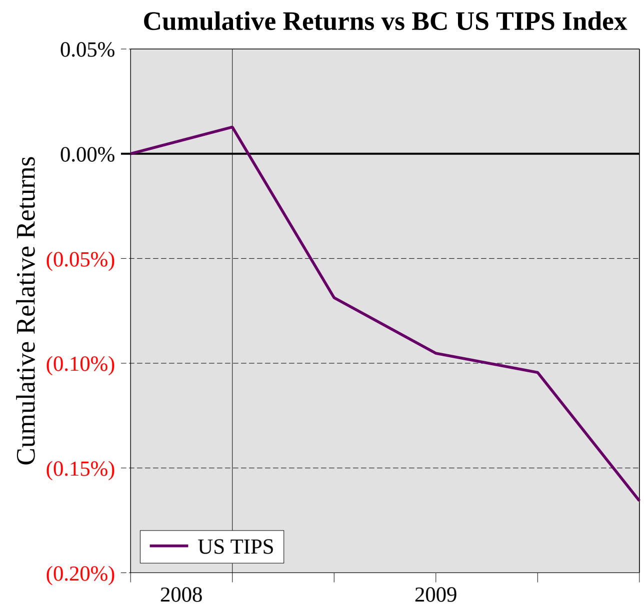
The Passive Treasury Inflation Protected Securities Strategy seeks to match the total rate of return of the BC Inflation Notes Index by investing in a portfolio of US Treasury inflation protected securities. It is managed duration neutral to the Index at all times. Overall sector and security weightings are also matched to the Index. The strategy is one of full replication, owning a market-value weight of each security in the benchmark.

Quarterly Summary and Highlights

- US TIPS's portfolio underperformed the BC US TIPS Index by 0.06% for the quarter and underperformed the BC US TIPS Index for the year by 0.20%.





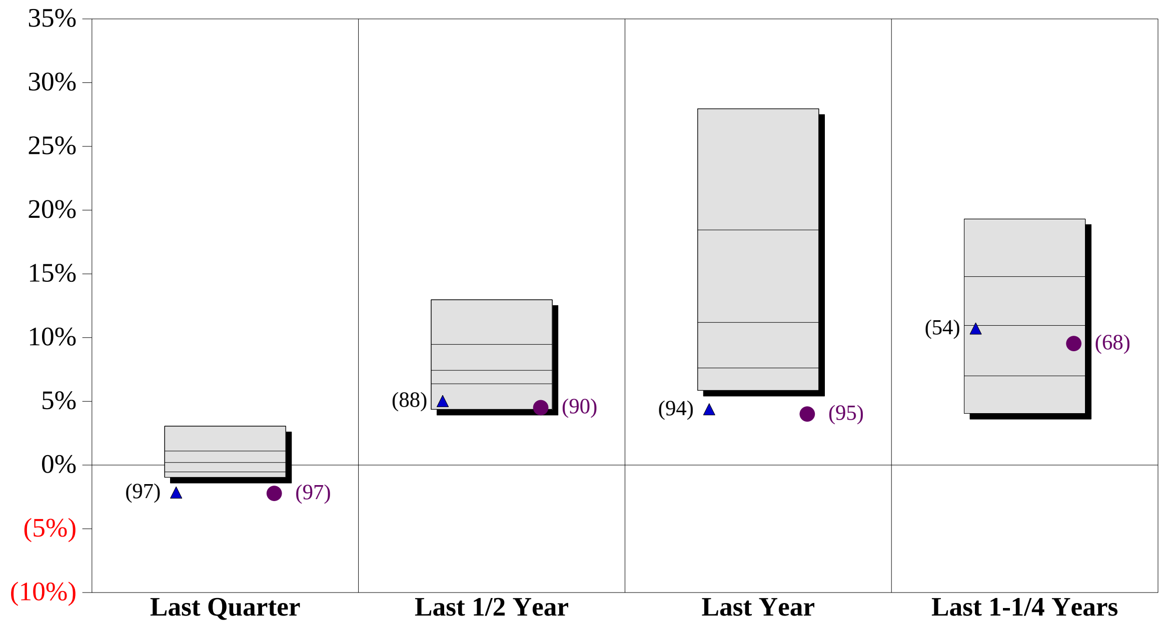


WORLD GOVT BOND EX US
PERIOD ENDED DECEMBER 31, 2009

Quarterly Summary and Highlights

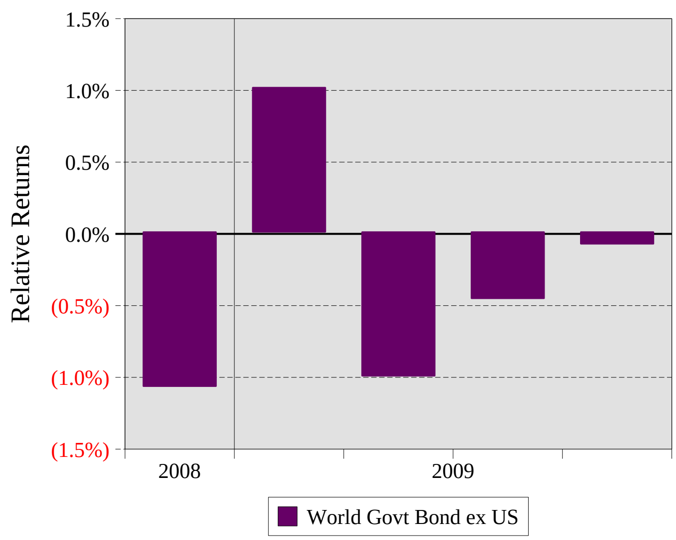
- World Govt Bond ex US’s portfolio posted a (2.22)% return for the quarter placing it in the 97 percentile of the CAI MF - Global Fixed Income Style group for the quarter and in the 95 percentile for the last year.
- World Govt Bond ex US’s portfolio underperformed the Citi Non-US Gvt Bd Idx by 0.07% for the quarter and underperformed the Citi Non-US Gvt Bd Idx for the year by 0.37%.

Performance vs CAI MF - Global Fixed Income Style (Net)

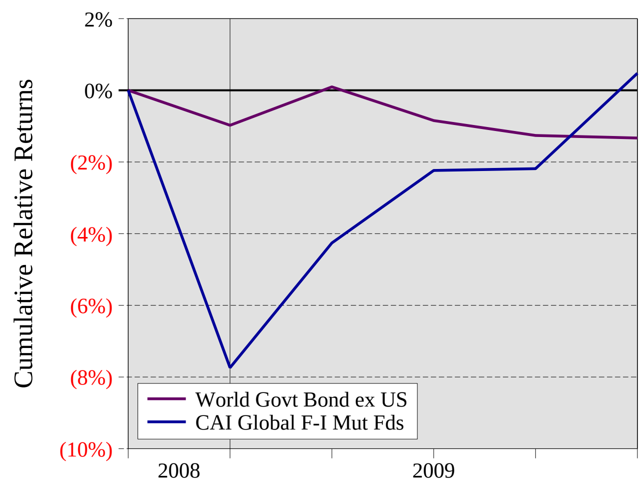


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	3.05	12.97	27.95	19.30
25th Percentile	1.10	9.47	18.45	14.79
Median	0.20	7.43	11.19	10.95
75th Percentile	(0.54)	6.38	7.62	7.00
90th Percentile	(0.96)	4.37	5.86	4.05
World Govt Bond ex US ●	(2.22)	4.51	4.01	9.53
Citi Non-US Gvt Bd Idx ▲	(2.15)	5.02	4.38	10.71

Relative Return vs Citi Non-US Gvt Bd Idx



Cumulative Returns vs Citi Non-US Gvt Bd Idx



ALASKA BALANCED TRUST
PERIOD ENDED DECEMBER 31, 2009

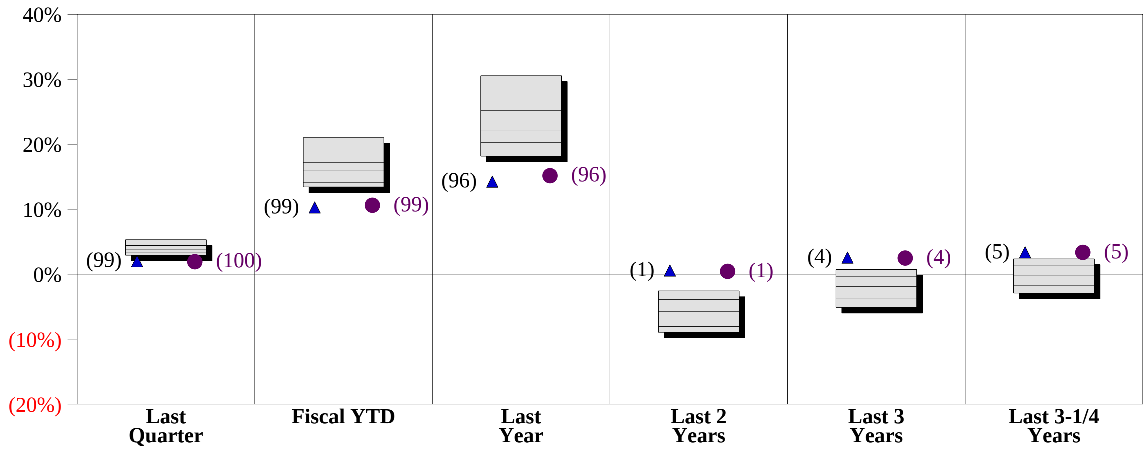
Investment Philosophy

T. Rowe Price Associates, Inc believes that investing in a well-diversified portfolio of equity securities, balanced with the income and principal stability of bonds and other fixed income securities, will offer a generally stable investment vehicle that provides the capital growth adequate to offset the erosive effects of inflation. Benchmark: 44% BC Govt/Credit Index, 19% BC GNMA Index, 2% Citigroup 90-day Treasury bills, 30% S&P 500 Index, 3% Russell 2500 Index and 2% MSCI EAFE Index.

Quarterly Summary and Highlights

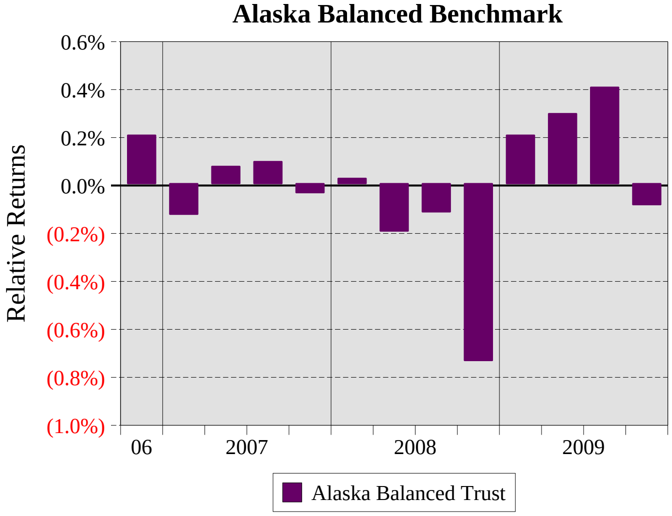
- Alaska Balanced Trust's portfolio posted a 1.91% return for the quarter placing it in the 100 percentile of the CAI MF - Domestic Balanced Style group for the quarter and in the 96 percentile for the last year.
- Alaska Balanced Trust's portfolio underperformed the Alaska Balanced Benchmark by 0.08% for the quarter and outperformed the Alaska Balanced Benchmark for the year by 0.91%.

Performance vs CAI MF - Domestic Balanced Style (Net)

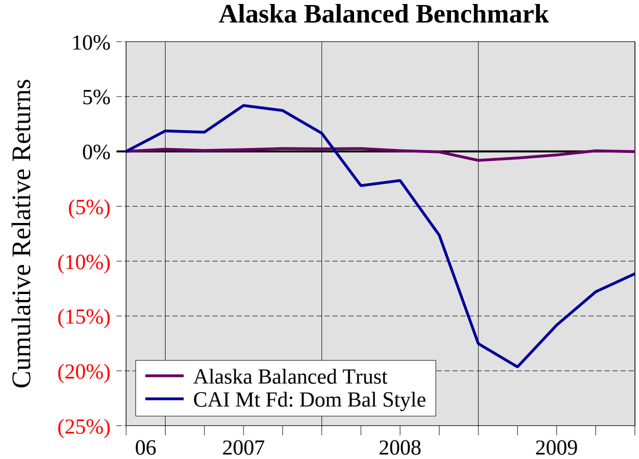


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	5.29	20.99	30.53	(2.59)	0.71	2.34
25th Percentile	4.41	17.16	25.21	(3.92)	(0.40)	1.27
Median	3.74	15.89	22.03	(5.78)	(1.92)	(0.27)
75th Percentile	3.27	14.14	20.24	(8.05)	(3.82)	(1.71)
90th Percentile	2.92	13.42	18.17	(8.94)	(5.11)	(2.91)
Alaska Balanced Trust ●	1.91	10.60	15.16	0.43	2.47	3.35
Alaska Balanced Benchmark ▲	1.99	10.27	14.24	0.56	2.55	3.36

Relative Returns vs Alaska Balanced Benchmark



Cumulative Returns vs Alaska Balanced Benchmark



ALASKA LONG-TERM BALANCED TR
PERIOD ENDED DECEMBER 31, 2009

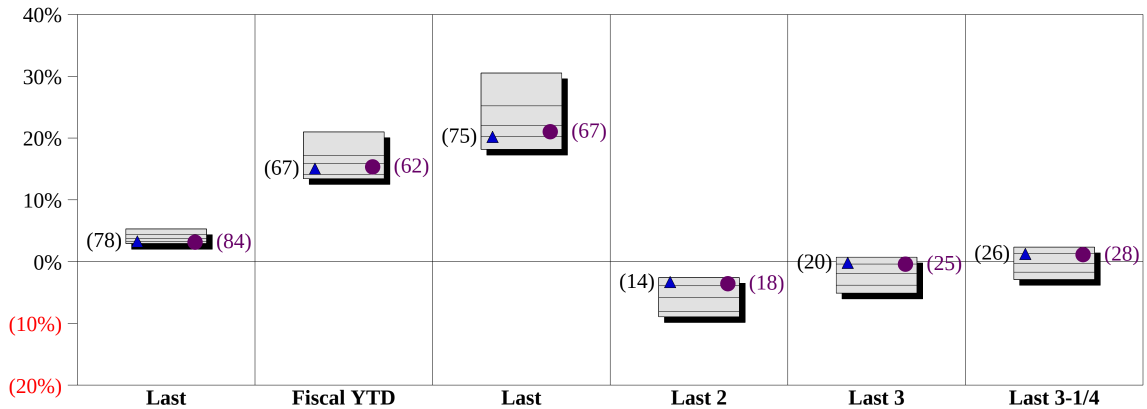
Investment Philosophy

T. Rowe Price Associates, Inc believes that investing in a well-diversified portfolio of equity securities, balanced with the income and principal stability of bonds and other fixed income securities, will offer a generally stable investment vehicle that provides the capital growth adequate to offset the erosive effects of inflation. Benchmark: 27% BC Govt/Credit Index, 12% BC GNMA Index, 1% Citigroup 90-day Treasury bills, 51% S&P 500 Index, 5% Russell 2500 Index and 4% MSCI EAFE Index.

Quarterly Summary and Highlights

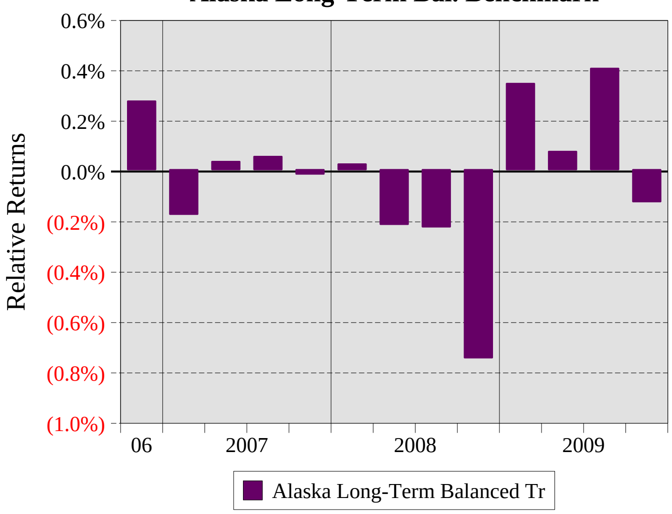
- Alaska Long-Term Balanced Tr's portfolio posted a 3.14% return for the quarter placing it in the 84 percentile of the CAI MF - Domestic Balanced Style group for the quarter and in the 67 percentile for the last year.
- Alaska Long-Term Balanced Tr's portfolio underperformed the Alaska Long-Term Bal. Benchmark by 0.12% for the quarter and outperformed the Alaska Long-Term Bal. Benchmark for the year by 0.84%.

Performance vs CAI MF - Domestic Balanced Style (Net)

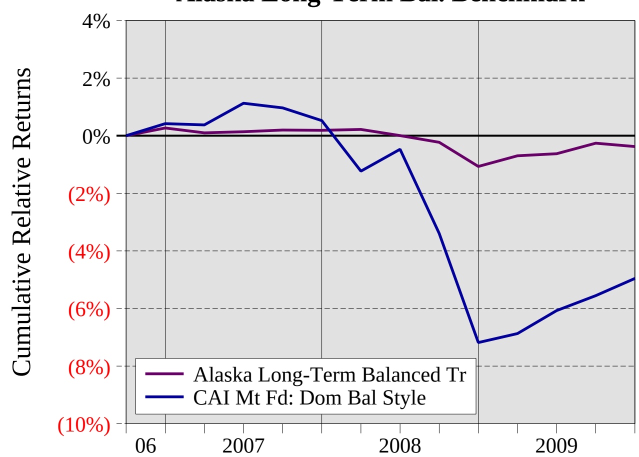


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	5.29	20.99	30.53	(2.59)	0.71	2.34
25th Percentile	4.41	17.16	25.21	(3.92)	(0.40)	1.27
Median	3.74	15.89	22.03	(5.78)	(1.92)	(0.27)
75th Percentile	3.27	14.14	20.24	(8.05)	(3.82)	(1.71)
90th Percentile	2.92	13.42	18.17	(8.94)	(5.11)	(2.91)
Alaska Long-Term Balanced Tr ●	3.14	15.33	21.03	(3.59)	(0.42)	1.12
Alaska Long-Term Bal. Benchmark ▲	3.26	15.04	20.19	(3.31)	(0.20)	1.24

Relative Returns vs Alaska Long-Term Bal. Benchmark



Cumulative Returns vs Alaska Long-Term Bal. Benchmark



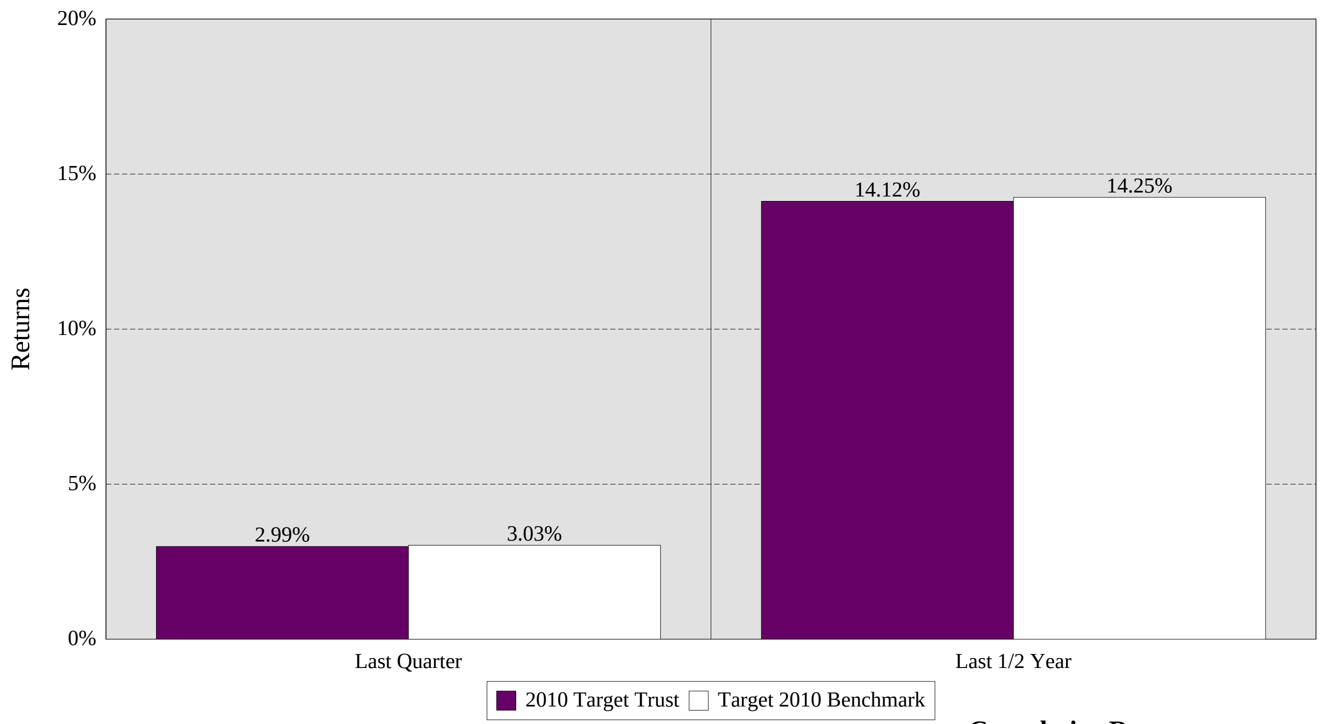
2010 TARGET TRUST
PERIOD ENDED DECEMBER 31, 2009

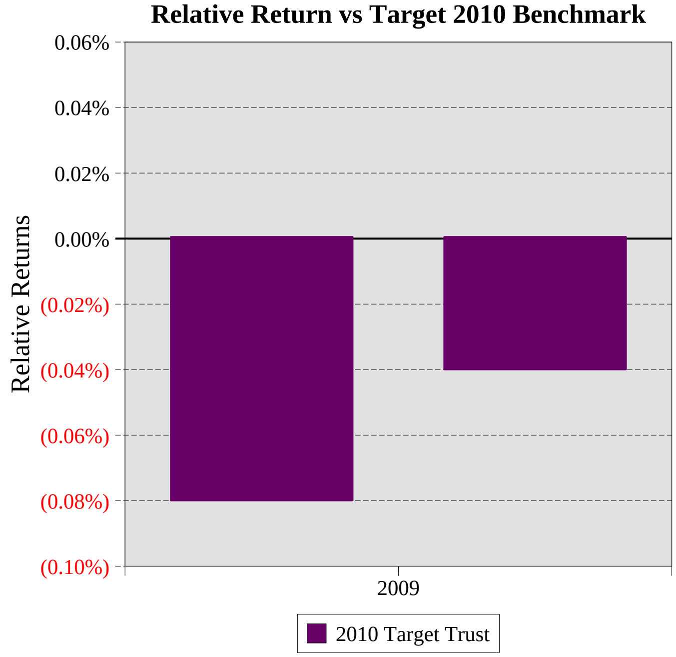
Investment Philosophy

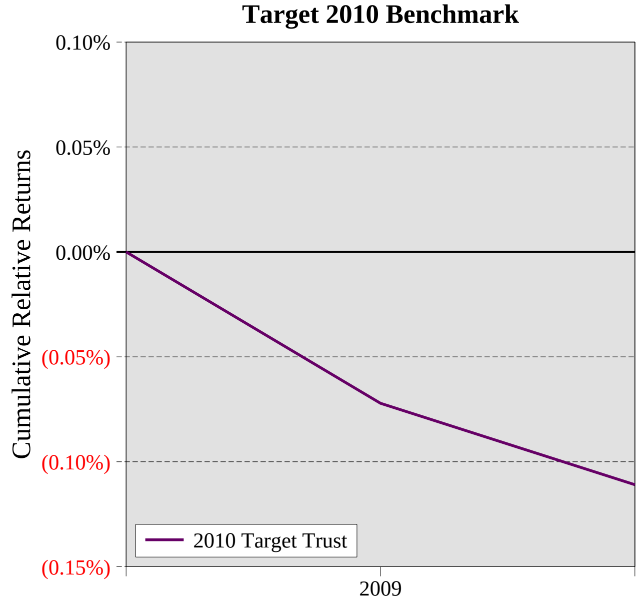
The fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2010 approaches. Benchmark: 45.5% Russell 3000 Index, 11.50% MSCI EAFE, 34% BC Aggregate and 9.0% T-Bills.

Quarterly Summary and Highlights

- 2010 Target Trust's portfolio underperformed the Target 2010 Benchmark by 0.04% for the quarter and underperformed the Target 2010 Benchmark for the one-half year by 0.13%.







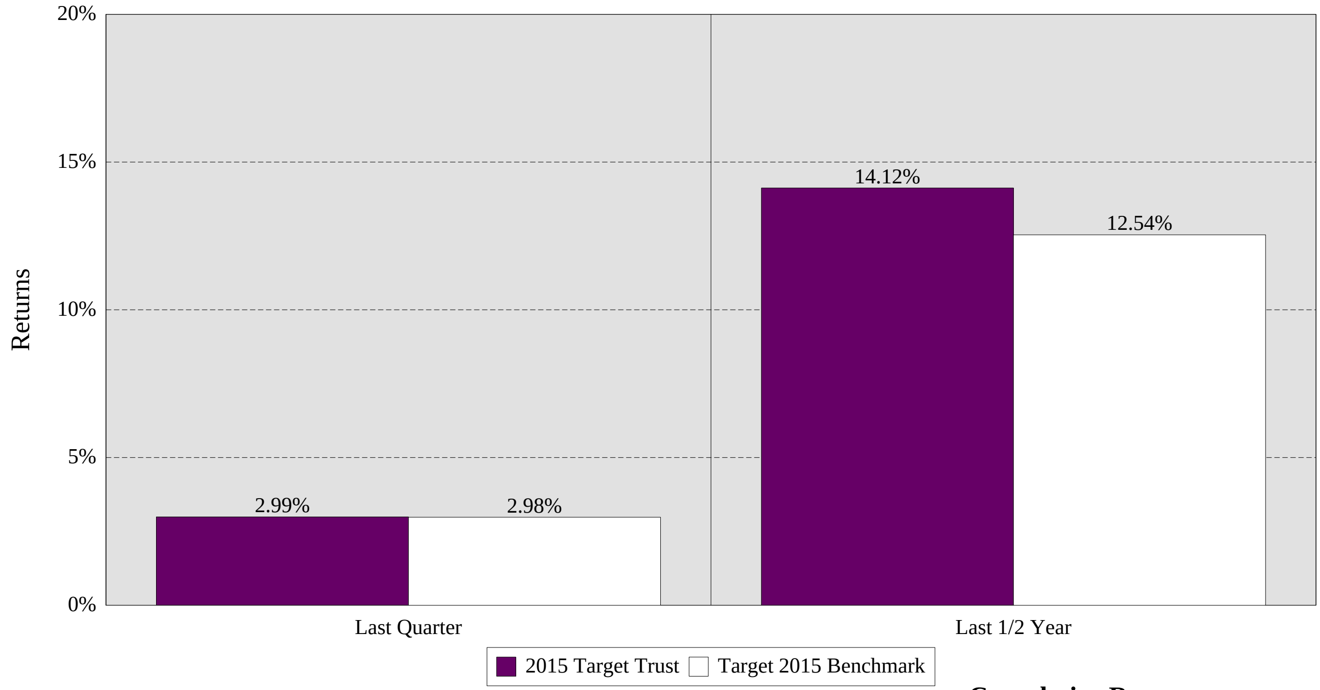
2015 TARGET TRUST
PERIOD ENDED DECEMBER 31, 2009

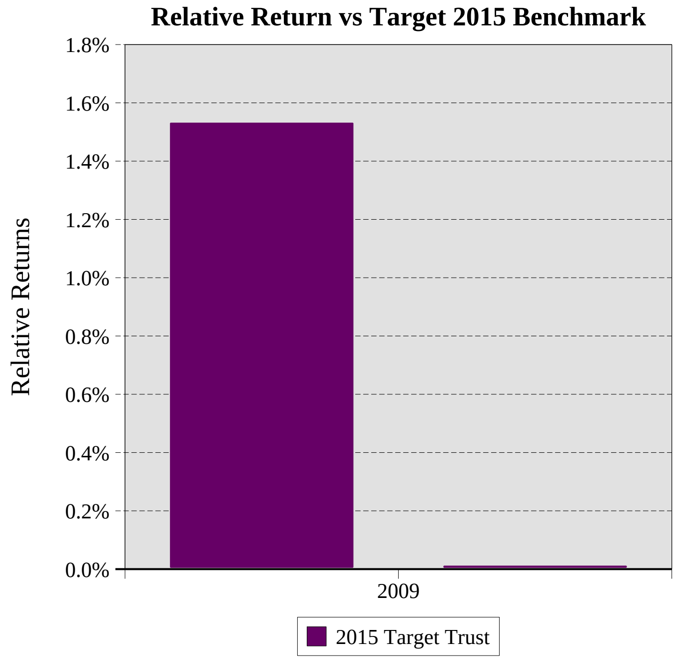
Investment Philosophy

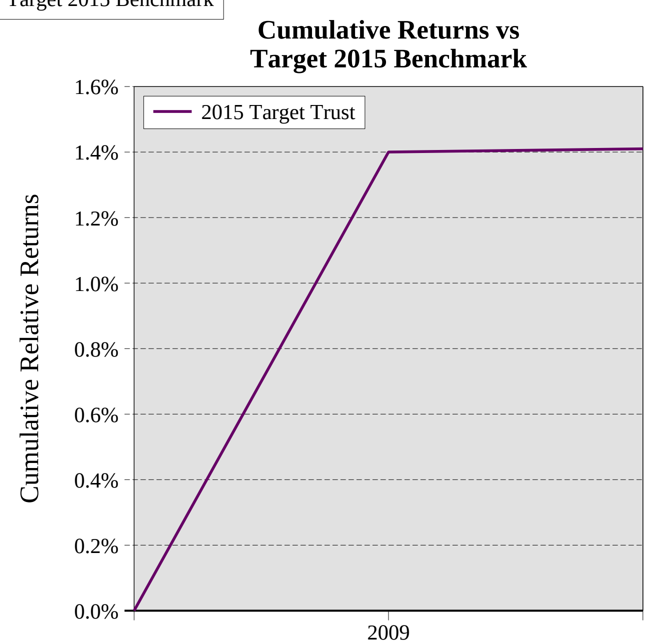
The Trust is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2015 approaches. Benchmark: 47.08% Russell 3000 Index, 8.67% MSCI EAFE, 33.42% BC Aggregate and 10.83% T-Bills.

Quarterly Summary and Highlights

- 2015 Target Trust's portfolio outperformed the Target 2015 Benchmark by 0.01% for the quarter and outperformed the Target 2015 Benchmark for the one-half year by 1.59%.







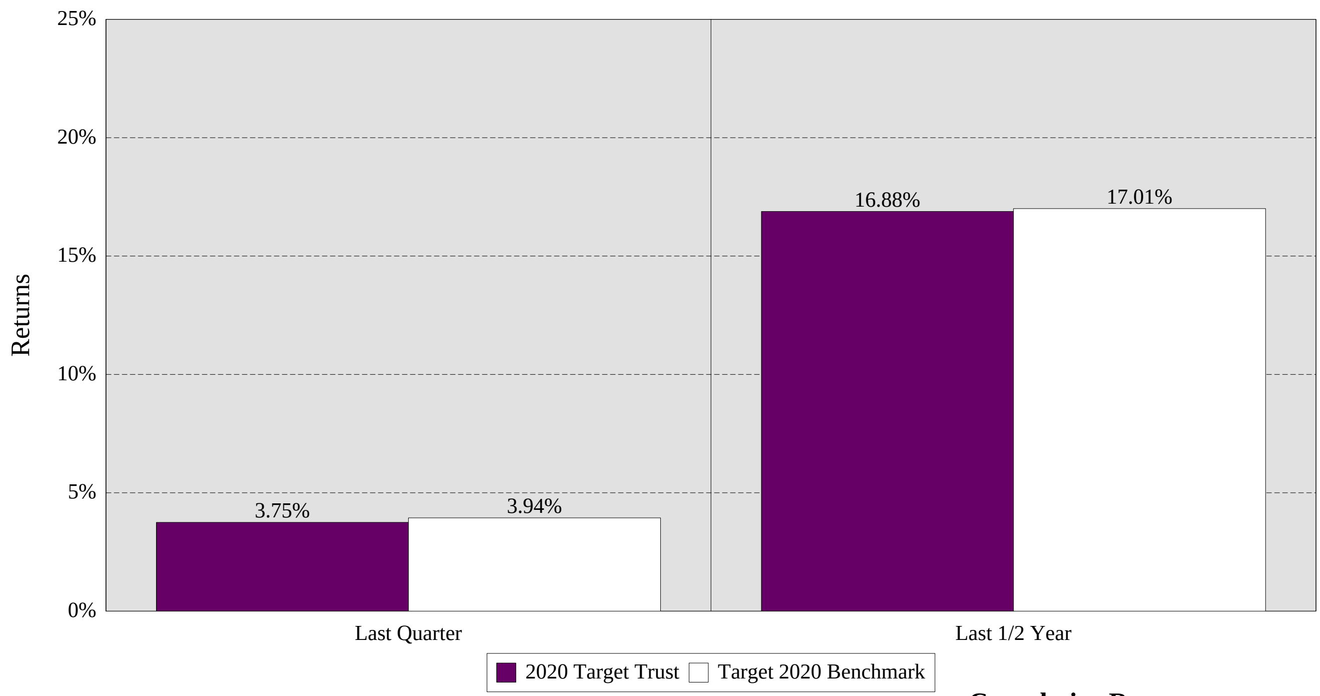
2020 TARGET TRUST
PERIOD ENDED DECEMBER 31, 2009

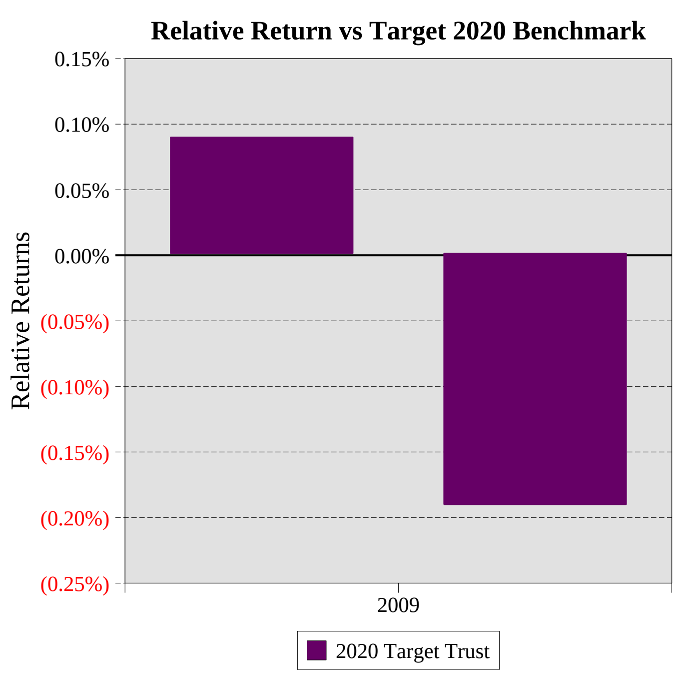
Investment Philosophy

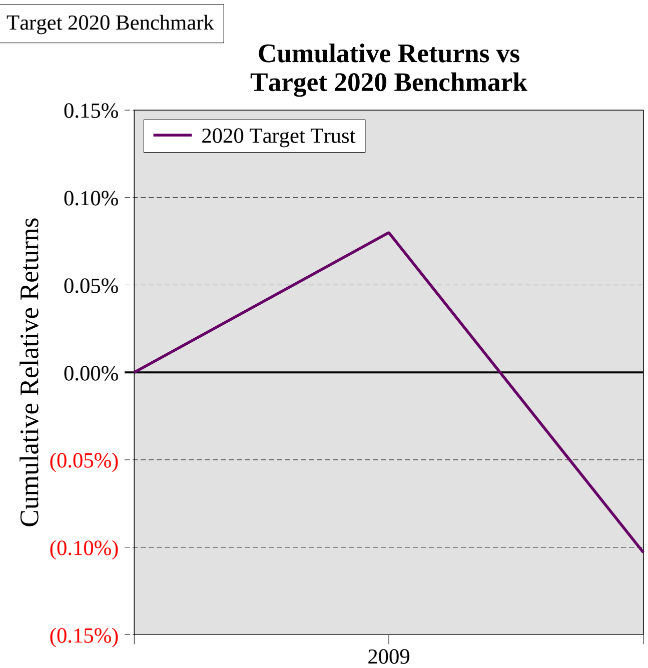
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2020 approaches. Benchmark: 61.33% Russell 3000 Index, 10.83% MSCI EAFE, 22.33% BC Aggregate and 5.51% T-Bills.

Quarterly Summary and Highlights

- 2020 Target Trust's portfolio underperformed the Target 2020 Benchmark by 0.19% for the quarter and underperformed the Target 2020 Benchmark for the one-half year by 0.12%.







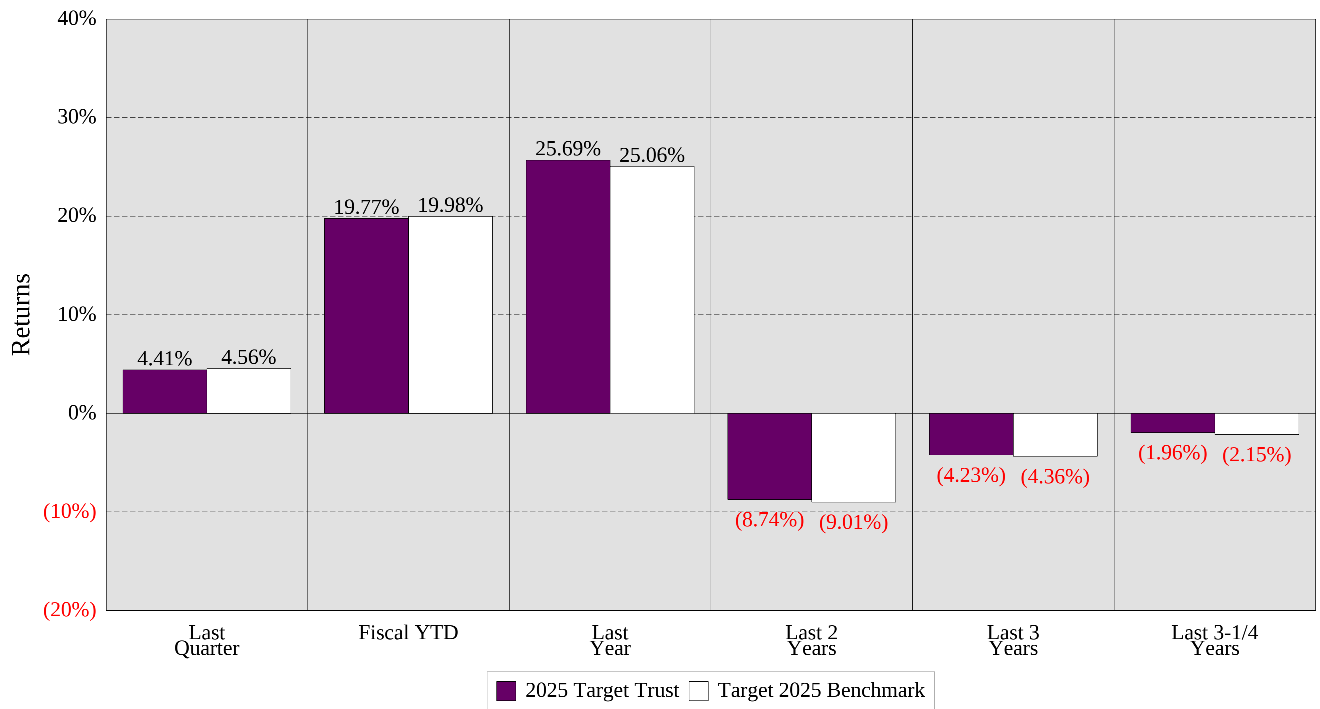
2025 TARGET TRUST
PERIOD ENDED DECEMBER 31, 2009

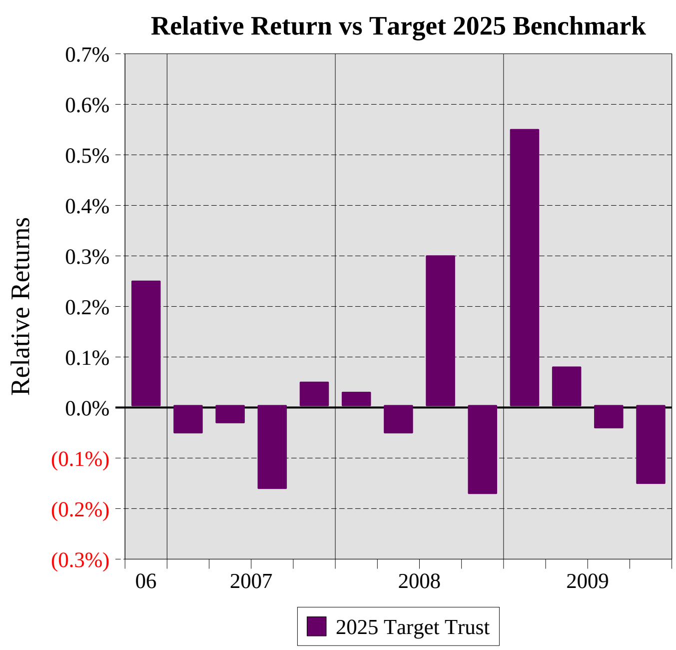
Investment Philosophy

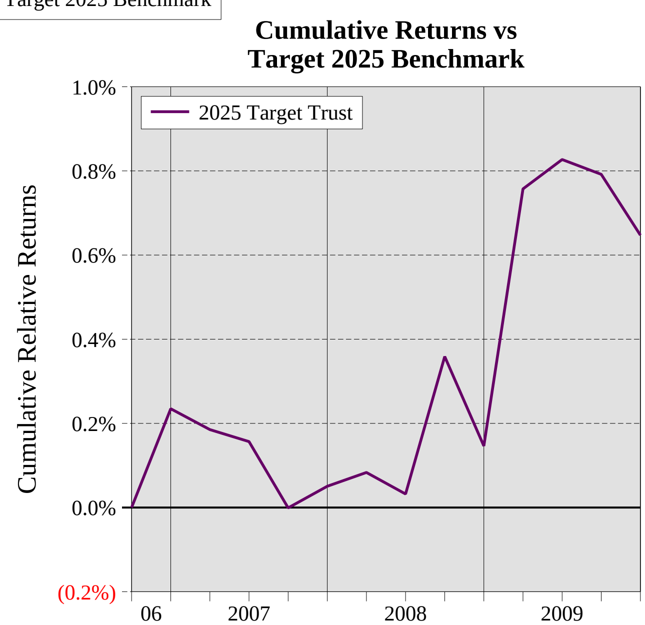
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2025 approaches. Benchmark: 70.83% Russell 3000 Index, 12.5% MSCI EAFE, 15.67% BC Aggregate and 1.00% T-Bills.

Quarterly Summary and Highlights

- 2025 Target Trust's portfolio underperformed the Target 2025 Benchmark by 0.15% for the quarter and outperformed the Target 2025 Benchmark for the year by 0.63%.







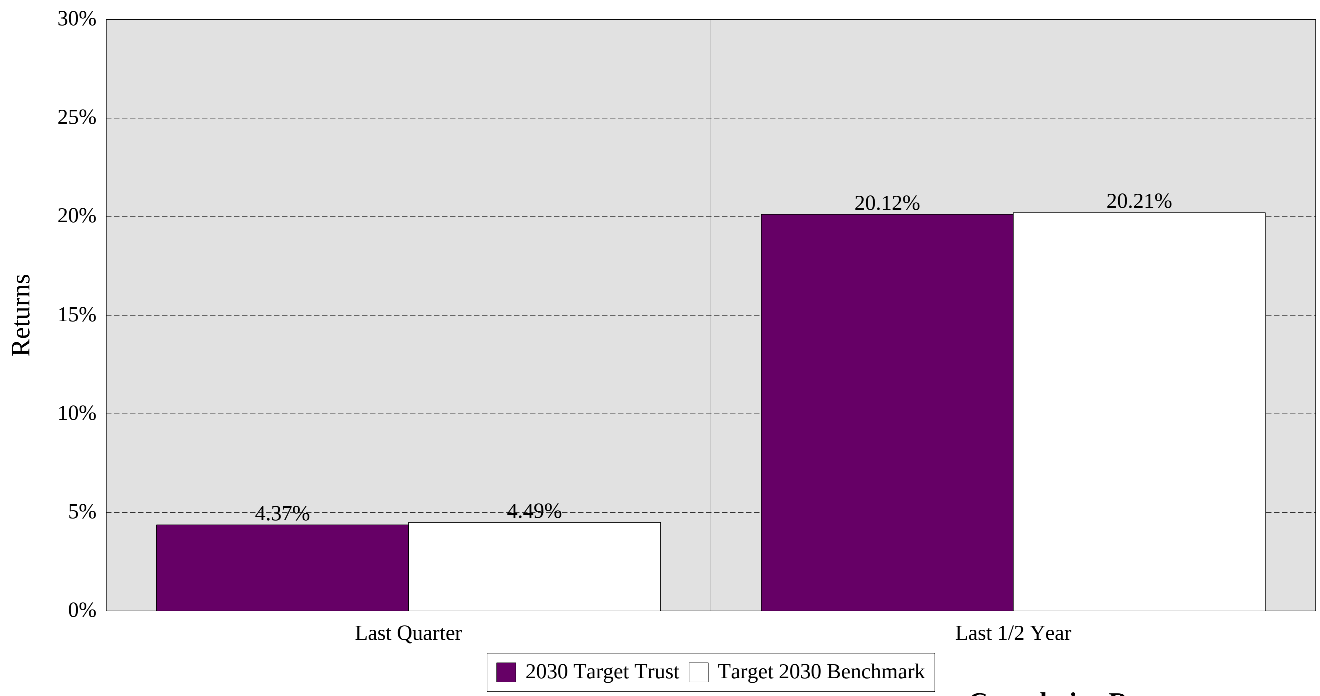
2030 TARGET TRUST
PERIOD ENDED DECEMBER 31, 2009

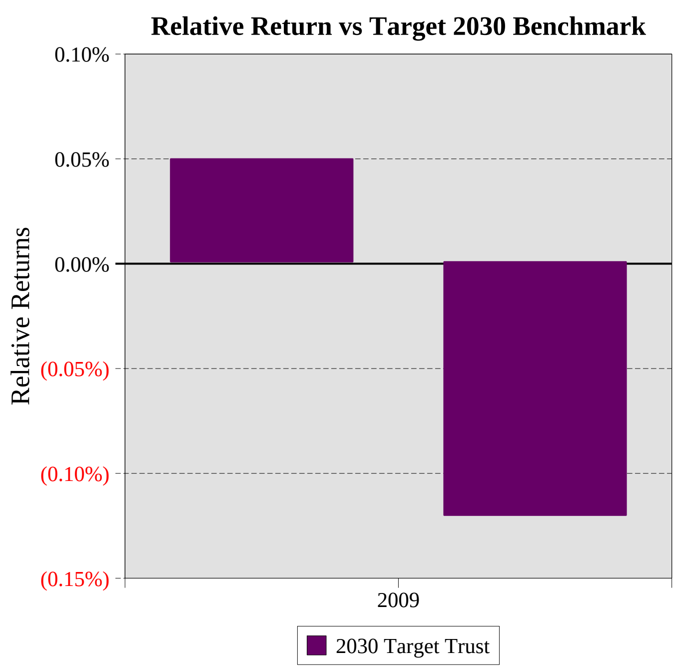
Investment Philosophy

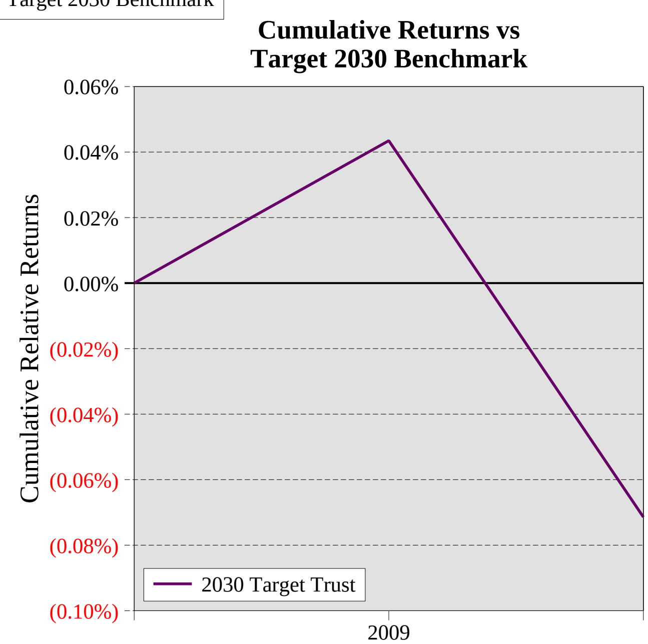
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2030 approaches. Benchmark: 69% Russell 3000 Index, 17% MSCI EAFE and 14% BC Aggregate.

Quarterly Summary and Highlights

- 2030 Target Trust's portfolio underperformed the Target 2030 Benchmark by 0.12% for the quarter and underperformed the Target 2030 Benchmark for the one-half year by 0.09%.







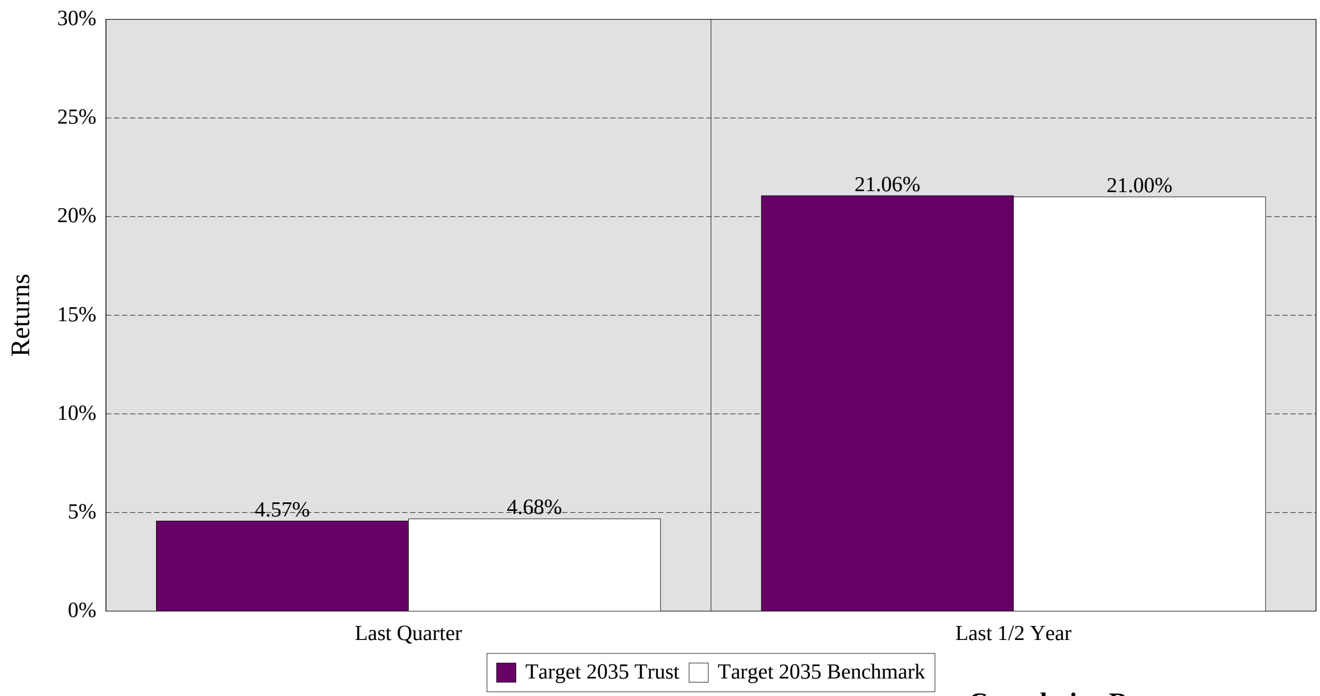
TARGET 2035 TRUST
PERIOD ENDED DECEMBER 31, 2009

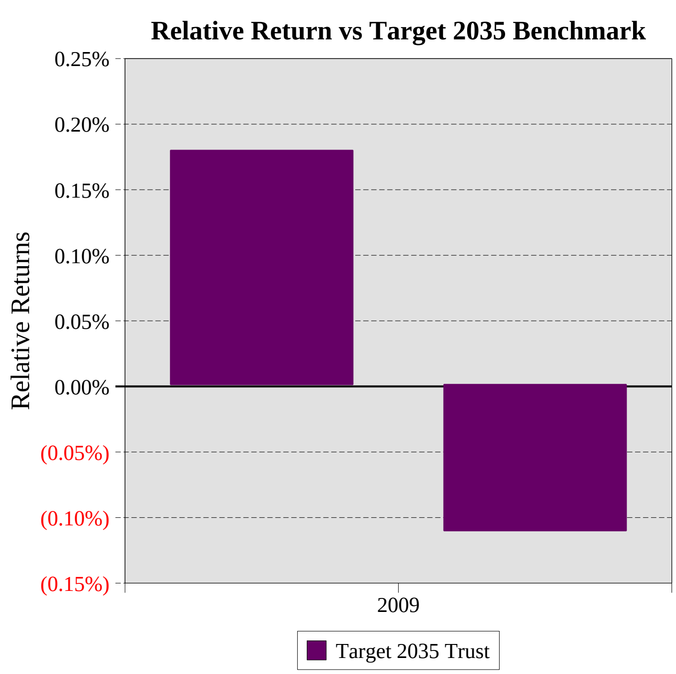
Investment Philosophy

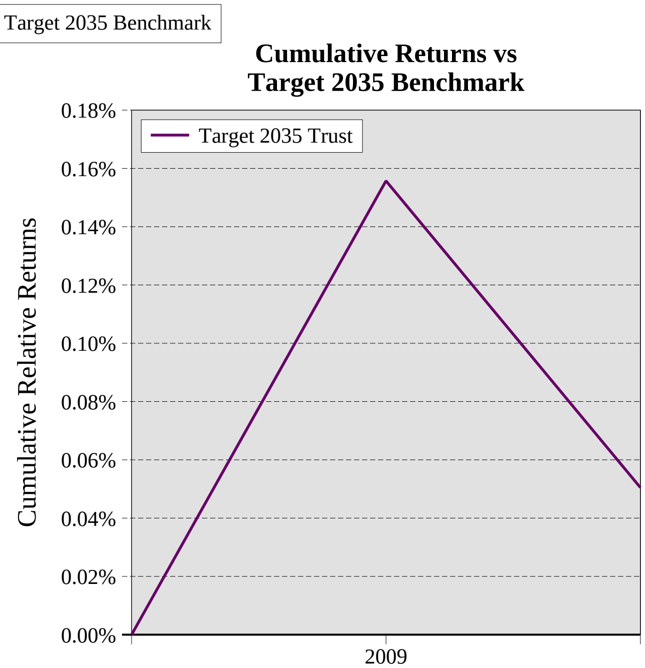
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2035 approaches. Benchmark: 72% Russell 3000 Index, 18% MSCI EAFE and 10% BC Aggregate.

Quarterly Summary and Highlights

- Target 2035 Trust's portfolio underperformed the Target 2035 Benchmark by 0.11% for the quarter and outperformed the Target 2035 Benchmark for the one-half year by 0.06%.







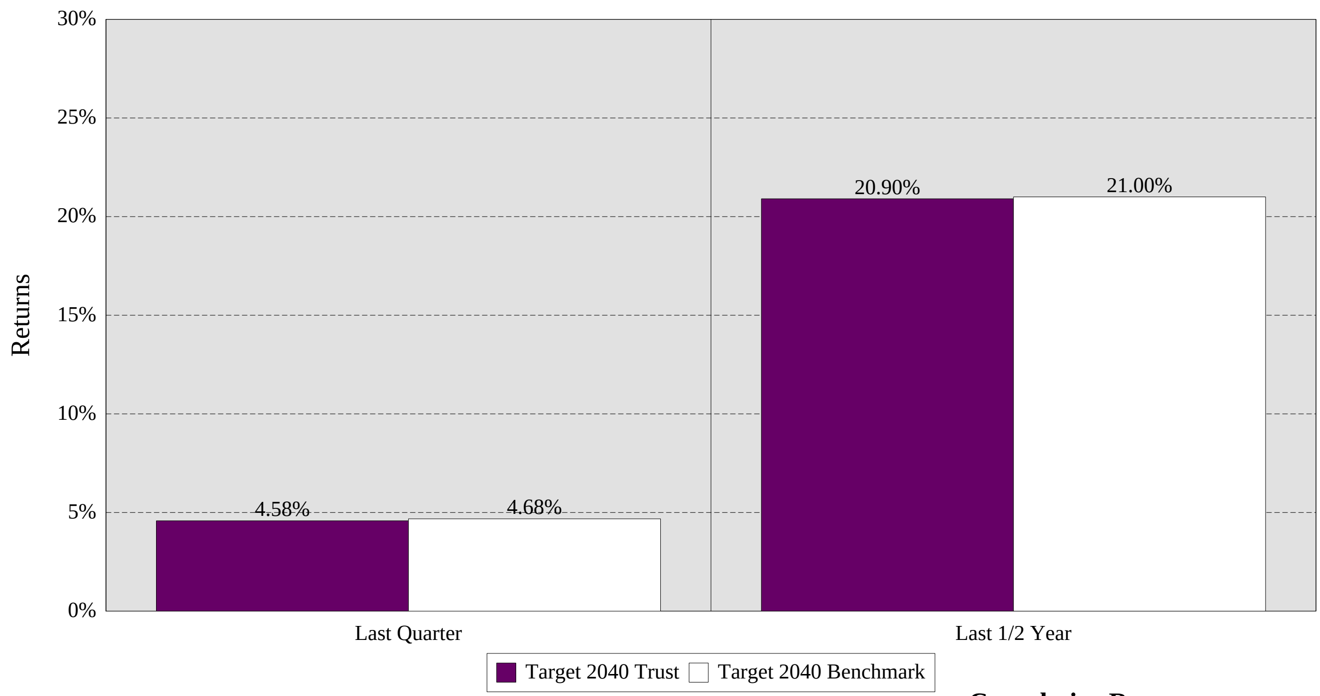
TARGET 2040 TRUST
PERIOD ENDED DECEMBER 31, 2009

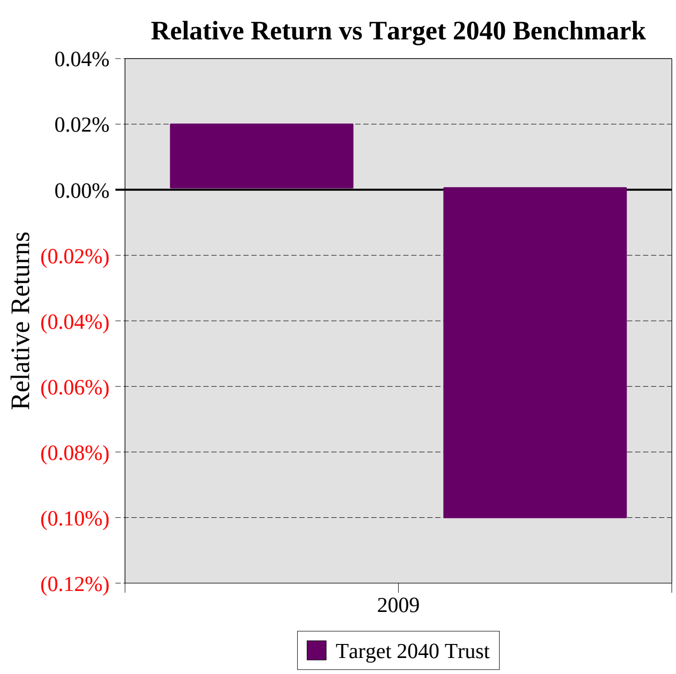
Investment Philosophy

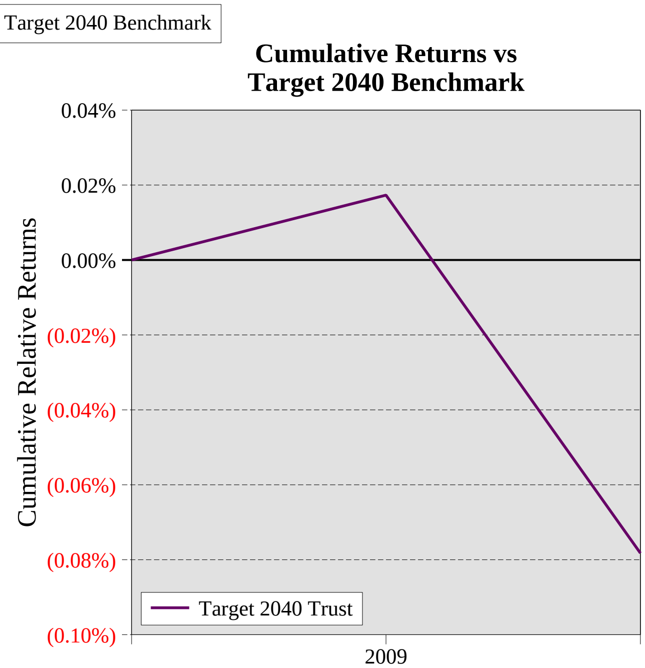
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2040 approaches. Benchmark: 72% Russell 3000 Index, 18% MSCI EAFE and 10% BC Aggregate.

Quarterly Summary and Highlights

- Target 2040 Trust's portfolio underperformed the Target 2040 Benchmark by 0.10% for the quarter and underperformed the Target 2040 Benchmark for the one-half year by 0.09%.







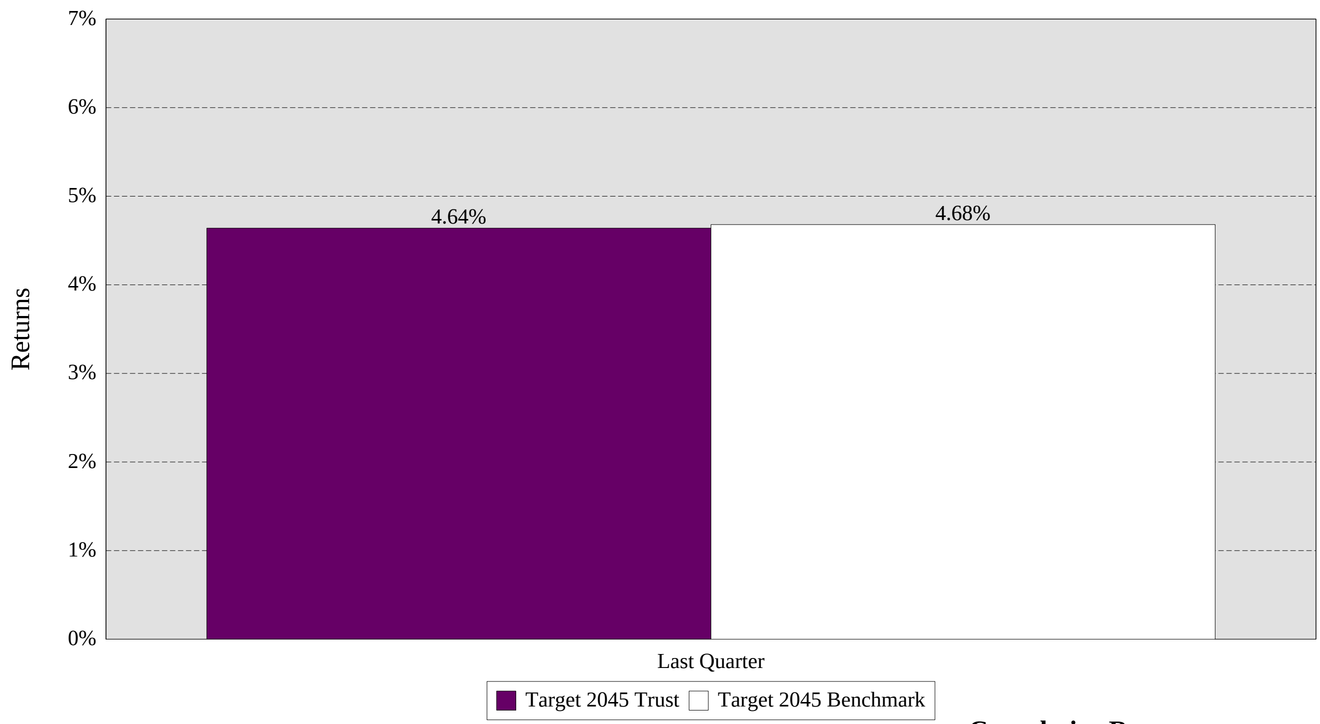
TARGET 2045 TRUST
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

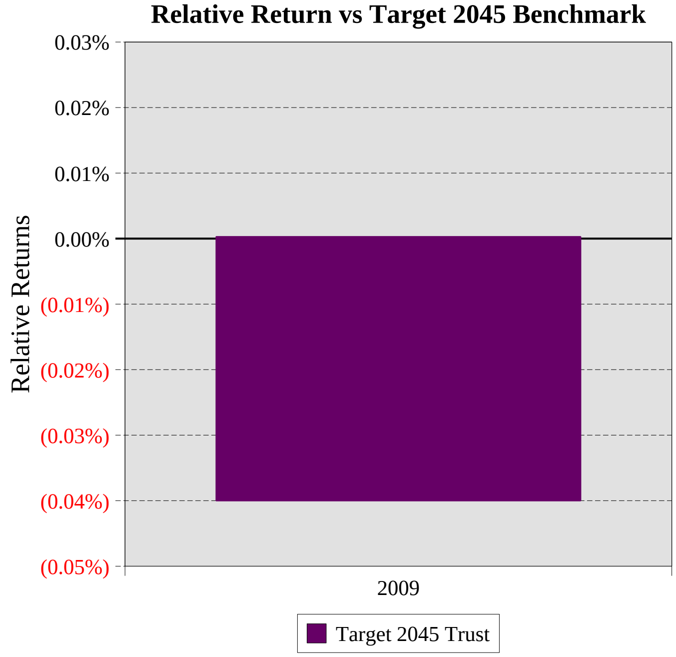
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2045 approaches. Benchmark: 72% Russell 3000 Index, 18% MSCI EAFE and 10% BC Aggregate.

Quarterly Summary and Highlights

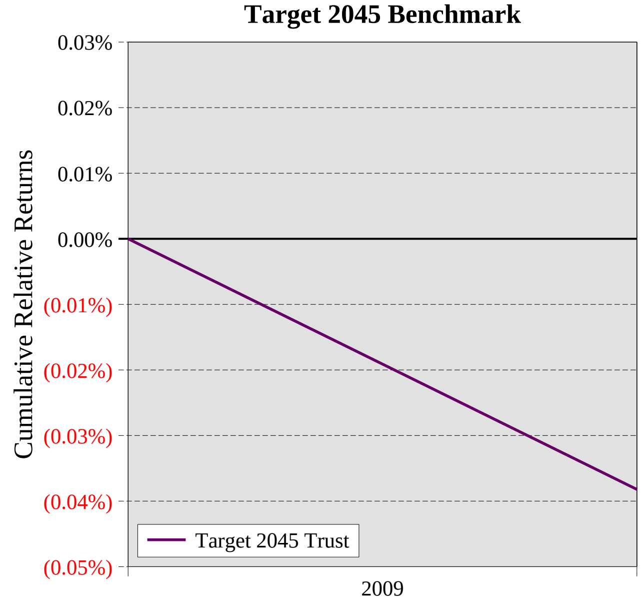
- Target 2045 Trust's portfolio underperformed the Target 2045 Benchmark by 0.04% for the quarter.



Relative Return vs Target 2045 Benchmark



Cumulative Returns vs Target 2045 Benchmark



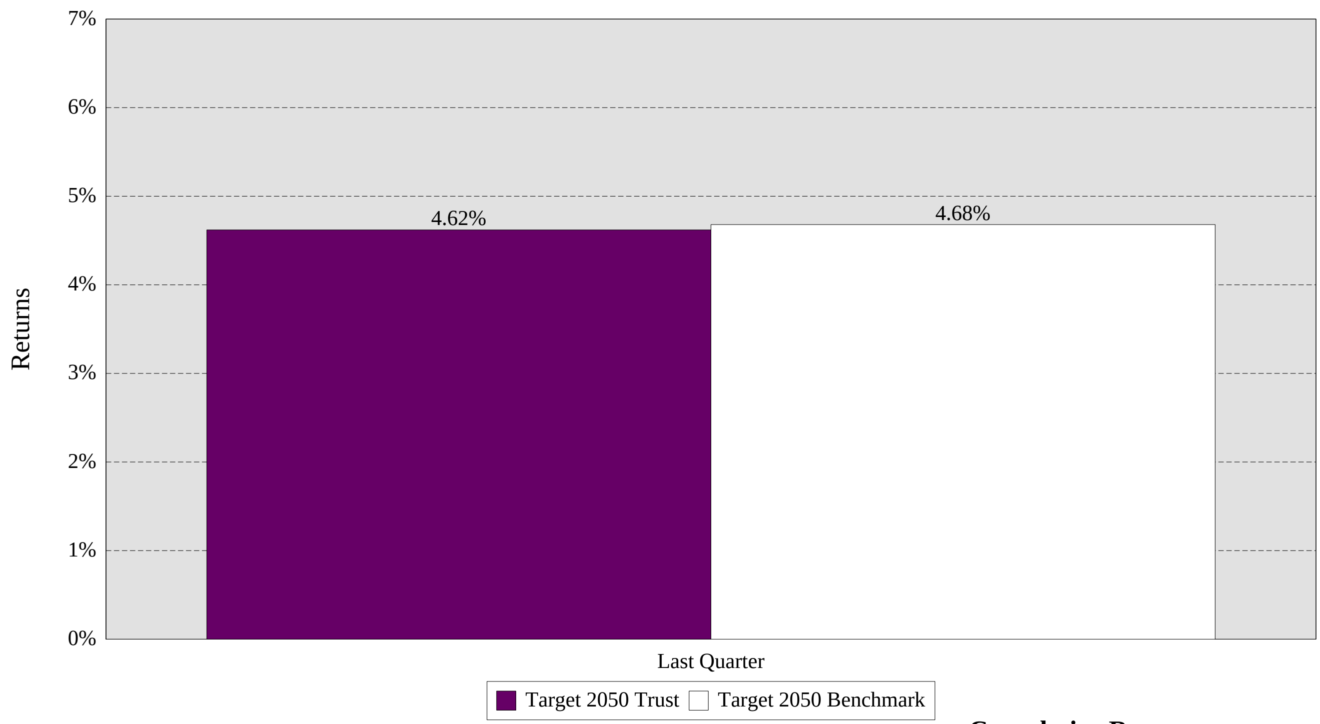
TARGET 2050 TRUST
PERIOD ENDED DECEMBER 31, 2009

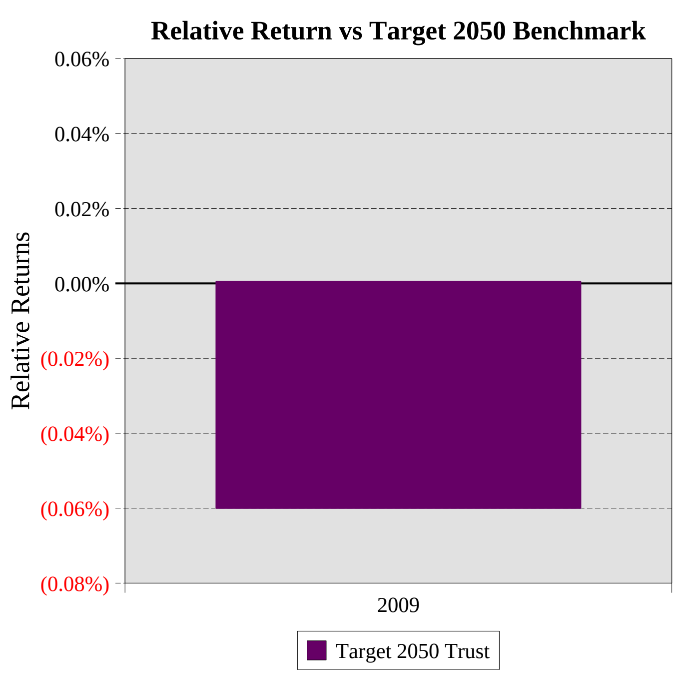
Investment Philosophy

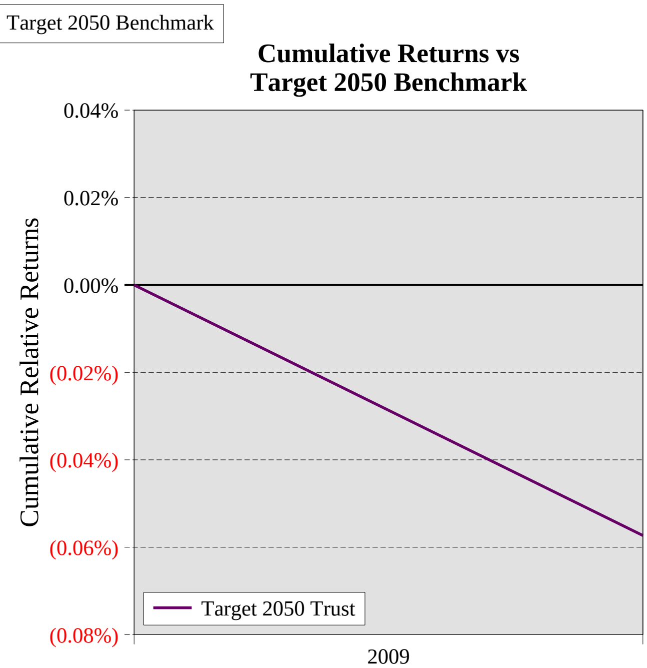
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2050 approaches. Benchmark: 72% Russell 3000 Index, 18% MSCI EAFE and 10% BC Aggregate.

Quarterly Summary and Highlights

- Target 2050 Trust's portfolio underperformed the Target 2050 Benchmark by 0.06% for the quarter.







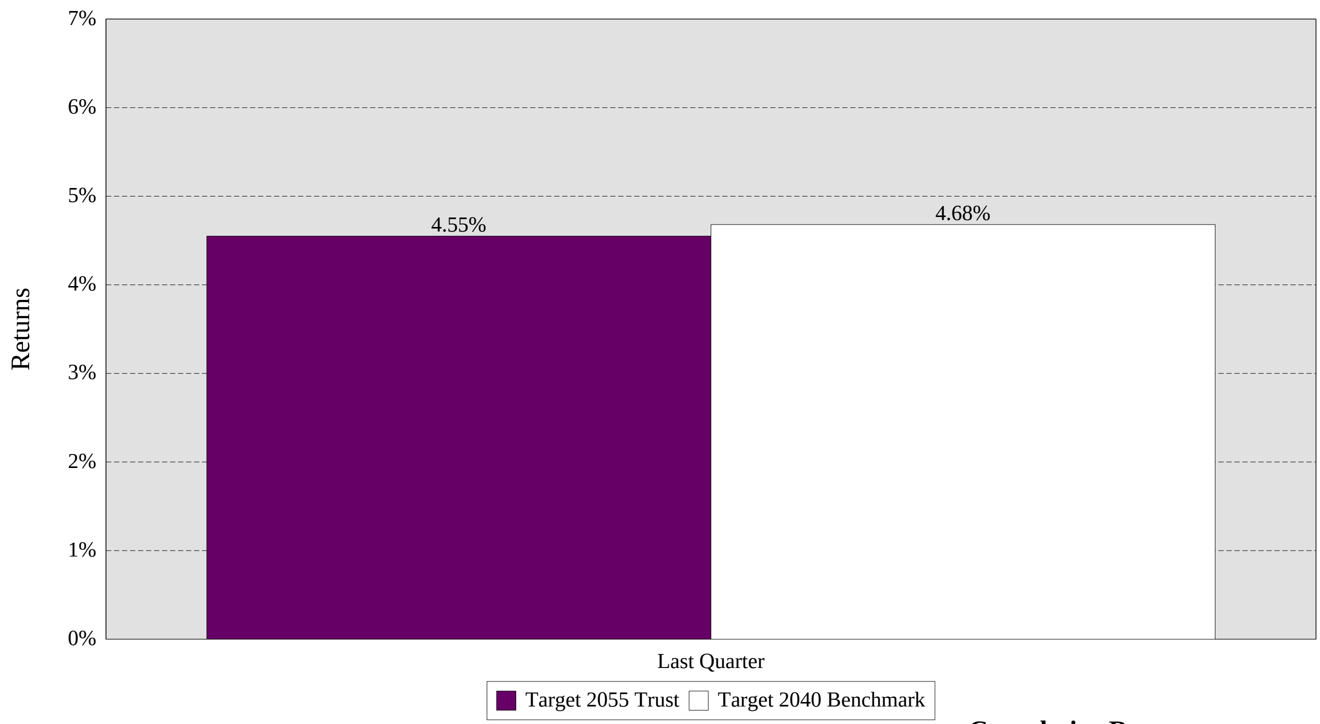
TARGET 2055 TRUST
PERIOD ENDED DECEMBER 31, 2009

Investment Philosophy

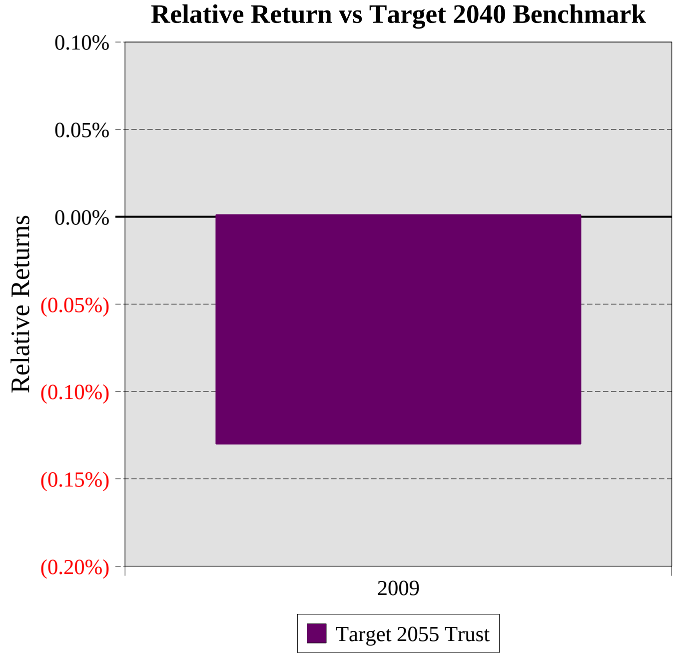
To provide exposure to a diversified mix of stocks, bonds and money market securities for long term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, as the year 2055 approaches. Benchmark: 72% Russell 3000 Index, 18% MSCI EAFE and 10% BC Aggregate.

Quarterly Summary and Highlights

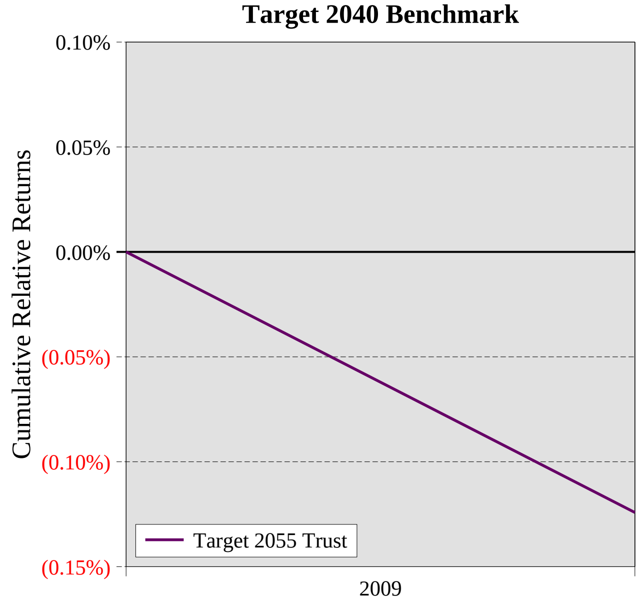
- Target 2055 Trust's portfolio underperformed the Target 2040 Benchmark by 0.13% for the quarter.



Relative Return vs Target 2040 Benchmark



Cumulative Returns vs Target 2040 Benchmark

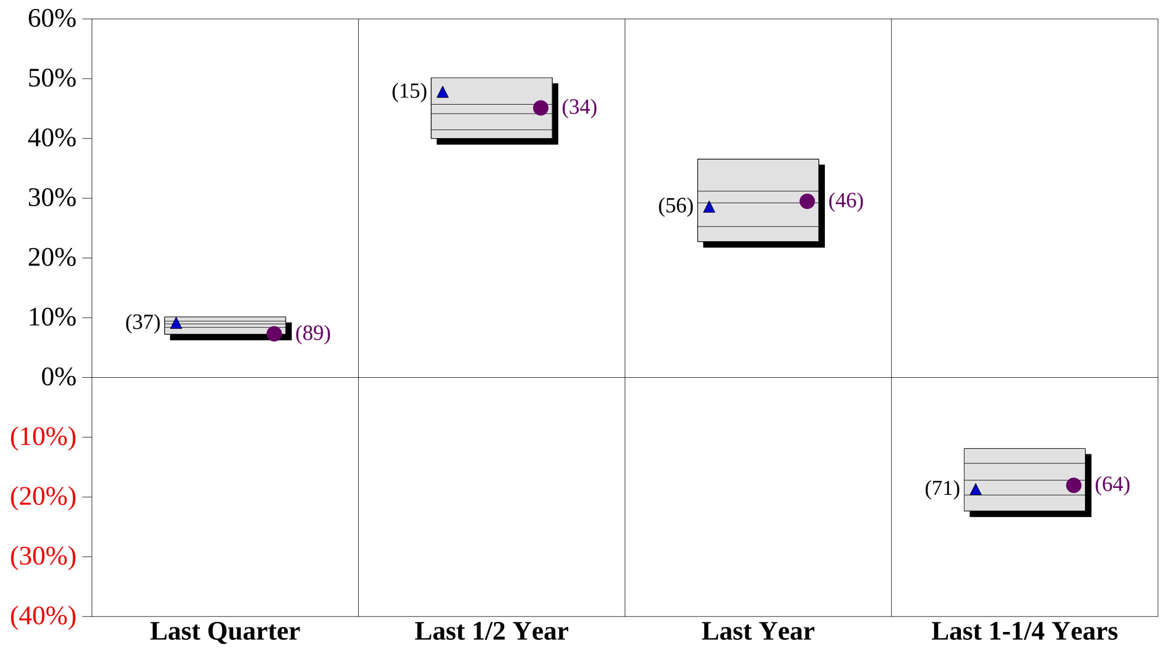


US REAL ESTATE INV TRUST
PERIOD ENDED DECEMBER 31, 2009

Quarterly Summary and Highlights

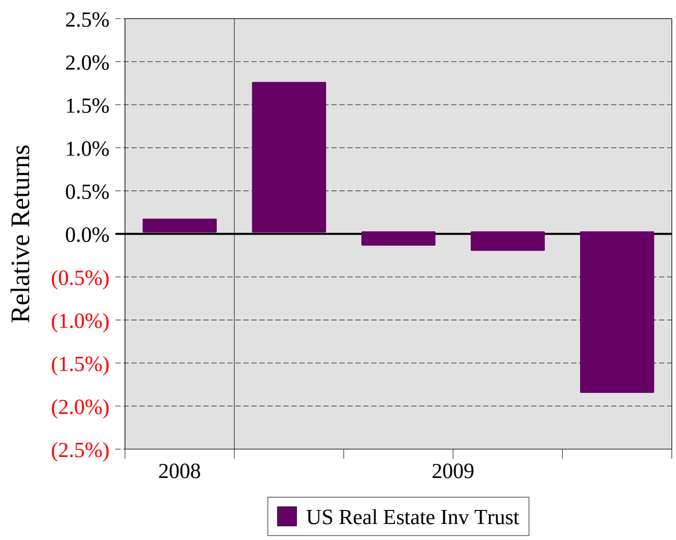
- US Real Estate Inv Trust's portfolio posted a 7.31% return for the quarter placing it in the 89 percentile of the Real Estate Mut Fds group for the quarter and in the 46 percentile for the last year.
- US Real Estate Inv Trust's portfolio underperformed the Wilshire REIT by 1.84% for the quarter and outperformed the Wilshire REIT for the year by 0.89%.

Performance vs Real Estate Mut Fds (Net)

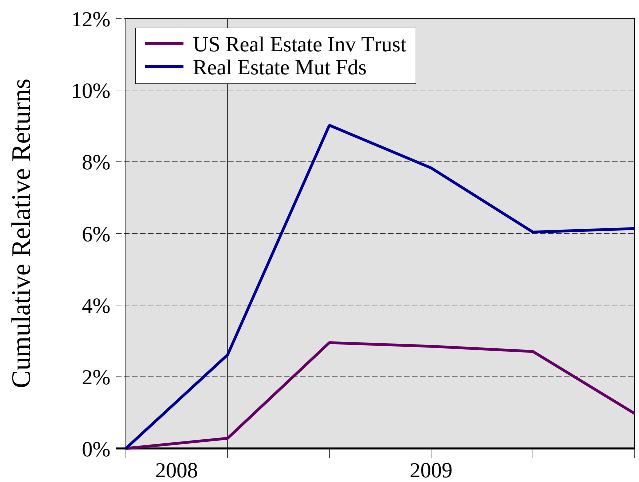


	Last Quarter	Last 1/2 Year	Last Year	Last 1-1/4 Years
10th Percentile	10.14	50.15	36.54	(11.89)
25th Percentile	9.43	45.71	31.18	(14.37)
Median	8.97	44.15	29.22	(17.19)
75th Percentile	8.39	41.45	25.26	(19.67)
90th Percentile	7.23	40.00	22.74	(22.34)
US Real Estate Inv Trust ●	7.31	45.12	29.49	(18.05)
Wilshire REIT ▲	9.15	47.81	28.60	(18.68)

Relative Return vs Wilshire REIT



Cumulative Returns vs Wilshire REIT



ALASKA MONEY MKT MASTER TRUST
PERIOD ENDED DECEMBER 31, 2009

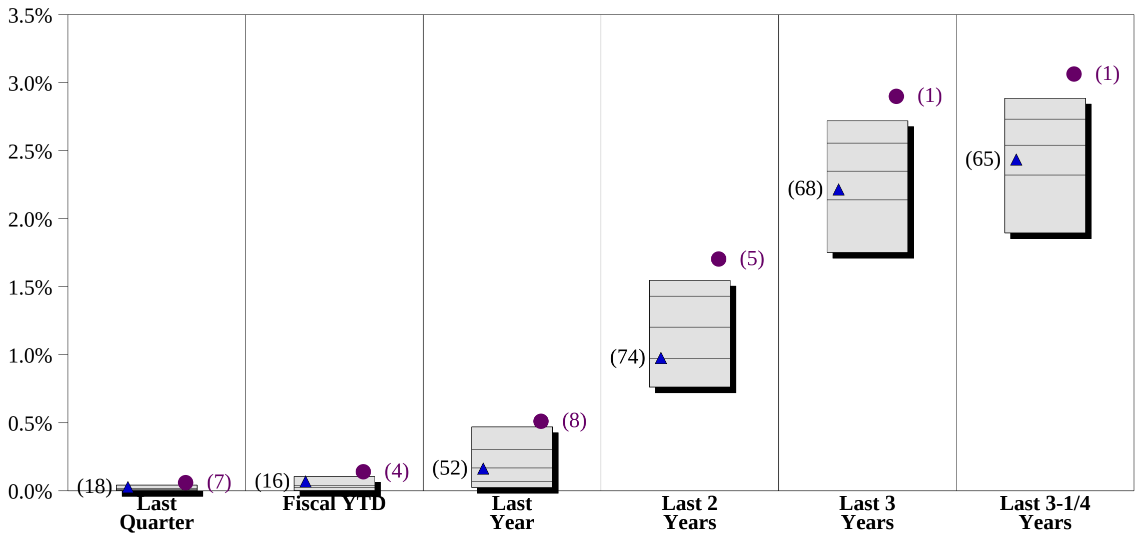
Investment Philosophy

The fund is managed to maintain a stable share price of $1.00. To achieve its objective, the fund invests in prime money market securities.

Quarterly Summary and Highlights

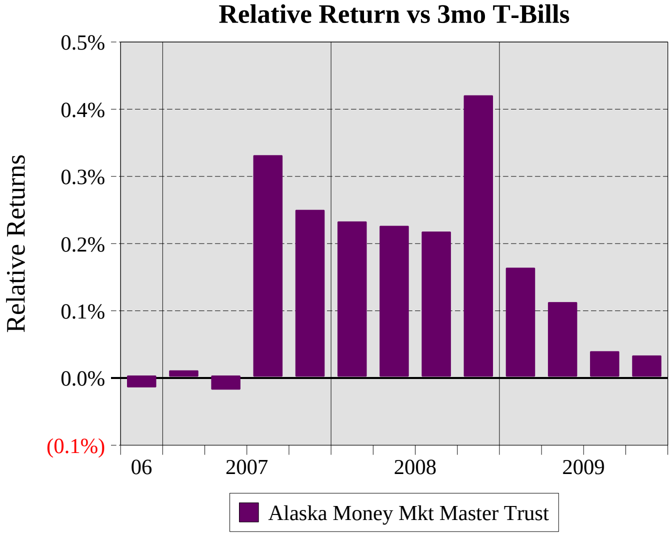
- Alaska Money Mkt Master Trust's portfolio posted a 0.06% return for the quarter placing it in the 7 percentile of the Money Market Funds group for the quarter and in the 8 percentile for the last year.
- Alaska Money Mkt Master Trust's portfolio outperformed the 3mo T-Bills by 0.03% for the quarter and outperformed the 3mo T-Bills for the year by 0.35%.

Performance vs Money Market Funds (Net)

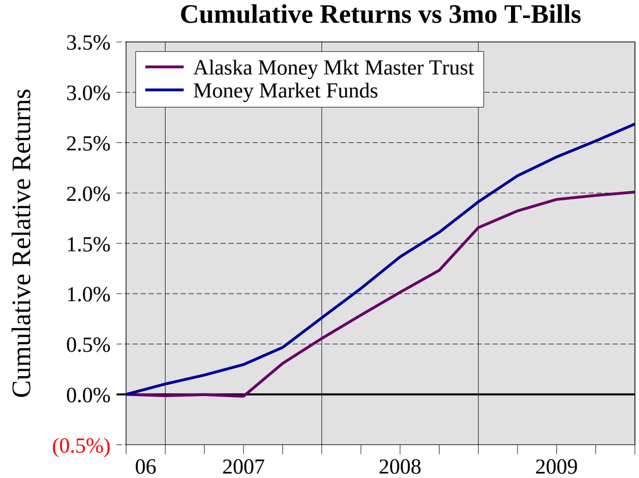


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-1/4 Years
10th Percentile	0.04	0.10	0.47	1.55	2.72	2.89
25th Percentile	0.02	0.04	0.30	1.43	2.56	2.73
Median	0.01	0.03	0.17	1.20	2.35	2.54
75th Percentile	0.00	0.00	0.07	0.97	2.14	2.32
90th Percentile	0.00	0.00	0.02	0.76	1.75	1.90
Alaska Money Mkt Master Trust ●	0.06	0.14	0.51	1.70	2.90	3.06
3mo T-Bills ▲	0.03	0.07	0.16	0.98	2.22	2.43

Relative Return vs 3mo T-Bills



Cumulative Returns vs 3mo T-Bills



CALLAN
INVESTMENTS
INSTITUTE

FOURTH QUARTER 2009

RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Socially Responsible Investing in DC Plans
Jimmy Veneruso. October 2009

The Odyssey of Risk – Find Your Compass
Jim McKee. October 2009

The Great Target Date Fund Debate: Managing Target Date Funds "To" versus "Through" Retirement
Jason Ellement, CFA; Lori Lucas, CFA. July 2009

Newsletters and Data Package

DC Observer and Callan DC Index™ – 3rd Quarter 2009

Hedge Fund Monitor – 3rd Quarter 2009

Capital Market Review – 4th Quarter 2009

Quarterly Performance Data Package – 4th Quarter 2009

Private Markets Trends – Fall 2009

Surveys

How Investment Managers Survived the Market Collapse – October 2009

2009 Investment Management Fee Survey – September 2009

2009 Securities Lending Survey – July 2009

CALLAN INVESTMENTS INSTITUTE

FOURTH QUARTER 2009

RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2009 Regional Breakfast Workshop – October 2009
"Has Your Policy Portfolio Failed? Revisiting the Policy Portfolio"

Presentation: 2009 Regional Breakfast Workshop – October 2009
"Has Your Policy Portfolio Failed? Revisiting the Policy Portfolio"

Upcoming Educational Programs

The 30th Annual National Conference
February 1–3, 2010 in San Francisco

June 2010 Regional Breakfast Workshops
June 22 in Atlanta
June 23 in San Francisco
Subject TBA

October 2010 Regional Breakfast Workshops
October 19 in Chicago
October 20 in New York
Subject TBA

If you have any questions regarding these programs, please contact Ray Combs at 415.974.5060 or institute@callan.com.

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

FOURTH QUARTER 2009

EDUCATIONAL SESSIONS

An Introduction to Investments

April 13–14 in San Francisco
October 12–13 in San Francisco

This two day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. It will familiarize fund sponsor trustees and staff with basic investment theory, terminology, and practices. Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment program structures.

Advanced Investment Topics

March 9–11 in San Francisco
July 20–22 in San Francisco

This program is designed for individuals who have more than two years' experience and provides attendees with a complete and thorough overview of prudent investment practices for both trustee-directed and participant-directed funds. This session is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, endowment & foundation, corporate, and Taft-Hartley retirement funds; representatives of family trusts; and investment management professionals.

Alternative Investments

May 4–5 in San Francisco

Callan Associates will share its alternative investment expertise through an educational program designed to advance the participants' knowledge, understanding and comfort with hedge funds, private equity, real estate, timber, energy, commodities, and infrastructure.

Tuition for the "Callan College" Introduction to Investments is $2,350 per person; tuition for all other sessions is $2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day and dinner on the first evening with the instructors.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

The Center for Investment Training ("Callan College") provides relevant and practical educational opportunities to all professionals engaged in the investment decision making process. This educational forum offers basic-to-intermediate level instruction on all components of the investment management process

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 12/31/2009, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

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Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
AIG Investments	Y	
Allegiant Asset Management Group	Y	Y
AllianceBernstein	Y	
Allianz Investor Services, LLC		Y
Allstate Investments LLC		Y
American Century Investment Management	Y	
Analytic Investors	Y	
Artio Global Management (fka. Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
AOR Capital Management	Y	
AXA Rosenberg Investment Management	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
BlueCrest Capital Management	Y	
Boston Company Asset Management, LLC (The)	Y	Y
BNY Mellon Asset Management	Y	
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Chartwell Investment Partners	Y	
Clear Bridge Advisors	Y	Y
Columbia Management Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cramer Rosenthal McGlynn, LLC	Y	
Credit Suisse Asset Management	Y	
DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
DuPont Capital Management	Y	
DWS Investments	Y	
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
EIM Asset Management	Y	
Entrust Capital Inc.	Y	
Fayez Sarofim & Company	Y	Y
Federated Investors		Y
Fifth Third Asset Management, Inc.	Y	
Fortis Investments	Y	
Franklin Templeton	Y	Y

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Manager Name	Educational Services	Consulting Services
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grande-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co./The Hartford	Y	Y
Heartland Advisors, Inc.		Y
Henderson Global Investors	Y	
Hennessy Funds	Y	
HSBC Investments (USA) Inc.		Y
ING Clarion	Y	
ING Investment Management	Y	Y
INVESCO	Y	Y
Institutional Capital LLC	Y	
Janus Capital Management, LLC	Y	Y
Jensen Investment Management		Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	Y
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	
LSV Asset Management	Y	Y
MacKay Shields LLC		Y
Madison Square Investors	Y	
Marvin & Palmer Associates, I nc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFC Global Investment Management (U.S.) LLC	Y	
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Investment Management	Y	Y
Natixis Global Asset Management	Y	Y
Newton Capital Management	Y	
Neuberger Berman (fka, Lehman Brothers)	Y	Y
Nomura Asset Management U.S.A., Inc.	Y	
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Oppenheimer Capital	Y	
Pacific Investment Management Company	Y	
Peregrine Capital Management, Inc.		Y
Permal Group Inc.	Y	
Philadelphia International Advisors, LP	Y	
Pioneer Investment Management, Inc.	Y	Y
Principal Global Investors	Y	Y
Prudential Investment Management	Y	Y
Putnam Investments	Y	Y

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Manager Name	Educational Services	Consulting Services
Pyramis Global Advisors	Y	
RCM	Y	Y
Rice Hall James & Associates, LLC		Y
RiverSource Investments, LLC	Y	Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
RREEF	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
SEI Investments		Y
Smith Group Asset Management	Y	Y
Southeastern Asset Management, Inc.		Y
SSI Investment Management	Y	
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	Y
Sterne Agee Asset Management		Y
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
TD Asset Management (USA)	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
TimesSquare Capital Management, LLC	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
Victory Capital Management Inc.	Y	Y
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	
Zephyr Management	Y	

LORD ABBETT

Small Cap Core Equity Management

Alaska Retirement Management Board

Stacia H. Ikpe, CFA
Client Portfolio Manager

Kristin v. Harper
Director of Public Fund Services

April 22, 2010

About Lord Abbett

Independent

- Privately held since 1929
- 55 partners with an average of 13 years at Lord Abbett

Singular Focus

- Solely dedicated to investment management
- Interests aligned with our clients

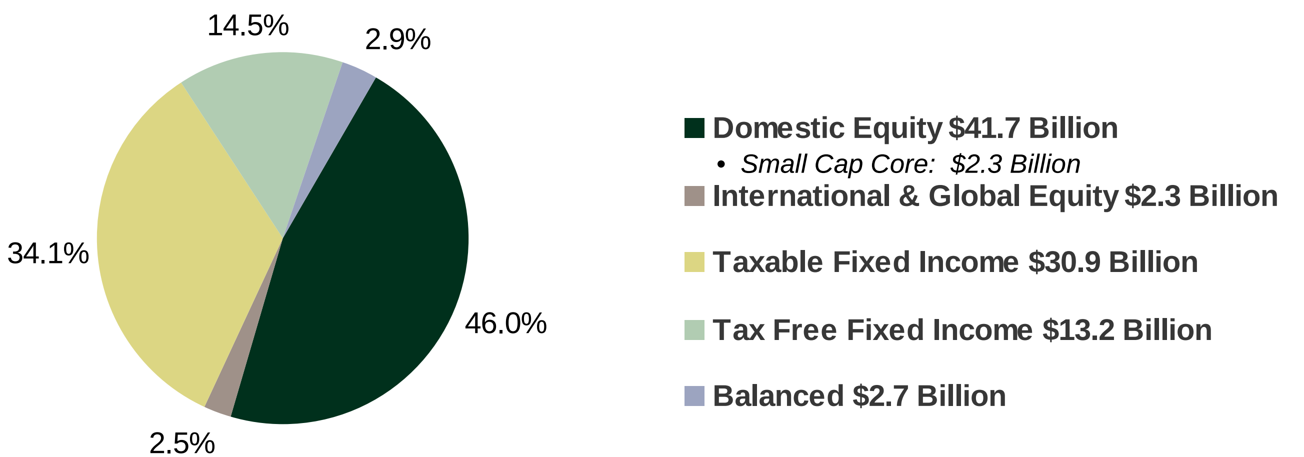
Prudent Approach Built on Experience and Insight

- Over 100 investment professionals with an average of 16 years of investment experience
- Research driven – fundamental & quantitative

Information is as of 1/1/2010.

Assets & Investment Capabilities

$90.7 Billion Assets Under Management • As of 2/28/2010



Domestic Equity	Int'l & Global Equity	Taxable Fixed Income	Tax Free Fixed Income	Balanced
Multi Cap Value	International Core	Core	Short Duration	Domestic Equity & Taxable Fixed Income
Large Cap Value	International Value	Core Plus	Intermediate Duration	Domestic Equity & Tax Free Fixed Income
Mid Cap Value	Int'l Small Cap Core	Short Duration	Long Duration	Global Equity & Taxable Fixed Income
Smid Cap Value	Global	Government	High Yield	
Small Cap Value		Corporates		
Micro Cap Value		Bank Loans		
Large Cap Core		Multi-Sector		
Smid Cap Core		High Yield		
Small Cap Core		Convertible		
Large Cap Growth		Currencies		
Mid Cap Growth				
Small Cap Growth				
Micro Cap Growth				

Small Cap Core Investment Team

QUANTITATIVE RESEARCH & RISK MANAGEMENT
Walter H. Prahl, Ph.D.
Partner & Director
24 yrs.

Robert I. Gerber, Ph.D.
Partner, Chief Investment Officer
23 yrs.

Robert P. Fetch
Partner & Director of Domestic Equity Portfolio Management, *33 yrs.*

PORTFOLIO MANAGEMENT

Michael T. Smith
Partner & Director
21 yrs.

CLIENT PORTFOLIO MANAGEMENT

Stacia H. Ikpe, CFA
Client Portfolio Manager
21 yrs.

Additional Lord Abbett Equity and Fixed-Income Investment Professionals

RESEARCH ANALYSTS

Craig Leighton, CFA
Healthcare, Business Services
14 yrs.

Dennis K. Morgan, CFA
Consumer, Transportation
15 yrs.

John P. Piccard, CFA
Basic Materials, Industrials, Technology
18 yrs.

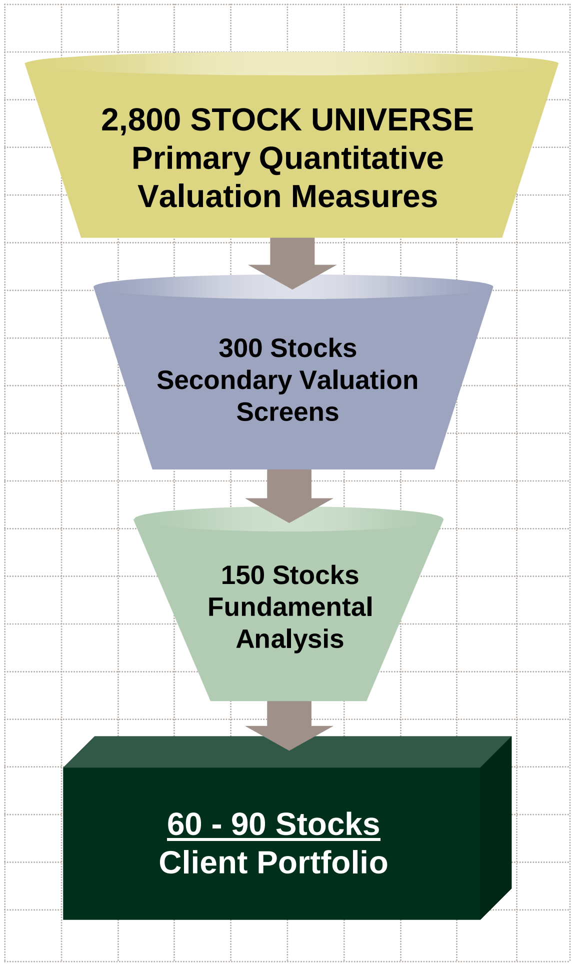
Please see biographies for information on the Investment Team.

Small Cap Core Investment Philosophy

Lord Abbett's Small Cap Core Equity philosophy is based on the following beliefs:

- Mispriced small company stocks with improving fundamentals can provide capital appreciation.
- A disciplined investment philosophy incorporating quantitative screens and fundamental research can identify attractive stocks, while reducing downside risk.
- A well-diversified portfolio of stocks with attractive fundamentals and strong growth prospects should produce attractive risk-adjusted returns.

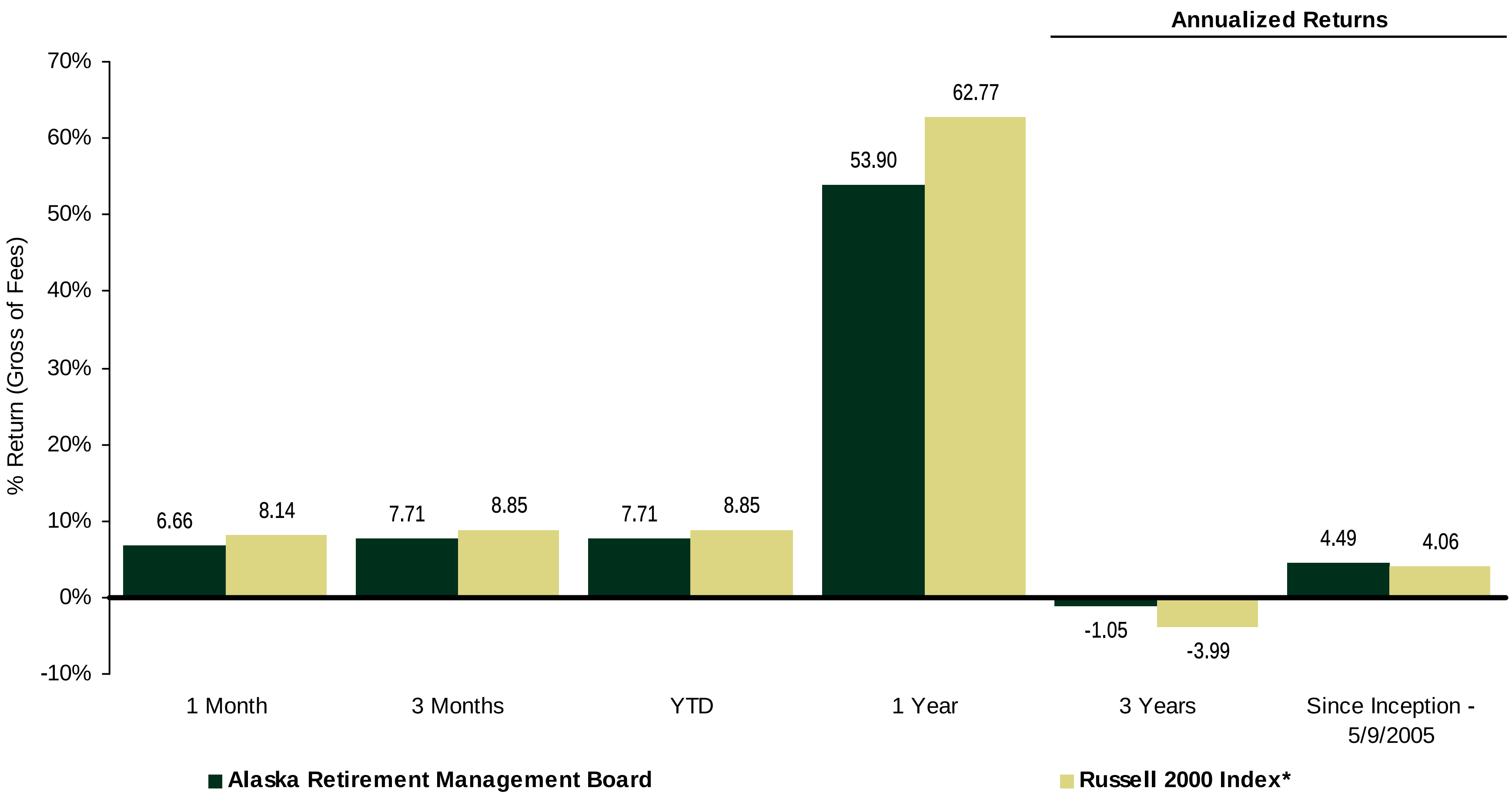
Small Cap Core Investment Process



- **Russell 2000® universe market cap range**
- **Identify stocks with the following characteristics**
  - Selling at low end of historic valuation range
  - 3 year EPS growth of 10% or greater
  - Positive earnings
- **Screen for a positive fundamental change**
  - Earnings surprises
  - Insider buying
- **Visit with top management, suppliers, customers and competitors**
  - Identify catalyst to drive shareholder value
- **Competitive advantage**
- **Leverage regional brokerage community and Lord Abbett analysts**
- **Portfolio constructed with stocks that have:**
  - Strong fundamentals
  - Attractive valuations
  - Favorable growth prospects
  - Consistent risk parameters versus benchmark

Rates of Return

Periods Ended 3/31/2010



The information contained herein is being provided at your request and is intended solely for your review of the account and may not be used for any other purposes. Please note that the performance information is gross of advisory fees and other expenses, with the exception of brokerage commissions and/or mark-ups and mark-downs with respect to fixed income and/or over-the-counter securities transactions, if any.

*Source: Russell.

Attribution Analysis

One Year Ended 3/31/2010

	Alaska Retirement Management		Russell 2000® Index		Variance		
Sectors*	Avg. Weight%	Base Rtn%	Avg. Weight%	Base Rtn %	Stock Selection%	Group Weight%	Total%
Utilities	0.0	0.0	3.5	24.6	0.0	1.6	1.6
Telecommunication Services	0.1	-35.1	1.1	28.5	-0.2	0.4	0.2
Consumer Staples	3.2	38.1	3.5	48.7	0.0	0.2	**0.2**
Health Care	16.3	52.6	14.4	49.3	0.3	-0.5	**-0.2**
Financials	11.7	34.0	20.2	47.3	-1.7	1.5	**-0.2**
Materials	2.6	92.8	4.3	103.9	-0.3	-0.5	**-0.8**
Energy	6.1	48.9	4.9	83.0	-1.8	0.8	**-1.0**
Industrials	32.5	55.3	15.7	57.9	-1.0	-0.6	**-1.6**
Information Technology	16.1	60.7	18.7	72.6	-1.7	-0.3	-2.0
Consumer Discretionary	7.7	73.5	13.7	99.8	-0.8	-2.0	-2.8
Cash	3.7	0.3	0.0	0.0	0.0	-2.7	**-2.7**
Total	100.0	53.5	**100.0**	**62.7**	-7.2	-2.1	-9.3

Largest Contributors

- **Utilities:** Sector Underweight
- **Telecommunication Services:** Sector Underweight

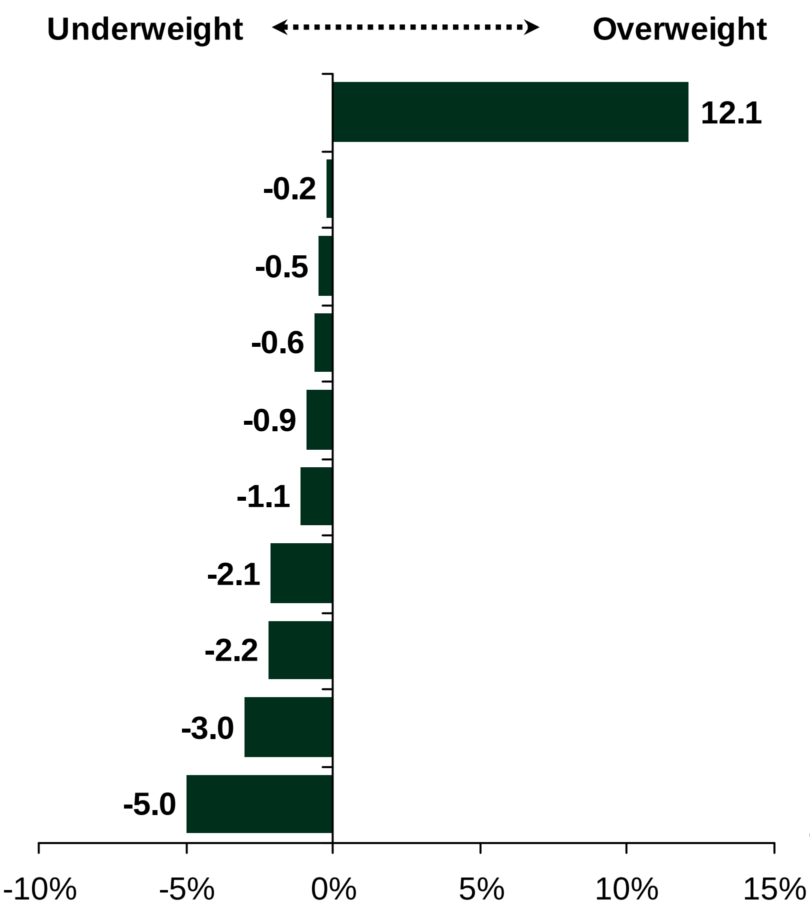
Largest Detractors

- **Consumer Discretionary:** Sector Underweight
- **Information Technology:** Stock Selection (Monolithic Power Systems, Inc.; Compellent Technologies, Inc.; FormFactor, Inc.)

The returns above are gross of fees. The total base return for the Portfolio does not capture daily cash flow and trading activity and therefore is subject to reasonable variance from the Portfolio's actual return. Source: Wilshire Attribution Software. *GICS Sectors. **For more information, please see the Appendix.**

Sector Allocation

As of 3/31/2010



	Alaska Retirement	Russell 2000® Index
Industrials	27.3%	15.2%
Health Care	14.1%	14.3%
Energy	4.5%	5.0%
Consumer Staples	2.5%	3.1%
Telecommunication Services	0.0%	0.9%
Information Technology	16.8%	17.9%
Materials	2.5%	4.6%
Consumer Discretionary	12.7%	14.9%
Utilities	0.0%	3.0%
Financials	16.0%	21.0%

Source: Wilshire. GICS Sectors.

Current Strategy

- The portfolio has significant positions in cyclical industries, such as the industrials sector, as we believe these companies will continue to benefit from multiple expansion and improving activity in their end markets.
- The portfolio also maintains a slight overweight within the health care sector, predominantly in the health care providers & services industry.
- We continued to reduce our underweight in the consumer discretionary sector, as fundamentals for many of the companies within this sector continue to improve.
- The financials sector remains the largest underweight, but we have continued to add to community banks as commercial real estate asset problems appear to be peaking.

Portfolio Characteristics

As of 2/28/2010

	Alaska Retirement Management Board	Russell 2000® Index
Total Market Value	**$164,503,032**	N/A
Number of Holdings	**84**	1,996
Weighted Average Market Capitalization *($M)*	**$1,742**	$1,027
Median Market Capitalization *($M)*	**$1,325**	$398
Price/Book Ratio	**2.1x**	1.7x
Price/Earnings Ratio *(1 Year Forecast)*	**16.5x**	15.4x
Price/Earnings Ratio *(Trailing 4 Quarters)*	**19.2x**	17.8x
Long Term Growth *(IBES Median)*	**14.6%**	13.3%
Return on Equity *(5 Year Average)*	**14.3%**	9.8%

Source: The Bank of New York Mellon Corp. ‡Actual earnings may differ significantly from projections. Characteristics are based upon a representative Small Cap Core portfolio. Holdings and asset data based on your account.

Ten Largest Holdings

As of 3/31/2010

Company Name	Sector*	% of Total
Watsco, Inc.	Industrials	2.6
Sykes Enterprises, Inc.	Industrials	2.2
HCC Insurance Holdings, Inc.	Financials	2.1
EXCO Resources, Inc.	Energy	2.1
KForce, Inc.	Industrials	2.0
PerkinElmer, Inc.	Health Care	1.9
Knight Transportation, Inc.	Industrials	1.9
Jones Lang LaSalle, Inc.	Financials	1.8
Aaron's, Inc.	Consumer Discretionary	1.8
Solera Holdings, Inc.	Information Technology	1.8
Total		**20.2%**

*GICS Sectors.

Appendix

Annual Rates of Return

Alaska Retirement Management Board

	Alaska Retirement Management Board (Gross of fees)	Russell 2000® Index*
2009	**25.81%**	27.17%
2008	**-32.44%**	-33.79%
2007	**11.36%**	-1.57%
2006	**7.63%**	18.37%
2005†	**13.02%**	13.77%

The information contained herein is being provided at your request and is intended solely for your review of the account and may not be used for any other purposes. Please note that the performance information is gross of advisory fees and other expenses, with the exception of brokerage commissions and/or mark-ups and mark-downs with respect to fixed income and/or over-the-counter securities transactions, if any.

*Source: Russell. †Partial Year 5/9-12/31.

Annual Rates of Return

Lord Abbett Small Cap Core Institutional Composite

	Small Cap Core (Gross of Fees)	Russell 2000® Index*
2009	**25.49%**	27.17%
2008	**-32.47%**	-33.79%
2007	**11.23%**	-1.57%
2006	**7.41%**	18.37%
2005	**14.70%**	4.55%
2004	**22.91%**	18.33%
2003	**54.54%**	47.25%
2002	**-13.77%**	-20.48%

Please see end notes for important additional information regarding composite performance, including net-of-fees returns.
*Source: Russell.

Portfolio Holdings

As of 3/31/2010

Sector/Company	% of Total	% of Index
Consumer Discretionary	**12.7**	**14.9**
Aaron's, Inc.	1.8	
American Public Education, Inc.	1.8	
Buffalo Wild Wings, Inc.	1.6	
Citi Trends, Inc.	1.2	
Deckers Outdoor Corp.	1.5	
Guess, Inc.	1.4	
John Wiley & Sons, Inc.	1.4	
Mohawk Industries, Inc.	0.9	
Papa John's International, Inc.	1.3	
Consumer Staples	**2.5**	**3.1**
Hansen Natural Corp.	1.6	
J & J Snack Foods Corp.	1.0	
Energy	**4.5**	**5.0**
Arena Resources, Inc.	1.0	
Comstock Resources, Inc.	1.3	
EXCO Resources, Inc.	2.1	
Financials	**16.0**	**21.0**
Astoria Financial Corp.	1.0	
Brown & Brown, Inc.	1.2	
Columbia Banking System, Inc.	0.5	
First Financial Bancorp	0.3	
HCC Insurance Holdings, Inc.	2.1	
Home BancShares, Inc.	0.5	
IBERIABANK Corp.	0.7	
Jones Lang LaSalle, Inc.	1.8	
OptionsXpress Holdings, Inc.	1.7	
PacWest Bancorp	0.8	
RLI Corp.	1.3	
SCBT Financial Corp.	0.4	
Tower Group, Inc.	1.1	
Webster Financial Corp.	1.0	
Whitney Holding Corp.	0.5	
Wintrust Financial Corp.	1.1	
Health Care	**14.1**	**14.3**
Amedisys, Inc.	1.3	

Sector/Company	% of Total	% of Index
Health Care Cont'd	**14.1**	**14.3**
Catalyst Health Solutions, Inc.	1.0	
Centene Corp.	1.2	
Cooper Cos., Inc.	1.7	
Gen-Probe, Inc.	0.8	
ICON plc	1.3	
LifePoint Hospitals, Inc.	1.2	
MEDNAX, Inc.	0.5	
PSS World Medical, Inc.	1.2	
PerkinElmer, Inc.	1.9	
Techne Corp.	1.2	
VCA Antech, Inc.	0.8	
Industrials	**27.3**	**15.2**
A.O. Smith Corp.	1.2	
Beacon Roofing Supply, Inc.	0.2	
Belden, Inc.	0.9	
Briggs & Stratton Corp.	1.6	
CLARCOR, Inc.	1.5	
Curtiss-Wright Corp.	1.5	
FTI Consulting, Inc.	1.0	
Graco, Inc.	1.0	
HEICO Corp.	0.5	
HEICO Corp.	0.4	
Heartland Express, Inc.	0.5	
IDEX Corp.	1.7	
J.B. Hunt Transport Services,	0.9	
KForce, Inc.	2.0	
Knight Transportation, Inc.	1.9	
Moog, Inc.	0.9	
Regal Beloit Corp.	1.4	
Robert Half International, Inc.	1.6	
Rush Enterprises, Inc.	0.7	
Sykes Enterprises, Inc.	2.2	
Thomas & Betts Corp.	1.0	
Watsco, Inc.	2.6	
Information Technology	**16.8**	**17.9**
3PAR, Inc.	0.7	
Compellent Technologies, Inc.	0.5	

Sector/Company	% of Total	% of Index
Information Technology Cont'd	**16.8**	**17.9**
FARO Technologies, Inc.	1.1	
FormFactor, Inc.	0.9	
Global Payments, Inc.	1.6	
MAXIMUS, Inc.	0.5	
Monolithic Power Systems, Inc.	1.2	
NetLogic Microsystems, Inc.	0.8	
Power Integrations, Inc.	1.2	
Riverbed Technology, Inc.	1.1	
Rudolph Technologies, Inc.	0.1	
ScanSource, Inc.	1.4	
Semtech Corp.	1.5	
Silicon Laboratories, Inc.	0.3	
Solera Holdings, Inc.	1.8	
Stratasys, Inc.	1.2	
Verigy Ltd.	1.0	
Materials	**2.5**	**4.6**
Kraton Performance Polymers,	0.8	
Reliance Steel & Aluminum Co.	1.7	
Telecommunication Services	**0.0**	**0.9**
Utilities	**0.0**	**3.0**

Small Cap Core Investment Team

Robert I. Gerber, Ph.D., Partner, Chief Investment Officer

Mr. Gerber is the Chief Investment Officer and is responsible for directing the portfolio management, research and trading activities for our equity and fixed income strategies. Mr. Gerber joined Lord Abbett in 1997 as Director of Taxable Fixed Income Management and was named Partner in 1998. His prior experience includes: Shareholder and Senior Portfolio Manager-Mortgage Group at Sanford C. Bernstein & Co., Inc.; and Vice President, Fixed-Income Research at the First Boston Corporation. Before his entry into the investment management business, Mr. Gerber had a career in academics, teaching economics at the State University of New York at Albany, Vassar College and Columbia University. Mr. Gerber received a BA from Union College and an MA and Ph.D. from Columbia University. He has been in the investment business since 1987.

Robert P. Fetch, CFA, Partner & Director of Domestic Equity Portfolio Management

Mr. Fetch is the lead portfolio manager of both the multi and mid cap value equity strategies and oversees the domestic equity portfolio managers. Mr. Fetch joined Lord Abbett in 1995 as the lead portfolio manager of the small cap value equity strategy portfolio and Director of Small, Smid, Multi and Micro Value Equities. He was named Partner in 1998. His prior experience includes: Managing Director at Prudential Investment Advisors; Senior Investment Officer at Chemical Bank/Favia Hill & Associates; and Equity Analyst/Trader at Mutual Benefit Life. Mr. Fetch received a BS from Bucknell University and an MBA from Seton Hall University. He is a holder of a Chartered Financial Analyst designation and has been in the investment business since 1977.

Michael T. Smith, Partner & Director

Mr. Smith is the lead portfolio manager of the small cap core equity strategy. Mr. Smith joined Lord Abbett in 1997 as a research analyst for the small cap value equity strategy. He was named Partner in 2002. His prior experience includes: Vice President - Analyst at Capital Management Associates; Analyst at Laifer, Inc.; and Senior Associate Coopers & Lybrand. Mr. Smith received a BA from California State University and an MBA New York University. He has been in the investment business since 1988.

Stacia H. Ikpe, CFA, Client Portfolio Manager

Ms. Ikpe is the client portfolio manager supporting clients, prospects and business relationships for our small cap core, smid cap core, smid cap value, small cap value and micro cap value equity strategies. Ms. Ikpe joined Lord Abbett in 2006. Her prior experience includes: Senior Research Analyst at Prudential Investments; Investment Consultant at Prudential Retirement Services. Ms. Ikpe received a BS from the University of Minnesota and an MBA from Columbia University. She is the holder of both a Chartered Financial Analyst designation and a CIMA designation. She has been in the investment business since 1989.

Small Cap Core Investment Team

Craig Leighton, CFA, Research Analyst

Mr. Leighton is a research analyst on the small cap core and smid cap core equity strategies. Mr. Leighton joined Lord Abbett in 2005. His prior experience includes: Vice President and Portfolio Manager at JP Morgan Fleming Asset Management; and Research Associate at William Blair & Co. Mr. Leighton received a BS from Rensselaer Polytechnic Institute and an MS from Princeton University. He is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1996.

Dennis K. Morgan, CFA, Research Analyst

Mr. Morgan is a research analyst on the small cap core and smid cap core equity strategies. Mr. Morgan joined Lord Abbett in 2008. His prior experience includes: Vice President/Senior Research Analyst and Co-Portfolio Manager at Neuberger Berman; Research Associate at Bear Stearns; and Research Analyst at Dreman Value Advisors. Mr. Morgan received a BS from The College of New Jersey. He is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1995.

John P. Piccard, CFA, Portfolio Manager

Mr. Piccard is a portfolio manager for the smid cap core equity strategy and also contributes as a research analyst to the small cap core equity strategy. Mr. Piccard joined Lord Abbett in 2004. His prior experience includes: Vice President-Portfolio Manager at JP Morgan Investment Management; First Vice President-Portfolio Manager/Research Analyst at UBS Global Asset Management; and Associate-Proprietary Portfolio at JP Morgan & Co. Mr. Piccard received a BA from Fordham University and an MA from New York University. He is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1992.

Walter H. Prahl, Ph.D., Partner & Director

Mr. Prahl is the Director of Quantitative Research and is responsible for overseeing the development of quantitative portfolio risk models and security valuation tools for use across all investment strategies. Mr. Prahl joined Lord Abbett in 1997 and was named Partner in 2002. His prior experience includes: Fixed Income Research Analyst at Sanford C. Bernstein & Co. and Marketing Analyst at CUNA Mutual Insurance. Mr. Prahl received a BS and a Ph.D. from the University of Wisconsin. He has been in the investment business since 1985.

About Wilshire Attribution

Wilshire Attribution:

Performance attribution provides valuable insights into style adherence and the related issue of whether portfolio deviations from the benchmark are being rewarded. The Wilshire Atlas model allows us to evaluate the results of sector weighting differences as well as individual security differences within sectors in all of our equity portfolios.

A	B	C	D	E	F	G
Fund Avg. Weight	Fund Base Return	Benchmark Avg. Weight	Benchmark Base Return	Stock Selection	Group Weight	Total

The first four columns (A,B,C,D) compare the portfolio and benchmark weights and performance in each sector of the classification group. Classification groups vary between products, as indicated on the attribution section of each product.

The remaining three columns (E,F,G) exemplify how portfolio management decisions affect performance:

Stock Selection measures the impact on relative performance from selecting individual stocks within each sector. For each sector, the stock selection variance is calculated by multiplying the portfolio sector weight by the difference between the portfolio's return for that sector and the benchmark sector return.

Group Weight explains how over- or underweighting the individual sectors contributed to performance. For each group or sector, the group weighting variance equals the difference between the portfolio's weight in the sector and the benchmark's weight in the sector multiplied by the difference between the benchmark's return in the sector and the benchmark's total return.

Total describes how decisions regarding stock selection and sector allocation contributed or detracted from performance. It is the sum of Stock Selection and Group Weight.

Source: Wilshire

Small Cap Core End Notes to Performance

The GIPS-compliant performance results shown represent the investment performance record for Lord, Abbett & Co. LLC's Small Cap Core Institutional Composite, which is comprised all fully invested, unconstrained portfolios managed on behalf of tax-exempt investors investing primarily in small capitalization securities that Lord Abbett deems to be undervalued on a relative basis or to have long-term growth potential, or both. Other than registered investment companies sponsored by Lord Abbett , accounts opened/funded on or before the 15th day of the month are included in the Composite effective on the first day of the second following month. Accounts opened/funded after the the 15th of the month will be included in the Composite effective on the first day of the third month following. Registered investment companies sponsored by Lord Abbett are included in the Composite in the first full month of management. Closed accounts will be removed from the Composite after the last full month in which they were managed in accordance with the applicable objectives, guidelines and restrictions. Performance results are expressed in U.S. dollars and reflect reinvestment of any dividends and distributions. The Composite was created in 2002. A complete list of Lord Abbett composites and a description of their investment strategies is available on request.

Lord Abbett has prepared and presented this report in compliance with the Global Investment Performance Standards ("GIPS®"). The CFA Institute has not been involved in the preparation or review of this performance information. For GIPS® purposes, Lord Abbett defines the firm as all assets managed by the firm, including mutual funds (all classes of shares), separate/institutional accounts, individual accounts, and separately managed accounts managed by Lord, Abbett & Co. This definition of the firm does not include any hedge fund or separately managed program accounts where Lord Abbett does not have the records so long as it is impossible for Lord Abbett to have the records (within the meaning of relevant GIPS interpretations). No alteration of the Composite as presented has occurred because of changes in personnel or other reasons at any time. Leverage has not been used in the portfolios included within the Composite. There has been no linkage with simulated or model portfolios.

The number of portfolios, total assets in the Composite, and the percentage of total "firm" assets represented by the Composite at the end of each calendar year for which performance information is provided are as follows:

Calendar Year Ended	2009	2008	2007	2006	2005	2004	2003	2002	2001*
Number of Portfolios	14	15	15	15	11	4	2	1	1
Total Assets ($M)	$2,205	$1,760	$2,722	$2,546	$1,992	$692	$251	$64	$21
Percentage of Firm Assets	2.5%	2.5%	2.5%	2.3%	2.0%	0.7%	0.4%	0.1%	0.1%
Dispersion	0.19	0.05	0.14	0.08	N/A	N/A	N/A	N/A	N/A
Total Firm Assets ($M)	$88,895	$70,347	$110,201	$112,193	$101,946	$93,560	$72,237	$48,179	$41,643
LA Small Cap Core Institutional Composite- Gross	25.49%	-32.47%	11.23%	7.41%	14.70%	22.91%	54.54%	-13.77%	2.79%
LA Small Cap Core Institutional Composite - Net	24.26%	-33.17%	10.13%	6.35%	13.57%	21.71%	53.06%	-14.64%	2.28%
Russell 2000® Index	27.17%	-33.79%	-1.57%	18.37%	4.55%	18.33%	47.25%	-20.48%	-4.09%

* The inception date of the composite is 7/2/01.

Small Cap Core End Notes to Performance

Asset-weighted standard deviation (i.e., dispersion) is not shown for the Composite because that measure may not be meaningful for composites consisting of five or fewer portfolios or for periods of less than a full year.

The performance of the Composite is shown net and gross of advisory fees, and reflects the deduction of transaction costs. The deduction of advisory fees and expenses (and the compounding effect thereof over time) will reduce the performance results and, correspondingly, the return to an investor. The table on the previous page also includes net performance for the Composite to illustrate the effect of the deduction of the highest advisory fee borne by any account in the Composite (an annual rate of 1.00% of assets) and other expenses (including trade execution expenses). The effect of fees and expenses on performance will vary with the relative size of the fee and account performance. **For example, if $10 million were invested and experienced a 10% compounded annual return for 10 years, its ending dollar value, without giving effect to the deduction of the advisory fee, would be $25,937,425. If an advisory fee of 1.00% of average net assets per year for the 10-year period were deducted, the annual total return would be 8.92% and the ending dollar value would be $23,673,637. The management fee schedule is as follows: 1.00% on the first $10 million, 0.75% on the next $40 million, 0.65% on the next $50 million, 0.60% on the next $100 million, and 0.55% on all assets over $200 million.**

For the periods from 1993 to 2008, Lord, Abbett & Co. LLC has been verified by Deloitte & Touche. A copy of the verification report is available upon request. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Russell 2000® Index, which includes reinvested dividends, has been taken from published sources.

Past performance is not indicative of future results. Differences in account size, timing of transactions, and market conditions prevailing at the time of investment may lead to different results among accounts. Differences in the methodology used to calculate performance also might lead to different performance results than those shown. The Composite performance is compared to that of an unmanaged index, which does not incur management fees, transaction costs, or other expenses associated with a managed account.

Rogge Global Partners

ROGGE GLOBAL PARTNERS PLC
AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY

High Yield Fixed Income Management

Presentation to

Alaska Retirement Management Board

Ken Monaghan
Portfolio Manager, Head of US High Yield Credit

April 22, 2010

Eco-Schools

CERTIFIED CARBON NEUTRAL company

ROGGE

Table of Contents

ROGGE

1. Team Transition to Rogge

ING Ghent / Rogge Transition

- Transaction announced in April 2008 and closed June 30, 2008
- All clients and ING Ghent staff migrated to Rogge
- All six senior members of the team have become Rogge shareholders
- Team moved to new Rogge offices in January 2009
- All back office services migrated to Rogge by January 1, 2009
- Added two London-based high yield analysts to the team (Spring 2009)

ROGGE

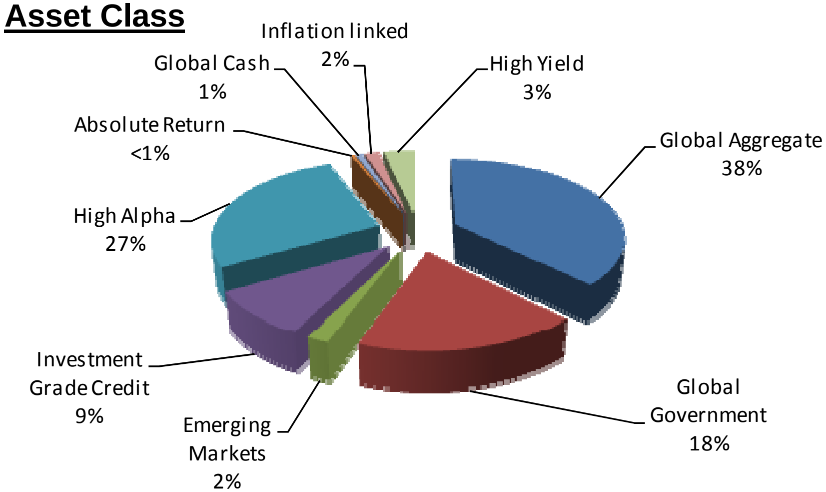
Benefits of Investing with Rogge Global Partners

As one of the longest established specialist bond managers in the industry, Rogge nurtured the growth of its business by concentrating on the following key tenets:

- **Unbiased and dedicated focus on fixed income** (Governments, Corporate Bonds, Emerging Market Debt & High Yield)
- **Customized client portfolios** to address specific investment objectives
- **Stable and experienced portfolio management team** who are shareholders of the company
- Successful implementation of a **consistent investment philosophy & process**

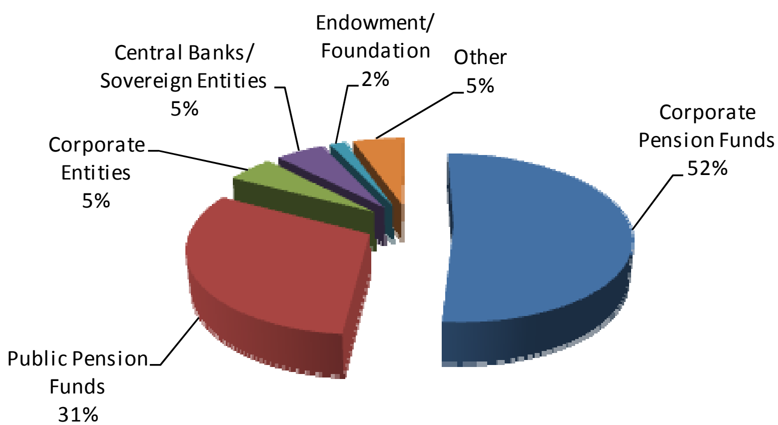
Firm Assets Under Management

Asset Class



	Total Assets (US$m)*
Aggregate Fixed Income	13,619
High Alpha	9,868
Government Fixed Income	6,499
Investment Grade Credit	3,305
High Yield	1,250
Inflation Linked	563
Emerging Markets	646
Global Cash	273
Absolute Return	147
Buy & Hold	40
Total	**36,210**

Client Type



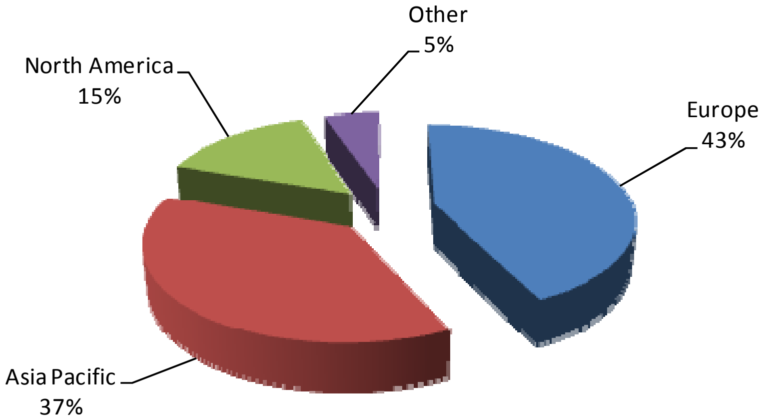
	% of Clients*
Corporate Pension Funds	52
Public Pension Funds	31
Corporate Entities	5
Other	5
Central Banks/ Sovereign Entities	5
Endowment/ Foundation	2
Total	**100**

* *Data provided as at 28 February 2010. Please note that c. USD 11,493 m of the total assets shown above are generated from 24 accounts managed through Rogge's joint venture: Tokio Marine Rogge.*

ROGGE

Firm Assets Under Management

Client Geography



	% of Assets*
Europe	43
Asia Pacific	37
North America	15
Other	5
Total	**100**

- Ability to address **client specific solutions** for complex plans through segregated mandates or pooled fund solutions. Representative clients: ***Cadbury***; ***Marks & Spencer***; ***Pension Protection Fund***; ***City of Edinburgh Council (Lothian)***; ***AP Fonden 2***; ***Stichting Pensioenfonds Apothekers***; ***CalPERS***; ***The Coca-Cola Company***, ***Verizon****.
- Flexible, customized approach against a wide range of benchmarks.
- Tokio Marine Rogge (TMR) 50:50 joint venture with the investment management arm of the largest property and casualty company in Japan: Tokio Marine and Nichido Fire Insurance.

** This partial list contains representative clients who have made no objection to the use of their names. This client list is not intended to be an endorsement of the services provided by Rogge Global Partners Plc.*

ROGGE

The Investment Team

Exceptionally stable and experienced investment team

Developed Markets Team/ Asset Allocation Committee

John Graham — *Senior Partner*

Olaf Rogge — *CEO & Co-CIO*

Richard Bell — *Co-CIO*

Adrian James — *Senior Partner*

Risk Management

Dr Igor Pikovsky — *Head of Portfolio Risk Management*

Jean-Christophe Alario — *Risk Analyst*

Nikolaos Spyridakis — *Portfolio/ Performance Analyst*

Macro Research

Ranjiv Mann — *Global Economist*

Portfolio Strategy

James Lindsay-Fynn — *Portfolio Strategist*

Kasia Borek — *Portfolio Assistant*

Generalist Team

David Gillard — *Portfolio Manager*

Duncan Harvey — *Portfolio Manager*

Matthew Manion — *Portfolio Manager*

Stefan Mantynen — *Portfolio Manager*

Ewan McAlpine — *Portfolio Manager*

Hiroshi Yokotani — *Portfolio Manager (Tokio Marine Rogge)*

Specialist Teams

Global Credit

Malie Conway — *Head of Global Credit*

Annabel Rudebeck — *Portfolio Manager*

David Butler — *Head of Research*

Phil Bagguley — *Analyst*

Daniel Delaney CFA — *Analyst*

John Makowske — *Analyst*

Sam Ross — *Graduate Trainee*

High Yield

David Newman — *Head of Euro High Yield*

Ken Monaghan — *Head of US High Yield*

Tim Dowling — *Portfolio Manager*

Paul Gillin CFA — *Portfolio Manager*

Geert Dhont — *Portfolio Manager*

Rob Farnham — *Head of Research*

Corinne Hill CFA — *Senior Analyst*

Chip Allison CFA — *Senior Analyst*

EMD

Richard Gray — *Head of EMD*

Jens Moller-Butcher — *Portfolio Technologist*

Trading

Rachel Muscatt — *Head of Trade Execution*

Mark Reeves — *Senior Trader*

Sarah Fitzgerald — *Portfolio Assistant*

- Total dedicated Investment Personnel – 35
- Total number of staff - 85

NB: Shareholders appear in bold.

ROGGE

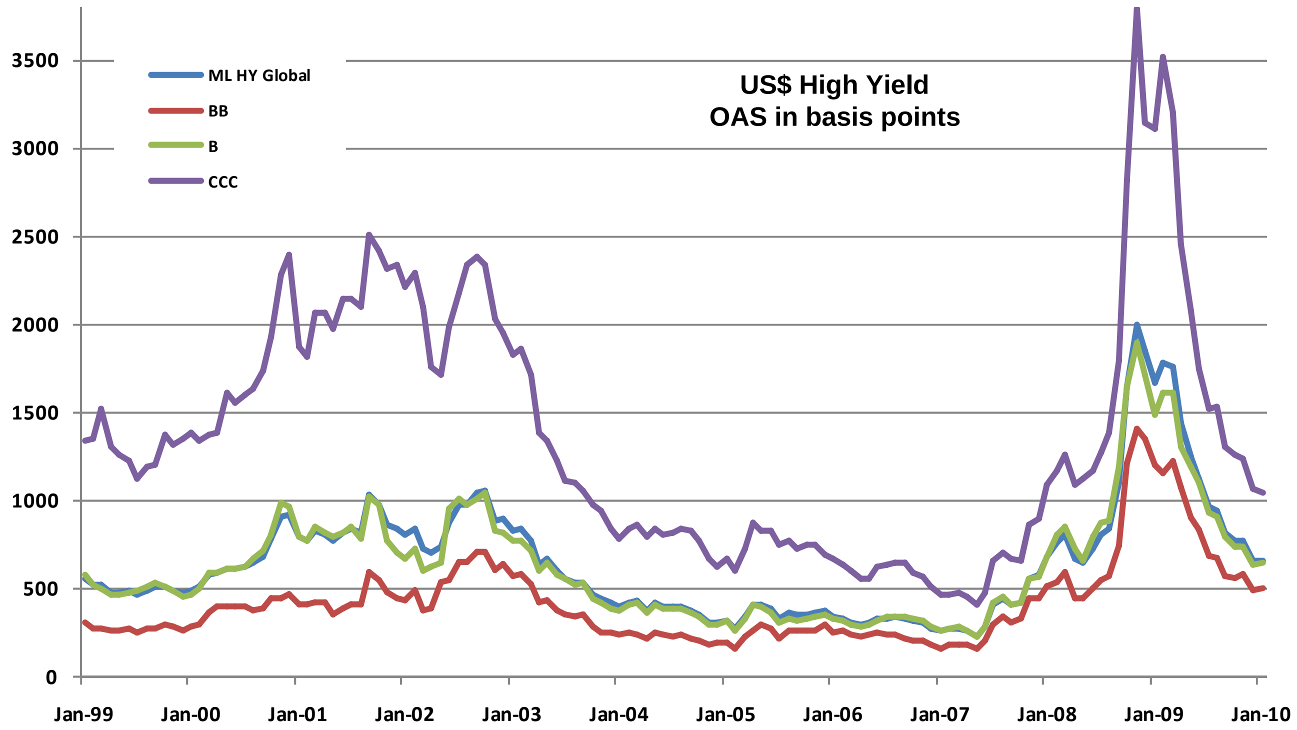
2. High Yield Market Review/Outlook

High Yield Outlook

- **Default Rates to Tumble in 2010:** After peaking nearly 10% in 4Q2009, global default rates are expected to decline to 4-5% for 2010.
- **Global High Yield Spreads Have More to Tighten:** Spreads on BB and B rated bonds are still wide for this stage of the credit cycle; CCC spreads are, as best, fair value. While double digit returns are possible, it is mathematically impossible for the high yield market to replicate 2009's returns.
- **Fallen Angels Will Determine the Magnitude of Returns for 2010:** Fallen angels such as AIG and other troubled financial service companies comprise a large portion of the bonds still trading at significant discounts to par. Tighter spreads for these credits would have an outsized impact on high yield index returns.
- **Event Risk Will Be Positive For High Yield:** Mergers and acquisitions, such as the recently announced acquisitions of Terra and Duane Reade by investment grade rated competitors, will increase as companies pursue growth. The re-opening of the IPO market will allow participating companies to reduce their leverage.
- **The New Issue Market Will Remain Active:** Companies will take advantage of an open new issue market to refinance bank debt with bonds. This trend will be more pronounced in Europe, and European high yield will grow faster than U.S. high yield. New issues can add to returns when priced well or detract from returns when the calendar outpaces demand.

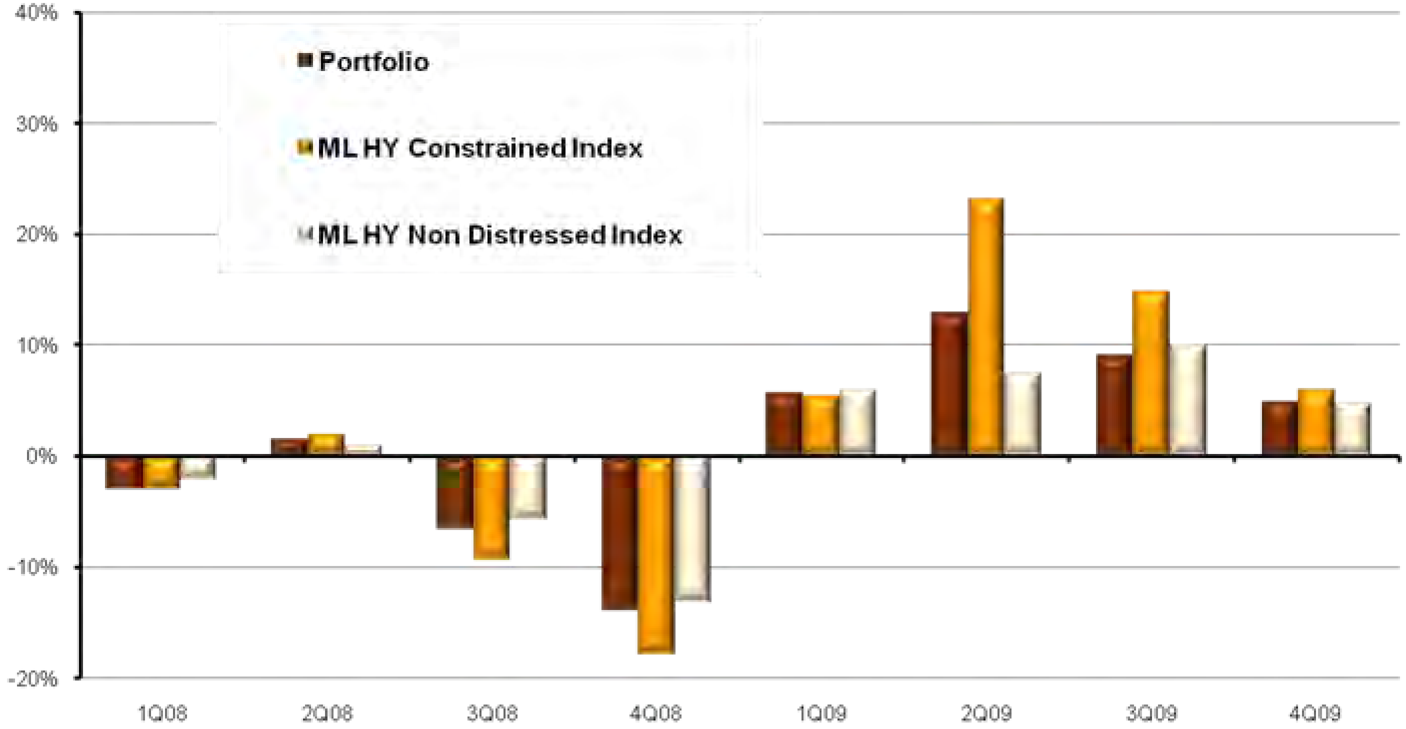
ROGGE

Global High Yield Spreads by Rating



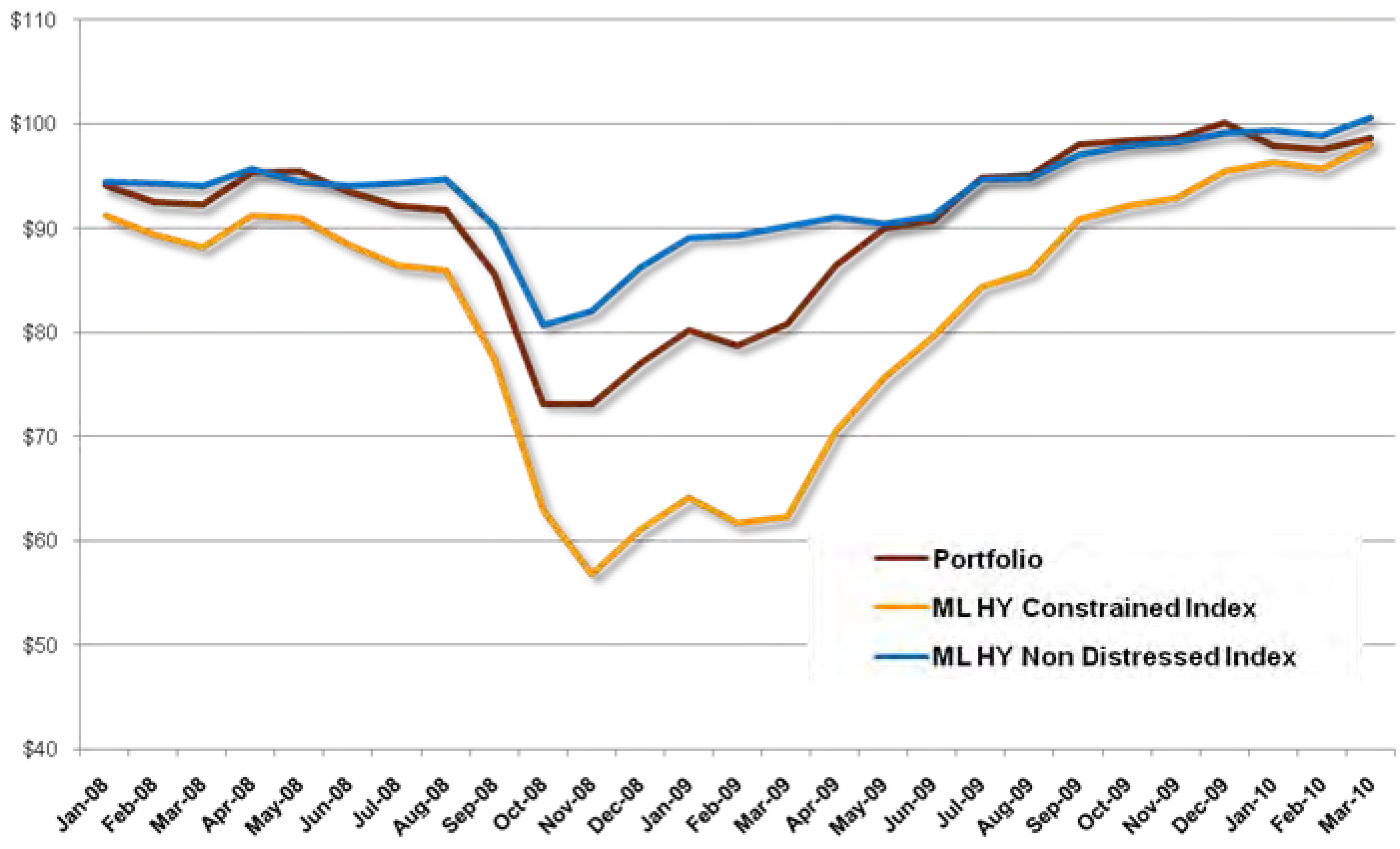
Source: BoA/Merrill Lynch

Performance Summary:
Rates of Return



Source: Rogge

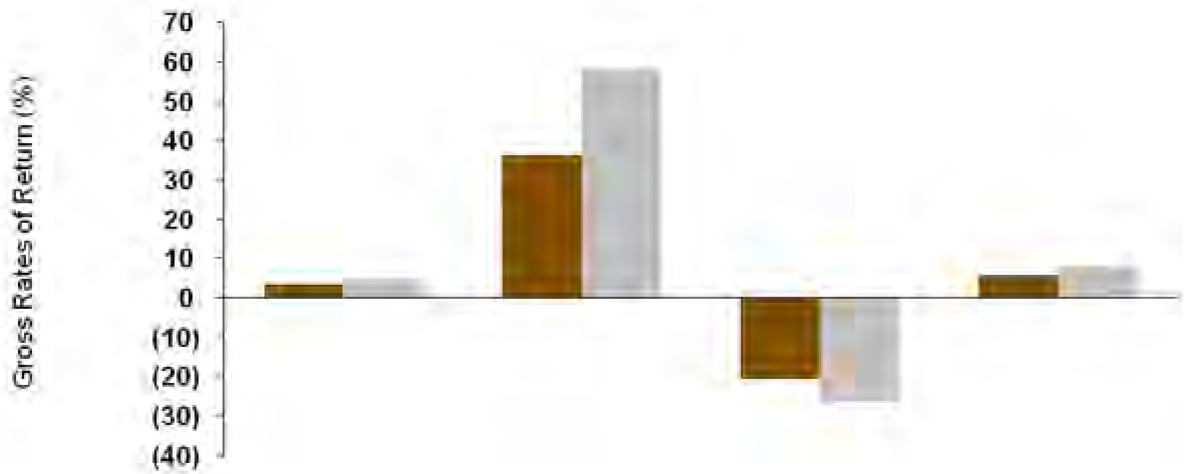
Risk:
Average Dollar Price



Source: Rogge

3. Portfolio – Performance Summary and Characteristics

Performance Summary



	1Q09	2009	2008	Since Inception
Portfolio	**3.50%**	**36.54%**	**(20.50)%**	**5.82%**
Merrill Lynch US High Yield Master II Constrained Index	4.74	58.10	(26.11)	7.89

The index returns are based on the Merrill Lynch High Yield Master II Index effective April 15, 2005 through December 31, 2006 and the Merrill Lynch High Yield Master II Constrained Index effective January 1, 2007 to present.

Inception date of the account: March 30, 2005. Performance measurement inception date: April 15, 2005.

Performance is calculated on a time-weighted total return basis and is presented on a "gross" basis (i.e., before the deduction of investment management fees). The returns for the Index are time-weighted total return performance results as reported by Merrill Lynch.

Performance Attribution by Price: 2008

		YTD08						
		Benchmark Segment Wts w(b,i)	Portfolio Segment Wts w(p,i)	Total Benchmark Rtn r(b)	Total Portfolio Rtn r(p)	SECURITY SELECTION EFFECT	SECTOR ALLOCATION EFFECT	TOTAL VALUE ADDED
		Months:	12					
<	20	0.247%	0.017%	0.046%	0.012%	-0.005%	-0.016%	-0.021%
20	50	3.761%	1.566%	-1.615%	-0.084%	0.133%	0.617%	0.750%
50	70	10.153%	5.355%	-6.611%	-3.322%	0.356%	1.642%	1.998%
70	80	10.299%	7.824%	-3.823%	-1.686%	0.004%	0.314%	0.318%
80	90	19.272%	18.203%	-6.003%	-5.568%	-0.490%	0.152%	-0.338%
90	100	34.492%	40.614%	-6.855%	-8.527%	0.700%	0.709%	1.408%
100 >		21.778%	26.421%	-1.261%	-1.354%	-0.153%	1.633%	1.480%
CASH	CASH	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
		100.001%	**100.000%**	**-26.121%**	**-20.529%**	**0.543%**	**5.051%**	**5.595%**

ROGGE

Performance Attribution by Price: 2009

		YTD09						
		Benchmark Segment Wts w(b,i)	Portfolio Segment Wts w(p,i)	Total Benchmark Rtn r(b)	Total Portfolio Rtn r(p)	SECURITY SELECTION EFFECT	SECTOR ALLOCATION EFFECT	TOTAL VALUE ADDED
		Months:	12					
<	20	0.942%	0.249%	1.784%	0.414%	-0.052%	-1.064%	-1.116%
20	50	6.512%	1.819%	10.291%	2.506%	-0.037%	-5.368%	-5.405%
50	70	12.737%	5.562%	14.078%	4.827%	-0.093%	-4.876%	-4.968%
70	80	11.487%	6.783%	7.956%	5.135%	0.725%	-0.599%	0.126%
80	90	17.720%	12.759%	9.390%	5.316%	-0.845%	0.051%	-0.794%
90	100	31.469%	42.874%	10.302%	12.773%	-0.329%	-4.210%	-4.540%
100 >		19.134%	29.954%	4.290%	5.576%	-0.259%	-4.589%	-4.848%
CASH	CASH	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
		100.001%	**100.000%**	**58.092%**	**36.547%**	**-0.890%**	**-20.655%**	**-21.545%**

ROGGE

Performance Attribution by Price: 1Q2010

		YTD10						
		Benchmark Segment Wts w(b,i)	Portfolio Segment Wts w(p,i)	Total Benchmark Rtn r(b)	Total Portfolio Rtn r(p)	SECURITY SELECTION EFFECT	SECTOR ALLOCATION EFFECT	TOTAL VALUE ADDED
	Months:	3						
<	20	0.007%	0.011%	0.004%	0.006%	0.000%	0.001%	0.001%
20	50	0.448%	1.143%	0.169%	-0.003%	-0.386%	0.178%	-0.208%
50	70	2.585%	0.887%	0.460%	0.167%	-0.024%	-0.198%	-0.222%
70	80	4.960%	0.554%	0.442%	-0.006%	-0.040%	-0.185%	-0.225%
80	90	9.233%	1.038%	0.705%	0.045%	-0.037%	-0.238%	-0.275%
90	100	28.580%	27.250%	1.275%	1.099%	-0.099%	0.010%	-0.089%
100 >		54.187%	69.118%	1.691%	2.190%	0.034%	-0.265%	-0.231%
CASH	CASH	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
		100.000%	**100.000%**	**4.746%**	**3.497%**	**-0.552%**	**-0.697%**	**-1.249%**

Big Movers 2008

	Issuer	Coupon	1Q2008	2Q2008	3Q2008	4Q2008	Y2008
69346RAB4	**PNA GROUP INC**	**10.75**	-0.051%	0.398%	0.034%	0.000%	**0.381%**
370425RX0	**GMAC LLC**	**6.875**	-0.080%	-0.021%	-0.310%	0.553%	**0.140%**
90338WAE3	**US ONCOLOGY INC**	**9**	0.000%	0.000%	0.000%	0.115%	**0.115%**
25459HAD7	**DIRECTV HOLDINGS/FINANCE**	**6.375**	0.003%	0.024%	-0.050%	0.104%	**0.081%**
058498AF3	**BALL CORP**	**6.875**	0.000%	0.000%	0.000%	0.081%	**0.081%**
228188AD0	**CROWN AMERICAS**	**7.75**	0.000%	0.000%	0.000%	0.079%	**0.079%**
629377AX0	**NRG ENERGY INC**	**7.375**	0.037%	-0.012%	-0.052%	0.090%	**0.063%**
869237AA5	**SUSSER HOLDINGS LLC**	**10.625**	0.000%	0.000%	0.000%	0.057%	**0.057%**
373298BV9	**GEORGIA-PACIFIC LLC**	**8.125**	0.006%	0.016%	0.004%	0.022%	**0.048%**
704549AE4	**PEABODY ENERGY CORP**	**7.375**	0.032%	-0.020%	-0.032%	0.068%	**0.048%**
					Total YTD Impact		**1.092%**

	Issuer	Coupon	1Q2008	2Q2008	3Q2008	4Q2008	Y2008
68371PAC6	**OPEN SOLUTIONS INC**	**9.75**	-0.144%	0.084%	-0.134%	-0.660%	**-0.853%**
913406AC8	**UNIVERSAL CITY FLORIDA**	**9.6613**	-0.012%	0.022%	-0.012%	-0.789%	**-0.791%**
92851RAD9	**VITRO SAB DE CV**	**9.125**	-0.076%	-0.015%	-0.165%	-0.459%	**-0.713%**
45338FAC8	**INDALEX HOLDING**	**11.5**	-0.037%	-0.200%	-0.088%	-0.370%	**-0.693%**
428040CA5	**HERTZ CORPORATION**	**10.5**	-0.086%	0.004%	-0.083%	-0.467%	**-0.632%**
92241TAD4	**VEDANTA RESOURCES PLC**	**9.5**	0.000%	-0.007%	-0.167%	-0.452%	**-0.626%**
911358AF6	**UNITED REFINING CO**	**10.5**	0.010%	0.006%	-0.141%	-0.441%	**-0.565%**
651715AD6	**NEWPAGE CORP**	**10**	0.040%	0.027%	-0.118%	-0.512%	**-0.562%**
98375NAA8	**XM SATELLITE RADIO HOLDI**	**13**	0.000%	0.000%	-0.243%	-0.301%	**-0.543%**
370442BT1	**GENERAL MOTORS**	**8.375**	-0.058%	-0.064%	-0.173%	-0.221%	**-0.515%**
					Total YTD Impact		**-6.492%**

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Big Movers 2009

	Issuer	Coupon	1Q2009	2Q2009	3Q2009	4Q2009	Y2009
LN308723	**WINDIM**	**7.25**	0.192%	0.688%	0.103%	0.000%	**0.985%**
428040BZ1	**HERTZ CORP**	**8.875**	0.116%	0.549%	0.156%	0.017%	**0.839%**
78375PAL1	**RYERSON INC**	**12**	-0.034%	0.408%	0.238%	0.177%	**0.791%**
911358AF6	**UNITED REFINING CO**	**10.5**	0.034%	0.374%	0.204%	0.163%	**0.777%**
913406AC8	**UNIVERSAL CITY FLORIDA**	**5.92**	-0.128%	0.719%	0.132%	0.019%	**0.741%**
001546AG5	**AK STEEL CORP**	**7.75**	0.048%	0.476%	0.111%	0.049%	**0.686%**
92201QAA4	**VANGENT INC**	**9.625**	0.132%	0.294%	0.164%	0.043%	**0.635%**
284138AC8	**ELAN FIN PLC/ELAN FIN CP**	**7.75**	0.452%	0.077%	0.063%	0.006%	**0.599%**
48282AAB1	**KABEL DEUTSCHLAND GMBH**	**10.625**	0.345%	0.112%	0.098%	0.036%	**0.593%**
92241TAD4	**VEDANTA RESOURCES PLC**	**9.5**	0.206%	0.341%	0.000%	0.000%	**0.547%**
					Total YTD Impact		**7.194%**

	Issuer	Coupon	1Q2009	2Q2009	3Q2009	4Q2009	Y2009
125581BF4	**CIT GROUP INC**	**5.8**	0.000%	-0.053%	-0.131%	0.000%	**-0.184%**
125581AH1	**CIT GROUP INC**	**5**	0.000%	-0.075%	-0.068%	0.000%	**-0.142%**
428040CA5	**HERTZ CORP**	**10.5**	-0.129%	0.000%	0.000%	0.000%	**-0.129%**
404119AX7	**HCA INC**	**9.25**	-0.100%	0.000%	0.000%	0.000%	**-0.100%**
60877UAC1	**MOMENTIVE PERFORMANCE**	**9.75**	-0.097%	0.000%	0.000%	0.000%	**-0.097%**
125581AX6	**CIT GROUP INC**	**5.4**	0.000%	-0.030%	-0.051%	0.000%	**-0.082%**
785583AF2	**SABINE PASS LNG LP**	**7.5**	-0.067%	0.000%	0.000%	0.000%	**-0.067%**
281023AU5	**EDISON MISSION ENERGY**	**7**	-0.093%	0.020%	0.040%	-0.017%	**-0.051%**
284138AJ3	**ELAN CORP PLC**	**8.75**	0.000%	0.000%	-0.003%	-0.044%	**-0.047%**
281023BA8	**EDISON MISSION ENERGY**	**7.625**	-0.125%	0.044%	0.061%	-0.012%	**-0.032%**
					Total YTD Impact		**-0.932%**

Big Movers 2010

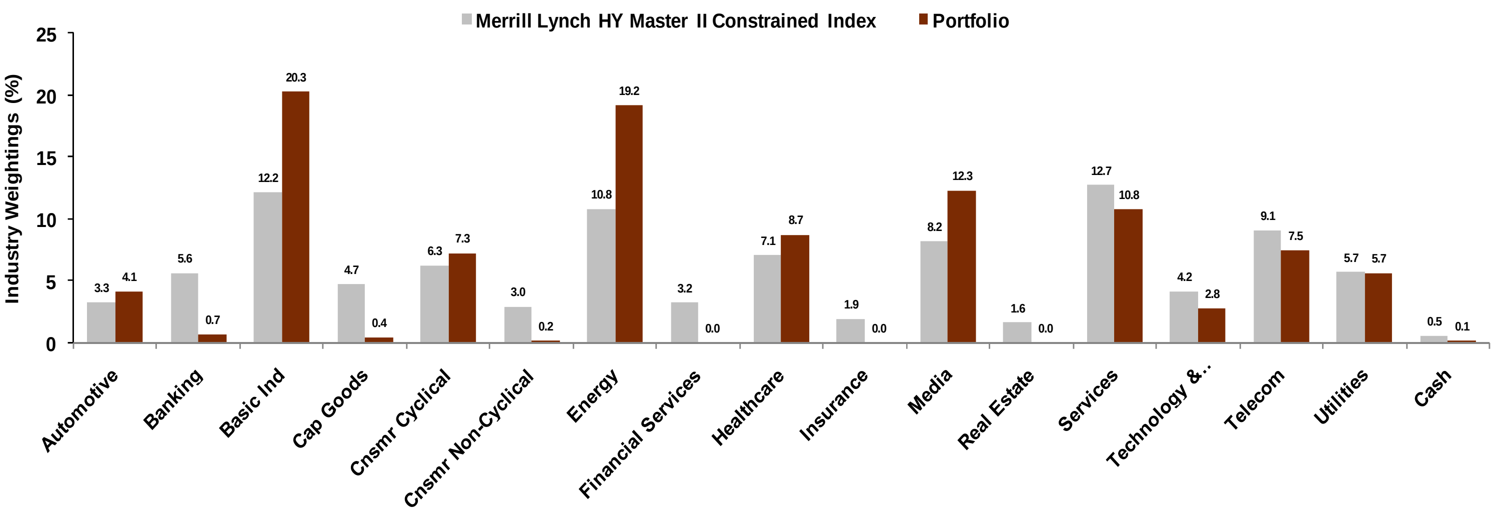
	Issuer	Coupon	1Q2010	2Q2010	3Q2010	4Q2010	Y2010
263581AA8	**DUANE READE INC**	**11.75**	0.148%	0.000%	0.000%	0.000%	**0.148%**
818149AA4	**SEVERSTAL COLUMBUS LLC**	**10.25**	0.111%	0.000%	0.000%	0.000%	**0.111%**
247361ZE1	**DELTA AIR LINES**	**12.25**	0.093%	0.000%	0.000%	0.000%	**0.093%**
257559AG9	**DOMTAR CORP**	**10.75**	0.092%	0.000%	0.000%	0.000%	**0.092%**
599908AE0	**MILLAR WESTERN FOREST**	**7.75**	0.073%	0.000%	0.000%	0.000%	**0.073%**
785583AC9	**SABINE PASS LNG LP**	**7.25**	0.071%	0.000%	0.000%	0.000%	**0.071%**
53957MAA1	**LOCAL INSIGHT REGATTA HL**	**11**	0.070%	0.000%	0.000%	0.000%	**0.070%**
581241AA4	**MCJUNKIN RED MAN CORP**	**9.5**	0.068%	0.000%	0.000%	0.000%	**0.068%**
759219AA6	**REICHHOLD INDUSTRIES INC**	**9**	0.067%	0.000%	0.000%	0.000%	**0.067%**
87900YAA1	**TEEKAY CORP**	**8.5**	0.066%	0.000%	0.000%	0.000%	**0.066%**
					Total YTD Impact		**0.857%**

	Issuer	Coupon	1Q2010	2Q2010	3Q2010	4Q2010	Y2010
651715AK0	**NEWPAGE CORP**	**11.375**	-0.093%	0.000%	0.000%	0.000%	**-0.093%**
651715AD6	**NEWPAGE CORP**	**10**	-0.052%	0.000%	0.000%	0.000%	**-0.052%**
451102AF4	**ICAHN ENTERPRISES/FIN**	**8**	-0.049%	0.000%	0.000%	0.000%	**-0.049%**
80007PAK5	**SANDRIDGE ENERGY INC**	**8.75**	-0.034%	0.000%	0.000%	0.000%	**-0.034%**
018606AK9	**ALLIANCE HEALTHCARE SVCS**	**8**	-0.033%	0.000%	0.000%	0.000%	**-0.033%**
707132AK2	**PENINSULA GAMING LLC**	**10.75**	-0.013%	0.000%	0.000%	0.000%	**-0.013%**
281023AU5	**EDISON MISSION ENERGY**	**7**	-0.011%	0.000%	0.000%	0.000%	**-0.011%**
88089PAG8	**TERRA CAPITAL INC**	**7.75**	-0.008%	0.000%	0.000%	0.000%	**-0.008%**
319963AP9	**FIRST DATA CORPORATION**	**9.875**	-0.005%	0.000%	0.000%	0.000%	**-0.005%**
783754AA2	**RYERSON HOLDING CORP**	**0**	-0.003%	0.000%	0.000%	0.000%	**-0.003%**
					Total YTD Impact		**-0.301%**

Characteristics & Industry Weightings

Quarter Ending March 31, 2010

	Portfolio	Merrill Lynch HY Master II Constrained Index
Modified Duration(Years)	4.19	4.27
Yield to Maturity(%)	8.75	8.37
Average Quality	B	B+

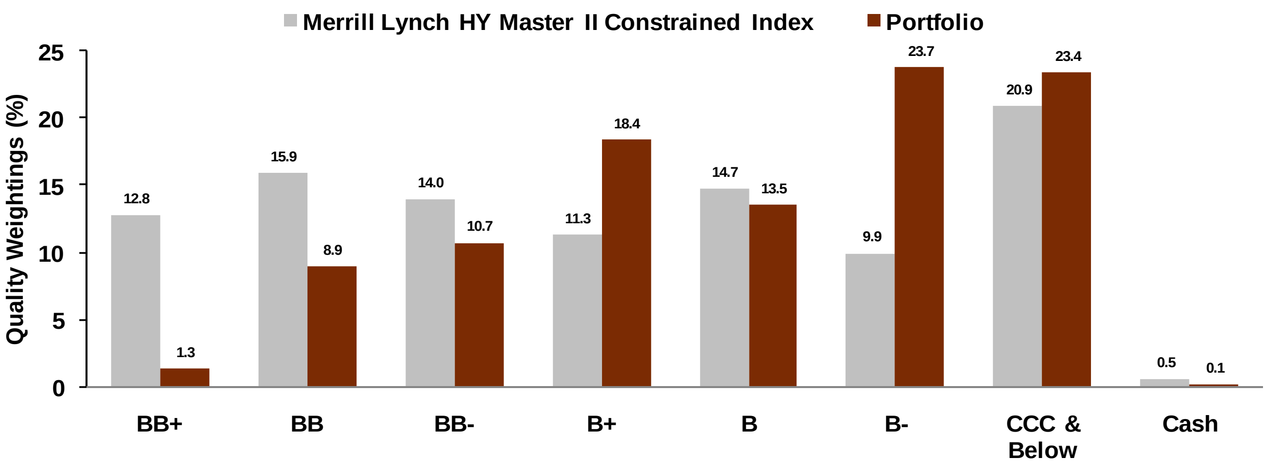


Allocations may not add to 100% due to rounding.

Market Value % of Portfolio, includes cash.

Quality Composition

Quarter Ending March 31, 2010

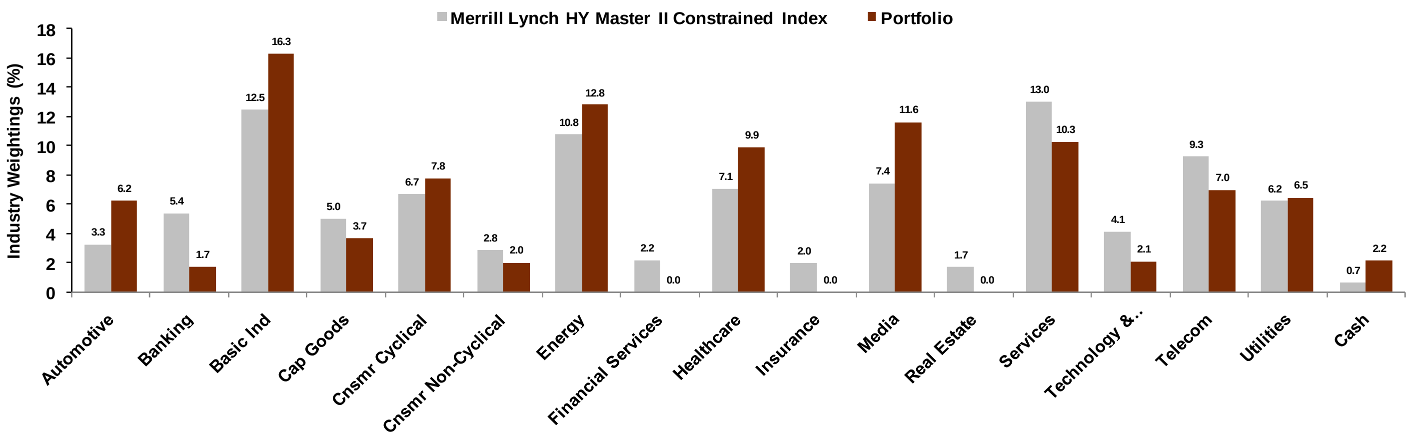


Market Value % of Portfolio, includes cash.
Allocations may not add to 100% due to rounding.
Ratings are based on the lower of Moody's, S&P or Fitch.

Characteristics & Industry Weightings

Quarter Ending December 31, 2009

	Portfolio	Merrill Lynch HY Master II Constrained Index
Modified Duration(Years)	3.91	4.28
Yield to Maturity(%)	8.57	9.10
Average Quality	B	B+



Allocations may not add to 100% due to rounding.

Market Value % of Portfolio, includes cash.

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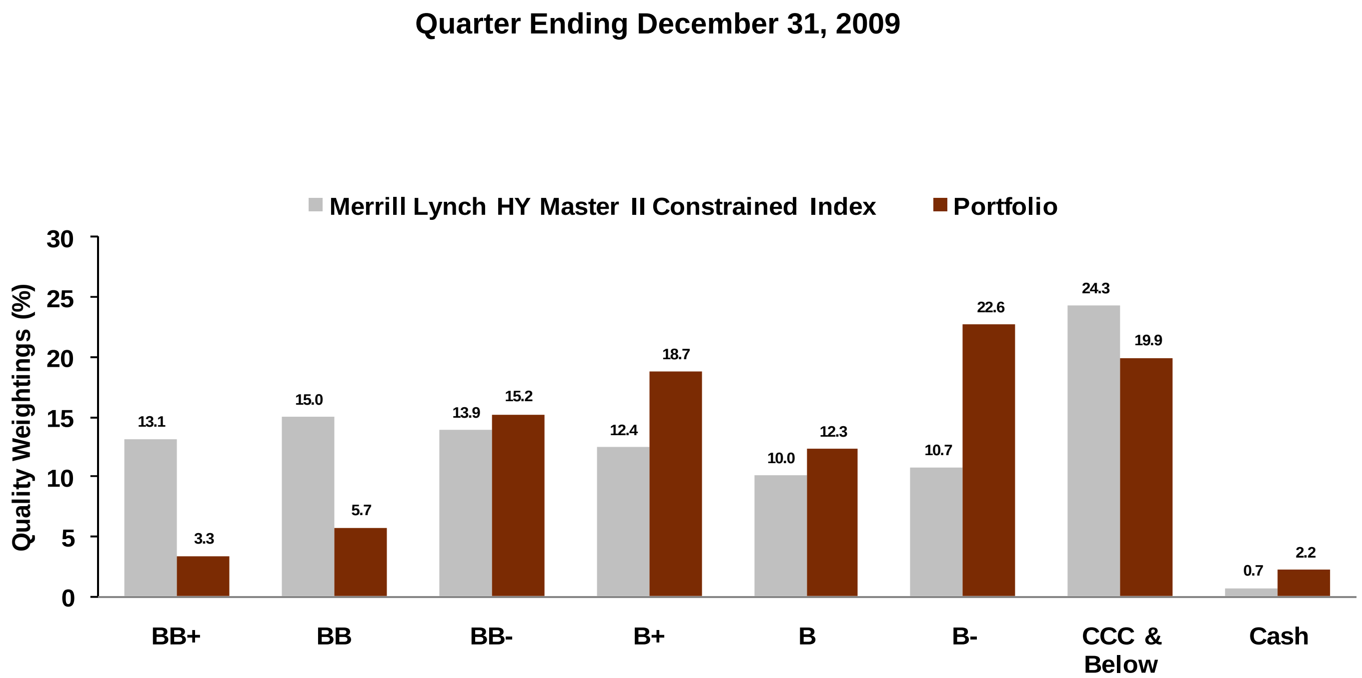
Quality Composition



Market Value % of Portfolio, includes cash.
Allocations may not add to 100% due to rounding.
Ratings are based on the lower of Moody's, S&P or Fitch.

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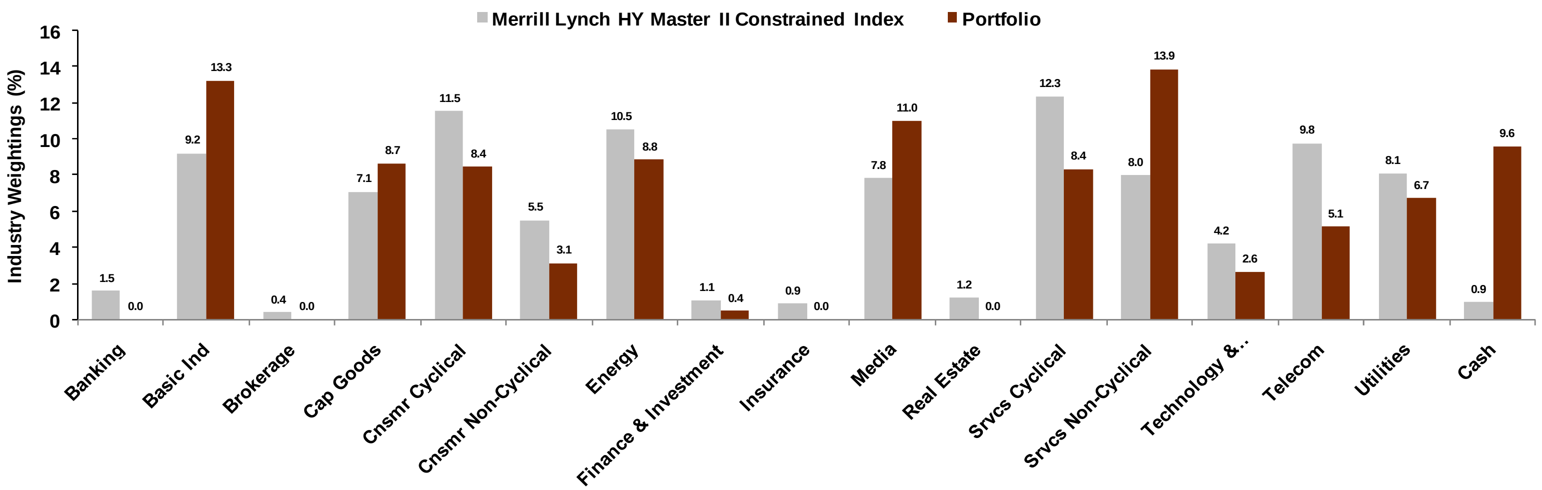
Characteristics & Industry Weightings

Quarter Ending December 31, 2008

	Portfolio	Merrill Lynch HY Master II Constrained Index
Modified Duration(Years)	3.86	3.88
Yield to Maturity(%)	14.61	19.58
Average Quality	B+	B+

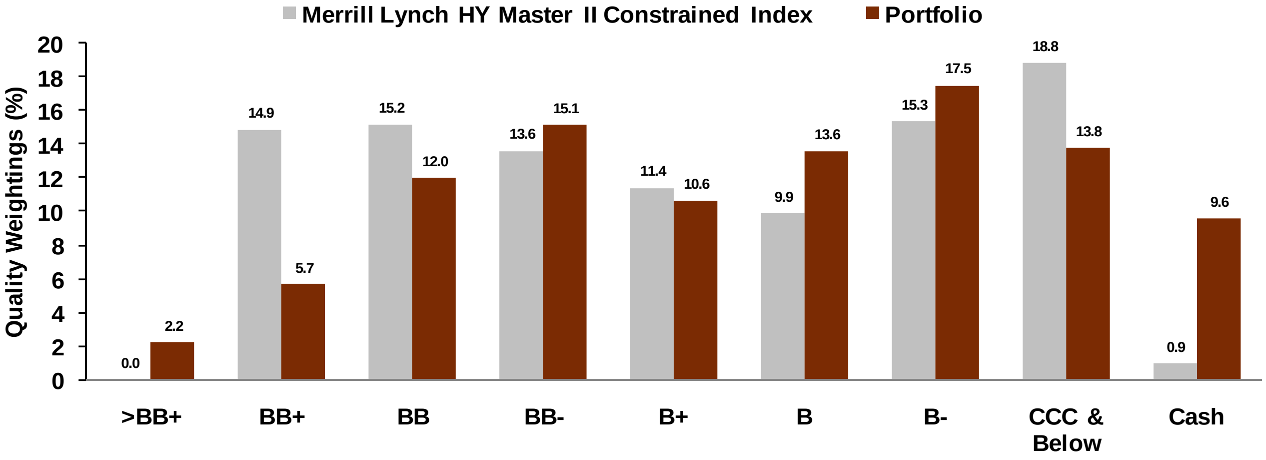


Allocations may not add to 100% due to rounding.

Market Value % of Portfolio, includes cash.

Quality Composition

Quarter Ending December 31, 2008



Market Value % of Portfolio, includes cash.
Allocations may not add to 100% due to rounding.
Ratings are based on the lower of Moody's, S&P or Fitch.

5. Portfolio Holdings

Portfolio Holdings Report

Period Ending March 31, 2010

Cusip	Security Description	Industry	Coupon	Maturity Date	Modified Duration	Yield to Maturity	Quantity	Market Price	Market Value	Accrued Income	% of Portfolio
00130HBC8	AES 7.75 01/Mar/14	Utility	7.750	3/1/2014	3.362	6.933	935,000	102.250	962,076	6,039	0.60
00130HBH7	AES 8 15/Oct/17	Utility	8.000	10/15/2017	5.547	7.645	1,050,000	101.500	1,104,483	38,733	0.69
00130HBN4	AES 8 01/Jun/20	Utility	8.000	6/1/2020	6.879	7.979	665,000	99.625	680,240	17,733	0.43
018606AK9	AIQ 8 01/Dec/16 144a	Healthcare	8.000	12/1/2016	4.765	9.327	2,000,000	93.000	1,913,333	53,333	1.20
019736AA5	ALTRAN 11 01/Nov/15 144a	Automotive	11.000	11/1/2015	3.082	9.358	895,000	106.500	994,196	41,021	0.62
019736AB3	ALTRAN 11.25 01/Nov/15 144a	Automotive	11.250	11/1/2015	3.054	9.541	461,100	106.750	513,838	21,614	0.32
03070QAL5	ASCA 9.25 01/Jun/14	Services	9.250	6/1/2014	3.215	7.746	1,400,000	104.750	1,509,667	43,167	0.95
03674PAA1	ANTERO 9.375 01/Dec/17 144a	Energy	9.375	12/1/2017	4.781	8.734	1,810,000	103.000	1,927,461	63,161	1.21
038521AD2	RMK 8.5 01/Feb/15	Services	8.500	2/1/2015	3.080	7.802	1,990,000	102.250	2,062,362	27,587	1.30
049302AE2	ATN 12.125 01/Aug/17	Energy	12.125	8/1/2017	3.862	9.256	765,000	114.500	891,384	15,459	0.56
06846NAB0	BBG 9.875 15/Jul/16	Energy	9.875	7/15/2016	4.172	8.167	595,000	107.750	653,517	12,404	0.41
09747FAA3	BZ 9 01/Nov/17 144a	Basic Industry	9.000	11/1/2017	5.141	8.016	535,000	105.000	582,481	20,731	0.37
09747GAA1	BZ 8 01/Apr/20 144a	Basic Industry	8.000	4/1/2020	6.205	7.925	500,000	100.000	501,333	1,333	0.31
09776NAB8	BONT 10.25 15/Mar/14	Consumer Cyclical	10.250	3/15/2014	2.915	10.882	1,915,000	97.500	1,875,849	8,724	1.18
126304AU8	CVC 8.5 15/Jun/15 144a	Media	8.500	6/15/2015	3.514	6.985	2,160,000	106.000	2,343,660	54,060	1.47
126304AW4	CVC 8.5 15/Apr/14 144a	Media	8.500	4/15/2014	3.331	6.500	460,000	106.500	507,929	18,029	0.32
146900AF2	CASCN 7.75 15/Dec/17 144a	Basic Industry	7.750	12/15/2017	5.145	7.530	265,000	100.750	273,719	6,732	0.17
146900AK1	CASCN 7.875 15/Jan/20 144a	Basic Industry	7.875	1/15/2020	6.007	7.723	530,000	100.500	544,012	11,362	0.34
15672WAA2	CEQUEL 8.625 15/Nov/17 144a	Media	8.625	11/15/2017	4.815	8.043	1,330,000	102.750	1,413,416	46,841	0.89
161175AA2	CCMM 8 30/Apr/12 144a	Media	8.000	4/30/2012	1.863	4.564	1,965,000	106.250	2,153,879	66,067	1.35
161175AG9	CCMM 10.875 15/Sep/14 144a	Media	10.875	9/15/2014	2.569	7.550	280,000	111.875	314,603	1,353	0.20
171871AM8	CBB 8.75 15/Mar/18	Telecommunications	8.750	3/15/2018	5.215	8.507	1,645,000	100.875	1,665,791	6,397	1.05
18451QAB4	CCU 9.25 15/Dec/17 144a	Media	9.250	12/15/2017	4.754	8.354	1,560,000	104.500	1,669,482	39,282	1.05
18911MAB7	CLD 8.5 15/Dec/19 144a	Basic Industry	8.500	12/15/2019	5.729	8.045	0	102.250	-274	-274	0.00
204386AK2	CGV 7.75 15/May/17	Energy	7.750	5/15/2017	4.668	7.655	570,000	100.000	586,688	16,688	0.37
204386AM8	CGV 9.5 15/May/16	Energy	9.500	5/15/2016	4.063	7.927	870,000	107.000	962,123	31,223	0.60
20854PAC3	CNX 8 01/Apr/17 144a	Energy	8.000	4/1/2017	5.025	7.395	440,000	102.750	452,100	0	0.28
20854PAE9	CNX 8.25 01/Apr/20 144a	Energy	8.250	4/1/2020	6.033	7.775	1,252,000	102.750	1,286,430	0	0.81
21036PAD0	STZ 7.25 01/Sep/16	Consumer Non-Cyclical	7.250	9/1/2016	5.183	6.619	245,000	102.750	253,218	1,480	0.16
226566AG2	LEAP 10 15/Jul/15	Telecommunications	10.000	7/15/2015	3.684	8.908	0	104.250	-672	-672	0.00
22764LAA1	XTEX 8.875 15/Feb/18 144a	Energy	8.875	2/15/2018	5.050	8.236	1,210,000	103.125	1,263,026	15,213	0.79
247361ZE1	DAL 12.25 15/Mar/15 144a	Services	12.250	3/15/2015	3.343	10.372	1,800,000	106.625	1,929,050	9,800	1.21
257559AB0	UFS 5.375 01/Dec/13	Basic Industry	5.375	12/1/2013	3.283	4.698	845,000	101.800	875,980	15,770	0.55
257559AC8	UFS 7.125 15/Aug/15	Basic Industry	7.125	8/15/2015	4.487	6.127	265,000	104.000	278,013	2,413	0.17
257559AG9	UFS 10.75 01/Jun/17	Basic Industry	10.750	6/1/2017	5.172	6.815	2,130,000	121.500	2,664,275	76,325	1.67
27876GBE7	DISH 7.125 01/Feb/16	Media	7.125	2/1/2016	4.773	6.625	1,903,000	101.875	1,961,279	22,598	1.23
281023AU5	EIX 7 15/May/17	Utility	7.000	5/15/2017	4.994	13.659	380,000	69.750	275,099	10,049	0.17
281023BA8	EIX 7.625 15/May/27	Utility	7.625	5/15/2027	7.296	12.775	415,000	64.000	277,554	11,954	0.17
292680AG0	TXU 10 15/Jan/20 144a	Utility	10.000	1/15/2020	5.488	9.247	660,000	104.250	702,533	14,483	0.44
31430QBA4	FCH 10 01/Oct/14	Services	10.000	10/1/2014	3.464	9.036	855,000	103.000	923,400	42,750	0.58
315292AG7	FGP 9.125 01/Oct/17 144a	Energy	9.125	10/1/2017	4.593	8.175	855,000	104.750	938,306	42,694	0.59
319963AP9	FDC 9.875 24/Sep/15	Technology & Electronics	9.875	9/24/2015	3.977	13.361	695,000	86.250	599,438	0	0.38
319963AV6	FDC 11.25 31/Mar/16	Technology & Electronics	11.250	3/31/2016	3.966	16.491	770,000	80.000	616,000	0	0.39
345397VC4	F 8 15/Dec/16	Automotive	8.000	12/15/2016	5.187	6.957	200,000	105.362	215,436	4,711	0.14
345397VG5	F 7.8 01/Jun/12	Automotive	7.800	6/1/2012	1.942	5.915	710,000	103.717	754,848	18,460	0.47
345397VJ9	F 8 01/Jun/14	Automotive	8.000	6/1/2014	3.484	6.504	580,000	105.276	626,065	15,467	0.39
35906AAE8	FTR 8.25 15/Apr/17 144a	Telecommunications	8.250	4/15/2017	5.400	7.827	290,000	101.750	295,075	0	0.19
35906AAG3	FTR 8.5 15/Apr/20 144a	Telecommunications	8.500	4/15/2020	6.855	8.313	1,465,000	100.750	1,475,988	0	0.93
35906AAJ7	FTR 8.75 15/Apr/22 144a	Telecommunications	8.750	4/15/2022	7.509	8.682	585,000	100.000	585,000	0	0.37
36186CCB7	GMAC 8.3 12/Feb/15 144a	Banking	8.300	2/12/2015	4.005	7.004	1,030,000	105.000	1,093,136	11,636	0.69
373200AV6	GGC 9 15/Jan/17 144a	Basic Industry	9.000	1/15/2017	4.651	8.000	805,000	104.625	862,155	19,924	0.54

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Portfolio Holdings Report

Period Ending March 31, 2010

Cusip	Security Description	Industry	Coupon	Maturity Date	Modified Duration	Yield to Maturity	Quantity	Market Price	Market Value	Accrued Income	% of Portfolio
382550AZ4	GT 10.5 15/May/16	Automotive	10.500	5/15/2016	4.224	8.677	970,000	108.000	1,086,077	38,477	0.68
402629AE9	GLF 7.75 15/Jul/14	Services	7.750	7/15/2014	3.012	7.815	1,170,000	99.250	1,180,367	19,142	0.74
404119AL3	HCA 5.75 15/Mar/14	Healthcare	5.750	3/15/2014	3.490	7.263	620,000	94.375	586,709	1,584	0.37
404119BA6	HCA 9.625 15/Nov/16	Healthcare	9.625	11/15/2016	1.444	8.158	620,000	107.125	686,719	22,544	0.43
404119BG3	HCA 7.875 15/Feb/20 144a	Healthcare	7.875	2/15/2020	5.765	7.167	1,175,000	104.688	1,241,902	11,823	0.78
413627BL3	HET 11.25 01/Jun/17	Services	11.250	6/1/2017	4.143	9.624	1,480,000	107.750	1,650,200	55,500	1.04
415905AB4	HNDUS 9 01/Mar/13	Consumer Cyclical	9.000	3/1/2013	2.322	20.287	776,000	75.500	591,700	5,820	0.37
421924BF7	HLS 10.75 15/Jun/16	Healthcare	10.750	6/15/2016	2.443	8.905	990,000	108.125	1,101,774	31,336	0.69
421924BG5	HLS 8.125 15/Feb/20	Healthcare	8.125	2/15/2020	6.099	8.123	825,000	99.500	829,440	8,565	0.52
428298AA1	HXN 8.875 01/Feb/18 144a	Basic Industry	8.875	2/1/2018	5.232	9.052	1,610,000	98.500	1,610,458	24,608	1.01
444433AF3	HUGH 9.5 15/Apr/14	Telecommunications	9.500	4/15/2014	2.191	8.530	1,695,000	102.750	1,815,863	74,250	1.14
45031TAQ7	ITCD 10.5 01/Apr/16 144a	Telecommunications	10.500	4/1/2016	4.435	10.473	1,105,000	99.625	1,100,856	0	0.69
45072PAB8	IAS 8.75 15/Jun/14	Healthcare	8.750	6/15/2014	2.027	8.067	310,000	101.875	323,799	7,987	0.20
45338FAC8	INDALX 11.5 01/Feb/14	Basic Industry	11.500	2/1/2014	0.421	0.000	1,405,000	1.125	15,806	0	0.01
45661TAD3	NRGY 8.25 01/Mar/16	Energy	8.250	3/1/2016	3.309	7.504	1,305,000	103.000	1,353,122	8,972	0.85
458204AJ3	INTEL 11.5 04/Feb/17	Telecommunications	11.500	2/4/2017	5.802	12.455	945,625	102.500	983,161	13,895	0.62
45928HAH9	ICOUS 9.125 01/Apr/18	Basic Industry	9.125	4/1/2018	5.169	8.770	220,000	101.500	223,802	502	0.14
48282AAB1	KABEGR 10.625 01/Jul/14	Media	10.625	7/1/2014	0.246	9.064	2,780,000	104.875	2,989,369	73,844	1.88
50178TAA5	LYO 8 01/Nov/17 144a	Basic Industry	8.000	11/1/2017	5.141	7.322	1,595,000	103.750	1,654,813	0	1.04
52736RAV4	LEVI 8.875 01/Apr/16	Consumer Cyclical	8.875	4/1/2016	2.937	7.815	825,000	104.500	898,734	36,609	0.56
536022AB2	LINE 8.625 15/Apr/20 144a	Energy	8.625	4/15/2020	6.096	8.568	1,470,000	100.125	1,471,838	0	0.92
53957MAA1	LOCINS 11 01/Dec/17	Media	11.000	12/1/2017	4.252	17.748	1,497,000	71.750	1,128,988	54,890	0.71
552953BP5	MGM 9 15/Mar/20 144a	Services	9.000	3/15/2020	5.601	8.472	630,000	103.000	651,263	2,363	0.41
573334AA7	MMLP 8.875 01/Apr/18 144a	Services	8.875	4/1/2018	5.227	8.611	1,175,000	101.000	1,188,198	1,448	0.75
581241AA4	MRC 9.5 15/Dec/16 144a	Energy	9.500	12/15/2016	4.561	8.966	1,550,000	102.125	1,623,840	40,903	1.02
58445MAK8	MCCC 9.125 15/Aug/19 144a	Media	9.125	8/15/2019	5.547	8.552	545,000	103.125	568,386	6,355	0.36
591324AJ7	MUSA 11.125 01/Dec/15	Basic Industry	11.125	12/1/2015	2.642	9.829	885,000	105.000	962,069	32,819	0.60
591709AC4	PCS 9.25 01/Nov/14	Telecommunications	9.250	11/1/2014	2.802	8.509	0	102.250	-1,298	-1,298	0.00
599908AE0	MILLAR 7.75 15/Nov/13	Basic Industry	7.750	11/15/2013	2.901	12.779	790,000	85.250	696,604	23,129	0.44
629377AX0	NRG 7.375 15/Jan/17	Utility	7.375	1/15/2017	4.673	7.515	1,885,000	99.000	1,895,498	29,348	1.19
63934EAM0	NAV 8.25 01/Nov/21	Automotive	8.250	11/1/2021	6.771	7.915	1,775,000	102.000	1,872,736	62,236	1.18
65332VBG7	S 7.375 01/Aug/15	Telecommunications	7.375	8/1/2015	3.945	8.436	330,000	95.000	317,556	4,056	0.20
66977WAJ8	NCX 8.375 01/Nov/16 144a	Basic Industry	8.375	11/1/2016	4.588	7.733	665,000	102.750	708,814	25,526	0.45
66977WAL3	NCX 8.625 01/Nov/19 144a	Basic Industry	8.625	11/1/2019	5.521	8.091	700,000	103.000	748,672	27,672	0.47
66977WAL3	NCX 8.625 01/Nov/19 144a	Basic Industry	8.625	11/1/2019	5.521	8.091	0	103.375	-96	-96	0.00
693309AA4	SAPSJ 12 01/Aug/14 144a	Basic Industry	12.000	8/1/2014	2.818	8.305	815,000	113.000	937,250	16,300	0.59
69349HAB3	PNM 9.25 15/May/15	Utility	9.250	5/15/2015	4.011	7.601	960,000	106.375	1,054,747	33,547	0.66
701081AS0	PKD 9.125 01/Apr/18 144a	Energy	9.125	4/1/2018	5.146	8.619	2,280,000	102.375	2,339,351	5,201	1.47
716495AD8	HAWK 7.875 01/Jun/15	Energy	7.875	6/1/2015	3.818	7.311	1,325,000	101.875	1,384,625	34,781	0.87
726505AG5	PXP 10 01/Mar/16	Energy	10.000	3/1/2016	3.761	7.651	0	110.000	-424	-424	0.00
726505AG5	PXP 10 01/Mar/16	Energy	10.000	3/1/2016	3.761	7.651	365,000	110.500	406,367	3,042	0.26
744499AP9	PNM 7.95 15/May/18	Utility	7.950	5/15/2018	5.953	7.209	1,910,000	104.329	2,050,049	57,364	1.29
747262AA1	QVCN 7.5 01/Oct/19 144a	Consumer Cyclical	7.500	10/1/2019	5.768	7.133	1,450,000	102.000	1,535,188	56,188	0.96
74819RAK2	QBRCN 7.75 15/Mar/16	Media	7.750	3/15/2016	3.692	7.380	1,345,000	101.250	1,392,505	30,692	0.87
74837RAF1	KWK 11.75 01/Jan/16	Energy	11.750	1/1/2016	3.907	8.401	1,025,000	114.500	1,203,734	30,109	0.76
74837RAG9	KWK 9.125 15/Aug/19	Energy	9.125	8/15/2019	5.454	8.268	1,155,000	105.000	1,226,217	13,467	0.77
759219AA6	REICHH 9 15/Aug/14 144a	Basic Industry	9.000	8/15/2014	3.410	10.373	790,000	94.750	757,610	9,085	0.48
783754AA2	RYI 0 01/Feb/15 144a	Basic Industry	0.000	2/1/2015	4.455	16.974	5,675,000	45.500	2,582,125	0	1.62
78375PAL1	RYI 12 01/Nov/15	Basic Industry	12.000	11/1/2015	3.208	10.662	2,640,000	105.000	2,904,000	132,000	1.82
78466CAB2	SSNC 11.75 01/Dec/13	Technology & Electronics	11.750	12/1/2013	0.070	9.556	1,140,000	106.125	1,254,475	44,650	0.79
785583AC9	LNG 7.25 30/Nov/13	Energy	7.250	11/30/2013	3.086	9.040	2,160,000	94.000	2,082,600	52,200	1.31

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Portfolio Holdings Report

Period Ending March 31, 2010

Cusip	Security Description	Industry	Coupon	Maturity Date	Modified Duration	Yield to Maturity	Quantity	Market Price	Market Value	Accrued Income	% of Portfolio
80007PAK5	SD 8.75 15/Jan/20 144a	Energy	8.750	1/15/2020	5.900	9.056	3,035,000	97.500	3,036,581	77,456	1.91
80874YAA8	SGMS 7.875 15/Jun/16 144a	Services	7.875	6/15/2016	4.233	7.513	1,540,000	101.250	1,594,959	35,709	1.00
812141AN9	ZZ 8.25 15/Jun/14	Consumer Cyclical	8.250	6/15/2014	2.788	8.102	285,000	100.000	291,923	6,923	0.18
812141AP4	ZZ 10.875 15/Apr/16 144a	Consumer Cyclical	10.875	4/15/2016	3.341	8.207	891,000	112.000	1,042,600	44,680	0.65
816196AJ8	SEM 7.625 01/Feb/15	Healthcare	7.625	2/1/2015	3.754	8.717	1,125,000	95.250	1,085,859	14,297	0.68
818149AA4	SEVERS 10.25 15/Feb/18 144a	Basic Industry	10.250	2/15/2018	4.796	9.225	2,445,000	105.125	2,605,114	34,807	1.64
824689AC7	SHIPFI 8.5 15/Dec/13	Services	8.500	12/15/2013	2.564	8.654	1,510,000	99.000	1,532,692	37,792	0.96
829259AA8	SBGI 9.25 01/Nov/17 144a	Media	9.250	11/1/2017	4.649	8.214	935,000	105.250	1,020,604	36,517	0.64
835834AA0	SRNCOM 10.5 01/Feb/15 144a	Technology & Electronics	10.500	2/1/2015	3.550	11.311	1,770,000	96.500	1,743,671	35,621	1.10
845467AE9	SWN 7.5 01/Feb/18	Energy	7.500	2/1/2018	6.058	6.039	1,145,000	108.500	1,256,638	14,313	0.79
852060AT9	S 8.75 15/Mar/32	Telecommunications	8.750	3/15/2032	9.320	9.486	475,000	92.750	442,410	1,847	0.28
852061AF7	S 8.375 15/Aug/17	Telecommunications	8.375	8/15/2017	5.507	8.189	855,000	100.500	868,425	9,150	0.55
858119AQ3	STLD 7.625 15/Mar/20 144a	Basic Industry	7.625	3/15/2020	6.141	7.197	1,415,000	102.500	1,454,571	4,196	0.91
858903AL1	SCHI 10.25 01/Apr/15	Basic Industry	10.250	4/1/2015	3.269	10.381	1,227,000	99.000	1,277,614	62,884	0.80
869237AA5	SUSS 10.625 15/Dec/13	Consumer Cyclical	10.625	12/15/2013	1.411	9.156	2,201,000	104.000	2,357,898	68,858	1.48
874227AA9	TLCR 7.75 15/Nov/16 144a	Healthcare	7.750	11/15/2016	4.606	7.552	980,000	100.500	1,018,656	33,756	0.64
87900YAA1	TK 8.5 15/Jan/20	Services	8.500	1/15/2020	6.740	7.760	2,095,000	104.500	2,220,933	31,658	1.39
880349AH8	TEN 8.625 15/Nov/14	Automotive	8.625	11/15/2014	2.669	8.094	515,000	101.500	539,505	16,780	0.34
88830MAD4	TWI 8 15/Jan/12	Capital Goods	8.000	1/15/2012	1.620	7.684	685,000	100.000	696,569	11,569	0.44
89236LAA0	TOY 10.75 15/Jul/17 144a	Consumer Cyclical	10.750	7/15/2017	4.072	8.502	1,575,000	111.500	1,791,869	35,744	1.13
89236MAA8	TOY 8.5 01/Dec/17 144a	Consumer Cyclical	8.500	12/1/2017	4.879	7.751	1,120,000	103.750	1,196,642	34,642	0.75
90320RAA2	UNITY 8.125 01/Dec/17 144a	Media	8.125	12/1/2017	4.920	7.491	545,000	103.125	578,145	16,113	0.36
90338WAK9	USON 9.125 15/Aug/17	Healthcare	9.125	8/15/2017	5.120	8.205	395,000	104.500	417,381	4,606	0.26
90342DAD1	USON 6.64344 15/Mar/12	Healthcare	6.643	3/15/2012	1.814	7.660	2,390,850	94.750	2,270,571	5,240	1.43
911358AF6	UNITED 10.5 15/Aug/12	Energy	10.500	8/15/2012	2.007	12.485	3,118,000	95.500	3,019,523	41,833	1.90
912656AG0	X 7 01/Feb/18	Basic Industry	7.000	2/1/2018	6.026	7.167	370,000	98.500	368,767	4,317	0.23
912909AF5	X 7.375 01/Apr/20	Basic Industry	7.375	4/1/2020	7.193	7.267	2,825,000	100.250	2,839,007	6,945	1.78
91359PAE0	UHOS FLOAT 01/Jun/15	Healthcare	3.859	6/1/2015	-0.155	7.166	225,000	85.250	194,707	2,895	0.12
91359PAF7	UHOS 8.5 01/Jun/15	Healthcare	8.500	6/1/2015	3.550	8.495	1,230,000	99.500	1,258,700	34,850	0.79
92201QAA4	VANGNT 9.625 15/Feb/15	Technology & Electronics	9.625	2/15/2015	3.686	11.393	2,050,000	93.000	1,931,712	25,212	1.21
92203PAD8	VANGUA 8 01/Feb/18 144a	Healthcare	8.000	2/1/2018	5.327	8.394	1,005,000	97.250	991,209	13,847	0.62
92531XAC6	VRS 9.125 01/Aug/14	Basic Industry	9.125	8/1/2014	3.218	9.841	2,170,000	97.000	2,137,902	33,002	1.34
92532BAA7	VRS 11.5 01/Jul/14 144a	Basic Industry	11.500	7/1/2014	2.692	9.038	1,090,000	108.000	1,208,538	31,338	0.76
92933BAA2	WMG 9.5 15/Jun/16 144a	Media	9.500	6/15/2016	4.441	7.966	1,390,000	106.875	1,524,444	38,881	0.96
97314XAE4	WINDIM 11.75 15/Jul/17 144a	Telecommunications	11.750	7/15/2017	4.528	9.610	525,000	110.500	593,148	13,023	0.37
983130AL9	WYNN 7.875 01/Nov/17 144a	Services	7.875	11/1/2017	4.964	7.479	1,825,000	101.750	1,921,611	64,673	1.21
	Cash USD - Deposit	Cash	0.000		0.000	0.000	225,637	1.000	225,637	0	0.14
	Total Securities								159,234,872	3,252,842	100.00
	Total Portfolio Value								162,487,714		

* Cash and Cash Equivalents include trade receivables/payables (which maybe net positive or negative) and accrued income.

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6. 4Q2009 Commentary

Quarterly Review

Market Review: January's Return Pulled Into December?

When credit market strategists published their forecasts for 2010 in early December calling for a 10-15% return for the year, the flood of money into high yield continued and much of the spread contraction expected for the current year was pulled into December. While we are currently experiencing the usual high yield "January effect" with inflows of funds allocated for the New Year supporting robust returns, January's returns are not as robust as we and others had expected. The spread on the BofA/Merrill Lynch US High Yield Master II Constrained Index (the "HUC0") stood at 766 basis points at the end of November when most strategists started to polish their crystal balls. By the middle of December, spreads had tightened nearly 80 basis points, and they continued to tighten to 640 basis points by yearend. With a sell-off in the market over the last week, spreads are almost back to the 640 level today.

•***The 6.04% 4Q09 return for the Merrill Lynch High Yield Master II Constrained*** seems paltry when compared to the 23.1% for the second quarter and 14.8% for the third quarter. The 4Q return was largely driven by the 3.14% return for December when, as noted above, investors pulled forward the market's normal "January effect" return into 2009.

•***The distressed segment of the high yield market*** (i.e. bonds starting the quarter at a spread of 1,000 basis point or more over Treasuries) ***returned almost 12.8% for the quarter while non-distressed high yield returned 4.8%****;* we have provided summary returns in Table 1*;*

Table 1. Index Performance as of 31 December 2009

Index	Ticker	4Q2009	2009
HY Master II Constrained	HUC0	6.03%	58.10%
HY Distressed	H0DI	12.78	116.67
HY Non-Distressed	H0ND	4.75	31.08
US Treasury, 10 Year	GA10	-3.55	-9.71
IG Corporate Master	C0A0	1.22	19.76
S&P 500	SPX	5.49	23.45
Russell 2000	RTY	3.49	25.22

Source: BofA/Merrill Lynch

•As we documented in previous updates, ***prices, not ratings, do the best job of explaining high yield returns for 2009.*** Index returns by price bucket are provided in Table 2 below. The impact of lower dollar priced bonds was more dramatic in previous quarters when they were a larger percentage of the index. The impact for the year was enormous. Bonds trading under $70 constituted less than 10% of our portfolio at the beginning of the year but more than 20% of the index. That differential explains nearly all of our under-performance for 2009 as our performance was in-line with that of bonds equal to or greater than $70 at the beginning of the year.

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Quarterly Review

Table 2. Index Return by Starting Price

	4Q2009 Return	*YTD Return*
Less than $20	106.79%	595.4%
$20 to =$50	17.8	245.5
$50 to =$70	17.2	141.3
$70 to =$80	10.2	72.4
$80 to =$90	8.7	51.4
$90 to =$100	5.4	28.1
Above $100	3.7	15.8
Total HUC0 Return	**6.0%**	**58.1%**
HUCO Return without Bonds =$70	**5.3%**	**37.2%**

Source: BofA/Merrill Lynch

•As noted above, spread for the HUCO is now well inside 1,000 basis points. The average dollar price ended the year at $95.44. It is not uncommon in a high yield rally for the average dollar price to exceed par ($100) but the upside is more limited than it was even a quarter ago. ***Though BBs had an average dollar price at year-end of $97.90, they are more likely to rise above par than CCCs.***

•***The performance of the most stressed industries was once again stellar.*** The Broadcasting industry, which includes several large, broken LBOs, and the Insurance sector, which is dominated by AIG, were up 22.6% and 10.2% for the quarter, respectively.

Performance: The Rollercoaster versus The Teacup Ride

Consistent with our positioning in the first three quarters of 2009, we remained underweight risk in the fourth quarter although we did increase our risk position through adding cyclical exposure versus where we were at the end of the third quarter. We outperformed the market in the first quarter as a result of our conservative positioning but underperformed the HUC0 the last three quarters of 2009. It was very frustrating to be a fundamentally driven analyst in 2009 when the operating fundamentals did not support the massive liquidity-driven, technical rally in the weakest of credits. Being discriminating in a market where people are adding risk indiscriminately, as they were since the end of 1Q2009, was humbling. ***Our <u>absolute</u> performance for the fourth quarter and the full year were very solid and were in <u>excess</u> of non-distressed high yield (the "H0ND" index) but our <u>relative</u> performance significantly lagged the broader "HUC0" benchmark for both the fourth quarter and the full year.***

Quarterly Review

While at a conference, we recently ran into a friend who is a high yield portfolio manager for a competing firm. When we asked how he survived 2009, he told us he was up just over 60% for the year, which means he not only beat the index but probably ended the year a top decile performer. While we were happy for him, we must admit that we felt about two inches tall when he told us of his success. The smile returned to our faces when he acknowledged he significantly underperformed the index in 2008. He had positioned himself in financials in early 2008 thinking it was a safe place to hide; he wisely did not unwind his position in financials at their bottom in early 2009 and rode them up. When calculating returns over multiple periods, unfortunately for our friend, we link the returns rather than adding them; he isn't up 28% over two years (60% up in 2009 less 32% down in 2008). Over the two years, we both ended up at about the same place. He took a rollercoaster ride to get there; in comparison, we took a teacup ride. ***While we do not yet have complete peer data for the fourth quarter, when we examined the data through the third quarter we found that the first decile managers for the nine months ended September 30, 2009 were generally fourth quartile managers in 2008. The reverse was also true: first quartile managers for 2008 were usually in the fourth quartile for the first none months of 2009 as a manager's style defined their performance***.

Market Outlook: "Happy Days Are Here Again?"

In the depths of the Great Depression, a song was published called "Happy Days Are Here Again". The song became famous as the campaign song for Franklin D. Roosevelt's 1932 presidential campaign. As anyone with even a modicum of knowledge of the Great Depression knows, happy days were still many years away. As 2009 came to close, we caucused with Rogge's London-based economist, Ranjiv Mann, to discuss the possible outcomes for 2010. We identified three which we named "Happy Days", "Muddle Through" and "Double Dip". A Happy Days scenario would include robust GDP growth and a significant decline in unemployment by year-end. The Double Dip scenario is the most frightening because it includes another decline in GDP in the second half of 2010 when we assume that the effects of the Obama stimulus plan will begin to fade. In some ways, Muddle Through might be as depressing as incessant rain because Muddle Through assumes anemic economic growth and a continuation of 10%+ unemployment for a protracted period of time (i.e. at least through yearend 2010).

Quarterly Review

We do not envision a Double Dip as the Fed has made no noises about turning off the liquidity spigot though we will watch the impact of the Fed's proposed move to stop by mortgages as of the end of March. While a Happy Days scenario might support continued significant tightening of the lowest quality credit, neither of the other two scenarios do. Double Dip would likely result in a general widening of credit spreads especially at the bottom of the credit spectrum. ***Muddle Through might not result in a return to 2008's wide spread levels but nor does it support a dramatic tightening of spreads for CCCs either.*** If we look at spreads by rating category, CCCs ended the year at 970 basis points over Treasuries. They were at a similar spread 12 months after the end of the 2002 recession but the economic outlook was much clearer then and the overbuilt and overleveraged telecom sector had largely been cleansed by the bankruptcy process. In today's high yield market, we still have many "walking wounded" companies that may have delayed their day of reckoning but would require a significant increase in their top line and a return to pre-recession margins to bring their income statement in line with their balance sheet. A Muddle- Through scenario does not bode well for most of these companies. After the 2003 recovery, CCCs spent only four of the next 24 months at spreads tighter than 700 basis points and 17 months at spreads wider than 775 basis points. BBs and Bs were significantly tighter than they are now for each and every month of 2004 and 2005.

Quarterly Review

We are not suggesting that spread tightening has ceased. What we are suggesting is that the "biblical moves" we saw in both equities and high yield bonds are largely over. The "worst" will not continue month after month to be "first" in performance in 2010 as it was for the last three quarters of 2009. BBs and Bs have proportionately more to tighten that CCCs and the BB and B portions of the market are both about twice as large as CCCs. Last year was one of those years when the "tail wagged the dog" rather than the other way around. The performance of the lowest end of the market, whether we measure the lowest end by ratings (CCC's), yield-to-worst deciles (the 9th and 10th deciles) or price (bonds below $50), drove performance in a fashion that only happens once in a credit cycle. After their massive rally, there are a number of CCC bonds, especially those of "broken LBOs" that are massively overpriced. While we have increased our exposure to cyclical credits, we continue to avoid bonds of these broken buyouts.

There are other reasons to bet on Muddle Through. As of the end of the third week of January, any semblance of a honeymoon between Wall Street and the Obama administration was left in tatters by proposed tax on banks that received TARP funding. With the election of the first Republican senator from the State of Massachusetts in over 50 years, there is also recognition in the financial community that President Obama's popularity is no longer at euphoric levels. With the loss of a filibuster-proof Democratic majority in the US Senate, not only will our economy likely be stagnant in 2010 but our political arena will be as well. A political stalemate that allows neither party to take action without the support of the other may not be a bad thing but it does suggest that Congressional action will be slow.

The concerns that we voiced throughout 2009—broken LBOs, a hobbled consumer, a growing burden of government debt and high unemployment—remain. As we believe that the Muddle Through scenario as the most likely outcome for 2010, we are trying to be a bit more upbeat by focusing on the word "through" rather than "muddle". We are no longer in the tail spin which is how we started last year. "Through" implies that we get to the other side of our current economic malaise, which we indeed believe we will in time. ***A Muddle-Through economy and a political stalemate in Washington can, however, still generate above coupon returns for high yield with most of the return coming from spread compression of BBs and Bs.***

Environmental Initiatives

Eco Schools
We think that environmental initiatives should address the global problem at a local level and seek to encourage environmental consciousness in young people. The international Eco Schools project provides an opportunity to do this by enabling Rogge to work closely with Notre Dame Girls School in Southwark (United Kingdom). Several energy saving initiatives have already been funded by us at the school and Rogge hopes to work together with the school's pupils and staff over the next five years to help finance further environmental initiatives.

In-house Enhancements
Rogge's office premises in London (United Kingdom) are Grade II listed, therefore structurally, there are limitations to what can be changed or introduced. However, a number of positive changes have been made to the day-to-day operational activities which has resulted in the substantial reduction of non recycled waste, increased use of energy efficient lighting, etc.

Carbon Neutral
Rogge Global Partners PLC has offset its carbon emissions through the Carbon Neutral Company. A hydro project in the Southern Sichuan province in China was selected to achieve this objective. The hydro project will not only help meet the local energy demands through the use of a renewable and clean source of energy, but will help in the eventual redundancy of the coal fired power stations (one of the greatest pollutants of the environment).

Disclaimer

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Rogge Global Partners Inc is registered as an Investment Adviser by the (US) Securities and Exchange Commission ("SEC").

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Resolution 2010-08 Procurement Delegation

ACTION: X

DATE: April 23, 2010

INFORMATION:

BACKGROUND:

AS 37.10.220 sets forth the powers and duties of the Alaska Retirement Management Board (Board) and include the authority to adopt regulations relating to procurement [AS 37.10.240(a)]. The Board's procurement regulations have been set out at 15 AAC 112.110-375. 15 AAC 112.230 authorizes the Board, in its discretion, to delegate in writing its authority under the procurement regulations to a public official. Past practice of this Board and its predecessor Board, the Alaska State Pension Investment Board (ASPIB) has been to approve procurement of contracts and services through an Action memo outlining the proposed procurement to be undertaken by staff.

STATUS:

During the recent procurement appeal, one of the issues raised was whether the delegation to staff complied with 15 AAC 112.230. Although the hearing officer did not rule on this point, in consultation with Assistant Attorney General Mike Barnhill and Board Legal Counsel Rob Johnson, staff has drafted the attached resolution delegating procurement authority to ensure the Board is in compliance with the intent of the regulation authorizing such delegation.

RECOMMENDATION;

That the Board approve Resolution 2010-08 delegating to Deputy Commissioner Jerry Burnett, Chief Investment Officer Gary M. Bader, State Comptroller Pamela Leary, and ARMB Liaison Officer Judy Hall certain powers noted in the attached *Delegation of Procurement Authority*.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

Relating to Delegation of Procurement-Related Authority
Resolution 2010-08

WHEREAS AS 37.10.210 established the Alaska Retirement Management Board (Board) to provide prudent and productive management and investment of trusts or other State funds; and

WHEREAS the Board may contract certain services to carry out its powers and duties, delegate authority relating to investment custodial or depository powers or duties, and appoint members of the investment advisory council; and

WHEREAS AS 37.10.260(a) establishes that the Department of Revenue shall provide staff for the Board; and

WHEREAS AS 37.10.240(a) authorizes the Board to adopt regulations relating to procurement, which have been set out at 15 AAC 112.110-375; and

WHEREAS 15 AAC 112.230 authorizes the Board, in its discretion, to delegate its authority under the procurement regulations to a public official;

NOW THEREFORE BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD will delegate to Deputy Commissioner Jerry Burnett, Chief Investment Officer Gary M. Bader, State Comptroller Pamela Leary, and ARMB Liaison Officer Judy Hall certain powers noted in the *Delegation of Procurement Authority* attached to this resolution and made a part hereof.

DATED at Anchorage, Alaska this ____ day of April, 2010.

____
Chairman

ATTEST:

____
Secretary

Delegation of Procurement-Related Authority

Pursuant to Resolution 2010-08, Deputy Commissioner Jerry Burnett, Chief Investment Officer Gary M. Bader, State Comptroller Pamela Leary, and ARMB Liaison Officer Judy Hall are hereby authorized to procure supplies, services, and professional services as deemed necessary, desirable or customary in conducting the day-to-day operations of the Board, including the authority to design, develop, draft and issue requests for proposal (RFPs) consistent with the law and to make decisions respecting protests and appeals relating to issuance of RFPs and notices of intent to proceed. The decisions by a designee hereunder on procurement protests and appeals shall be subject to appeal to the office of administrative hearings and, unless the commissioner of administration reserves the authority to consider a decision by that office, the decision by a hearing officer of that office shall be deemed to be the final administrative agency decision by the Board for all purposes, including appeal to the superior court.

The above-named individuals are further authorized to delegate the above responsibilities to additional Department of Revenue staff as necessary. The Board shall be notified at the next meeting as to which individuals have received such delegation.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Contract Award – Independent Fiduciary Services for Performance Consultant and Investment Policy Review	ACTION:	X
DATE:	April 22, 2010	INFORMATION:	

BACKGROUND

At its regular meeting on October 2, 2009, the Board authorized staff to publish a Notice of Intent to Award the contract for review of the performance consultant and investment policies to Independent Fiduciary Services (IFS), and, at the conclusion of the protest period, subject to no appeals being filed, that staff enter into contract negotiations with IFS, based on the scope of services and cost proposals set out in its proposal. Staff published the Notice of Intent to Award on October 5, 2009 and John P. Johns, the unsuccessful proposer, filed his protest on October 6, 2009. The protest was denied by Project Director Gary Bader. Mr. Johns appealed to the Commissioner of the Department of Administration, who issued a delegation of authority to Deputy Commissioner Kevin Brooks. A hearing was conducted on January 26, 2010 by Administrative Law Judge Andrew Hemenway, who issued a decision March 5, 2010 denying Mr. Johns' appeal and confirming that the Evaluation Committee acted appropriately in its recommendation that IFS be awarded the contract.

STATUS

Judge Hemenway noted in his decision that in its action of October 2nd, the Board authorized staff to proceed with contract negotiations with IFS, *subject to there being no appeals filed.* Since a protest and appeal was filed, and has now been adjudicated, it is appropriate for the Board to provide direction to staff regarding contract negotiations with IFS. As a result of the protest and appeal process, staff provides the following information to the Board: first, IFS noted in its cover letter to the proposal that its offer would be in effect for 90 days. Although that time period has passed, IFS has indicated to staff a desire to enter into contract negotiations based on the scope of services and cost proposal set out in its proposal of August 25, 2009.

Second, the RFP contains a standard question regarding litigation or other legal proceedings the organization has been involved in. The IFS response was negative, but IFS noted that after threat of a class action lawsuit, it had settled a claim for a modest amount. In documents filed with Judge Hemenway, Mr. Johns noted that the settlement amount was $900,000 and took issue with the characterization that this was modest. Judge Hemenway made no ruling on this claim. Staff requested that Assistant Attorney General Mike Barnhill contact IFS for additional information and the circumstances of the settlement referred to in the proposal. Upon review of the information provided by IFS to Mr. Barnhill, staff and legal counsel conclude that given the size and scope of the class action litigation in which IFS might have been (but was not) a named defendant, IFS and its insurance carrier made the settlement decision to avoid the potential of years of legal fees and costs associated with this type of lawsuit.

RECOMMENDATION

That the Board authorize staff to enter into contract negotiations with Independent Fiduciary Services based on the scope of services and cost proposals set out in its proposal.

T. Rowe Price

State of Alaska
Portfolio Review

April 23, 2010

Edmund M. Notzon, III, Ph.D., CFA
Portfolio Manager
410-345-5705
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Charles M. Shriver, CFA
Portfolio Manager
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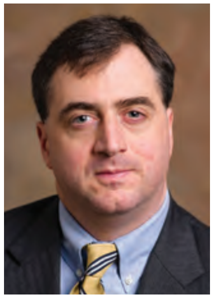
Christopher W. Dyer
Institutional Sales Executive
410-345-6688
chris_dyer@troweprice.com

T. Rowe Price — Presenters

Portfolio Management

Edmund M. Notzon, III, Ph.D., CFA
Vice President — Senior Portfolio Manager
and Chairman, Asset Allocation Committee

- 20 years investment experience;
- 20 years with T. Rowe Price.



Portfolio Management

Charles M. Shriver, CFA
Vice President — Portfolio Manager

- 10 years investment experience;
- 18 years with T. Rowe Price.

Portfolio Management

Antonio L. Luna, CFA
Vice President — Portfolio Manager

- 15 years investment experience;
- 13 years with T. Rowe Price.

T. Rowe Price — Presenters

Client Service

Robert A. Birch

Vice President — Director: U.S. Institutional Client Service

- 22 years of experience in institutional consulting and client service;
- 8 years with T. Rowe Price.

Institutional Sales

Christopher W. Dyer

Vice President — Institutional Sales Executive

- 26 years of experience in institutional investment management sales;
- 22 years with T. Rowe Price.

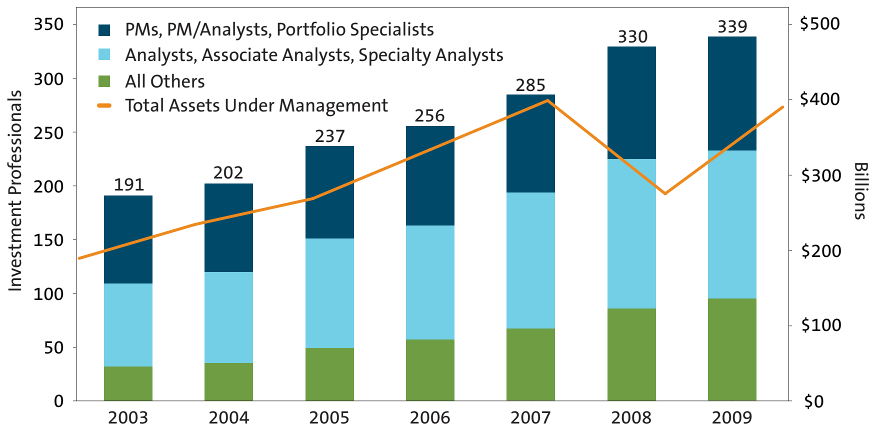
Table of Contents

Overview of T. Rowe Price Group

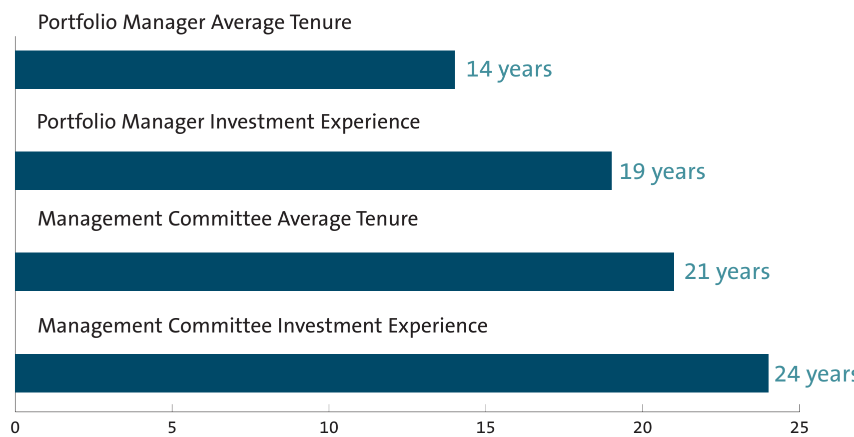
T. Rowe Price Update on Our Global Team

Assets Under Management[1] and Investment Professionals

Figures Shown in U.S. Dollars



Portfolio Manager Tenure with T. Rowe Price[2]



Recent Additions to Our Global Teams

- Recruiting for the 2010 summer MBA intern class is underway for both the equity and fixed income divisions.
- 2009 hires included 4 former MBA interns: 3 in equity and 1 in fixed income, as well as 7 additional hires: 3 in equity and 4 in fixed income.
- The 2009 MBA internship program consisted of 10 equity interns: 5 in the U.S., 1 in Hong Kong, 1 in Singapore, 3 in London, and 1 fixed income intern in the U.S.

[1] The combined assets under management of the T. Rowe Price group of companies as of December 31, 2009.

[2] As of December 31, 2009.

The T. Rowe Price group of companies includes T. Rowe Price Associates, Inc., T. Rowe Price International, Inc., T. Rowe Price Global Investment Services Limited, and T. Rowe Price (Canada), Inc.

As of December 31, 2009
Figures Shown in U.S. Dollars

Mike Gitlin Succeeds Mary Miller as Director of Fixed Income Division

- Mary Miller was nominated by President Obama as the Assistant Secretary for Financial Markets.[1]
- Mike Gitlin assumes the role with more than 16 years of global capital markets experience.
- "The transition will not affect our investment approach and should be seamless to our clients," Mr. Gitlin said.

T. Rowe Price Acquires 26% Stake in UTI Asset Management Company

- UTI AMC is currently the 4th largest asset manager in India and the oldest mutual fund institution.
- The transaction closed January 20, 2010.
- UTI has $17.8 billion in AUM.

[1] Part of the U.S. Department of Treasury.

2010 Global Market Outlook

- Our current expectation is that the economy will grow 2.6% in 2010, while unemployment will come down modestly from its current levels in the fourth quarter. Inflation should remain subdued.

  - Alan Levenson, Chief Economist

- Although spreads on investment-grade corporate bonds have narrowed, they are still wider than historical averages, and the risk/reward profile remains attractive relative to other sectors. Price appreciation dominated total return in 2009. Coupon income is expected to be a larger contributor over coming months.

  - Steven Huber, U.S. Fixed Income Portfolio Manager

- Companies are beginning to benefit from extensive cost-cutting. However, a resumption of growth will be a necessary tailwind to further boost the fortunes of the market. Valuations have priced in a fair amount of good news. Even though 2010 and 2011 may be more positive from an economic standpoint, the markets may not respond as favorably as they have since last spring.

  - John Linehan, Co-Director U.S. Equities

- We remain bullish on emerging markets over the medium to longer term. Markets rebounded significantly in 2009. Emerging economies in aggregate remain healthy; however, they are polarizing. There are some strong economies, but also a list of weaker ones. Valuations have moved up to levels that are almost at parity with the developed markets, but we are still finding attractive opportunities.

  - Gonzalo Pángaro, Global Emerging Markets Equity Portfolio Manager

For additional insight from our investment professionals and access to client reports, please visit troweprice.com/institutional.

Account Management

State of Alaska Retirement Management Board

Overall Account Management

PRIMARY RELATIONSHIP MANAGER

Christopher W. Dyer 1-410-345-6688

Responsible for plan promotion and oversight.

Investment Management

PRIMARY INVESTMENT MANAGERS

Ned Notzon	**1-410-345-5705**
Richard T. Whitney	**1-410-345-7638**
Charles Shriver	**1-410-345-2210**

ADDITIONAL INVESTMENT MANAGERS

Fixed Income	**Equity**
Tony Luna	Neil Smith
Joe Lynagh	Fred Bair
Robert Larkins	Paul Wojcik
Michael Wyatt	Greg McCrickard

Responsible for investment management for all State of Alaska assets at T. Rowe Price.

Client Service and Investment Reviews

CLIENT SERVICE

Robert A. Birch 1-410-345-4788

Responsible for coordination of client information, investment reviews, and coordination of the relationship with Great West.

T. Rowe Price Relationship Highlights

State of Alaska Retirement Management Board

A successful partnership since 1992

Encompasses multiple investment strategies

- Balanced Trust
- Long-Term Balanced Trust
- Target Date Portfolios
- Money Market Master Trust
- Small-Cap Stock Trust
- Stable Value Fund
- Interest Income Fund

Customized portfolios designed to withstand extreme market environments

Continued organizational stability

- No changes in Asset Allocation portfolio management team

Development of Investment Options

Working Together to Improve Investment Options

- **1992** — Alaska Balanced Fund
- **1996** — Alaska Target Date Funds - 2000/2005/2010/2015
- **2000** — Alaska Target Date 2020
- **2001** — Alaska Long-Term Balanced Fund to complement more conservative Balanced Fund
  Small-Cap Stock Trust offered as stand-alone investment option
- **2004** — Stable Value Fund offered as stand-alone investment option for the Alaska SBS plan
- **2005** — Alaska Target Date 2025 with Glidepath designed to flow into Alaska Balanced Fund
- **2006** — Alaska Balanced Trust, Long-Term Balanced Trust, 2025 Trust and Money Market Master Trust established to facilitate creation of diversified investment options for PERS/TRS defined contribution plans
- **2008** — Consolidation of GNMA and Govt/Corp into Aggregate Bond Trust and Large-Cap and Small-Cap into U.S. Equity Trust
- **2009** — New Target Retirement Date glidepath extends through retirement
- **2009** — Balanced Funds and Target Retirement Date Funds offered consistently across SBS, PERS, and TRS plans
- **2009** — Target Retirement Date Trusts become default allocations for SBS, PERS, and TRS
- **2009** — New Alaska Target Retirement Date Trusts (2030-2055) added to plan option lineup

T.RowePrice®

Overview of Investment Options

Summary of Recent Enhancements

October 2008

- International Equity Trust
  - Greater emphasis on more measured differences relative to benchmark
    - Country
    - Sector
    - Security
- Consolidated Building Block Trusts
  - GNMA and Government/Credit into Aggregate Bond
  - Large-Cap and Small-Cap Equity into U.S. Equity

2nd Quarter 2009 – 2nd Quarter 2010: Transition to Glidepath through retirement

- Alaska Target Retirement 2015
- Alaska Target Retirement 2020
- Alaska Target Retirement 2025

2nd Quarter 2009 – 2nd Quarter 2010: Increase Neutral Allocation to Non-U.S. Equity

- Balanced
- Long-Term Balanced
- Target Retirement Date Trusts

Summary of Recent Enhancements

New Investment Options Offered

- Alaska Target Retirement 2010 Trust
- Alaska Target Retirement 2030 Trust
- Alaska Target Retirement 2035 Trust
- Alaska Target Retirement 2040 Trust
- Alaska Target Retirement 2045 Trust
- Alaska Target Retirement 2050 Trust
- Alaska Target Retirement 2055 Trust

Alaska 2010 Target Date Fund

- Transitions to 100% Cash in December 2010

Structure of Investment Options

Investment Options (Trusts and Daily Valued Separate Accounts)

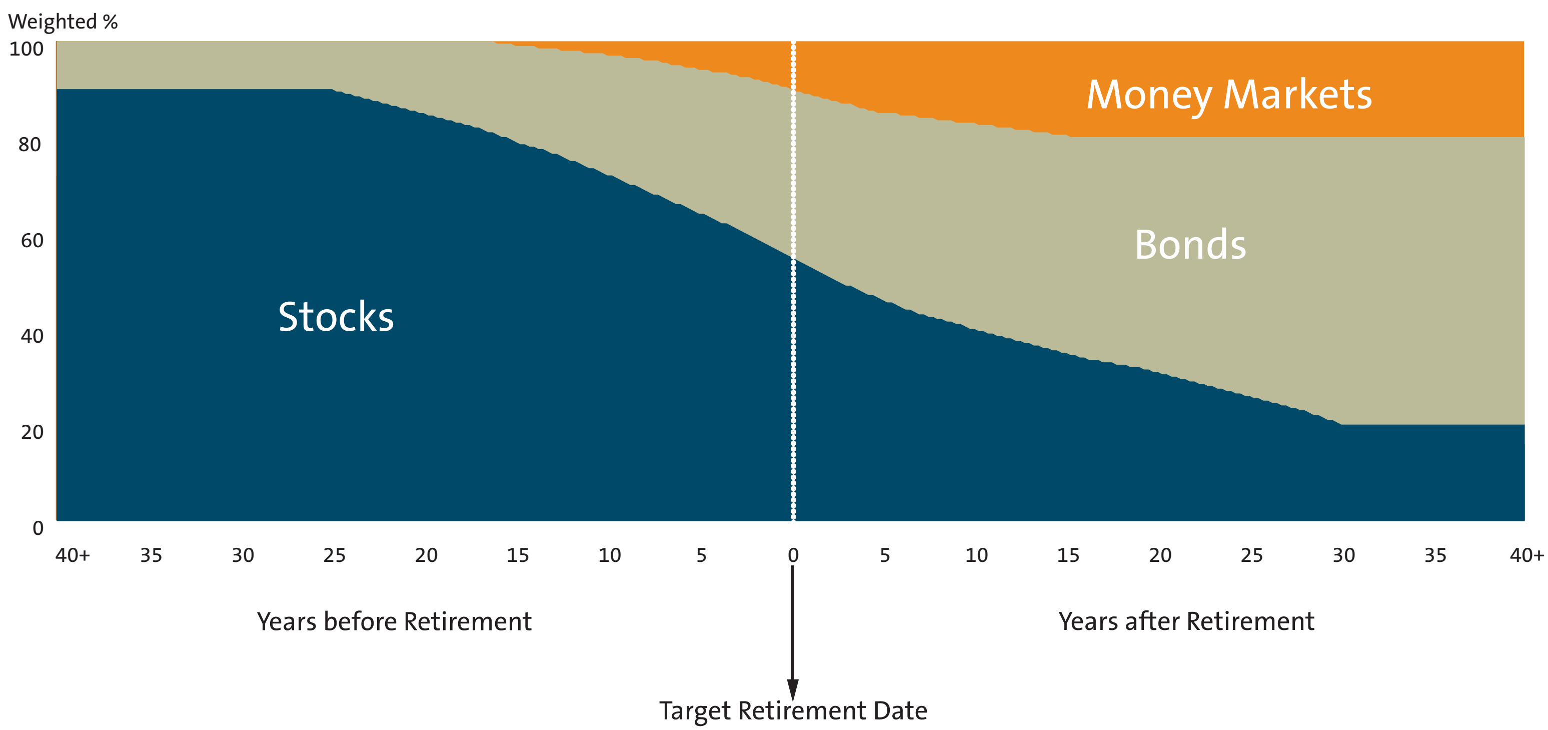
- Alaska Balanced Trust
- Alaska Long Term Balanced Trust
- Alaska Target Retirement Trusts 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055
- Alaska Money Market Master Trust
- Alaska Stable Value
- Alaska Target 2010
- Small-Cap Stock Trust
- Alaska Interest Income

Building Block Level: Common Trusts

- Money Market Trust
- Aggregate Trust
- U.S. Equity Trust
- International Trust

- Building Block Level — Common Trusts
- SBS, PERS, TRS, and Deferred Compensation Plan (Common Trusts)
- SBS Only (Separate Accounts)
- PERS/TRS Only (Common Trust)
- Deferred Compensation Plan Only (Separate Account)

Glidepath Through Retirement



Glidepath Comparison

	Current Glidepath	Previous Glidepath
Investment Horizon	Pre- and Post-retirement	Up to Retirement
Initial Asset Allocation	90% Equity	90% Equity
First Shift from Stock to Bonds	25 Years Before Retirement	15 Years Before Retirement
Asset Allocation at Retirement	55% Equity	• 100 Cash for Target 2010, 2015, 2020 • 35% Equity for Target 2025 (same as Balanced Trust)
Asset Allocation 30 Years Into Retirement	20% Equity	—

Current glidepath addresses needs of particpants saving for retirement and through retirement.

T.RowePrice®

Sector Diversification Among Underlying Building Blocks

Stocks

- U.S. Equity Trust
  - Large-Cap
  - Mid-Cap
  - Small-Cap
- International Trust
  - Developed Non-U.S. Stocks

Bonds

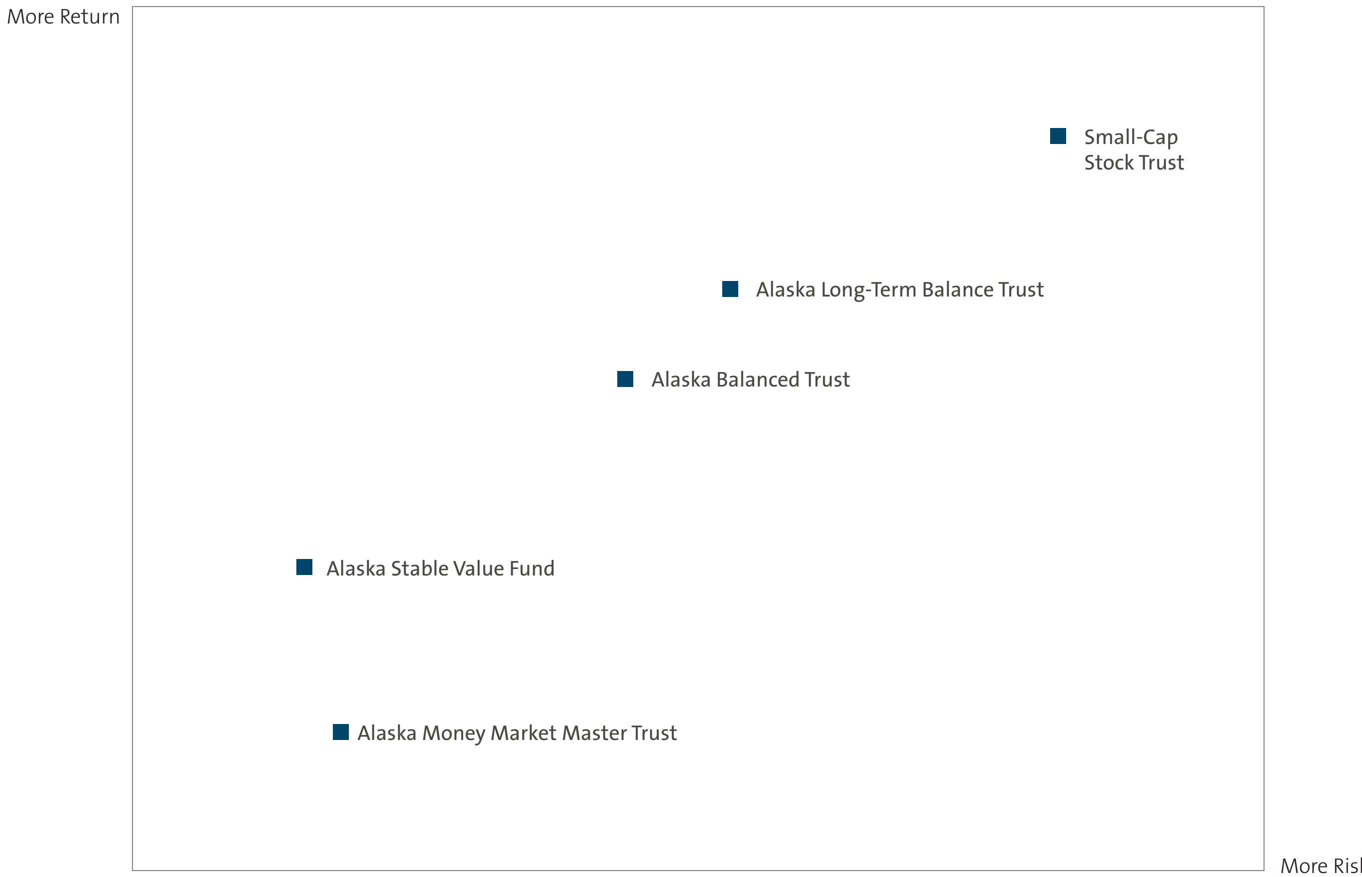
- Aggregate Trust
  - U.S. Investment Grade
    - Government
    - Corporate
    - Mortgages
    - Asset-Backed Securities
    - Commercial Mortgage-Backed Securities

Money Market

- U.S. and Non-U.S. Money Market Securities

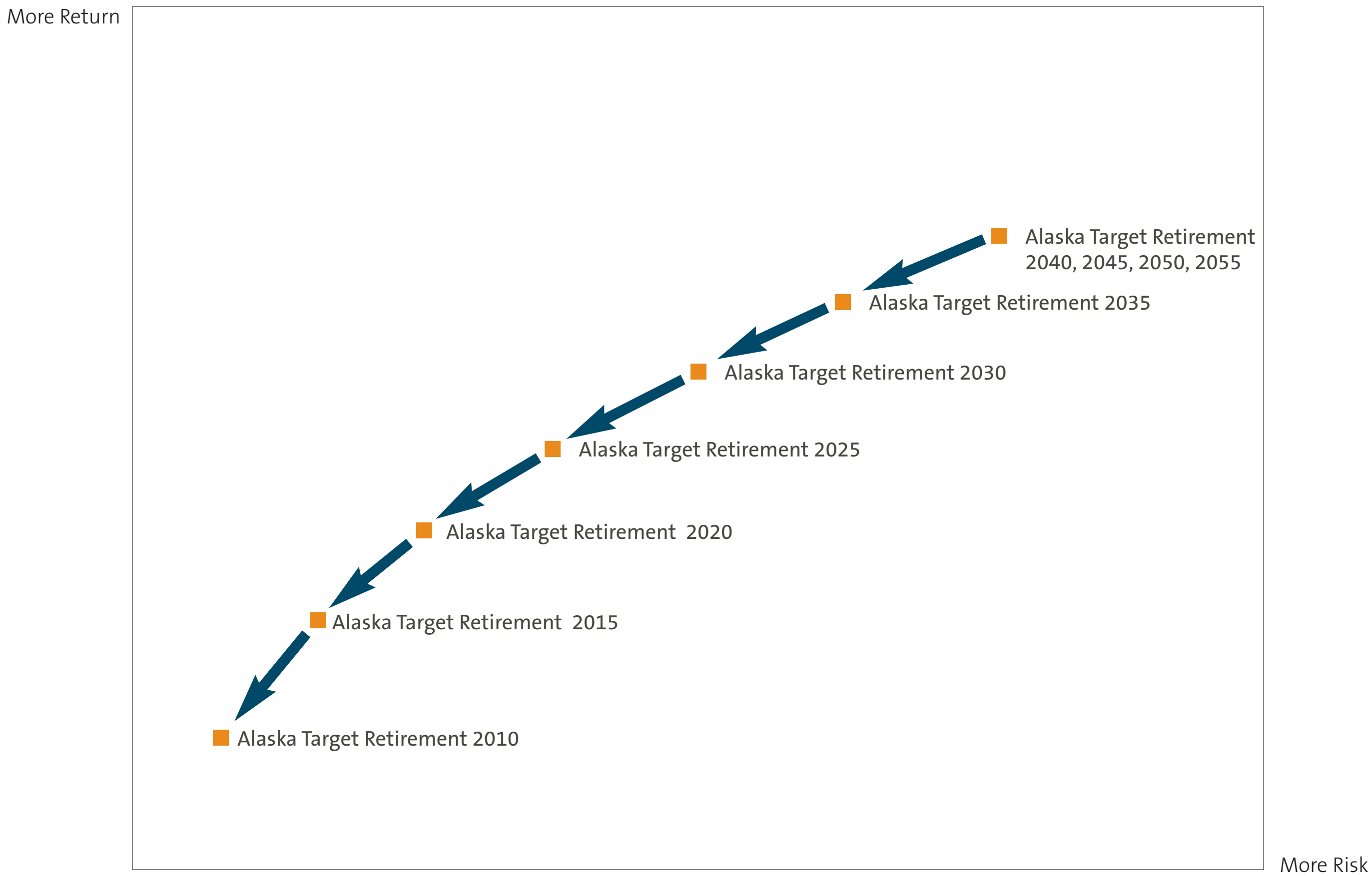
Investment Review

Risk/Return Characteristics



For illustration purposes only, does not reflect actual returns.

Risk/Return Characteristics



For illustration purposes only, does not reflect actual returns.

Account Assets

As of February 28, 2010

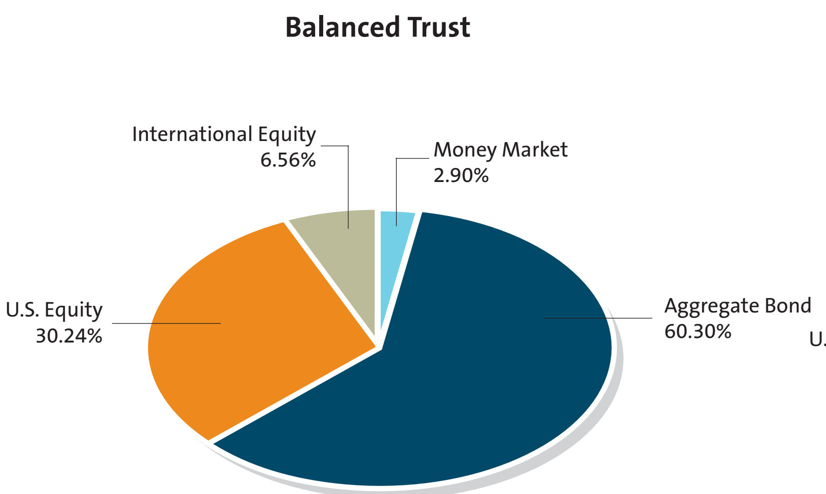
	Assets ($ millions)	Inception Date
Balanced Trust	$1,007.1	3/31/92
Long-Term Balanced Trust	280.3	6/30/01
Target 2010 Fund	31.9	2/1/96
Target Retirement 2010 Trust	3.9	4/2/09
Target Retirement 2015 Trust	77.6	2/1/96
Target Retirement 2020 Trust	27.8	11/2/00
Target Retirement 2025 Trust	11.5	11/2/05
Target Retirement 2030 Trust	2.3	4/6/09
Target Retirement 2035 Trust	3.3	4/15/09
Target Retirement 2040 Trust	2.9	4/2/09
Target Retirement 2045 Trust	1.9	8/4/09
Target Retirement 2050 Trust	2.0	8/5/09
Target Retirement 2055 Trust	0.5	8/5/09
Money Market Master Trust	8.6	8/11/06
Small-Cap Stock Trust	107.2	12/10/01
Alaska Supplemental Annuity Plan Stable Value Fund	273.5	10/31/04
State of Alaska Deferred Compensation Plan Interest Income Fund	158.3	3/31/94
Total	$2,000.7	

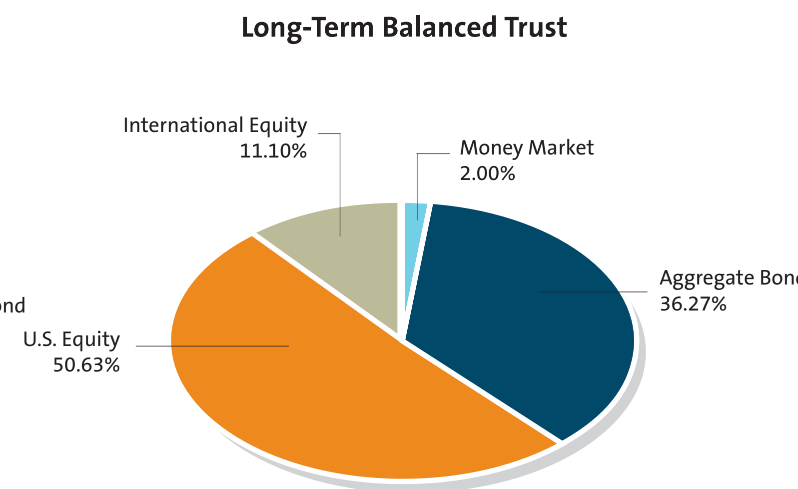
- **17 Funds**
- **Total Assets: $2,000,740,138**

Numbers may not total due to rounding.

Asset Allocation

As of February 28, 2010





Numbers may not total due to rounding.

Balanced Trust

	Stocks	Bonds
Current Weight	36.5%	63.5%
Neutral Weight	35.0	65.0
Difference	1.5	-1.5

Long-Term Balanced Trust

	Stocks	Bonds
Current Weight	61.5%	38.5%
Neutral Weight	60.0	40.0
Difference	1.5	-1.5

Periods Ended February 28, 2010

Net of All Fees and Expenses	One Year		Annualized Since 2/1/96[1]	
Balanced Trust	**25.33%**		**6.37%**	
Custom Index[2]	23.80		6.35	
Difference		1.53		0.02
Long-Term Balanced Trust	**36.75**		**3.45**[3]	
Custom Index[2]	35.31		3.49[3]	
Difference		1.44		-0.04
Target 2010 Fund	**5.56**		**6.69**	
Custom Index[2]	5.41		6.67	
Difference		0.15		0.02
Target Retirement 2015 Trust	**26.35**		**6.69**	
Custom Index[2]	26.15		6.77	
Difference		0.20		-0.08
Target Retirement 2020 Trust	**39.88**		**2.38**[4]	
Custom Index[2]	39.71		2.17[4]	
Difference		0.17		0.21
Target Retirement 2025 Trust	**48.85**		**0.21**[5]	
Custom Index[2]	48.75		0.15[5]	
Difference		0.10		0.06
Money Market Master Trust	**0.37**		**3.61**	
Citigroup 3-Month Treasury Bill Index	0.14		3.42	
Difference		0.23		0.19

[1] Custom Indices are from January 31, 1996.

[2] "Custom Index" refers to the component benchmarks weighted according to the strategic allocation for each option. Prior to October 29, 2008, the weighted benchmark components consisted of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Government/Credit Index, Barclays Capital U.S. GNMA Index, S&P 500 Index, Russell 2500 Index, and MSCI EAFE Index. As of October 29, 2008, the weighted benchmark components consist of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Aggregate Index, Russell 3000 Index, and MSCI EAFE Index.

[3] Inception date for Long-Term Balanced Fund is June 18, 2001, returns shown are from June 30, 2001.

[4] Inception date for Target 2020 is November 2, 2000, returns shown are from November 30, 2000.

[5] Inception date for Target 2025 is November 2, 2005, returns shown are from November 30, 2005.

Performance Summary

Periods Ended February 28, 2010

Net of All Fees and Expenses	Since Inception
Target Retirement 2010 Trust	**19.82%**[2]
Custom Index[1]	19.22[2]
Difference	0.60
Target Retirement 2030 Trust	**26.50**[3]
Custom Index[1]	26.52[3]
Difference	-0.02
Target Retirement 2035 Trust	**27.64**[4]
Custom Index[1]	27.38[4]
Difference	0.26
Target Retirement 2040 Trust	**27.26**[2]
Custom Index[1]	27.38[2]
Difference	-0.12
Target Retirement 2045 Trust	**7.66**[5]
Custom Index[1]	7.63[5]
Difference	0.03
Target Retirement 2050 Trust	**7.64**[6]
Custom Index[1]	7.63[6]
Difference	0.01
Target Retirement 2055 Trust	**7.58**[6]
Custom Index[1]	7.63[6]
Difference	-0.05

[1] "Custom Index" refers to the component benchmarks weighted according to the strategic allocation for each option. Prior to October 29, 2008, the weighted benchmark components consisted of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Government/Credit Index, Barclays Capital U.S. GNMA Index, S&P 500 Index, Russell 2500 Index, and MSCI EAFE Index. As of October 29, 2008, the weighted benchmark components consist of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Aggregate Index, Russell 3000 Index, and MSCI EAFE Index.

[2] Inception date for Target Retirement 2010 and Target Retirement 2040 Trusts is April 2, 2009, returns shown are from April 30, 2009.

[3] Inception date for Target Retirement 2030 Trust is April 6, 2009, returns shown are from April 30, 2009.

[4] Inception date for Target Retirement 2035 Trust is April 15, 2009, returns shown are from April 30, 2009.

[5] Inception date for Target Retirement 2045 Trust is August 4, 2009, returns shown are from August 31, 2009.

[6] Inception date for Target Retirement 2050 and Target Retirement 2055 Trusts is August 5, 2009, returns shown are from August 31, 2009.

Return Attribution

One Year Period Ended February 28, 2010

	Balanced	Long-Term Balanced	Target 2010 Fund	Target Retirement 2015 Trust	Target Retirement 2020 Trust	Target Retirement 2025 Trust
In Percents:						
Portfolio Return (Net of All Fees)	25.33%	36.75%	5.56%	26.35%	39.88%	48.85%
Benchmark Return	23.80	35.31	5.41	26.15	39.71	48.75
Difference	1.53	1.44	0.15	0.20	0.17	0.10

In Basis Points:						
Allocation Effect	93 bps	93 bps	-8 bps	-27 bps	-30 bps	-23 bps
Selection Effect	48	31	50	39	36	35
Cash Flow and Rebalancing	29	40	-9	26	32	20
All Fees and Expenses[1]	-17	-20	-18	-18	-21	-22
Attribution Total	153 bps	144 bps	15 bps	20 bps	17 bps	10 bps

[1] Reflects fees for portfolio management, custody, and accounting charges associated with the portfolio.
Numbers may not total due to rounding.

Return Attribution

Since Inception through February 28, 2010

	Target Retirement 2010 Trust[1]	Target Retirement 2030 Trust[2]	Target Retirement 2035 Trust[3]	Target Retirement 2040 Trust[1]	Target Retirement 2045 Trust[4]	Target Retirement 2050 Trust[5]	Target Retirement 2055 Trust[5]
In Percents:							
Portfolio Return (Net of All Fees)	19.82%	26.50%	27.64%	27.26%	7.66%	7.64%	7.58%
Benchmark Return	19.22	26.52	27.38	27.38	7.63	7.63	7.63
Difference	0.60	-0.02	0.26	-0.12	0.03	0.01	-0.05

In Basis Points:							
Allocation Effect	6 bps	5 bps	3 bps	6 bps	2 bps	1 bps	2 bps
Selection Effect	31	22	21	21	18	18	18
Cash Flow and Rebalancing	34	-16	15	-26	-13	-14	-21
All Fees and Expenses[6]	-11	-13	-13	-13	-4	-4	-4
Attribution Total	60 bps	-2 bps	26 bps	-12 bps	3 bps	1 bps	-5 bps

[1] Inception date is April 2, 2009. Attribution is as of April 30, 2009.
[2] Inception date is April 6, 2009. Attribution is as of April 30, 2009.
[3] Inception date is April 15, 2009. Attribution is as of April 30, 2009.
[4] Inception date is August 4, 2009. Attribution is as of August 31, 2009.
[5] Inception date is August 5, 2009. Attribution is as of August 31, 2009.
[6] Reflects fees for portfolio management, custody, and accounting charges associated with the portfolio.
Numbers may not total due to rounding.

State of Alaska Balanced Trust

Periods Ended February 28, 2010

			Annualized				
Net of All Fees and Expenses	Three Months	One Year	Three Years	Five Years	Ten Years	Inception 2/1/96[1]	Beginning 3/31/92[2]
Balanced Trust	**0.77%**	**25.33%**	**2.42%**	**4.08%**	**4.55%**	**6.37%**	**7.33%**
Custom Index[3]	0.71	23.80	2.39	4.03	4.51	6.35	7.35
Difference	0.06	1.53	0.03	0.05	0.04	0.02	-0.02

[1] Custom Index performance is from January 31, 1996.

[2] The Alaska Balanced Trust and the underlying components began March 31, 1992. Historical gross of fees performance calculated using an internal rate of return method has been linked to performance calculated using a NAV/NAV method beginning February 1, 1996.

[3] "Custom Index" refers to the component benchmarks weighted according to the strategic allocation for each option. Prior to October 29, 2008, the weighted benchmark components consisted of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Government/Credit Index, Barclays Capital U.S. GNMA Index, S&P 500 Index, Russell 2500 Index, and MSCI EAFE Index. As of October 29, 2008, the weighted benchmark components consist of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Aggregate Index, Russell 3000 Index, and MSCI EAFE Index.

State of Alaska Long-Term Balanced Trust

Periods Ended February 28, 2010

			Annualized		
Net of All Fees and Expenses	Three Months	One Year	Three Years	Five Years	Since 6/30/01[1]
Long-Term Balanced Trust	**1.05%**	**36.75%**	**-0.56%**	**2.93%**	**3.45%**
Custom Index[2]	0.96	35.31	-0.52	2.93	3.49
Difference	0.09	1.44	-0.04	0.00	-0.04

[1] Inception date for Long-Term Balanced Trust is June 18, 2001.

[2] "Custom Index" refers to the component benchmarks weighted according to the strategic allocation for each option. Prior to October 29, 2008, the weighted benchmark components consisted of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Government/Credit Index, Barclays Capital U.S. GNMA Index, S&P 500 Index, Russell 2500 Index, and MSCI EAFE Index. As of October 29, 2008, the weighted benchmark components consist of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Aggregate Index, Russell 3000 Index, and MSCI EAFE Index.

State of Alaska Target Date Portfolios and Money Market Master Trust

Periods Ended February 28, 2010

Net of All Fees and Expenses	Three Months	One Year	Annualized Three Years	Annualized Five Years	Annualized Since Inception[1]	Inception Dates
Target 2010 Fund	**0.20%**	**5.56%**	**1.99%**	**3.39%**	**6.69%**	**2/1/96**
Custom Index[2]	0.18	5.41	1.56	3.08	6.67	
Difference	0.02	0.15	0.43	0.31	0.02	
Target Retirement 2015 Trust	**0.92**	**26.35**	**2.07**	**4.30**	**6.69**	**2/1/96**
Custom Index[2]	0.84	26.15	1.70	4.07	6.77	
Difference	0.08	0.20	0.37	0.23	-0.08	
Target Retirement 2020 Trust	**1.25**	**39.88**	**-2.35**	**2.67**	**2.38**	**11/2/00**
Custom Index[2]	1.20	39.71	-2.56	2.53	2.17	
Difference	0.05	0.17	0.21	0.14	0.21	
Target Retirement 2025 Trust	**1.37**	**48.85**	**-4.43**	**N/A**	**0.21**	**11/2/05**
Custom Index[2]	1.40	48.75	-4.56	N/A	0.15	
Difference	-0.03	0.10	0.13	N/A	0.06	
Money Market Master Trust	**0.06**	**0.37**	**2.62**	**3.29**	**2.98**	**8/11/06**
Citigroup 3-Month Treasury Bill Index[3]	0.02	0.14	1.94	2.81	2.38	
Difference	0.04	0.23	0.68	0.48	0.60	

[1] Inception date for the Money Market Master Trust, as well as the Target 2010 Fund are as stated. For all other products, the inception date is for a respective predecessor product managed substantially in the same style, and performance for the respective predecessor product has been used for periods prior to the current product's inception. For all Trusts performance has been calculated beginning with the first full month of operations.

[2] "Custom Index" refers to the component benchmarks weighted according to the strategic allocation for each option. Prior to October 29, 2008, the weighted benchmark components consisted of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Government/Credit Index, Barclays Capital U.S. GNMA Index, S&P 500 Index, Russell 2500 Index, and MSCI EAFE Index. As of October 29, 2008, the weighted benchmark components consist of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Aggregate Index, Russell 3000 Index, and MSCI EAFE Index.

[3] Intra-month returns are not available for the Citigroup 3-Month Treasury Bill Index and therefore we have used the Alaska Money Market Trust as a proxy for since inception returns

State of Alaska Target Date Portfolios

Periods Ended February 28, 2010

Net of All Fees and Expenses	Three Months	Since Inception[1]	Inception Dates
Target Retirement 2010 Trust	**0.92%**	**19.82%**	**4/2/09**
Custom Index[2]	0.88	19.22	
Difference	0.04	0.60	
Target Retirement 2030 Trust	**1.22**	**26.50**	**4/6/09**
Custom Index[2]	1.18	26.52	
Difference	0.04	-0.02	
Target Retirement 2035 Trust	**1.31**	**27.64**	**4/15/09**
Custom Index[2]	1.18	27.38	
Difference	0.13	0.26	
Target Retirement 2040 Trust	**1.21**	**27.26**	**4/2/09**
Custom Index[2]	1.18	27.38	
Difference	0.03	-0.12	
Target Retirement 2045 Trust	**1.29**	**7.66**	**8/4/09**
Custom Index[2]	1.18	7.63	
Difference	0.11	0.03	
Target Retirement 2050 Trust	**1.20**	**7.64**	**8/5/09**
Custom Index[2]	1.18	7.63	
Difference	0.02	0.01	
Target Retirement 2055 Trust	**1.20**	**7.58**	**8/5/09**
Custom Index[2]	1.18	7.63	
Difference	0.02	-0.05	

[1] For all Trusts, performance has been calculated beginning with the first full month of operations.

[2] "Custom Index" refers to the components benchmarks weighted according to the strategic allocation for each option. The weighted benchmark components consist of Citigroup 3-Month Treasury Bill Index, Barclays Capital U.S. Aggregate Index, Russell 3000 Index, and MSCI EAFE Index.

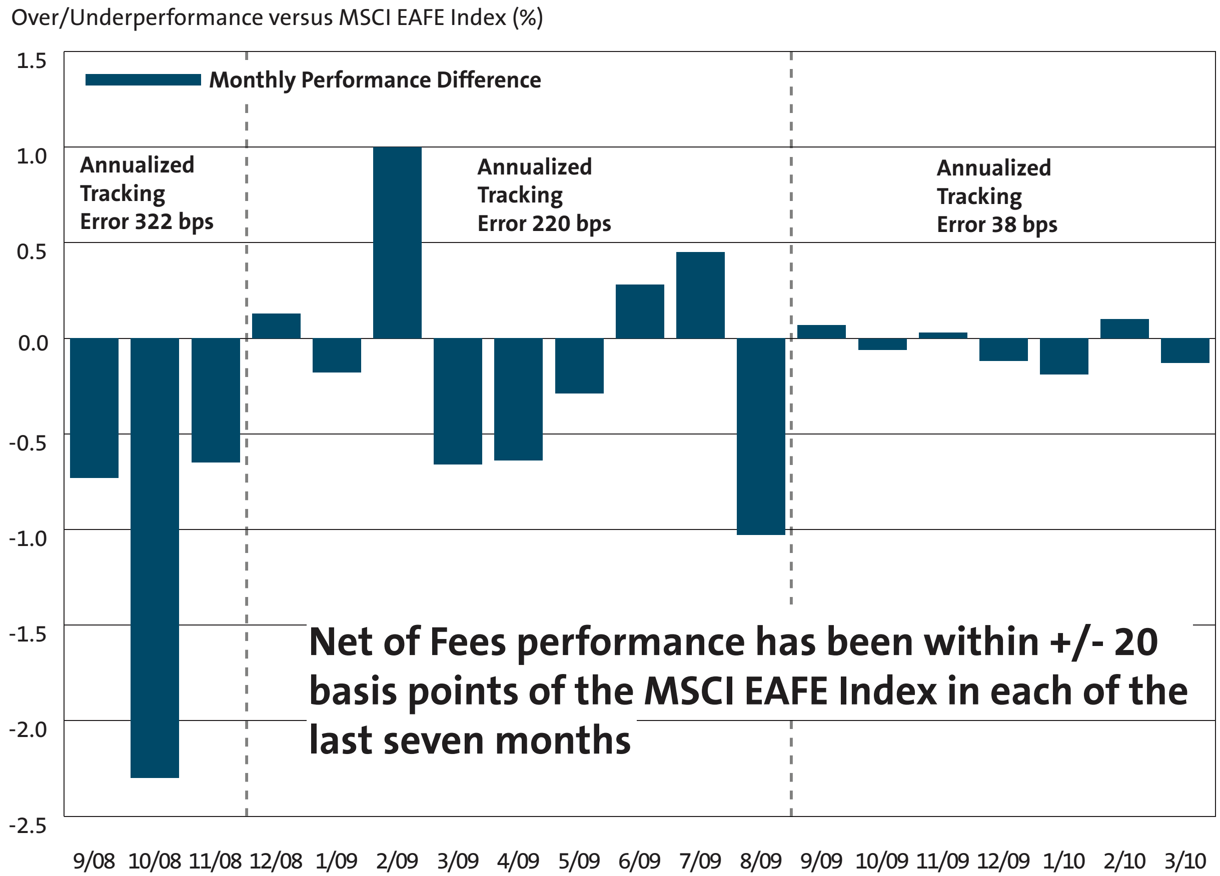
Performance — Building Block Portfolios

Periods Ended February 28, 2010

Components (Net of Fees)	Three Months	One Year	Annualized Three Years	Five Years	Ten Years	Since 2/28/96	Beginning 3/31/92
Money Market Trust	**0.06%**	**0.37%**	**2.62%**	**3.29%**	**3.04%**	**3.60%**	**3.76%**
Citigroup 3-Month Treasury Bill Index	0.02	0.14	1.94	2.81	2.75	3.41	3.59
Difference	0.04	0.23	0.68	0.48	0.29	0.19	0.17
Aggregate Bond Trust	**0.35**	**9.62**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Aggregate Bond Index	0.31	9.32	N/A	N/A	N/A	N/A	N/A
Difference	0.04	0.30	-	-	-	-	-
U.S. Equity Trust	**2.61**	**56.41**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Russell 3000 Index	2.50	55.96	N/A	N/A	N/A	N/A	N/A
Difference	0.11	0.45	-	-	-	-	-
International Trust	**-3.87**	**52.39**	**-10.21**	**1.34**	**2.00**	**5.62**	**N/A**
MSCI EAFE Index	-3.67	55.32	-7.65	2.45	1.45	4.42	N/A
Difference	-0.20	-2.93	-2.56	-1.11	0.55	1.20	-

T.RowePrice®

As of March 31, 2010



Recent Activity Related to the Alaska International Trust

- Request from the State of Alaska to manage the Alaska International Trust with greater restrictions on country, sector, and security weightings
  - November 2008 portfolio transition to new mandate

- Gradually increase international neutral allocation to 20% of equities for Alaska Balanced, Long-Term Balanced, 2015, 2020, and 2025 Retirement Trusts from prior weights ranging from 0% to 7% of equities
  - 2nd quarter 2009 to 2nd quarter 2010

- Sources of Alaska International Trust Relative Performance
  - September 2008 through November 2008
    - Underperformed MSCI EAFE by 281 basis points
      - -150 basis points from country, sector, security selection
      - -131 basis points from cash flow, fees, and other factors

  - December 2008 through August 2009
    - Underperformed MSCI EAFE by 94 basis points
      - -65 basis points from country, sector, security selection
      - -29 basis points from cash flow, fees, and other factors

  - September 2009 through March 2010
    - Underperformed MSCI EAFE by 30 basis points
      - +16 basis points from country, sector, security selection
      - -46 basis points from cash flow, fees, and other factors

Expectations for the Alaska International Trust

- Expected Tracking Error: 90 – 225 basis points
  - Country, sector, security selection: 50 – 150 basis points
  - Withholding taxes: 10 – 20 basis points
  - T. Rowe Price management fee: 15 basis points
  - Custody, accounting, transaction costs: 15 – 40 basis points

Stable Value Portfolios

State of Alaska Deferred Compensation
Plan Interest Income Fund

Alaska Supplemental Annuity Plan
Stable Value Fund

Total Return Performance

Periods Ended February 28, 2010

Annualized Returns[1]

	One Year	Three Years	Five Years	Ten Years	Since Inception	Inception Date
State of Alaska Deferred Compensation Plan Interest Income Fund (Gross of Investment Management Fees)	4.33%	4.57%	4.54%	4.96%	5.71%	3/31/94
Alaska Supplemental Annuity Plan Stable Value Fund (Gross of Investment Management Fees)[1]	4.03	4.38	4.30	N/A	4.22	10/31/04
Hueler Pooled Fund Index[2,3]	3.06	4.11	4.32	4.85	N/A	–
Lipper Money Market Index[3,4]	0.13	2.20	2.85	2.60	N/A	–

[1] Since inception, the performance return of the Alaska Supplemental Annuity Plan Stable Value Fund has been impacted by a gradual transition from a money market fund to a stable value product.

[2] The Hueler Stable Value Pooled Fund Index (the "Hueler Index") is an equal-weighted total return across all participating funds in the Hueler Analytics Pooled Fund Comparative Universe (the "Hueler Universe"). The Hueler Universe is provided by Hueler Analytics, a Minnesota-based stable value data and research firm, which has developed the Hueler Universe for use as a comparative database to evaluate collective trust funds and other pooled vehicles with investments in stable value instruments. The Universe is comprised of pooled stable value funds with common investment objectives of stability of principal; the number of participating funds in the Hueler Universe may vary over the different historic periods. Hueler Index rates of return are reported gross of management fees.

[3] No industry standard benchmark exists for stable value and these indices are included for discussion purposes only.

[4] The Lipper Money Market Funds Index is an equally weighted performance index of the largest qualifying funds in this Lipper category. Lipper index gross of fees performance is not available. Source of Lipper data: Lipper Inc.

Past performance cannot guarantee future performance.

Market-to-Book Ratio

As of February 28, 2010

Market-to-Book Ratio vs. Hueler Universe

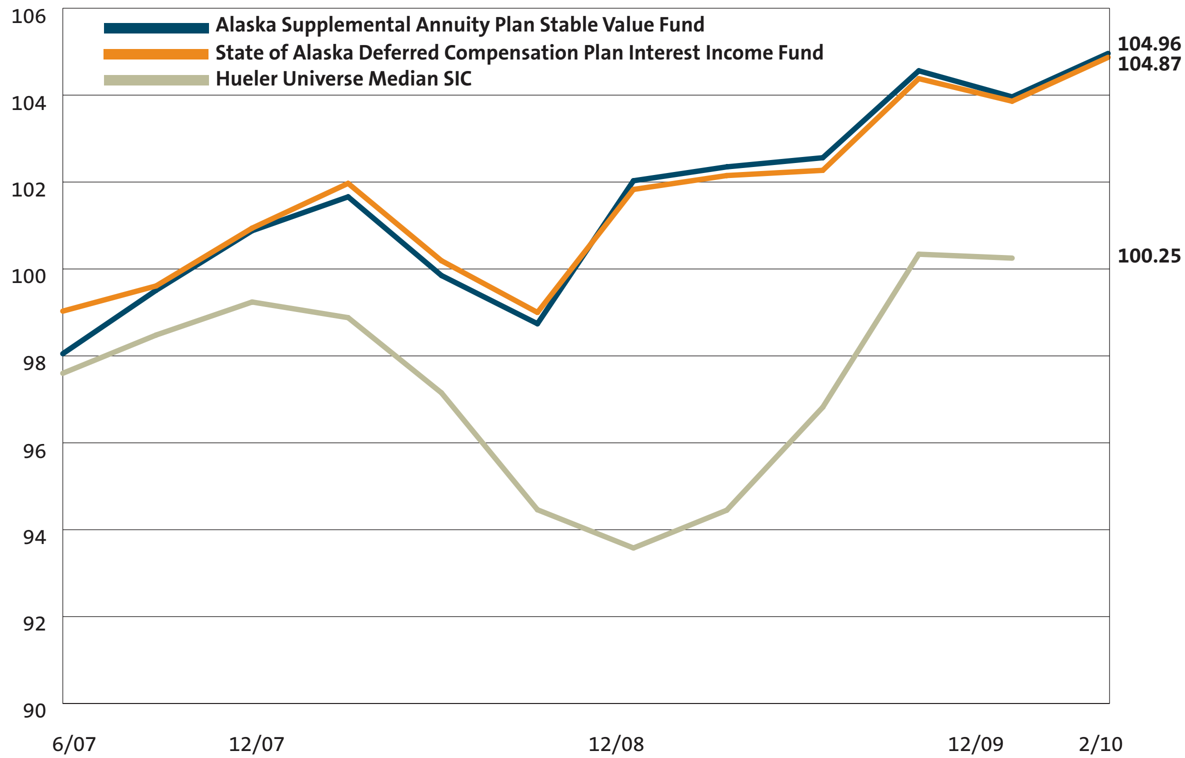
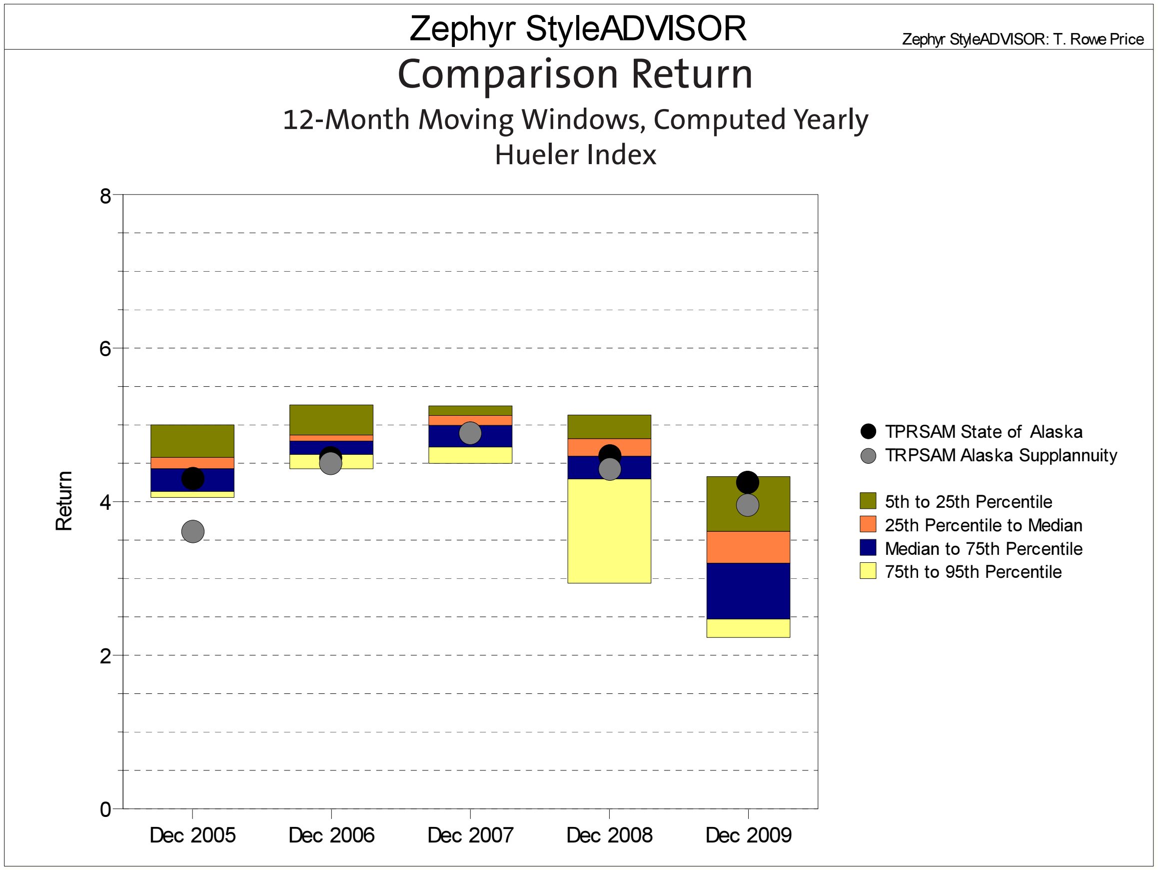


Chart presents the market value/book value ratio of SICs for constituents of the Hueler Pooled Fund Universe (the Universe) and the dollar-weighted average of SICs held by the Alaska Supplemental Annuity Plan Stable Value Fund and by the State of Alaska Deferred Compensation Plan Interest Income Fund.

The Hueler Stable Value Pooled Fund Index (the "Hueler Index") is an equal-weighted total return across all participating funds in the Hueler Analytics Pooled Fund Comparative Universe (the "Hueler Universe"). The Hueler Universe is provided by Hueler Analytics, a Minnesota-based stable value data and research firm, which has developed the Hueler Universe for use as a comparative database to evaluate collective trust funds and other pooled vehicles with investments in stable value instruments. The Universe is comprised of pooled stable value funds with common investment objectives of stability of principal; the number of participating funds in the Hueler Universe may vary over the different historic periods. Hueler Index rates of return are reported gross of management fees.



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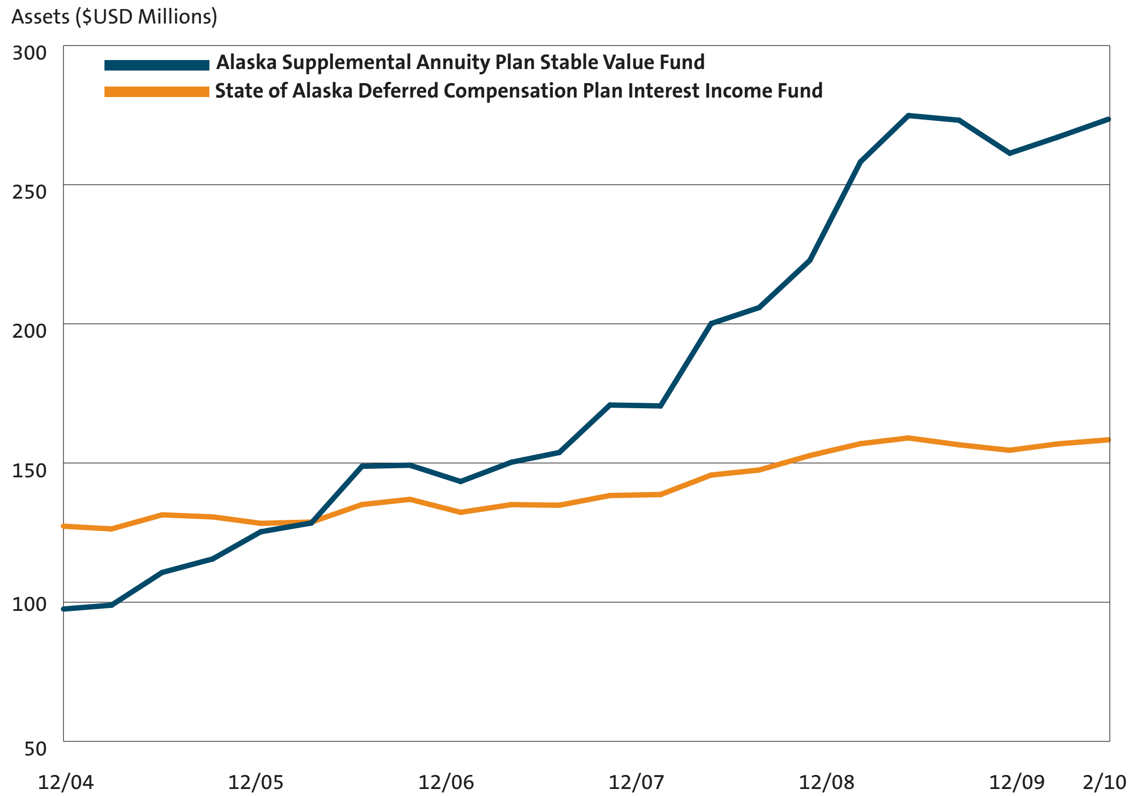
Hueler Index performance is presented for comparative purposes only. Any further dissemination, distribution, or copying of the Hueler Universe data is strictly prohibited without prior approval or authorization from Hueler Analytics.

Asset Growth

As of February 28, 2010



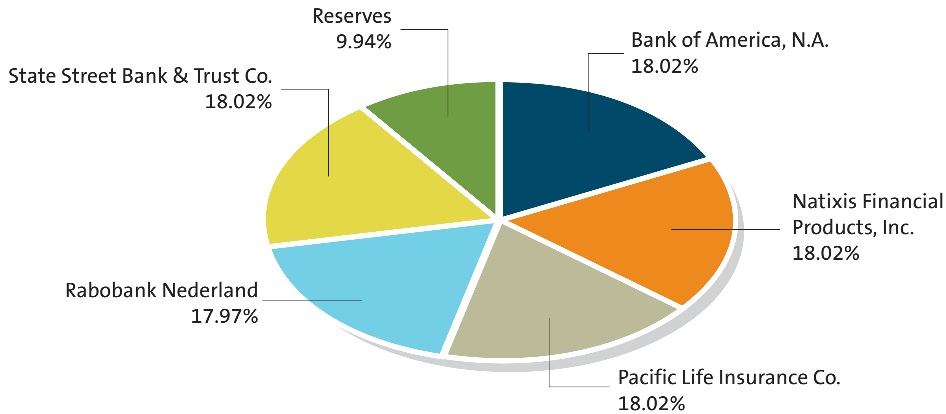
The SBS Stable Value Fund's assets have grown substantially as compared to the 457 Interest Income Fund's assets during the last five years.

Contract Issuer Diversification

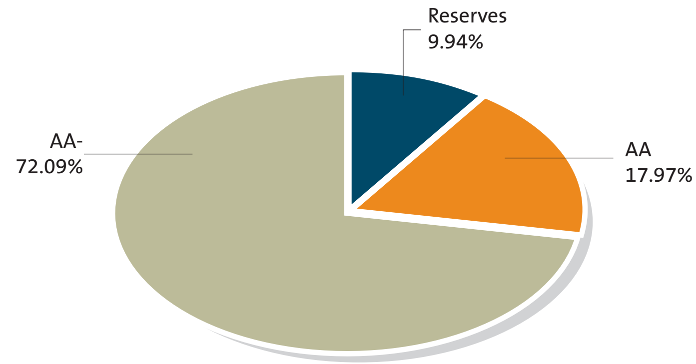
Alaska Supplemental Annuity Plan Stable Value Fund

As of February 28, 2010

Issuer Diversification



Issuer Credit Quality[1]



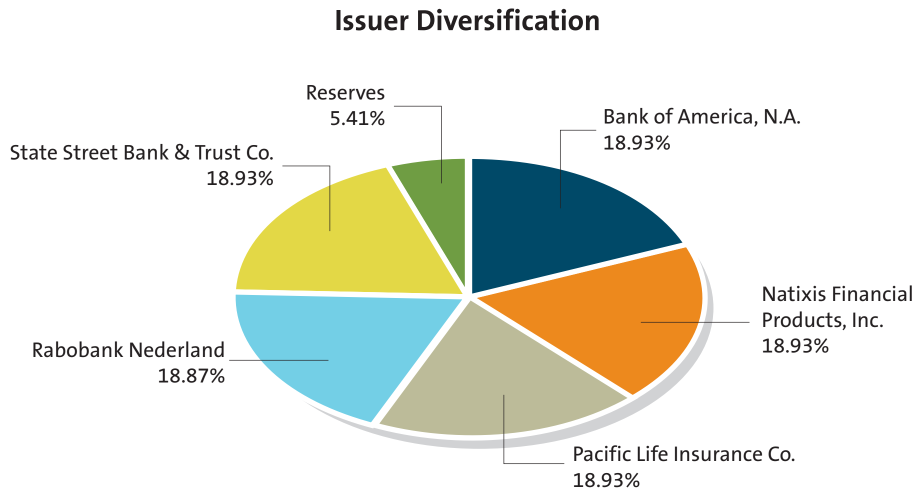
Fund is well diversified with five contract issuers

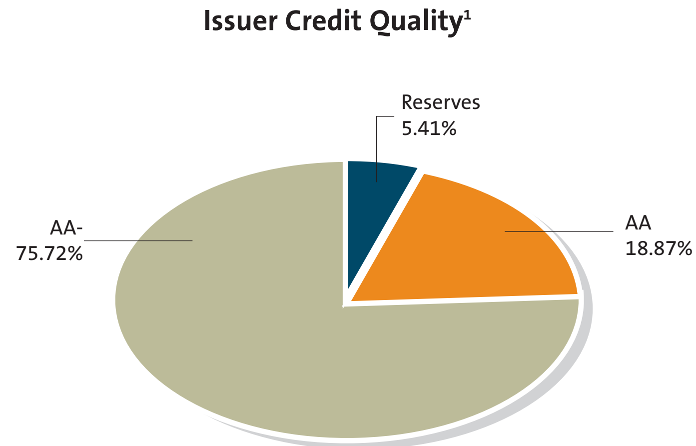
High average credit quality of AA-

[1] Issuer credit quality is based on T. Rowe Price rating.
Numbers may not total due to rounding.

Contract Issuer Diversification

State of Alaska Deferred Compensation Plan Interest Income Fund
As of February 28, 2010





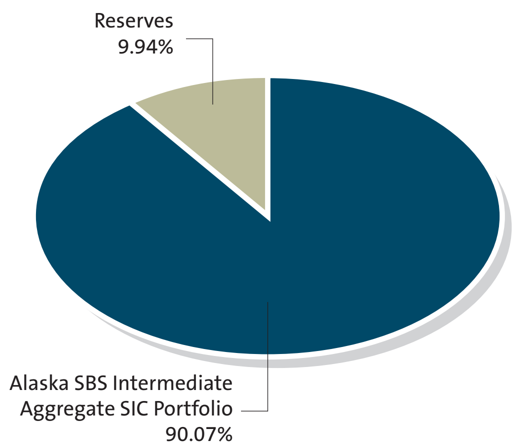
Fund is well diversified with five contract issuers
High average credit quality of AA-

[1] Issuer credit quality is based on T. Rowe Price rating.
Numbers may not total due to rounding.

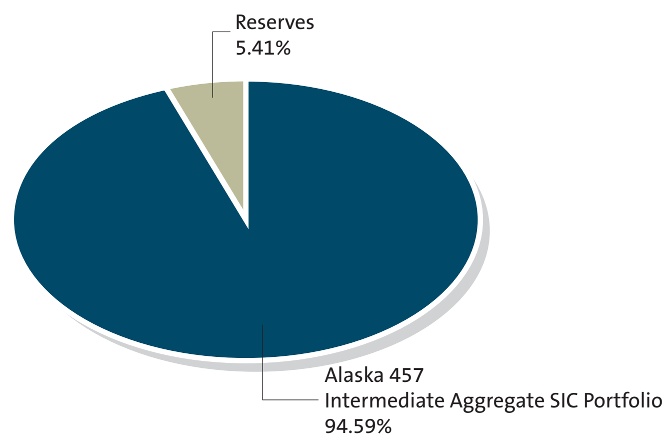
Strategy Allocation

As of February 28, 2010

Alaska Supplemental Annuity Plan
Stable Value Fund



State of Alaska Deferred Compensation Plan
Interest Income Fund



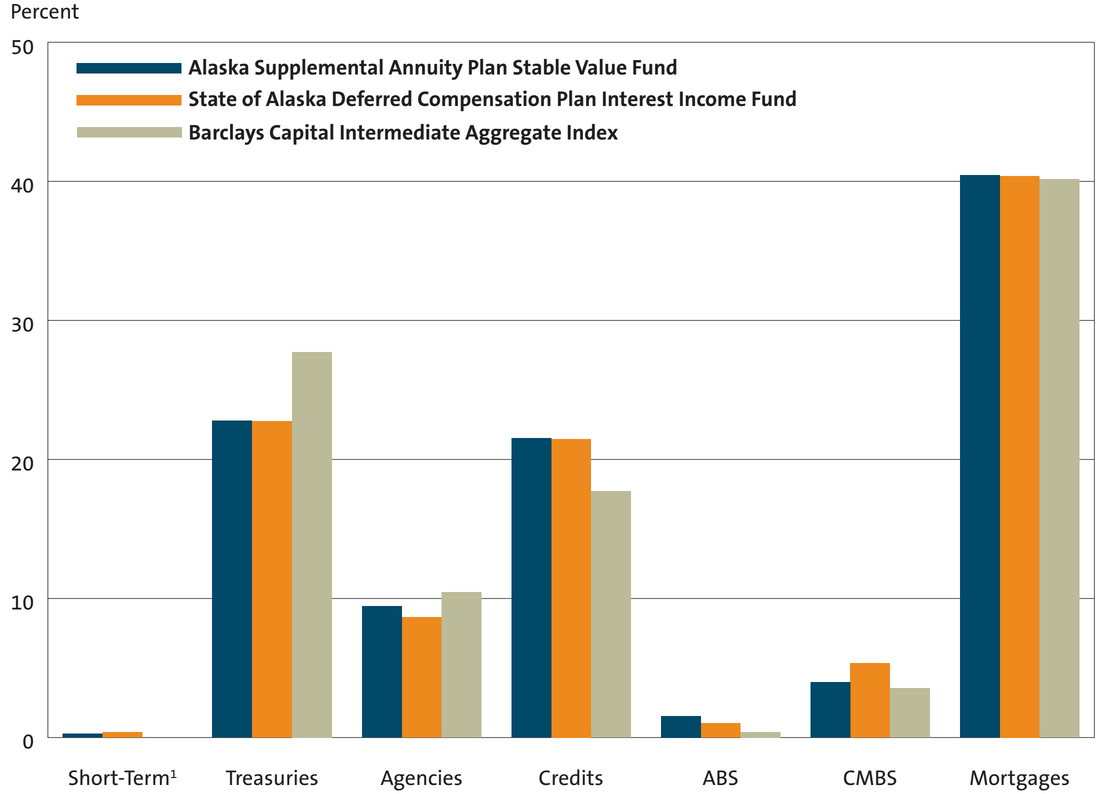
- **In 2008, transitioned underlying SIC portfolios to more passively managed strategy benchmarked to Barclays Capital Intermediate Aggregate Index**
- **Cash allocation is greater in SBS Stable Value Fund due to increased participant cash flow volatility**

Numbers may not total due to rounding.

Detailed Characteristics of Underlying Bond Portfolio

Sector Allocation

As of February 28, 2010



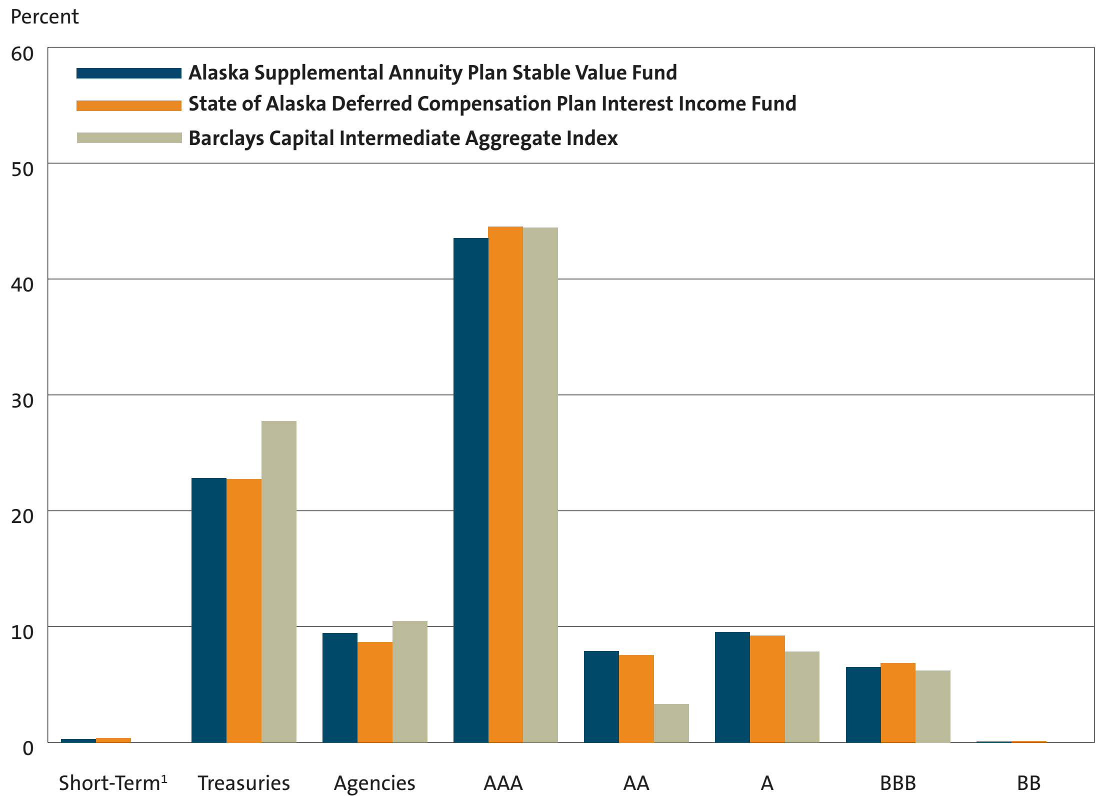
Underlying bond sectors closely match benchmark.

[1] Represents cash held in SIC portfolios.

Detailed Characteristics of Underlying Bond Portfolio

Quality Allocation

As of February 28, 2010



Underlying bond credit quality closely resembles benchmark.

[1] Represents cash held in SIC portfolios.

Stable Value — Current Operating Environment & Challenges

Issue	T. Rowe Price Commentary
Scarce wrap capacity	• After financial crisis, wrap capacity in the industry has been impacted to the point where several providers have ceased to accept new cash and others have exited the business entirely. • Rabobank has expressed the desire to exit the wrap business and will unwind their book over time. We plan to replace Rabobank in the Alaska portfolios as capacity conditions permit and are engaged in negotiations with other providers.
Wrap Providers becoming more conservative and look to "de-risk" portfolios	• Wrap issuers are renegotiating contract provisions and investment guidelines with more restrictive terms. This could dampen future returns of stable value products.
Upward pressure on wrap fees	• With a lack of capacity, wrap fees are increasing. The average wrap fee for the Alaska portfolios a few years ago was approximately 8 basis points versus the current average of 13 basis points (market currently pricing wraps at 20 basis points). • Higher fees will dampen future returns for stable value portfolios but also will attract new counterparties into the industry.
Negative credit trends of financial institutions	• In house bank and insurance analysts diligently follow all contract issuers and provide financial strength updates. • Outlook remains negatively skewed and we are focused on relationships with the best capitalized counterparties.

Small-Cap Stock Trust

Small-Cap Stock Trust

Objective

- The Small-Cap Stock Trust is a broadly diversified portfolio of small-cap growth and value stocks with the potential for long-term capital appreciation and below market risk.

- Invests primarily in small companies whose market caps fall within the range of companies in the Russell 2000 Index, generally between $7 million and $3.2 billion.

- Invests in companies with proven attractive business models and good financial characteristics at reasonable valuations with the potential for a catalyst to cause the stock price to rise.

Benchmark

- Russell 2000 Index

Distinguishing attributes

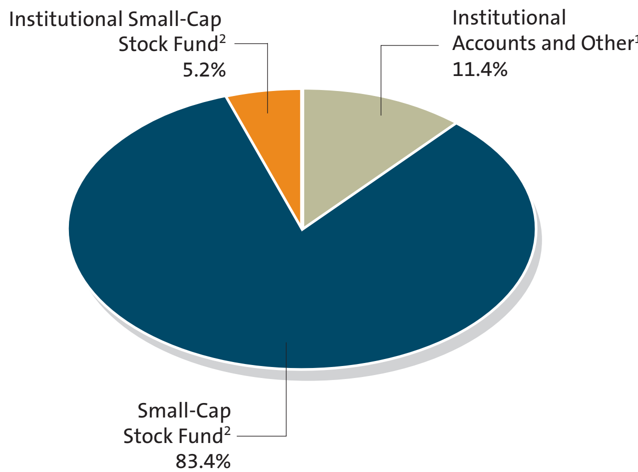
- Same lead portfolio manager since inception.

- Strict adherence to investment style throughout market cycles.

- Solid long-term performance record relative to the Russell 2000 Index.

Small-Cap Core Strategy Assets Under Management

U.S. Small-Cap Core Strategy: $6.2 Billion
As of December 31, 2009



[1] Other represents the U.S. Smaller Companies Equity Fund - SICAV and the Small-Cap Stock Trust.

[2] This fund closed as of 4:00 p.m. on February 20, 2004, but continues to accept additional investments from existing shareholders.

Account inclusion is based upon inception of the relationship and may be different than the date an account is included in the composite.

Small-Cap Stock Trust

Account Assets as of February 28, 2010 = $107,244,857

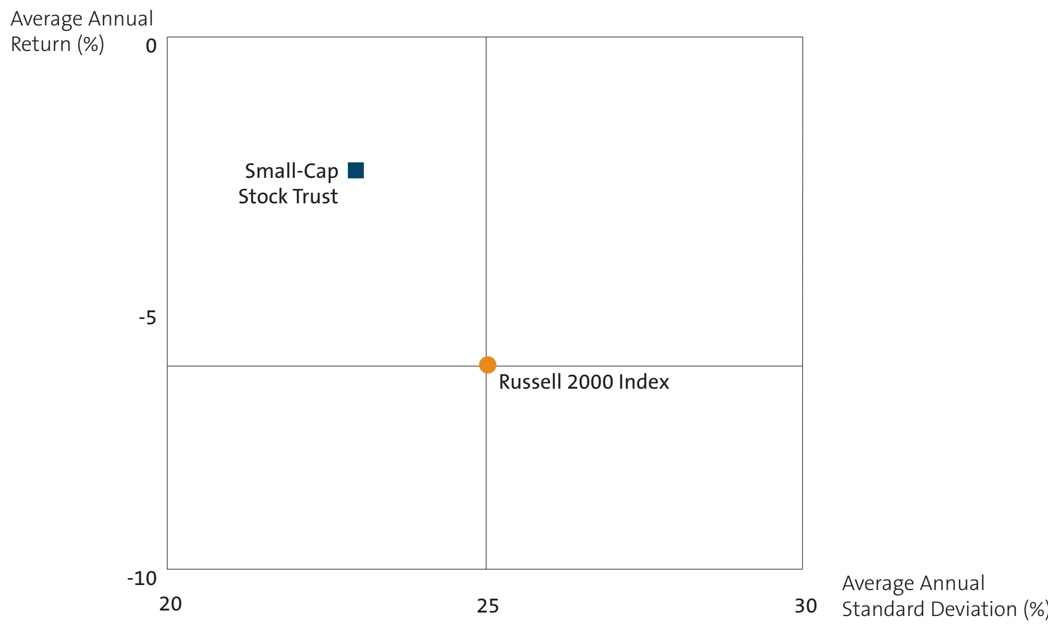
Periods Ended February 28, 2010

			Annualized			
	Quarter-to-Date	Three Months	One Year	Three Years	Five Years	Since Inception 12/10/01
Small-Cap Stock Trust (Net of Fees)[1]	0.84%	8.44%	70.15%	-3.24%	2.88%	6.04%
Russell 2000 Index	0.66	8.76	63.95	-6.13	1.16	4.85

[1] Reflects deduction of highest applicable fee schedule without benefit of breakpoints. Investment return and principal value will vary. Past performance cannot guarantee future results.

Risk/Return Characteristics

Three Years Ended February 28, 2010



	Three Years	
	Small-Cap Stock Trust	Russell 2000 Index
Annualized Total Return	-2.52%	-6.13%
Annualized Standard Deviation	22.97%	25.04%
Historical Tracking Error	3.74%	0.00%
Beta	0.91	1.00
R-Squared	0.98	1.00
Alpha	2.81%	0.00%
Sharpe Ratio	-0.19	-0.32
Information Ratio	0.89	0.00

Statistics based on monthly gross returns.

State of Alaska Retirement Management Board

Periods Ended February 28, 2010

		Annualized					
	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years or Since Inception	Inception Date
Small-Cap Stock Trust (Net of Fees)[1]	70.15%	2.57%	-3.24%	-0.61%	2.88%	6.04%	12/10/01
Small-Cap Stock Fund (Net of Fees)[1]	68.82	2.16	-3.61	-0.90	2.52	5.59	
Russell 2000 Index	63.95	-2.81	-6.13	-2.36	1.16	2.18	
Russell 2000 Value Index	65.93	-2.77	-7.82	-2.71	0.70	8.08	
Russell 2000 Growth Index	61.85	-3.06	-4.59	-2.15	1.47	-3.36	

[1] Investment return and principle will vary. Past performance cannot guarantee future results.

Figures include changes in principal value, reinvested dividends, and capital gain distributions. Investment return and principal value will vary, and an account may be worth more or less at termination than at inception. Past performance cannot guarantee future results.

Appendix

Transition to New Glidepath for Target Retirement 2015, 2020 & 2025

Alaska Target Retirement 2015

- 2nd Quarter 2009: 43% Equity
- 4th Quarter 2009: 52% Equity
- 2nd Quarter 2010: 65% Equity

Alaska Target Retirement 2020

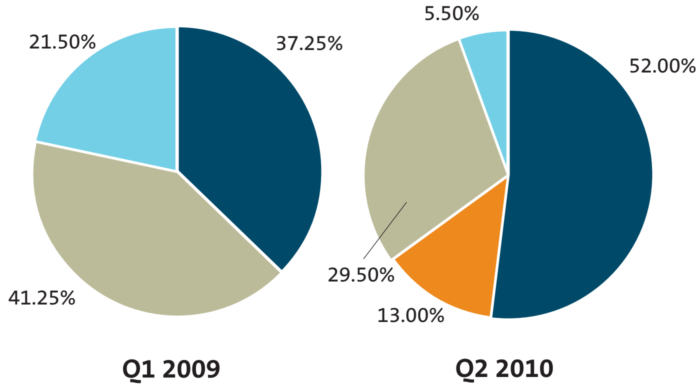
- 2nd Quarter 2009: 71% Equity
- 4th Quarter 2009: 72% Equity
- 2nd Quarter 2010: 73% Equity

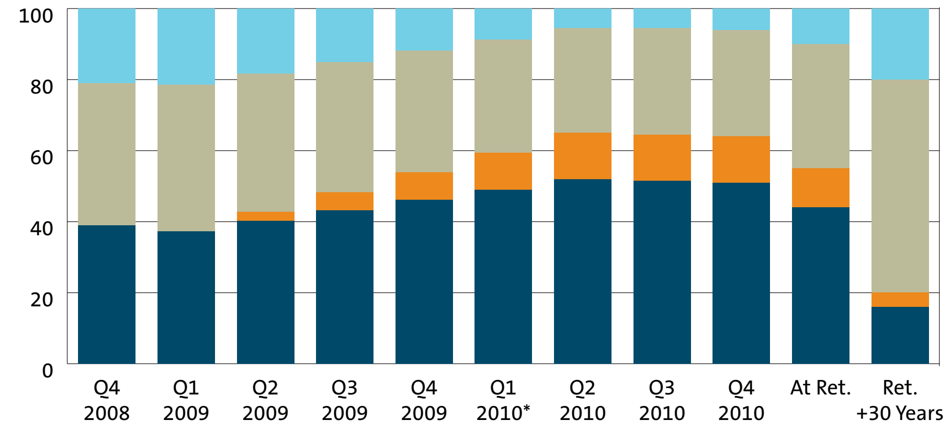
Alaska Target Retirement 2025

- 2nd Quarter 2009: 88% Equity
- 4th Quarter 2009: 84% Equity
- 2nd Quarter 2010: 80% Equity

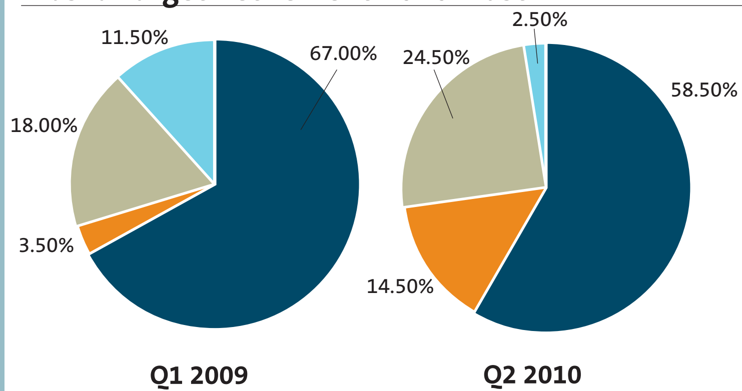
Glidepath Transition

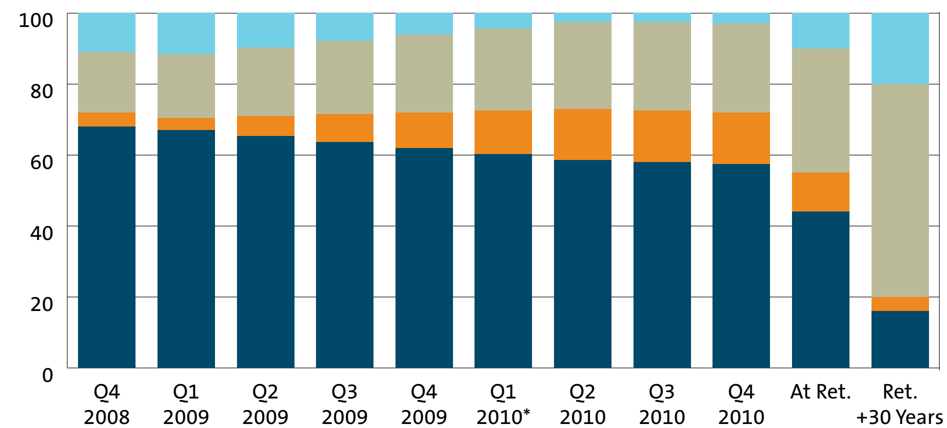
Alaska Target Retirement 2015 Trust



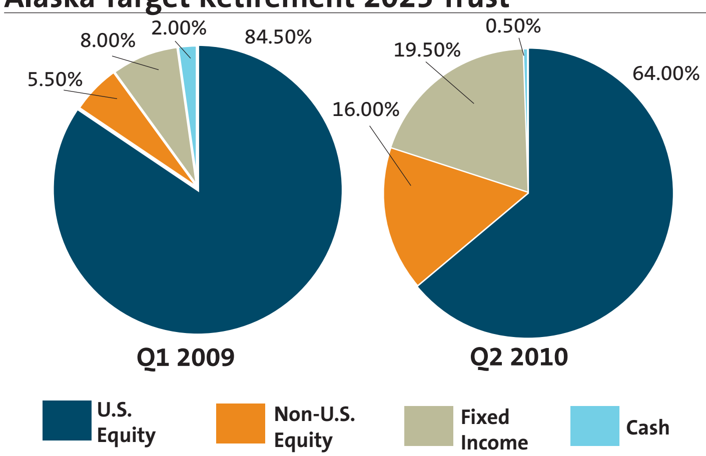


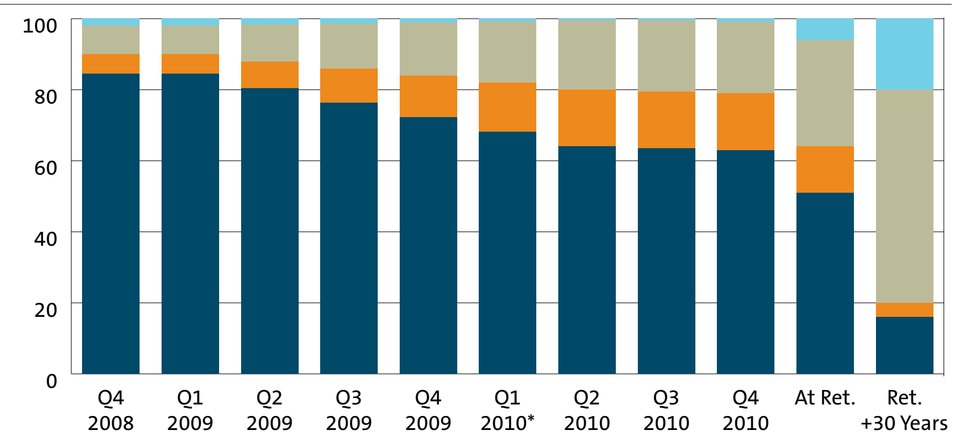
Alaska Target Retirement 2020 Trust





Alaska Target Retirement 2025 Trust

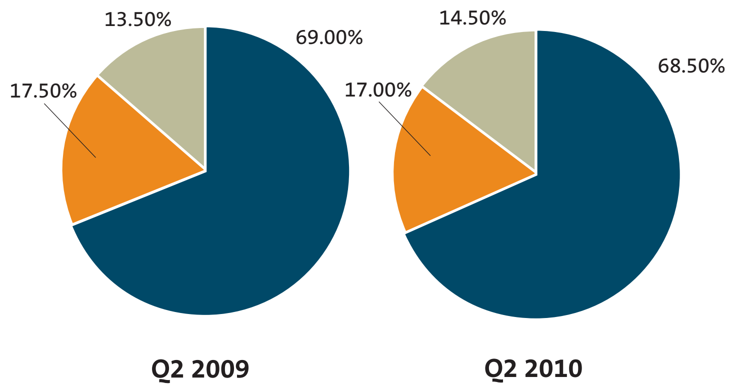


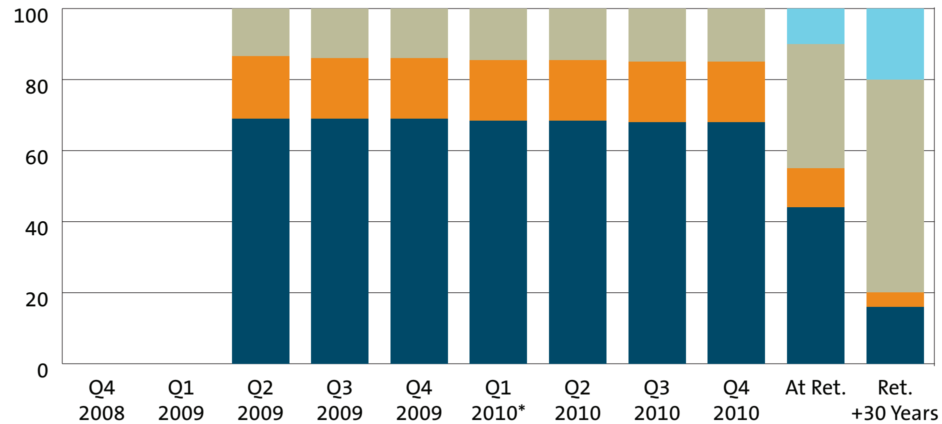


* Denotes current glidepath allocation.

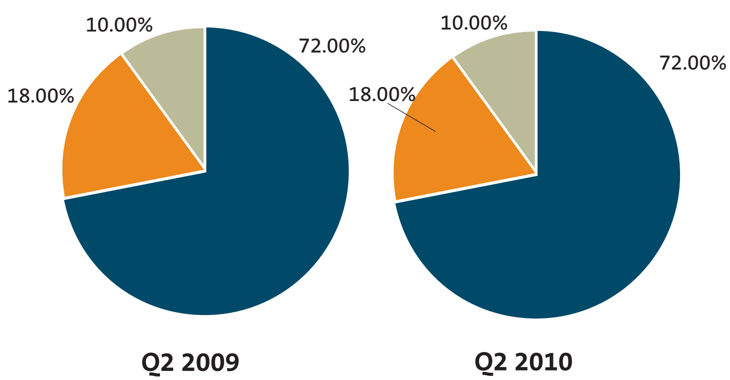
Glidepath Target Retirement 2030, 2035, 2040

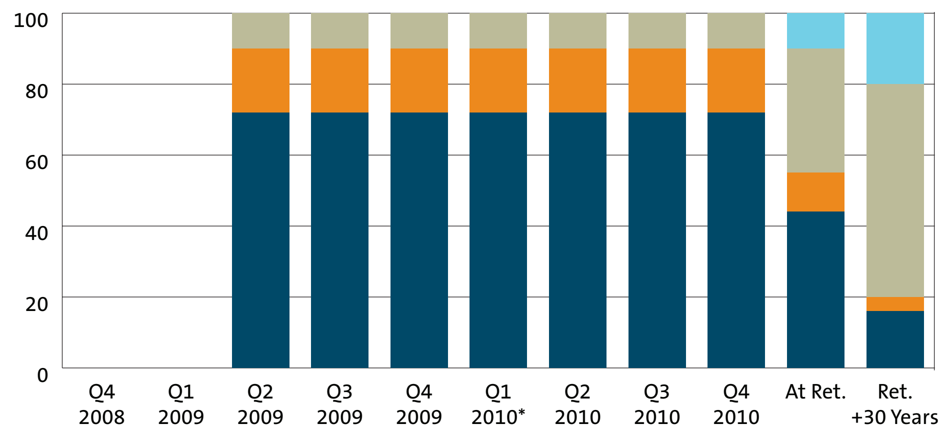
Alaska Target Retirement 2030 Trust



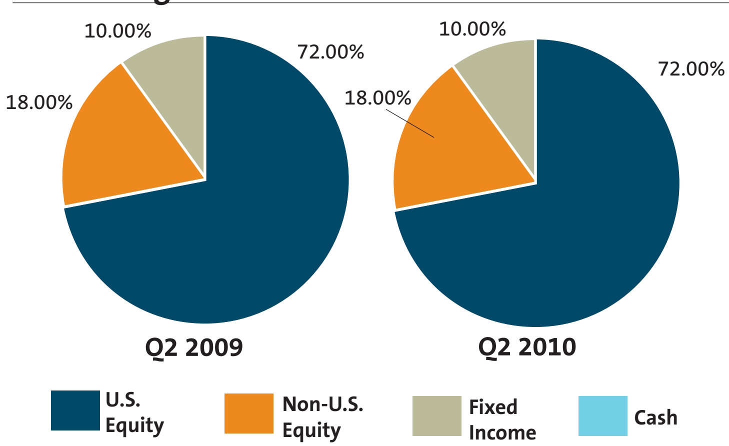


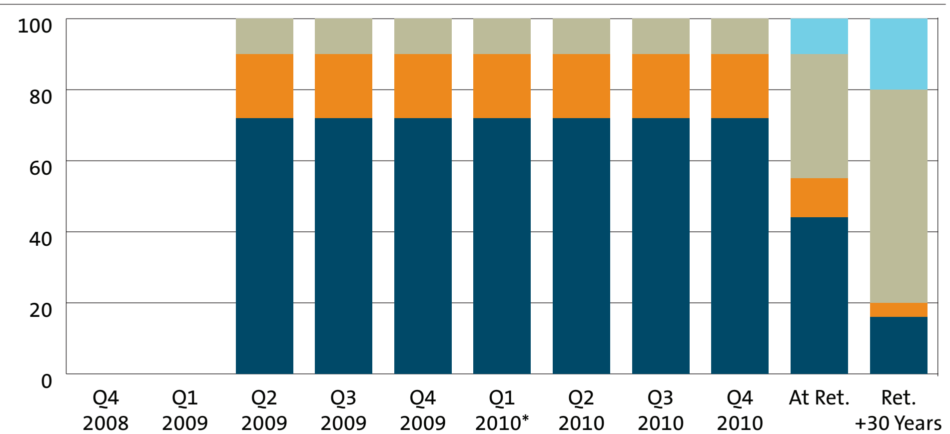
Alaska Target Retirement 2035 Trust





Alaska Target Retirement 2040 Trust

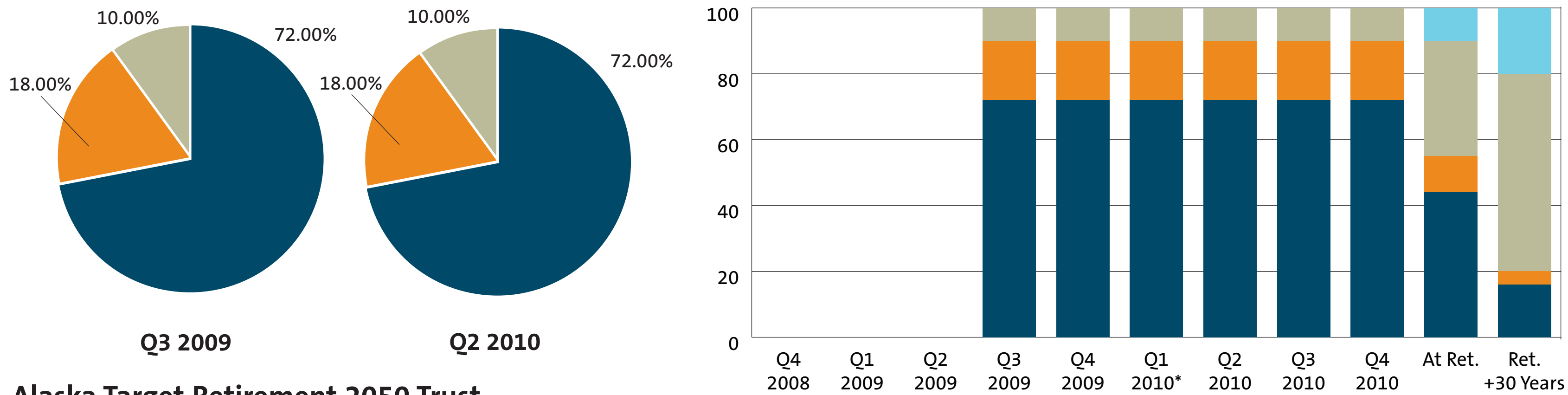




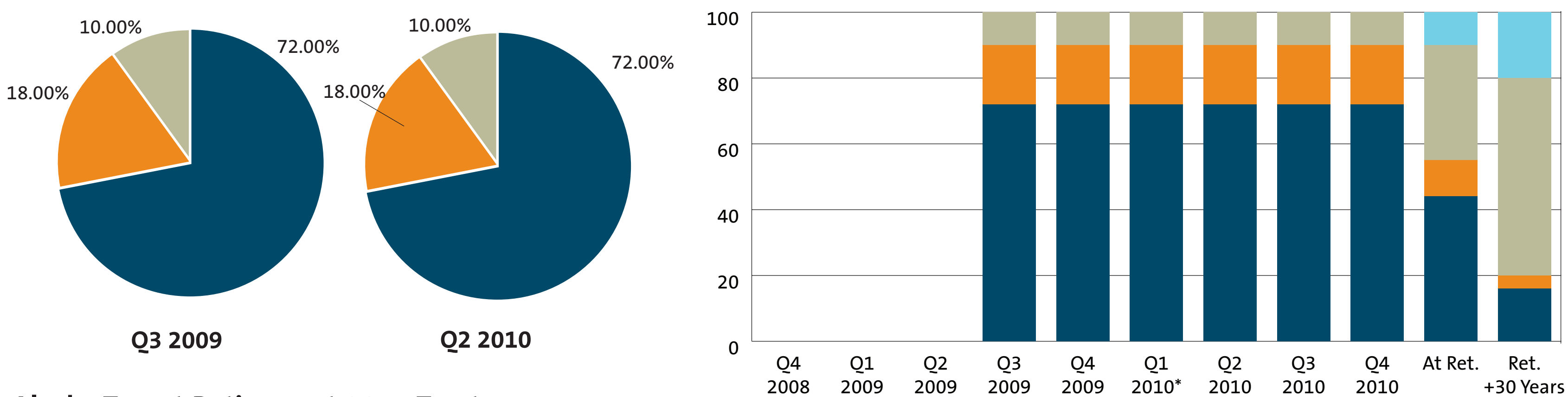
*Denotes current glidepath allocation.

Glidepath Target Retirement 2045, 2050, 2055

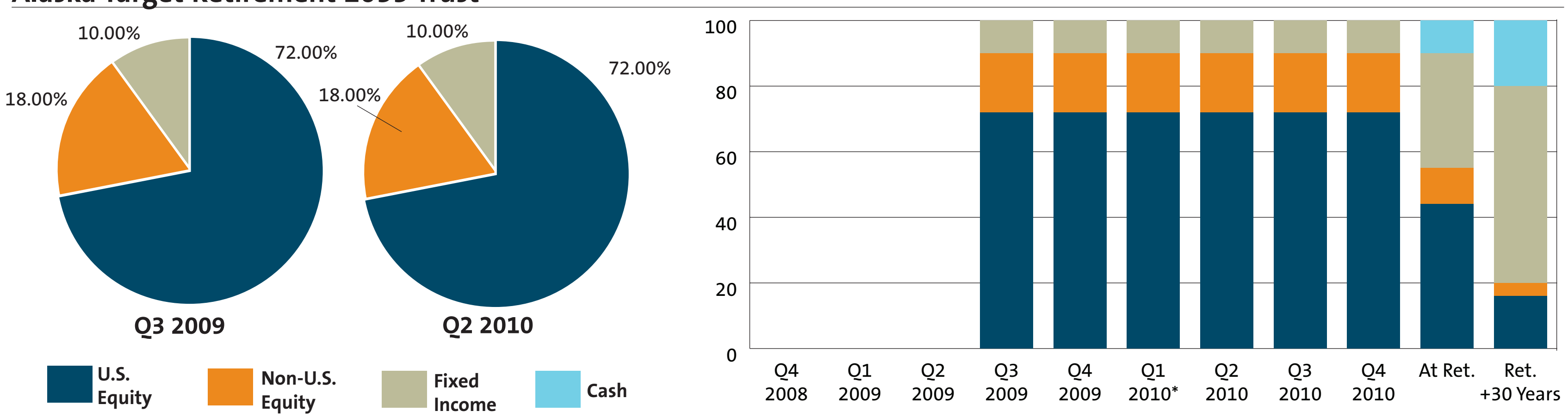
Alaska Target Retirement 2045 Trust



Alaska Target Retirement 2050 Trust



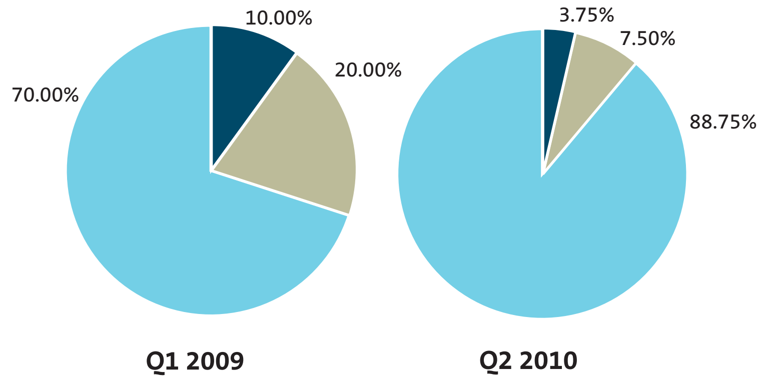
Alaska Target Retirement 2055 Trust

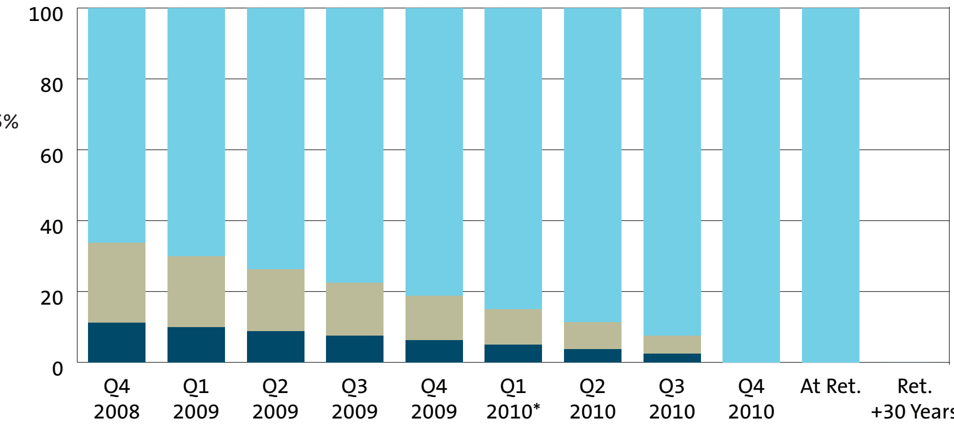


*Denotes current glidepath allocation.

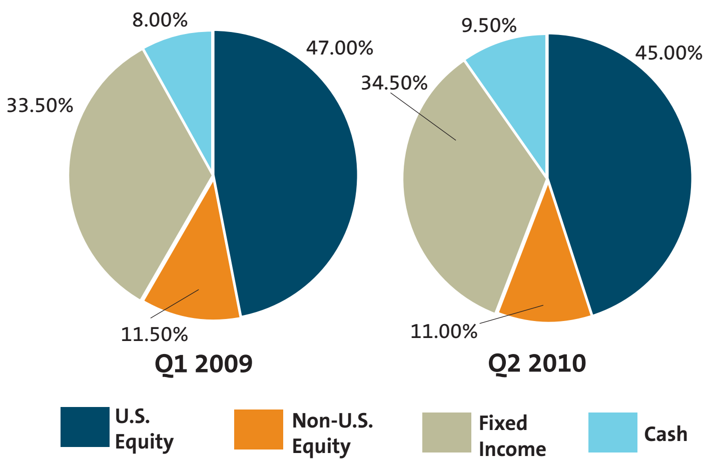
Glidepath Transition

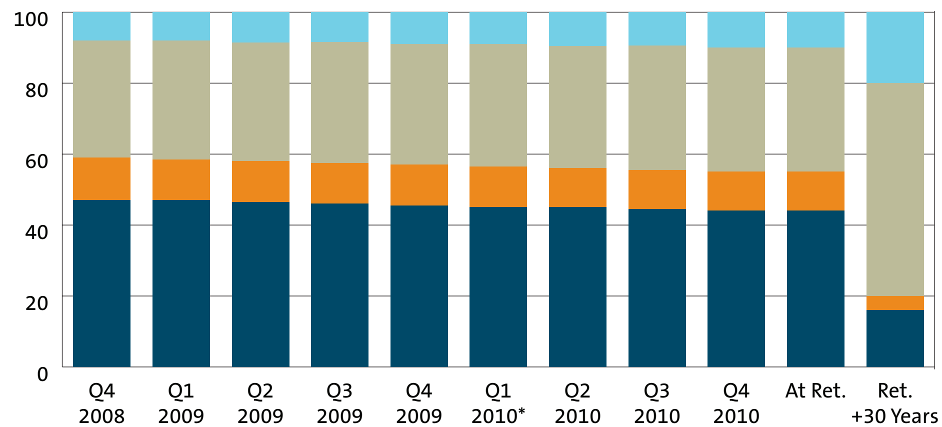
Alaska Target 2010 Fund





Alaska Target Retirement 2010 Trust

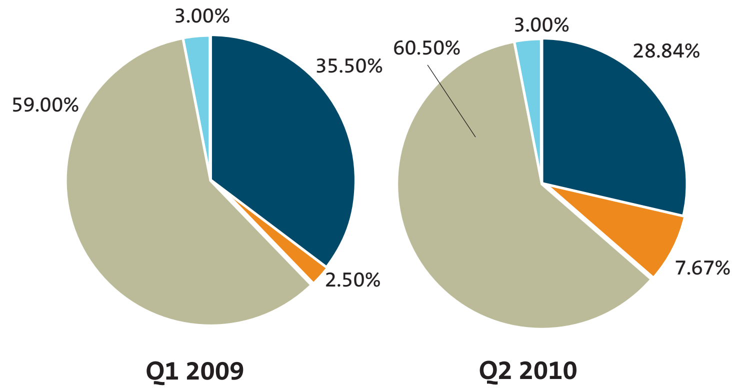


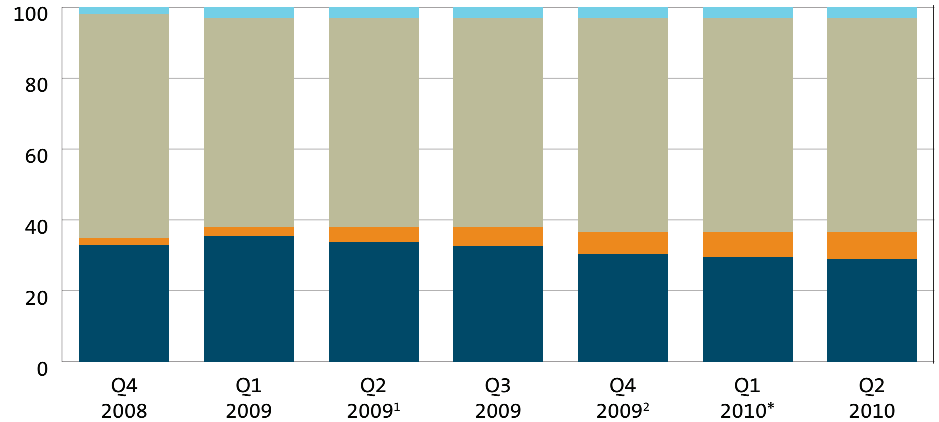


* Denotes current glidepath allocation.

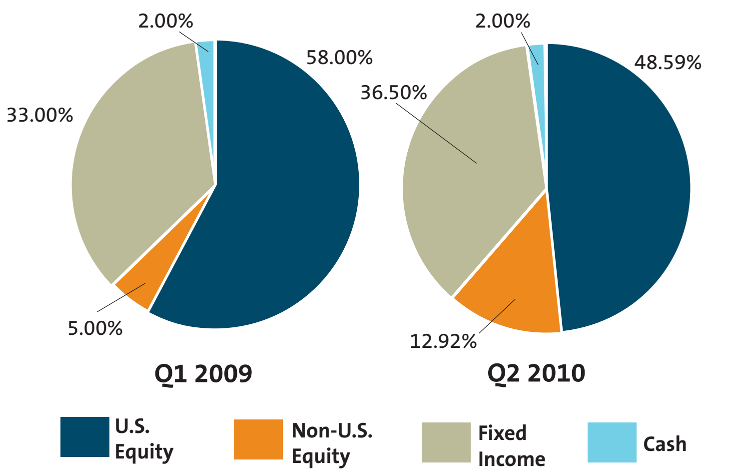
Sector Allocation

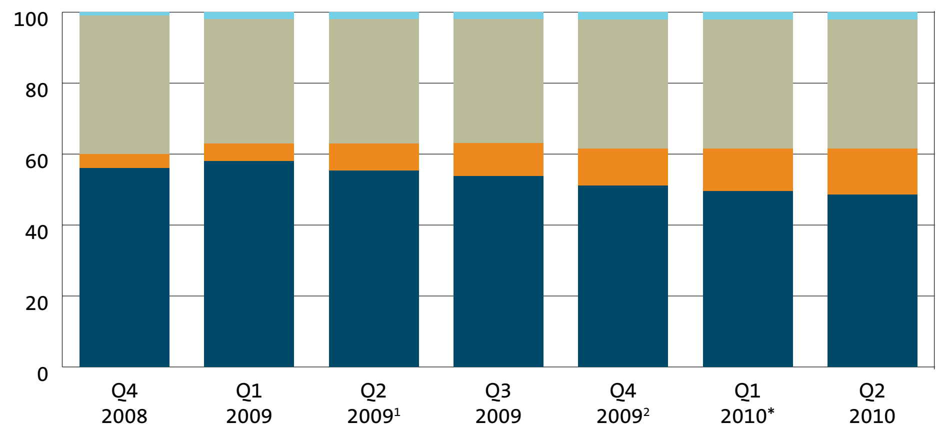
Alaska Balanced Trust





Alaska Long-Term Balanced Trust





[1] In June 2009, the Alaska Balanced and Alaska Long-Term Balanced Trusts moved to 100 basis points overweight in Non-U.S. equity as a % of total equity.

[2] In October 2009, the Alaska Balanced and Alaska Long-Term Balanced Trusts moved 50 basis points from stocks to bonds and in November 2009, the Trusts moved an additional 100 basis points from stock to bonds.

* Denotes current glidepath allocation.

Edmund (Ned) M. Notzon III Ph.D., CFA

Edmund M. Notzon III, Ph.D., is a portfolio manager in T. Rowe Price's U.S. Asset Allocation Group. He is also chairman of the firm's Asset Allocation Committee and portfolio manager of several separately managed allocation portfolios. Dr. Notzon is a vice president of T. Rowe Price Group, Inc.

Dr. Notzon has 20 years of investment experience, all at T. Rowe Price. He started at the firm in 1989 as a quantitative investment analyst, designing models for use in fixed income and asset allocation portfolio construction. He became a portfolio manager for the firm's bond products in 1993 and asset allocation products in 1994. Prior to joining T. Rowe Price, Dr. Notzon was a charter member of the U.S. Senior Executive Service and director of the Analysis and Evaluation Division of the Office of Water Regulations and Standards for the U.S. Environmental Protection Agency (EPA). He worked at the EPA from 1972 to 1989.

Dr. Notzon earned an S.B. in mathematics from the Massachusetts Institute of Technology. He earned an M.S. in statistics and a Ph.D. in operations research from Stanford University. He also has completed the Harvard Business School Program for Senior Managers in Government and has earned the Chartered Financial Analyst designation.

Charles M. Shriver, CFA

Charles M. Shriver is a portfolio manager for several asset allocation portfolios within the Asset Allocation Group and a vice president of T. Rowe Price Associates, Inc.

Mr. Shriver has 10 years of investment experience, all of which have been with T. Rowe Price. He has been with the firm since 1991.

Mr. Shriver earned a B.A. in economics and rhetoric/communications studies from the University of Virginia; an M.S. in finance from Loyola College in Baltimore, Maryland; and a graduate diploma in public economics from Stockholm University. He is also a Series 6, 7, 63, and 65 registered representative and has earned the Chartered Financial Analyst designation.

Antonio L. Luna, CFA

Tony Luna is a portfolio manager in the Fixed Income Division at T. Rowe Price. Mr. Luna specializes in managing stable value and synthetic investment contract portfolios, as well as co-managing the T. Rowe Price Stable Value Common Trust Fund. He is a vice president of T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., and T. Rowe Price Trust Company.

Mr. Luna has 15 years of investment experience, 13 of which have been with T. Rowe Price. Prior to joining the firm in 1996, he worked with The Ryland Group in its Mortgage Structuring Division.

Mr. Luna earned a B.S. in finance from Towson University and an M.S. in finance from Johns Hopkins University. He also has earned the Chartered Financial Analyst designation.

Robert A. Birch

Bob Birch is the director of U.S. Institutional Client Services for the Global Investment Services division of T. Rowe Price. He is also a vice president of T. Rowe Price Group, Inc., and T. Rowe Price Associates.

Mr. Birch has over 22 years of investment experience, eight of which have been at T. Rowe Price. Prior to joining the firm in 2001, he was a principal and senior consultant with William M. Mercer Investment Consulting, Inc. He also previously served as the investment officer for a $4.5 billion multi-employer pension plan.

Mr. Birch earned a B.S. in management from the University of Utah and an M.B.A. in finance and investments from the George Washington University. He authored a chapter, "Managing Equity Style Exposures, a Plan Sponsor's Perspective," in *Equity Style Management*, Irwin 1995, and is a former chairperson of the Washington Area Investment Forum.

Christopher W. Dyer

Chris Dyer is a senior institutional sales executive for the Global Investment Services (GIS) division of T. Rowe Price, the organization responsible for the firm's institutional business worldwide. Chris has been responsible for institutional sales with a specific focus on large corporate, public, and endowment and foundation fund sponsors since 1994. Chris is a vice president of T. Rowe Price Group and of T. Rowe Price Associates.

Prior to his current position, Chris was responsible for defined contribution plan sales and client service for public and nonprofit organizations for T. Rowe Price Retirement Plan Services, the firm's defined contribution plan subsidiary. He has 26 years of investment experience in institutional investment management sales, 22 of which have been with T. Rowe Price. Prior to joining the firm in 1987, he was a pension supervisor with The Calvert Group.

Chris earned a B.A. in political science from the University of Maryland. He holds a Series 7, 63, and 65 with FINRA.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Alaska Target 2010 Fund	ACTION:	X
DATE:	April 23, 2010	INFORMATION:	

BACKGROUND:

The Supplemental Benefit System Annuity Plan (SBS) offers a variety of target date investment options that are intended to be "one decision" funds for plan participants who select the fund. Generally, the target date options gradually invest more conservatively with decreasing exposure to stocks and increasing exposure to bonds and money markets through the target date and into the participant's retirement.

STATUS:

The Alaska Target 2010 Fund differs from the other target retirement date trusts in that the Target 2010 Fund was designed to become fully invested in cash upon reaching the target date (December 2010). At the time the fund was established it was envisioned that in 2010 participants would be near retirement, withdraw their funds, and the fund would close.

Even after notification of the pending closure of a fund, not all participants will take action. In the event a participant fails to withdraw their funds or transfer them to another investment option, the plan administrator must "map" the fund to another investment option.

Staff has considered three mapping options:

1. *Alaska Target Date Retirement 2010 Trust*: This would considerably change the participant's existing investment profile by allocating more funds into equity and fixed income than their existing cash allocation.

2. *Stable Value Fund*: This option is a closer investment profile than option 1, but could have a negative impact on existing participants in the Stable Value Fund due to the potential magnitude of participant funds that would be transferred.

3. *State Street Institutional Treasury Money Market Fund*: The Treasury Money Market Fund maintains a stable, per share net asset value while preserving principal and liquidity. This is the lowest risk investment option offered and the closest investment profile comparison to the 100% cash allocation of the Alaska Target 2010 Fund at maturity.

RECOMMENDATION

The Alaska Retirement Management Board direct investment staff to consult with Commissioner of Administration recommending closure of the Alaska Target 2010 Fund to new investment on December 31, 2010 and mapping any remaining participant investments into the Treasury Money Market Fund on June 30, 2011.

State of Alaska Retirement Systems

Actuarial Presentation to the Alaska Retirement Management Board

April 23, 2010

A Xerox Company

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Agenda

- Introduction
- 2009 Actuarial Valuation Results
  - PERS
  - TRS
- 2009 Roll-Forward Valuation Results
  - JRS
  - NGNMRS
- 30-Year Projections for PERS and TRS
- Questions
- Appendix

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State of Alaska Retirement Systems Introduction

- Alaska Retirement Systems consists of four traditional defined benefit (DB) pension plans and two defined contribution (DC plans)
  - Public Employees' Retirement System (PERS)
  - Teachers' Retirement System (TRS)
  - Judicial Retirement System (JRS)
  - National Guard and Naval Militia Retirement System (NGNMRS)
  - PERS Defined Contribution Retirement (DCR) Plan
  - TRS Defined Contribution Retirement (DCR) Plan
- Actuarial valuations are performed annually as of June 30. The most recent is as of June 30, 2009
- ARM Board has responsibility for PERS, TRS and NGNMRS. Commissioner of Administration and the ARM Board are responsible for JRS

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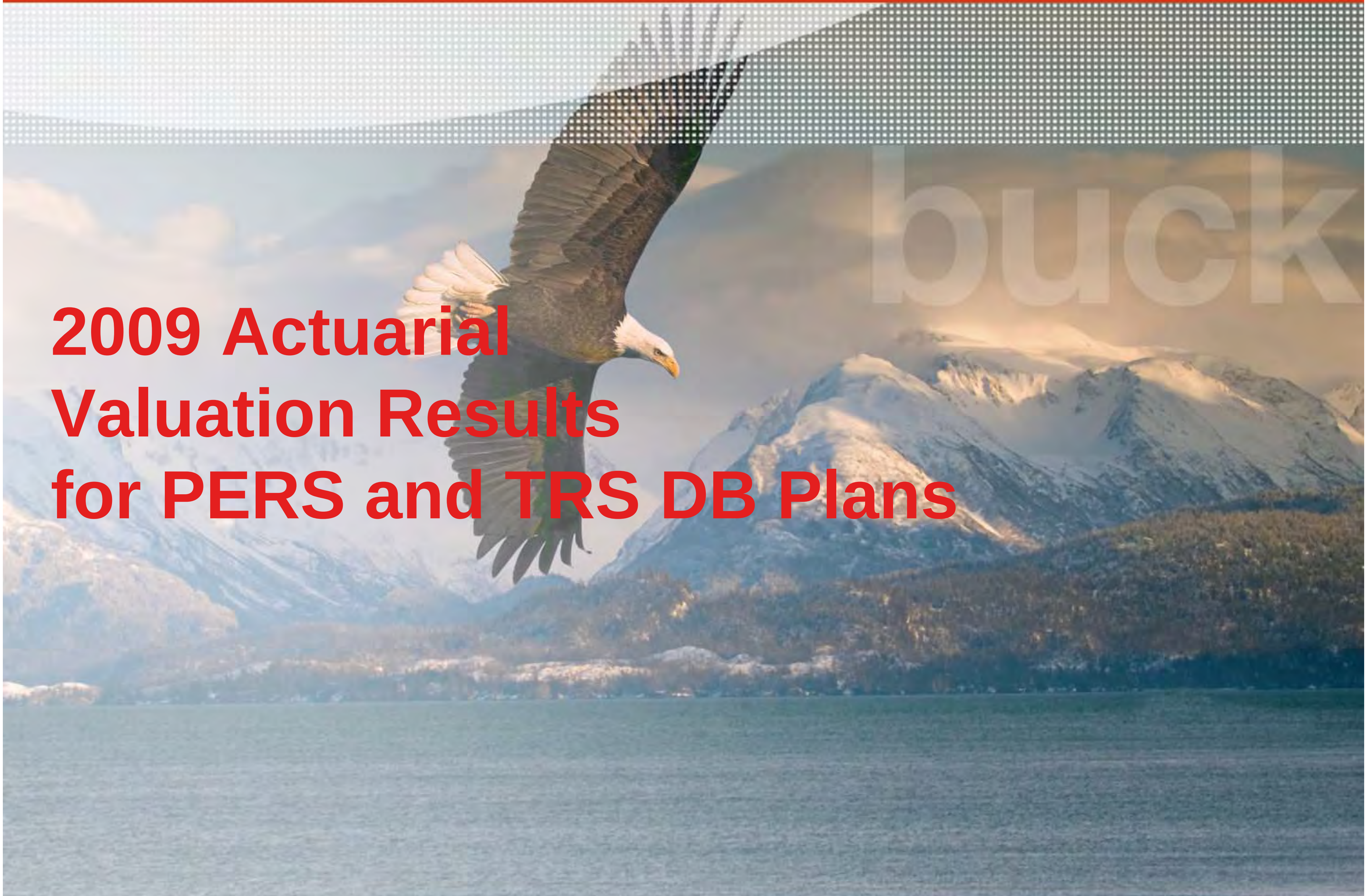

2009 Actuarial Valuation Results for PERS and TRS DB Plans

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Changes Since Last Year

- No change in Benefit Provisions
- No change in Actuarial Assumptions except for the assumptions regarding future net healthcare benefit costs for PERS and TRS which is
  - Decreasing the assumed Medicare Part B only proportion of all current Medicare retirees from 4% to 3.5%
  - Decreased proportion assumed to be enrolled in Part B only for 4% to 3.5% for future Medicare retirees
- No change in methods except to use compound interest instead of simple interest in the amortization of the unfunded liability
- No change in Healthcare Base Claim Cost Rate methodology for PERS and TRS except for the following
  - Use of 2.57 months lag for medical claims and 0.5 months lag for prescription claims vs. 1.78 and 0.6 respectively

Public Employees' Retirement System

Peace Officer/Firefighter and Others Combined
Pension and Postemployment Healthcare

($ in millions)

	July 1, 2008	July 1, 2009
1. Number		
- Active	28,850	27,565
- Inactive Non Vested	14,930	14,626
- Vested Terminations	6,627	6,566
- Retired, Disabled and Beneficiaries	24,082	25,015
- Total	74,489	73,772
2. Annual Compensation*	$ 1,578	$ 1,585
3. Assets		
- Market Value	$10,727	$ 8,536
- Actuarial Value	11,040	10,243
- % AV to MV	102.9%	120.0%
4. Annual Benefit Payments		
- Total	$ 531**	$ 735
- % of Market Value	5.0%	8.6%
5. Accumulated Member Contributions		
- Total for Actives and Inactives	$ 1,589	$ 1,676
- Average (actual)	$ 31,533	$ 34,365

*Annual Compensation for Prior Year.

**These benefit payments include actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 trust. Due to the establishment of this trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.

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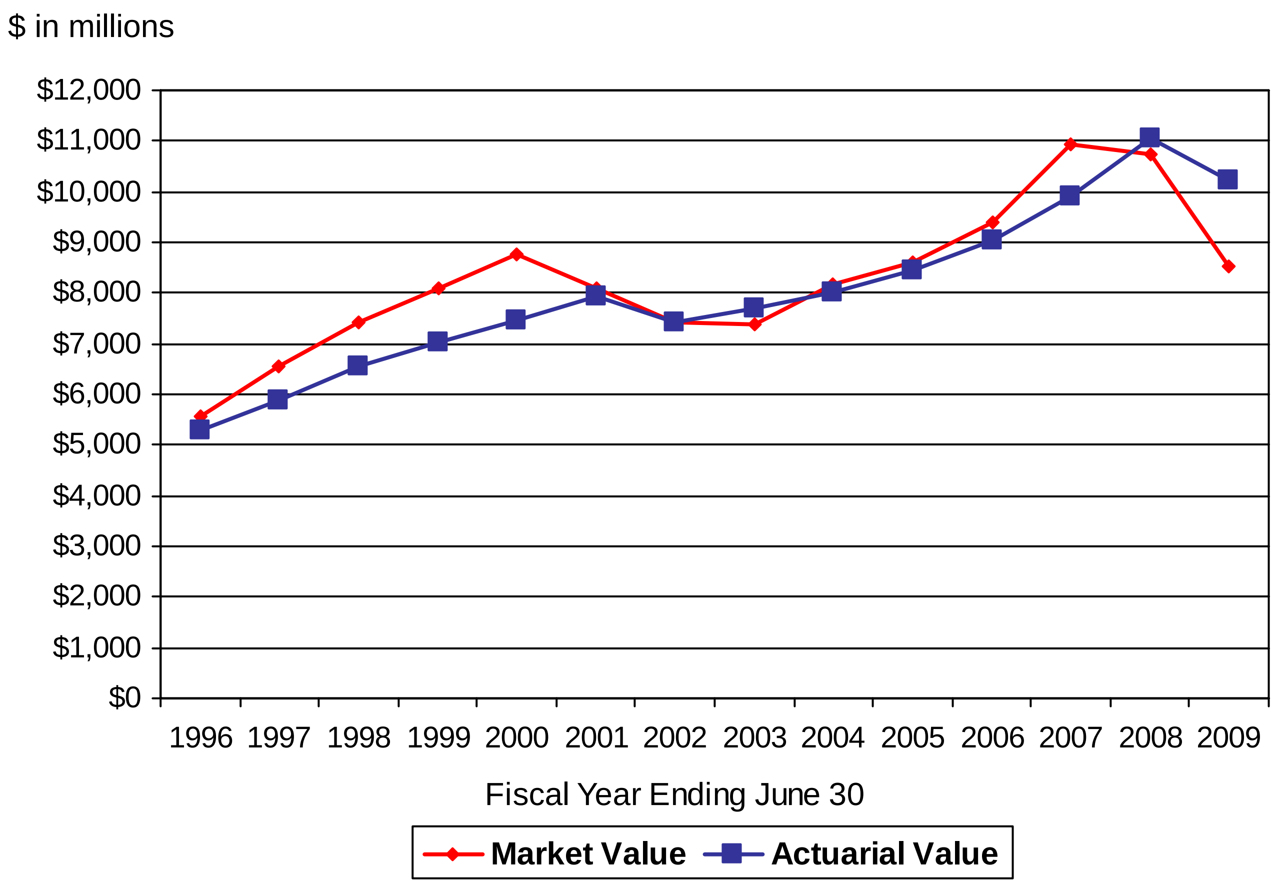
Asset Smoothing for Public Employees' Retirement System

Pension and Postemployment Healthcare 1996 – 2009



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Public Employees' Retirement System

Peace Officer/Firefighter and Others Combined

Pension and Postemployment Healthcare

Actuarial Contribution Under Entry Age Actuarial Cost Method
($ in millions)

Funding	Pension	Postemployment Healthcare	Total
1. Actuarial Accrued Liability	$ 9,702	$ 6,877	$ 16,579
2. Actuarial Value of Assets	6,109	4,134	10,243
3. Unfunded Actuarial Accrued Liability	$ 3,593	$ 2,743	$ 6,336
4. Funded Ratio	63.0%	60.1%	61.8%
5. Annual Actuarial Contribution			
– Normal Cost	$ 166	$ 115	$ 281
– Amortization of Unfunded (25) Years	243	207	450
– Total Contribution	$ 409	$ 322	$ 731
– % of Total Pay	20.42%	16.11%	36.53%
6. Member Contribution			
– Amount	$ 116	$ 0	$ 116
– % of Total Pay	5.77%	0.00%	5.77%
7. Employer/State Contribution for FY12			
– Amount	$ 293	$ 322	$ 615
– % of Total Pay	14.65%	16.11%	30.76%

Total Pay is expected to be $2,003 million for FY10.

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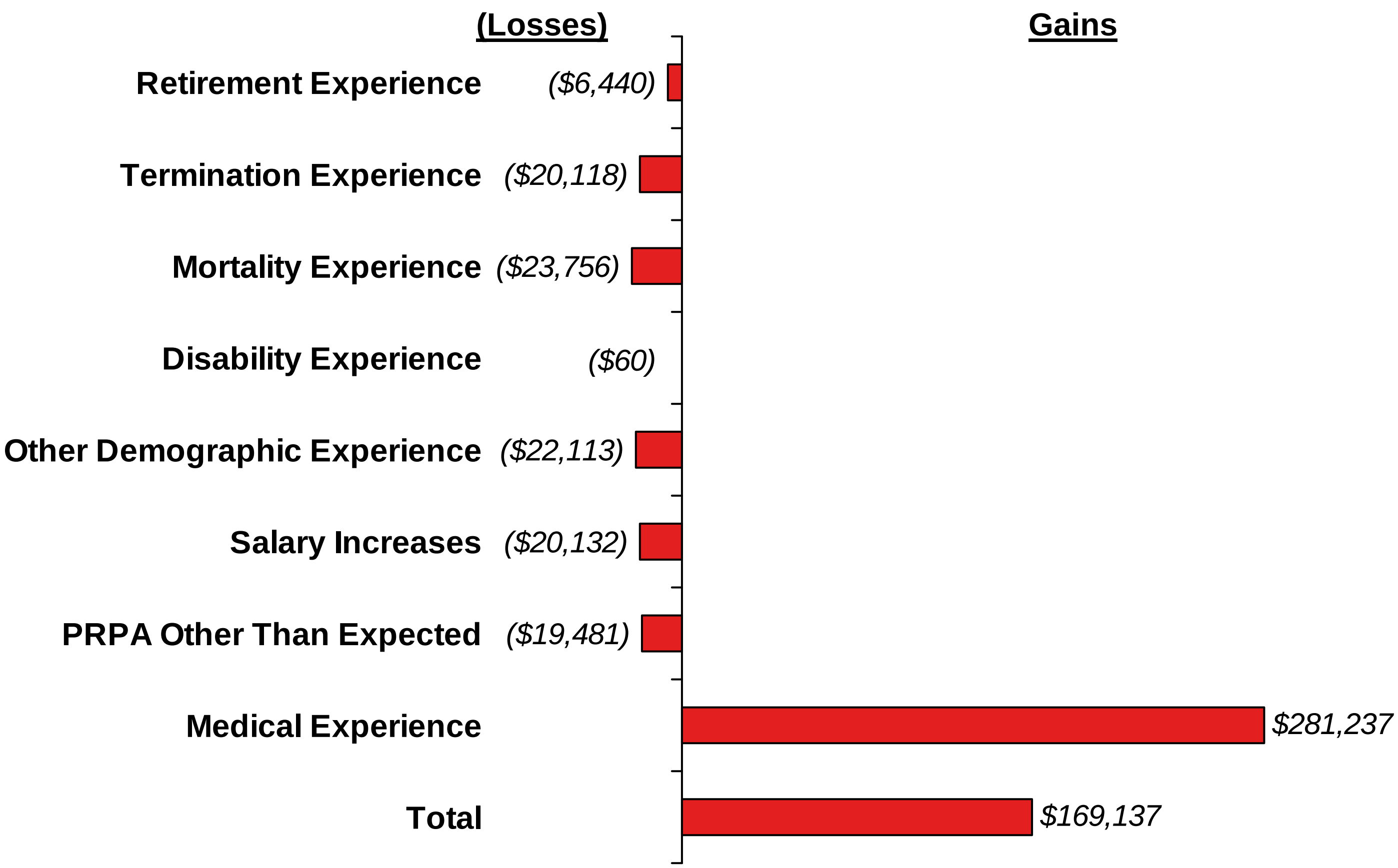
Public Employees' Retirement System
Gain/(Loss) on Total Accrued Liability



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Public Employees' Retirement System

Peace Officer/Firefighter and Others Combined
Change in Total Employer/State Contribution Rate

	Pension	Healthcare	Total
1. Last year's total Employer/State contribution rate	9.98%	17.98%	27.96%
2. Change due to:			
– Effect of two-year delay in the contribution rate	0.01%	(0.25%)	(0.24%)
– Investment experience	4.72%	0.59%	5.31%
– Salary increases	0.23%	N/A	0.23%
– Demographic and medical experience*	(0.29%)	(2.21%)	(2.50%)
3. Total Employer/State contribution rate this year	14.65%	16.11%	30.76%

*Includes changes in future healthcare claims costs.

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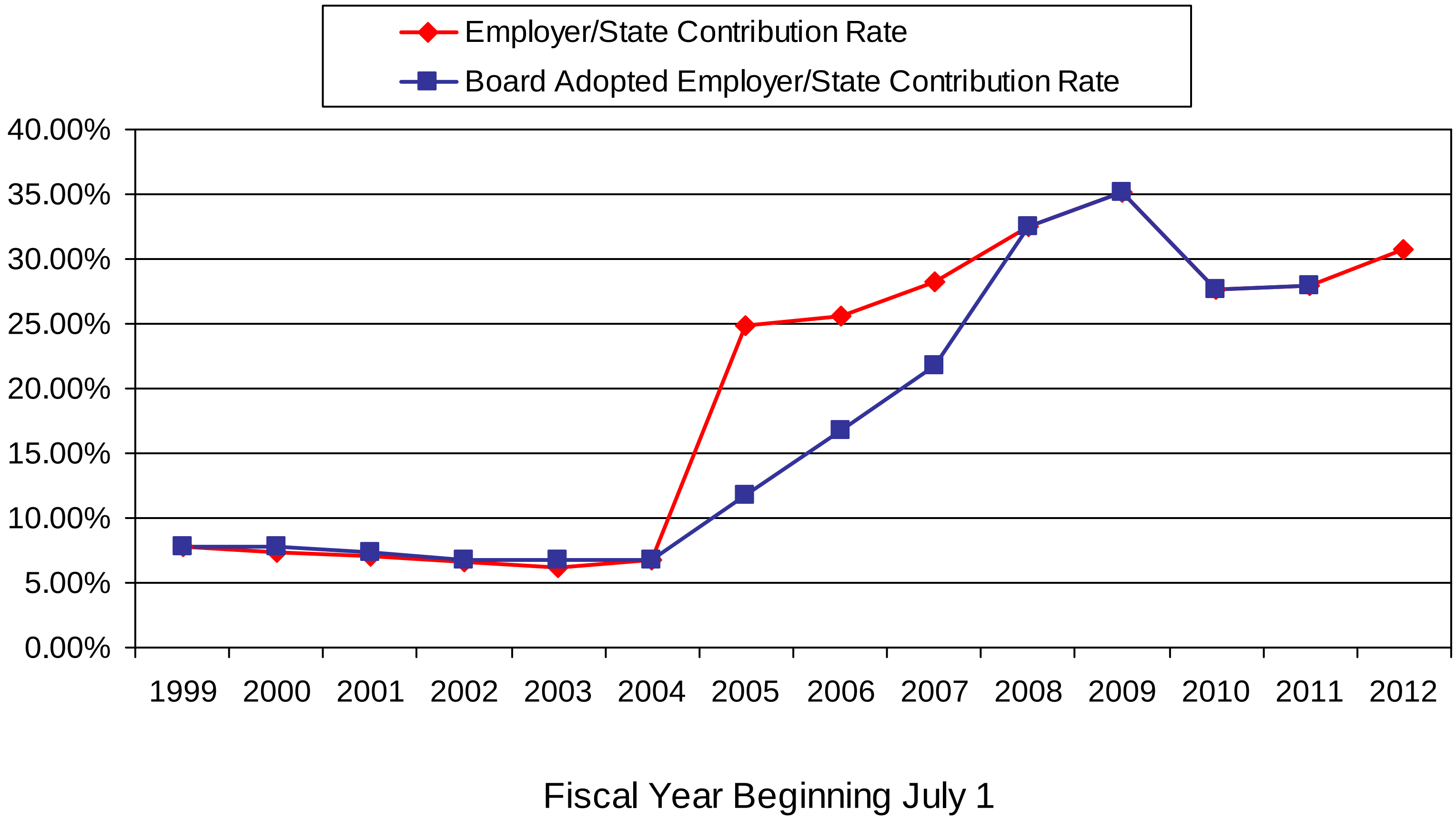
Public Employees' Retirement System

Total Employer/State Contribution Rate History
1999 - 2012



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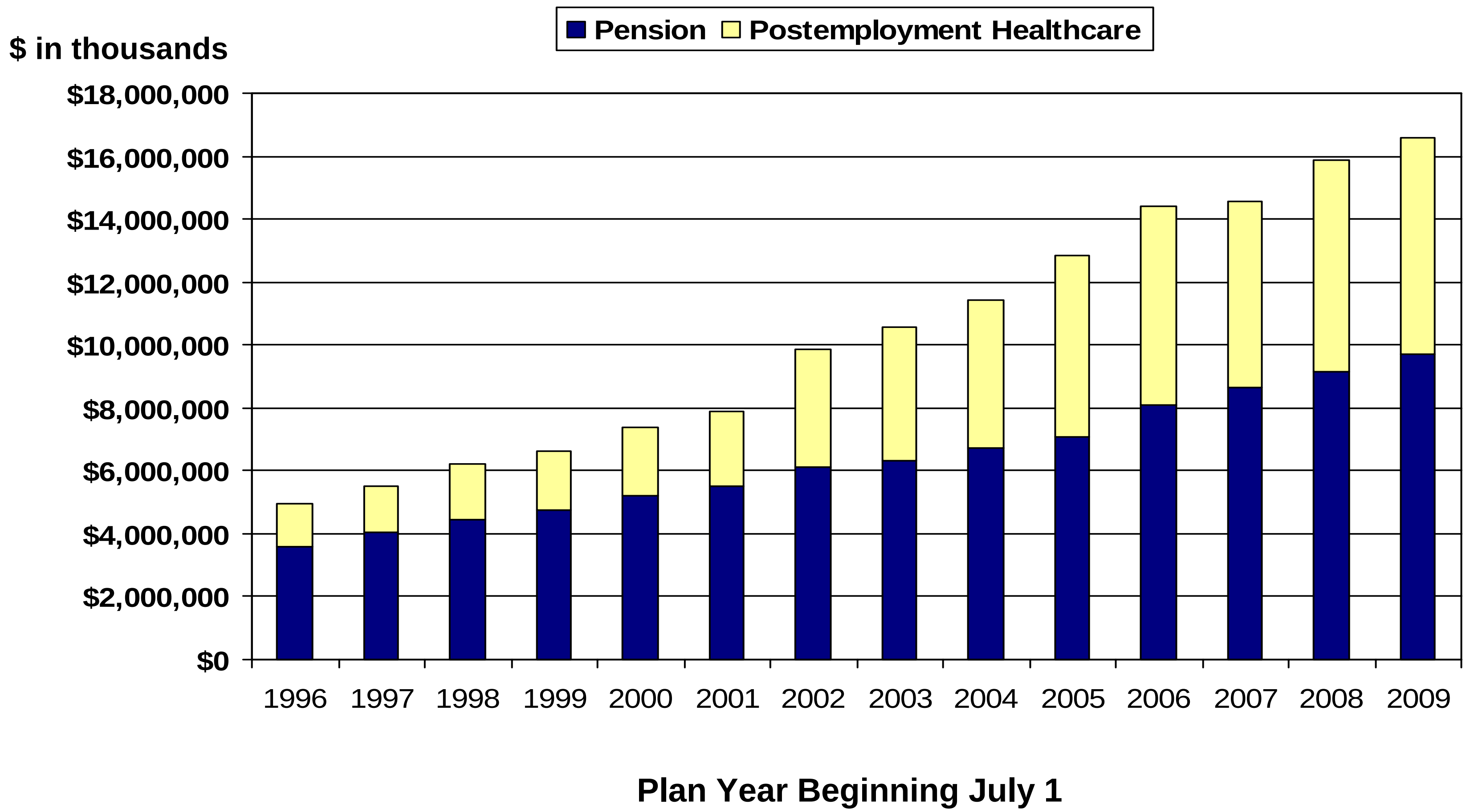
PERS Actuarial Accrued Liability History

Pension and Postemployment Healthcare



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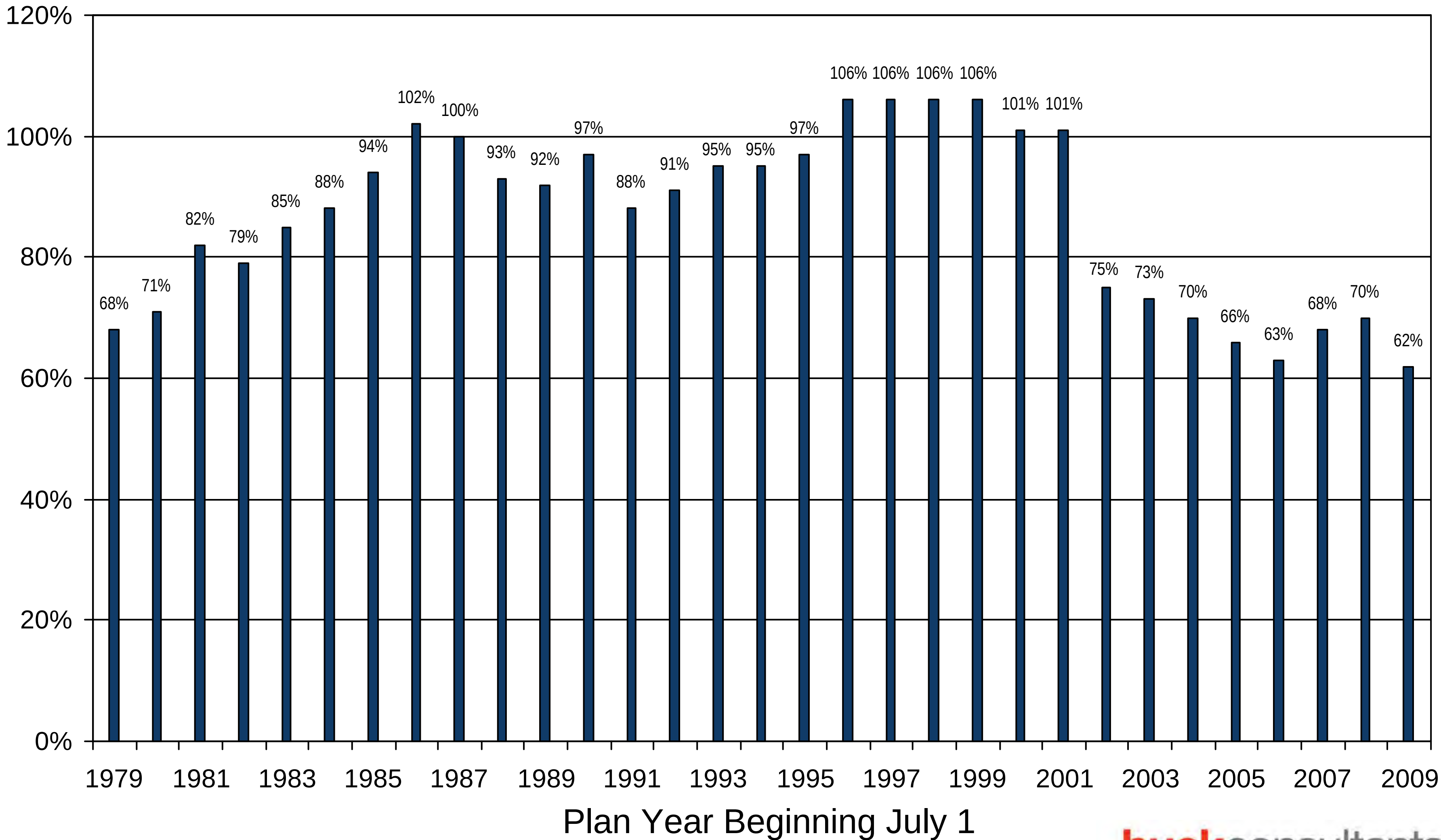
PERS Funding Ratio History

Pension and Postemployment Healthcare
Based on Valuation Assets



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Teachers' Retirement System
Pension and Postemployment Healthcare

($ in millions)

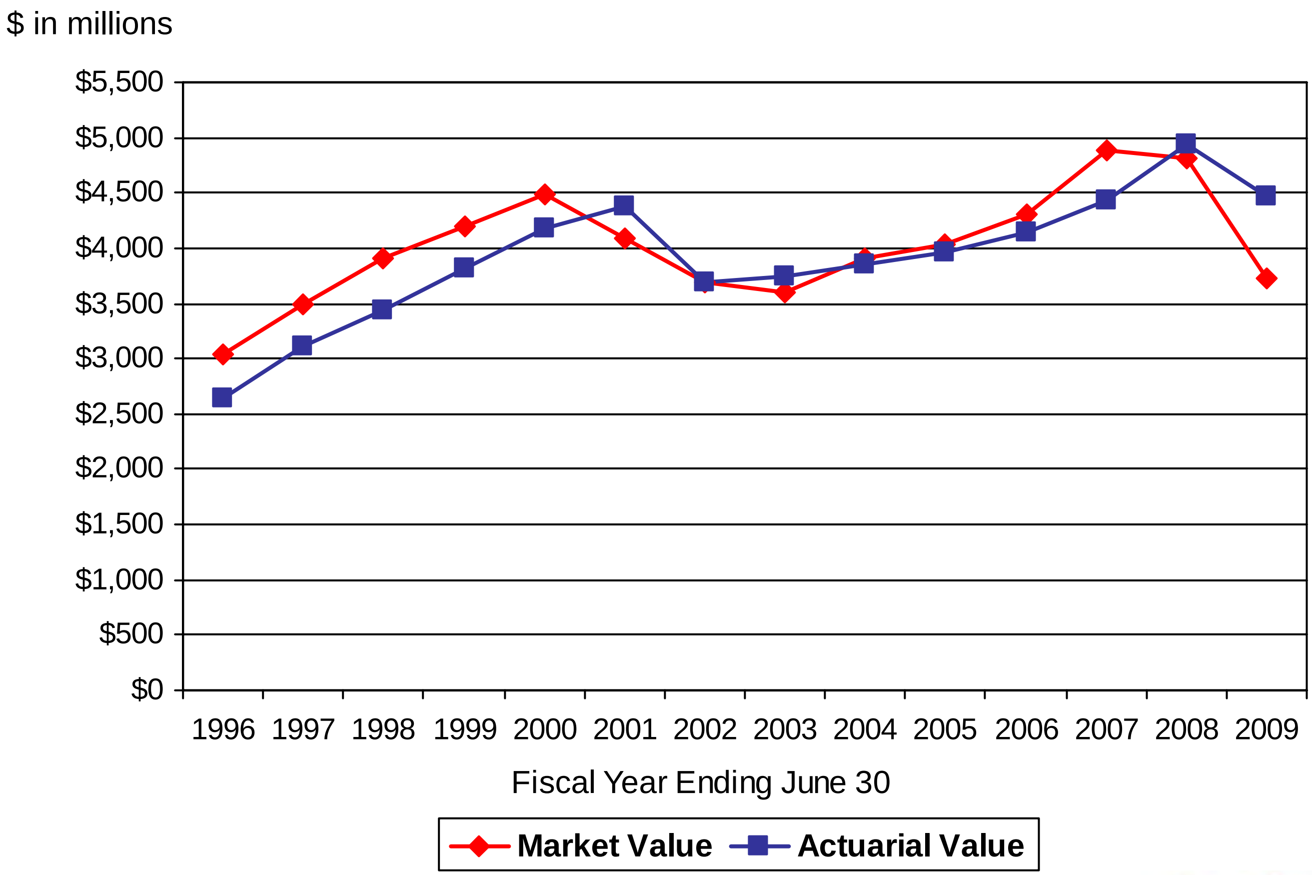
	July 1, 2008	July 1, 2009
1. Number		
- Active	8,531	8,226
- Inactive Non Vested	2,971	2,830
- Vested Terminations	873	884
- Retired, Disabled and Beneficiaries	10,026	10,255
- Total	22,401	22,195
2. Annual Compensation*	$ 549	$ 557
3. Assets		
- Market Value	$ 4,804	$ 3,727
- Actuarial Value	4,937	4,473
- % AV to MV	102.8%	120.0%
4. Annual Benefit Payments		
- Total	$ 340**	$ 412
- % of Market Value	7.1%	11.1%
5. Accumulated Member Contributions		
- Total for Actives and Inactives	$ 758	$ 800
- Average (actual)	$61,251	$67,035

*Annual Compensation for Prior Year.

**These benefit payments include actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 trust. Due to the establishment of this trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.

Asset Smoothing for Teachers' Retirement System

Pension and Postemployment Healthcare 1996 – 2009



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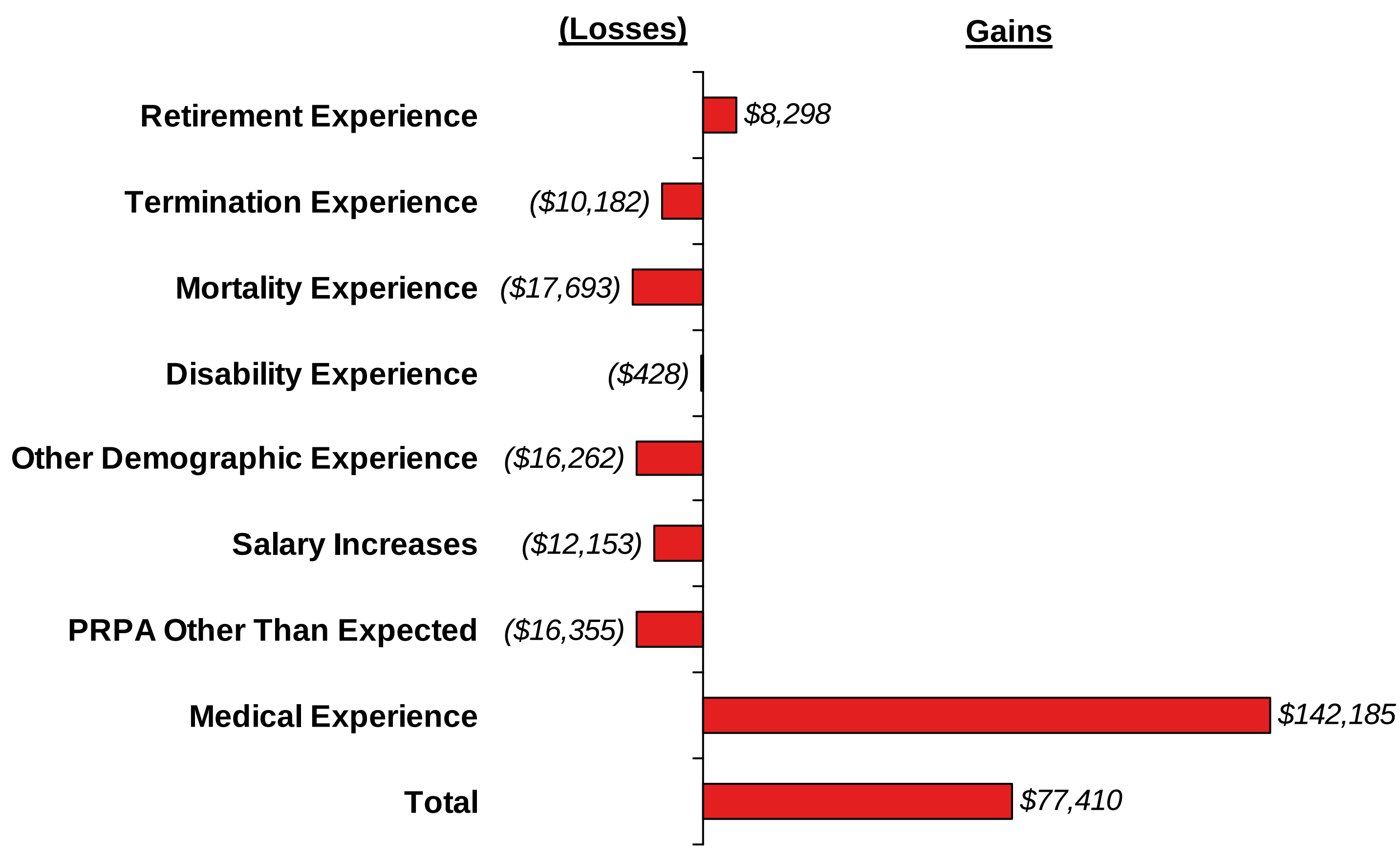
Teachers' Retirement System
Pension and Postemployment Healthcare

Actuarial Contribution Under Entry Age Actuarial Cost Method ($ in millions)

Funding	Pension	Postemployment Healthcare	Total
1. Actuarial Accrued Liability	$ 5,464	$ 2,384	$ 7,848
2. Actuarial Value of Assets	3,116	1,357	4,473
3. Unfunded Actuarial Accrued Liability	$ 2,348	$ 1,027	$ 3,375
4. Funded Ratio	57.0%	56.9%	57.0%
5. Annual Actuarial Contribution			
– Normal Cost	$ 67	$ 28	$ 95
– Amortization of Unfunded (25) Years	164	81	245
– Total Contribution	$ 231	$ 109	$ 340
– % of Total Pay	34.11%	16.00%	50.11%
6. Member Contribution			
– Amount	$ 51	$ 0	$ 51
– % of Total Pay	7.50%	0.00%	7.50%
7. Employer/State Contribution for FY12			
– Amount	$ 180	$ 109	$ 289
– % of Total Pay	26.61%	16.00%	42.61%

Total Pay is expected to be $679 million for FY10.

Teachers' Retirement System
Gain/(Loss) on Total Accrued Liability



Teachers' Retirement System

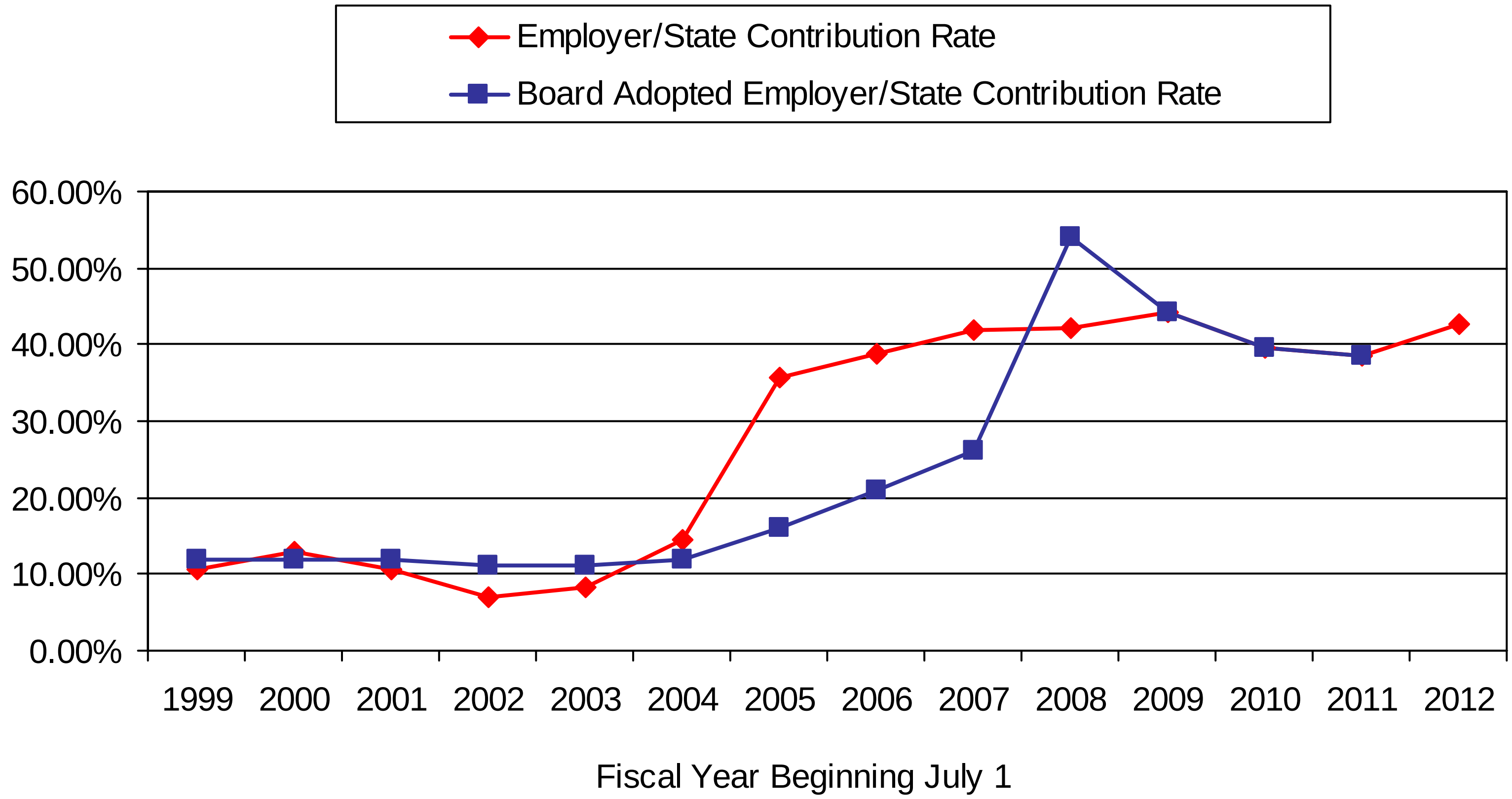
Change in Total Employer/State Contribution Rate

	Pension	Healthcare	Total
1. Last year's total Employer/State contribution rate	20.32%	18.24%	38.56%
2. Change due to:			
– Effect of two-year delay in the contribution rate	0.01%	(0.27%)	(0.26%)
– Investment experience	6.53%	0.70%	7.23%
– Salary increases	0.29%	N/A	0.29%
– Demographic and medical experience*	(0.54%)	(2.67%)	(3.21%)
3. Total Employer/State contribution rate this year	26.61%	16.00%	42.61%

*Includes changes in future healthcare claims costs.

Teachers' Retirement System

Total Employer/State Contribution Rate History
1999 – 2012



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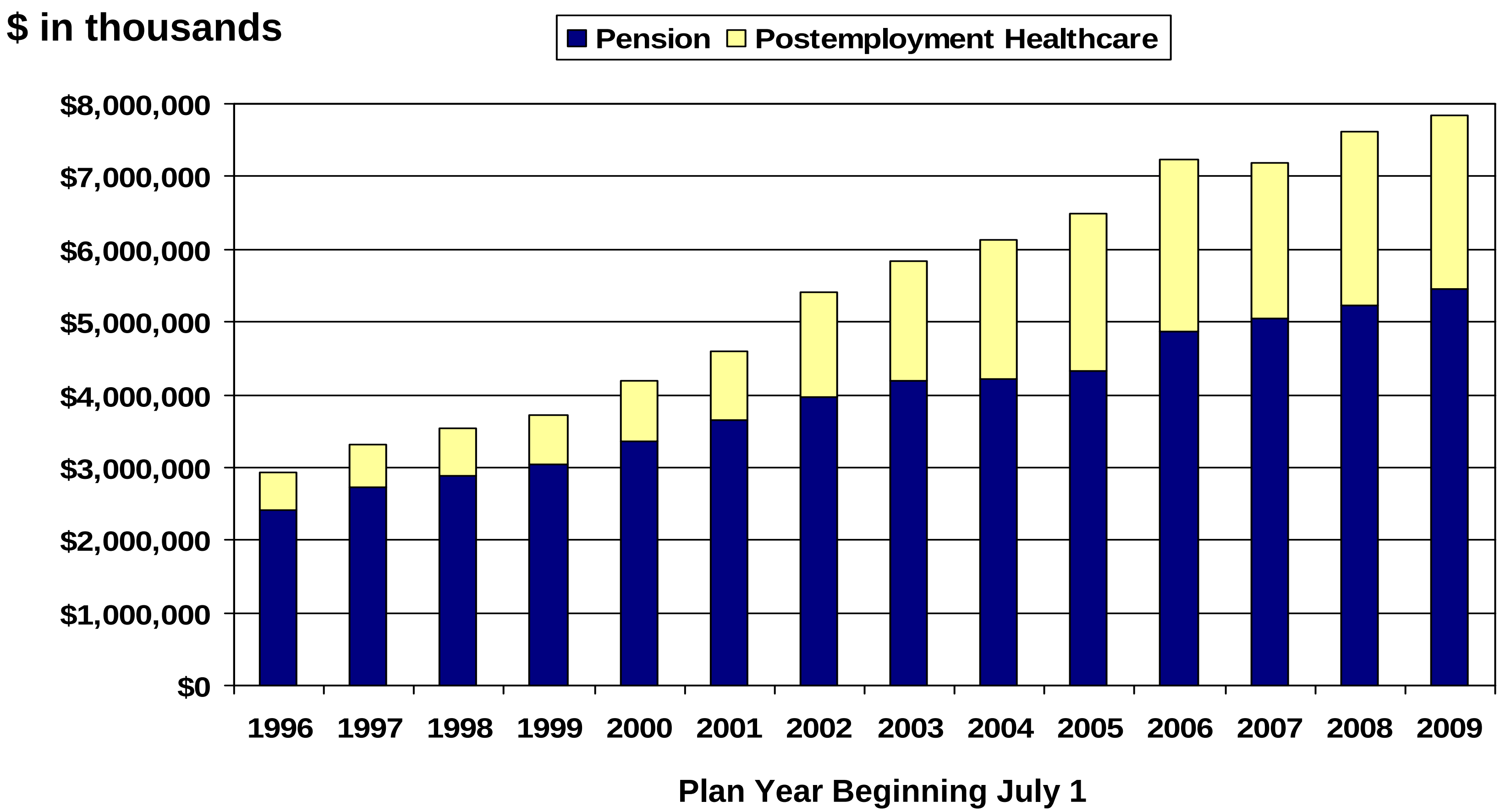
TRS Actuarial Accrued Liability History
Pension and Postemployment Healthcare



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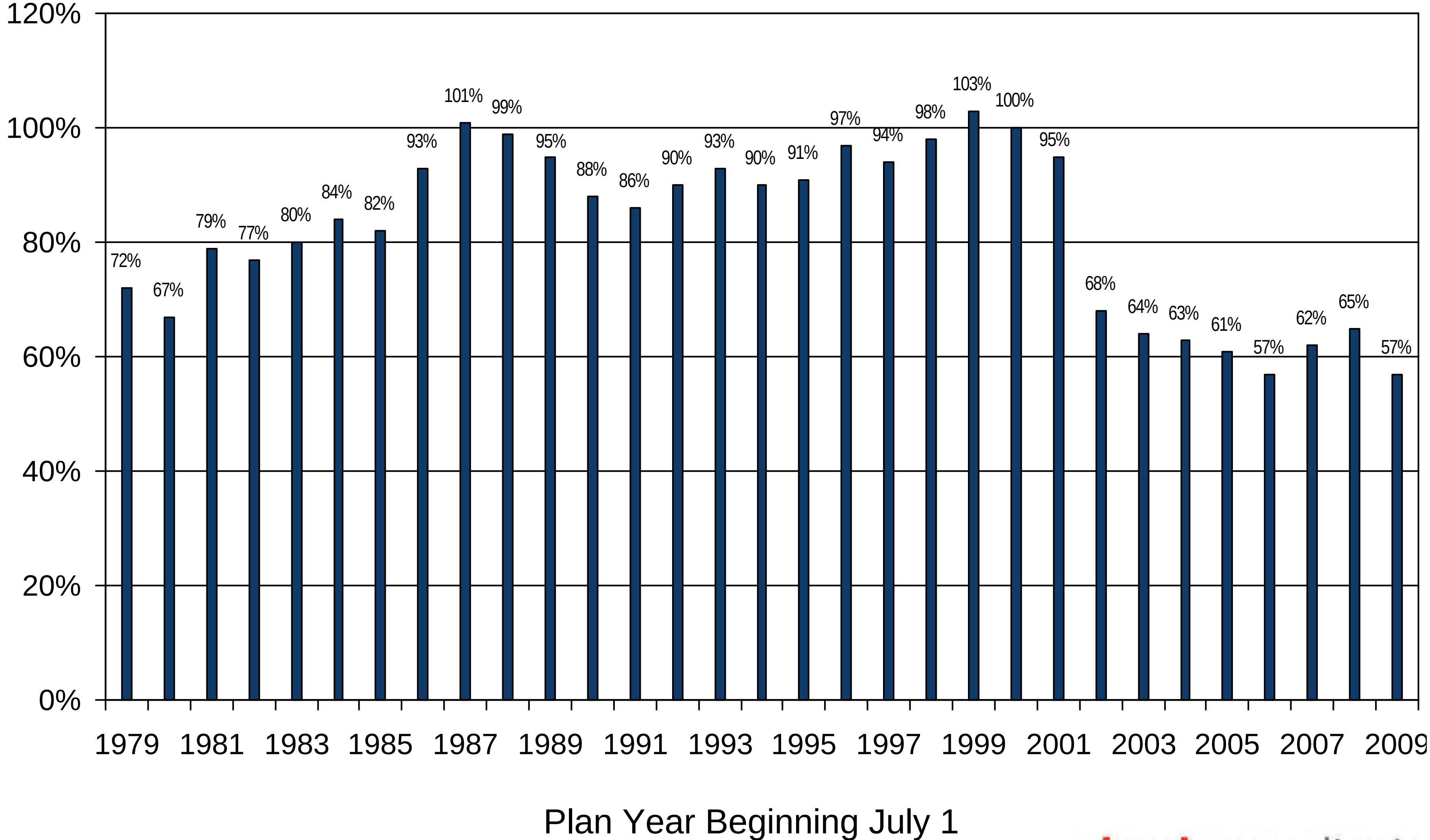
TRS Funding Ratio History

Pension and Postemployment Healthcare

Based on Valuation Assets



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Conclusions and Comments

- Significant asset losses on market value experienced during year ending June 30, 2009. Rate of return on market value was (20.5%) for PERS and (21.0%) for TRS, or about 29% less than the 8.25% assumed rate of return
- Delayed gains from prior years along with the investment loss during last year resulted in actuarial value return of (7.3%) for PERS and (7.9%) for TRS, or about 16% less than the 8.25% assumed
- Gain on liabilities due to medical experience
  - Claims costs less than expected
- Loss on liabilities due to demographic experience
  - Fewer deaths than expected
  - Fewer terminations than expected
  - Salary increase more than expected

Conclusions and Comments (cont'd)

- Changes in Unfunded Liability

($ in millions)	PERS	TRS
2008 Unfunded Liability	$ 4,848	$ 2,682
− Expected Increase	20	8
− Asset Loss	1,714	790
− Decremental and Other (Gains)	(169)	(77)
− Contribution Delay	(77)	(28)
2009 Unfunded Liability	$ 6,336	$ 3,375

Conclusions and Comments (cont'd)

- Increased Employer/State contribution rate required for both PERS and TRS

	% of Total Pay	
	PERS	**TRS**
– 2008	27.96%	38.56%
– 2009	30.76%	42.61%
– Change	+2.80%	+4.05%

- Funded ratios decreased over last year

	PERS	**TRS**
– 2008	69.5%	64.8%
– 2009	61.8%	57.0%
– Change	(7.7%)	(7.8%)

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Conclusions & Comments – Healthcare Reform

- Patient Protection and Affordable Care Act (H.R. 3590) – signed March 23, 2010
- Health Care and Education Affordability Reconciliation Act – signed March 30, 2010
- Early retiree reinsurance program – waiting for guidance regarding application process; opportunity to recoup a 80% of costs between $15k - $90k of early retirees and dependents; restrictions apply to qualify and as to how funds are used, limited funds available for a limited time
- Removal of lifetime/annual limits – waiting for guidance as to how this will apply to retiree benefit plans
- Impact of provider fees/taxes on future healthcare cost trend
- Cadillac tax –not effective until 2018, 40% of excess benefit value over specified dollar amounts, indexed each year with adjustments for retiree groups and industry
- Plan design / contribution level requirements as they apply to retiree plans
- Taxation of RDS – not applicable here

2009 Roll-Forward Actuarial Valuation Results for JRS and NGNMRS

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Judicial Retirement System – Roll-Forward Valuation

Pension and Healthcare

($ in thousands)

	June 30, 2008	June 30, 2009 (Roll Forward)
1. Number		
- Active	73	73
- Inactive Non Vested	1	1
- Vested Terminations	5	5
- Retired and beneficiaries	90	90
- Total	169	169
2. Total Annual Compensation*	$ 10,462	$ 10,881
3. Assets		
- Market Value	$ 133,812	$ 105,189
- Actuarial Value	141,236	126,227
- % AV to MV	105.6%	120.0%
4. Annual Benefit Payments		
- Total	$ 6,948	$ 8,138
- % of Market Value	5.2%	7.7%

*Total Annual Compensation for Prior Year.

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Judicial Retirement System – Roll-Forward Valuation
Pension and Healthcare

Actuarial Contribution Under Entry Age Actuarial Cost Method
($ in thousands)

Funding	Pension	Healthcare	Total
1. Actuarial Accrued Liability	$ 137,586	$ 19,094	$ 156,680
2. Actuarial Value of Assets	107,818	18,409	126,227
3. Unfunded Actuarial Accrued Liability	$ 29,768	$ 685	$ 30,453
4. Funded Ratio	78.4%	96.4%	80.6%
5. Annual Actuarial Contribution			
– Normal Cost	$ 3,737	$ 463	$ 4,200
– Amortization of Unfunded (25) Years	2,094	121	2,215
– Total Contribution	$ 5,831	$ 584	$ 6,415
– % of Pay	48.12%	4.82%	52.94%
6. Member Contribution			
– Amount	$ 590	$ 0	$ 590
– % of Pay	4.87%	0.00%	4.87%
7. Employer Required Contribution for FY12			
– Amount	$ 5,241	$ 584	$ 5,825
– % of Pay	43.25%	4.82%	48.07%

Total Pay is expected to be $12,118 for FY10.

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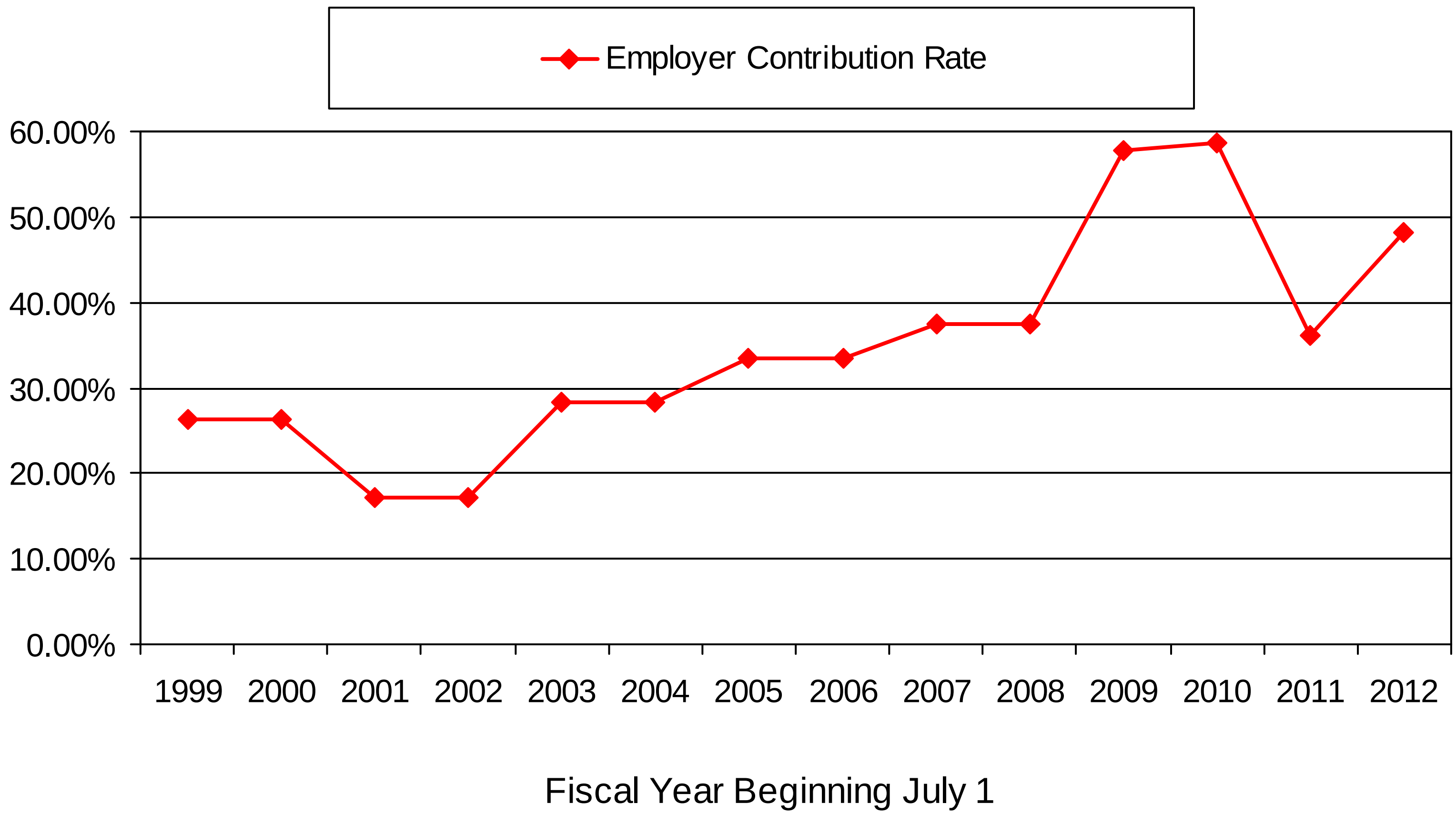
Judicial Retirement System
Total Employer Contribution Rate History
1999 - 2012



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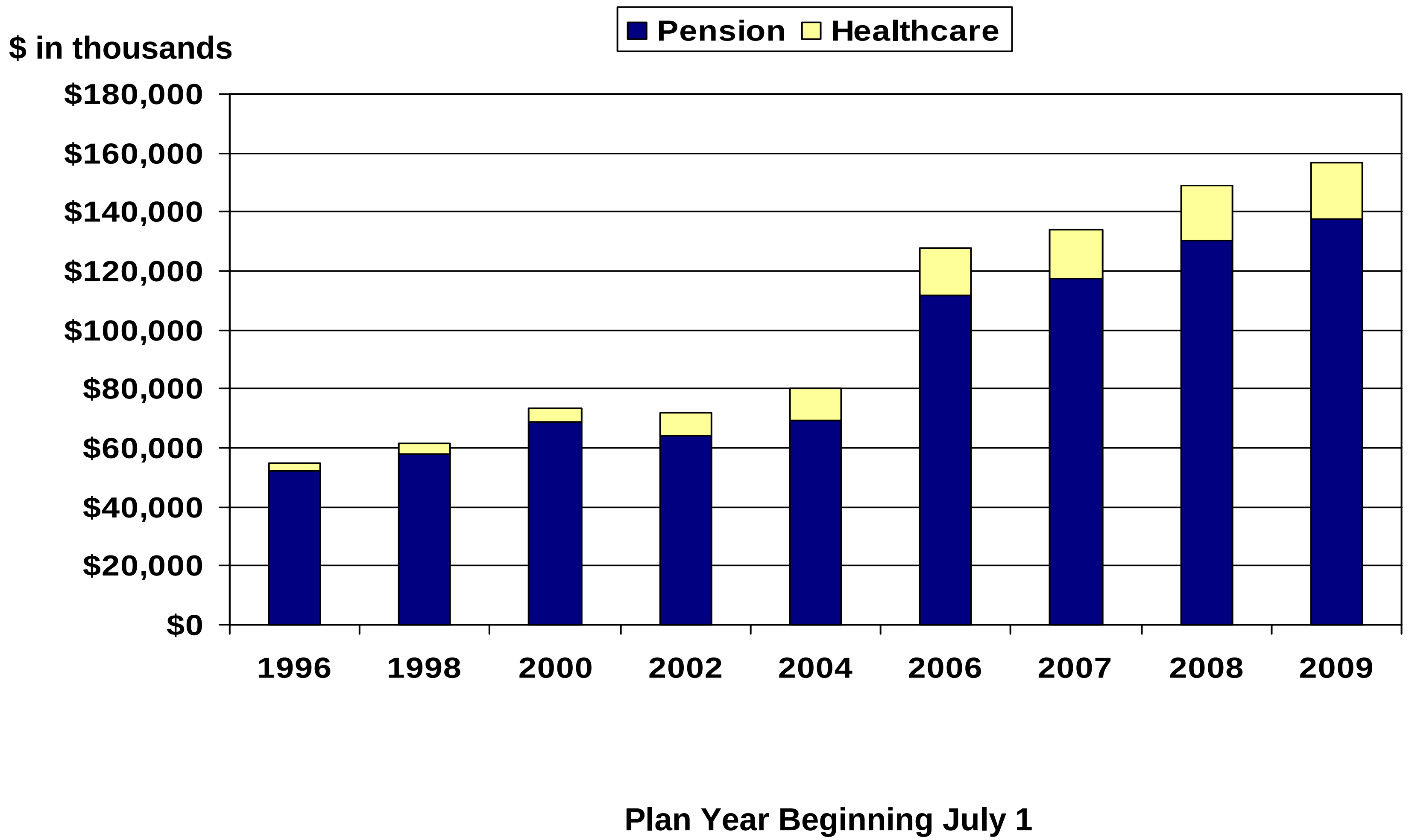
JRS Actuarial Accrued Liability History
Pension and Healthcare



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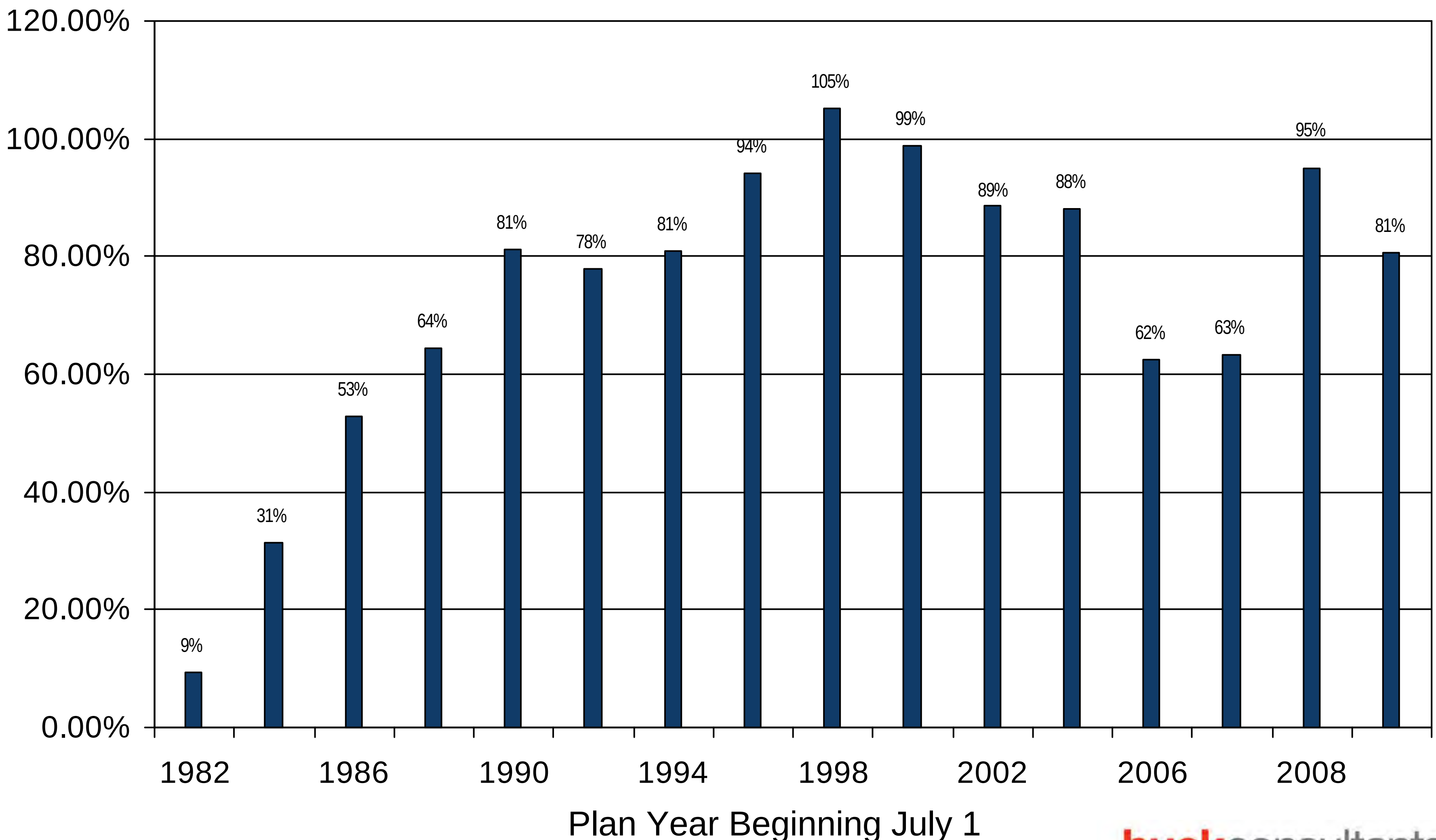
JRS Funding Ratio History

Pension and Healthcare
Based on Valuation Assets



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National Guard and Naval Militia Retirement System – Roll-Forward Valuation

($ in thousands)

	June 30, 2008	June 30, 2009 (Roll Forward)
1. Number		
- Active	3,897	3,897
- Vested Terminations	1,148	1,148
- Retired and Beneficiaries	516	516
- Total	5,561	5,561
2. Assets		
- Market Value	$27,189	$25,430
- Actuarial Value	28,371	30,123
- % AV to MV	104.3%	118.5%

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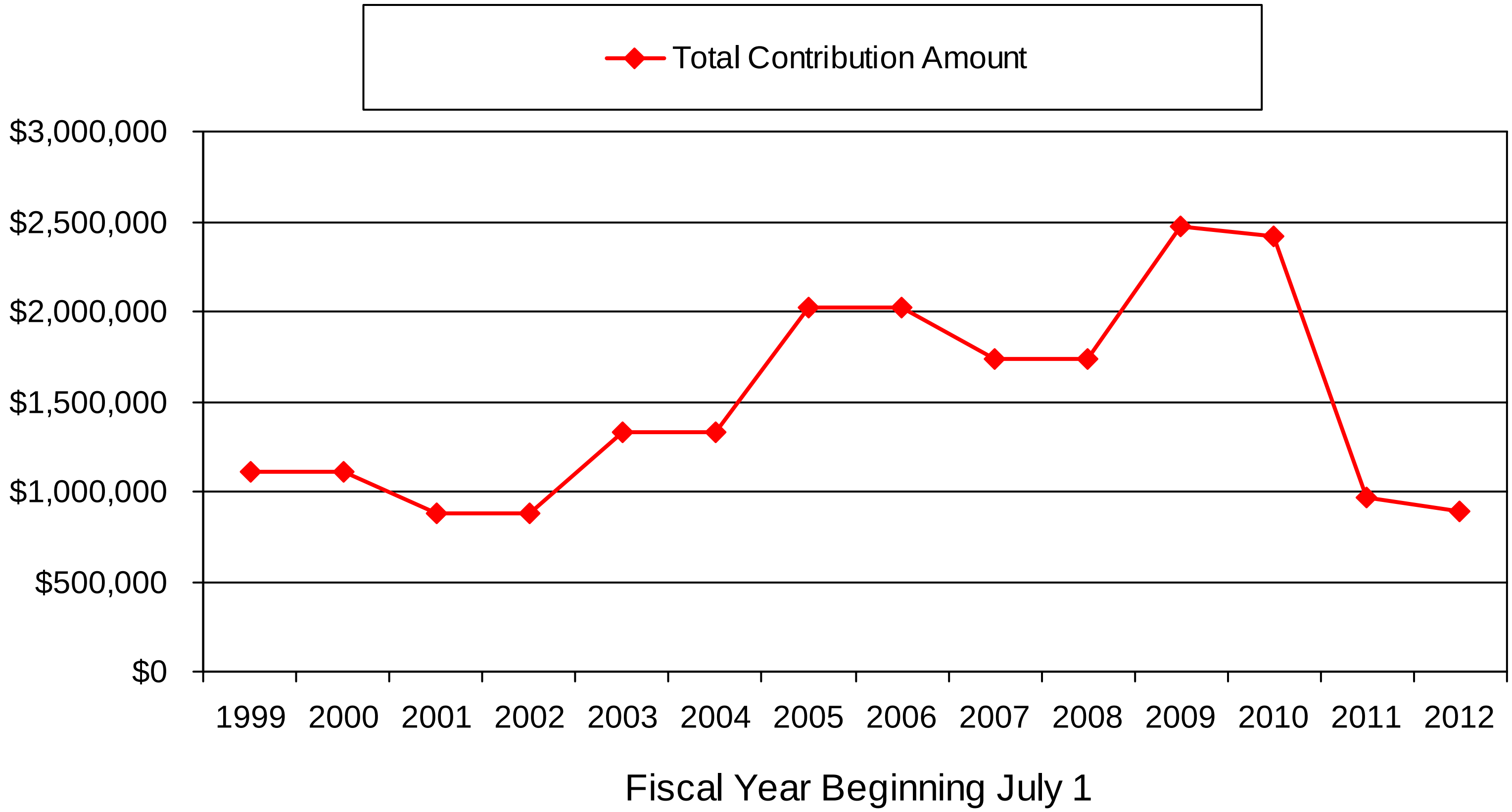
National Guard and Naval Militia Retirement System – Roll-Forward Valuation

Actuarial Contribution Under Entry Age Actuarial Cost Method ($ in thousands)

Funding	June 30, 2008*	June 30, 2009* (Roll-Forward)
1. Actuarial Accrued Liability	$ 28,905	$ 30,208
2. Actuarial Value of Assets	28,371	30,123
3. Unfunded Actuarial Accrued Liability	$ 534	$ 85
4. Funded Ratio	98.2%	99.7%
5. Annual Actuarial Contribution		
– Normal Cost	$ 744	$ 744
– Amortization of Unfunded	84	14
– Expense Load	137	138
– Total Contribution	$ 965	$ 896

* *Contribution calculated by amortizing the unfunded accrued liability over 8 years.*

National Guard and Naval Militia Retirement System
Total Contribution Amount History
1999 - 2012



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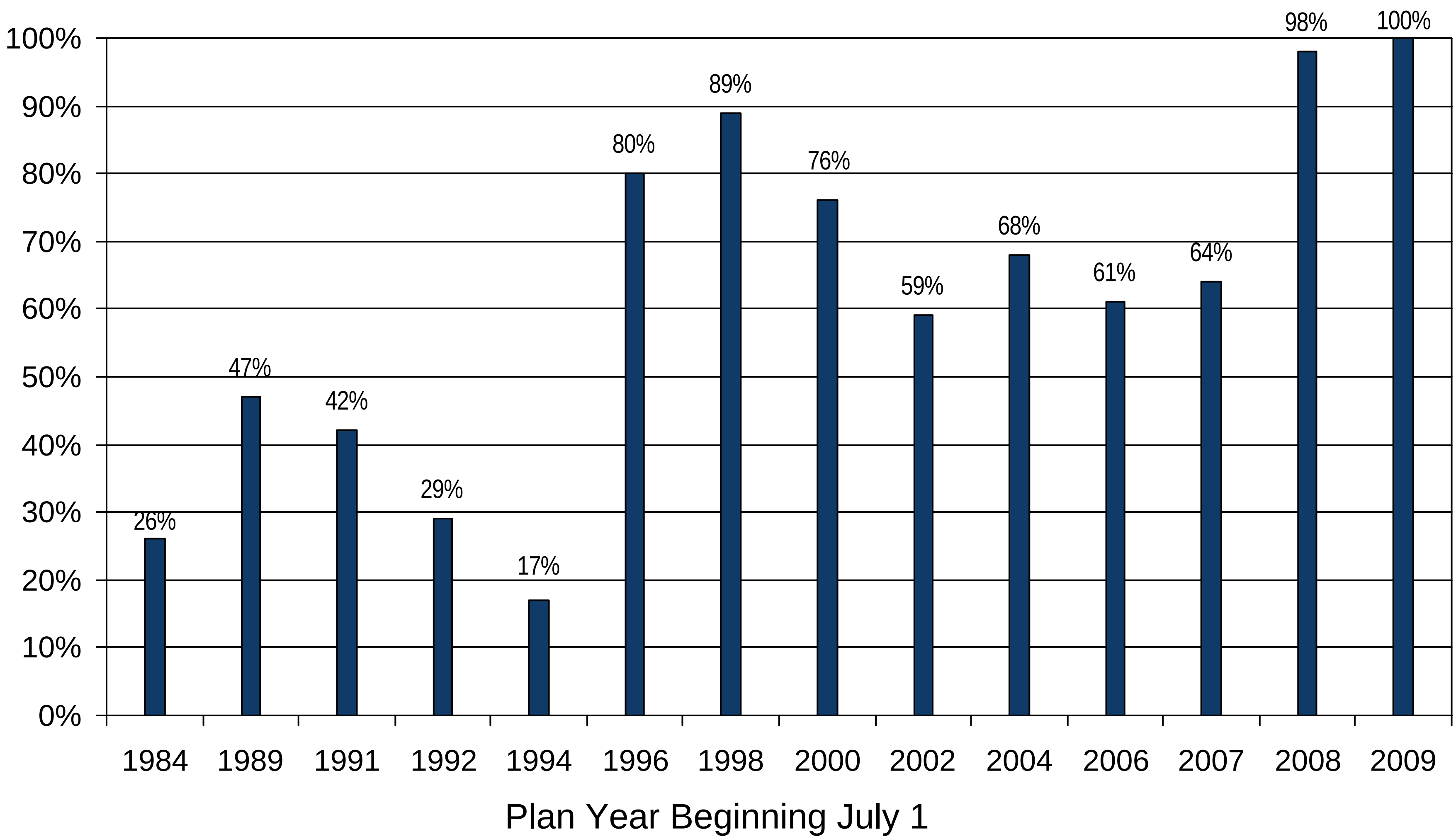
National Guard and Naval Militia Retirement System Funding Ratio History

Based on Valuation Assets



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Conclusions and Comments

- JRS
  - Asset losses over the past year. Rate of return on market value was (20.60%), or 28.85% less than the 8.25% assumed rate of return
- NGNMRS
  - Asset losses over the past year. Rate of return on market value was (9.75%), or 17.00% less than the 7.25% assumed rate of return

Conclusions and Comments (cont'd)

- Changes in Unfunded Liability

($ in thousands)	JRS	NGNMRS
2008 Unfunded Liability	$ 7,502	$ 534
– Expected Increase	(171)	(199)
– Asset Loss	25,434	1,276
– Decremental and Other Losses	(253)	0
– Contribution Delay	(2,059)	(1,526)
2009 Rolled-Forward Unfunded Liability	$ 30,453	$ 85

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Conclusions and Comments (cont'd)

- Increased employer contribution rate for JRS and decreased employer contribution amount for NGNMRS

	% of Pay	($ in thousands)
	JRS	**NGNMRS**
– 2008	36.20%	$ 965
– 2009 (Roll Forward)	48.07%	896
– Change	+11.87%	(69)

- Funded ratio decreased for JRS and increased for NGNMRS over last year

	JRS	**NGNMRS**
– 2008	95.0%	98.2%
– 2009 (Roll Forward)	80.6%	99.7%
– Change	(14.4%)	+1.5%

Summary of FY12 Employer Contribution Rates

	Defined Benefit Plan			
	% of Total DB & DCR Pay		% of Pay	$ Amount
	PERS	TRS	JRS	NGNMRS
Pension	14.65%	26.61%	43.25%	$895,565
Medical	16.11%	16.00%	4.82%	N/A
Occupational Death & Disability	N/A	N/A	N/A	N/A
Total	30.76%	42.61%	48.07%	$895,565

30-Year Projections for PERS and TRS

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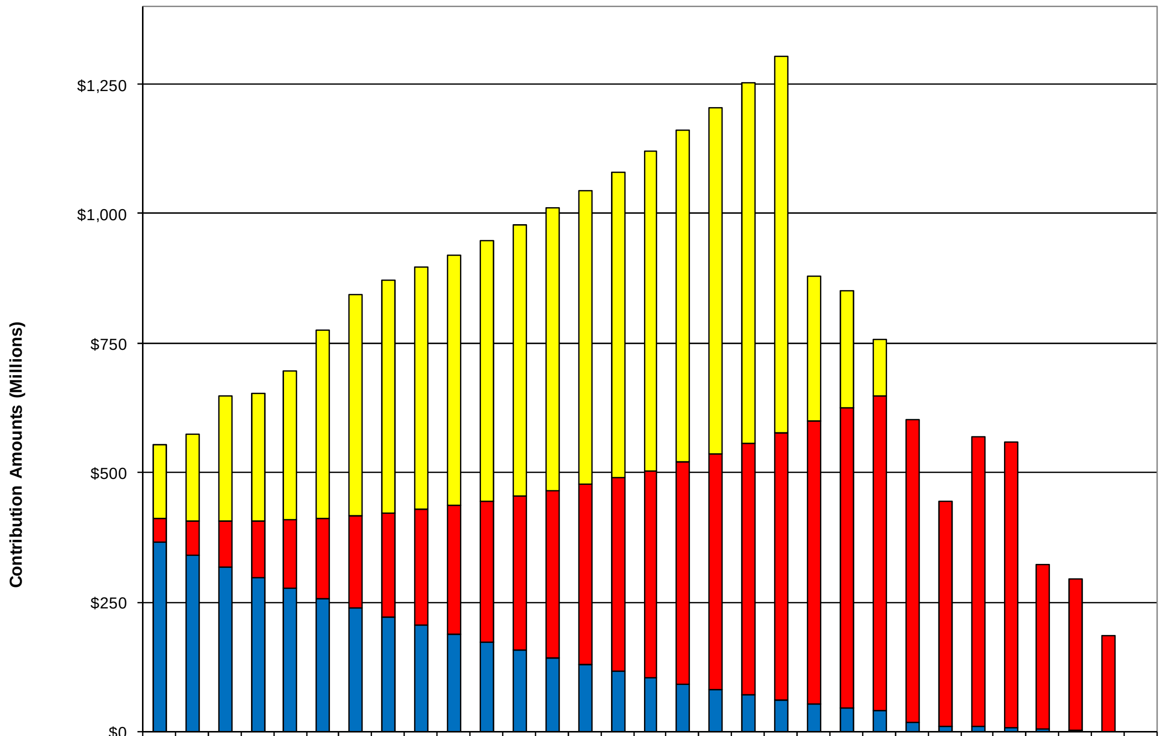
PERS Projected Contribution Amounts

Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DC Payroll and Level Percent of Pay Amortization



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Assistance	143	166	243	245	288	363	427	449	468	485	504	525	546	568	591
DB ER Contrib. on DCR Pay	45	67	88	110	132	154	177	201	224	248	272	297	323	348	374
DB ER Contrib. on DB Pay	366	341	319	298	277	258	240	222	205	189	173	158	143	130	116

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
State Assistance	616	642	669	698	728	280	226	108	0	0	0	0	0	0	0	0
DB ER Contrib. on DCR Pay	401	429	457	486	515	546	578	610	586	435	560	553	319	292	184	0
DB ER Contrib. on DB Pay	104	92	81	71	62	54	47	40	18	11	11	8	4	3	1	0

Fiscal Year Ending June 30

DB ER Contrib. on DB Pay | DB ER Contrib. on DCR Pay | State Assistance

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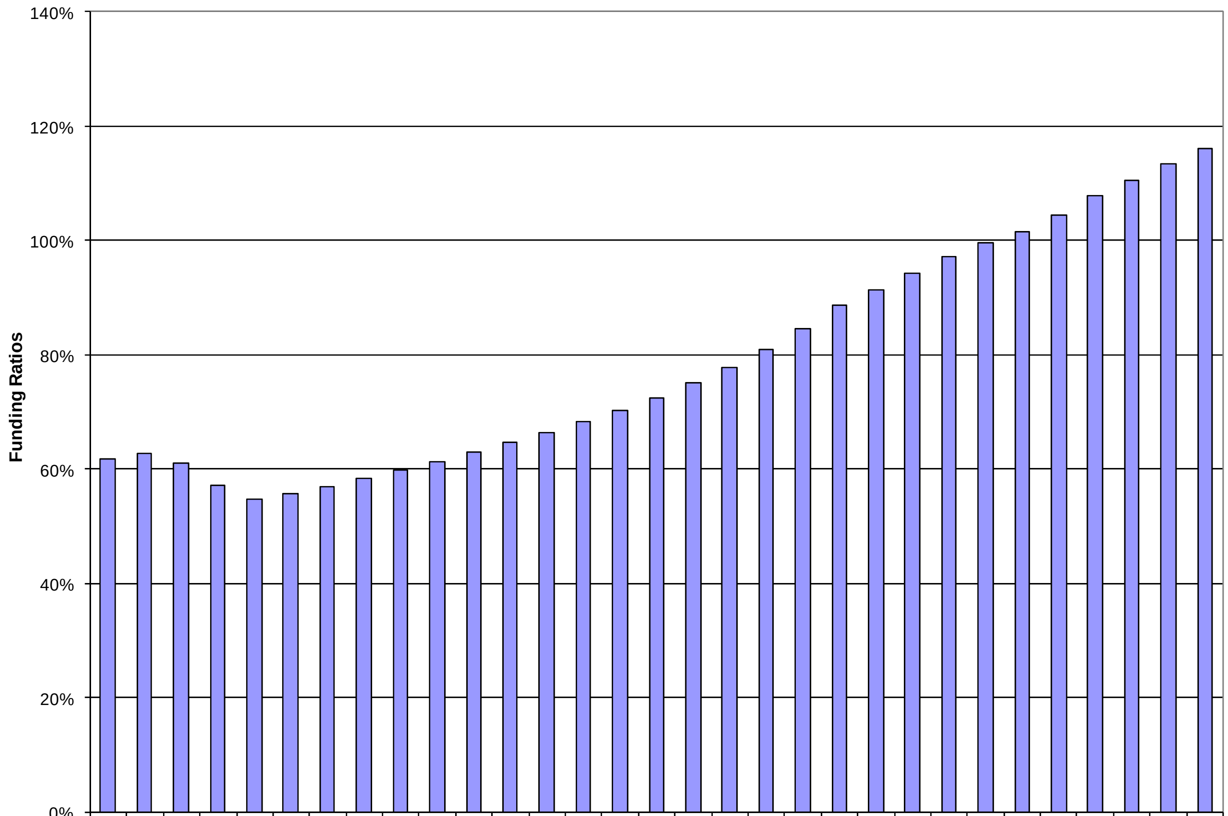
PERS Funding Ratio

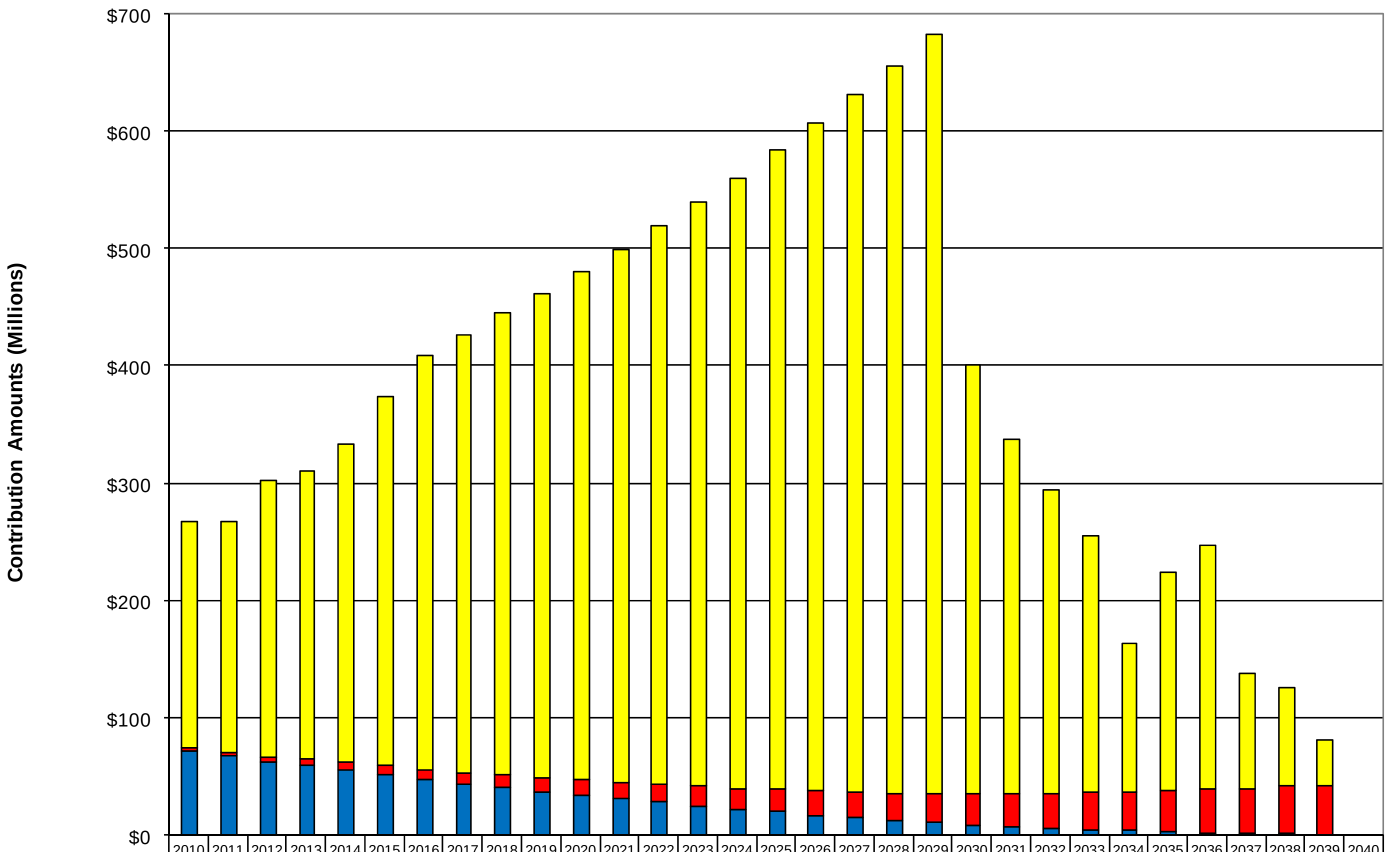
Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DC Payroll and Level Percent of Pay Amortization



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Funding Ratios	62%	63%	61%	57%	55%	56%	57%	58%	60%	61%	63%	65%	66%	68%	70%	73%	75%	78%	81%	85%	89%	91%	94%	97%	100%	102%	105%	108%	111%	113%	116%

Fiscal Year Ending June 30

TRS Projected Contribution Amounts



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
State Assistance	193	196	235	245	271	315	353	374	394	413	434	455	476	498	520	544	569	594	620	647	365	301	258	218	127	186	208	98	84	39	0
DB ER Contrib. on DCR Pay	2	3	4	5	6	7	8	9	11	12	13	14	16	17	18	20	21	22	24	25	27	29	30	32	33	35	37	39	41	42	0
DB ER Contrib. on DB Pay	73	69	64	61	57	53	49	45	42	38	35	32	29	26	23	21	18	16	13	12	10	8	7	6	5	4	3	2	2	1	0

Fiscal Year Ending June 30

DB ER Contrib. on DB Pay | DB ER Contrib. on DCR Pay | State Assistance

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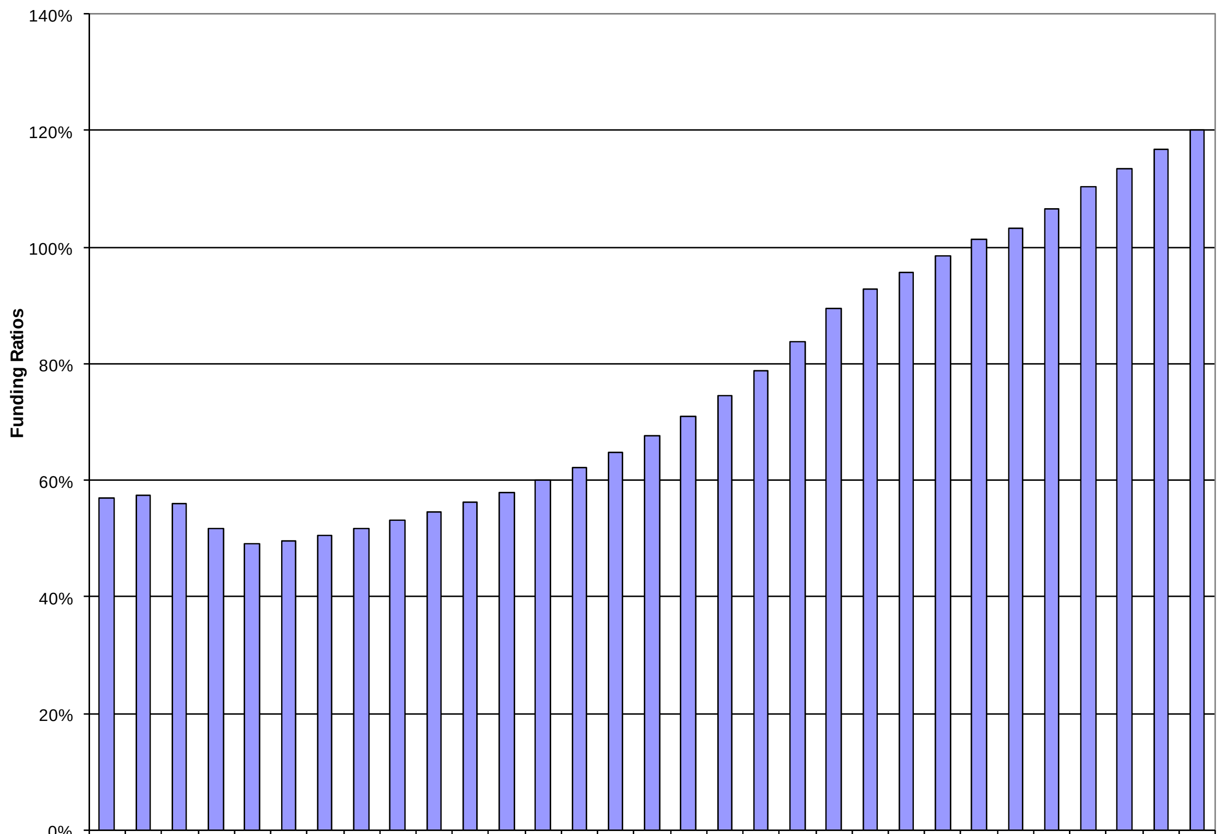
TRS Funding Ratio

Actuarial Projections – Projections at Calculated Rate
Based on DB and DC Payroll and Level Percent of Pay Amortization



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Funding Ratios	57%	58%	56%	52%	49%	50%	51%	52%	53%	55%	56%	58%	60%	62%	65%	68%	71%	75%	79%	84%	90%	93%	96%	99%	101%	103%	107%	110%	113%	117%	120%

Fiscal Year Ending June 30

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Questions?

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Appendix

Public Employees' Retirement System
Peace Officer/Firefighter and Others Combined
Pension and Postemployment Healthcare

Total System Assets ($ in millions)

	Year Ending	
	June 30, 2008	June 30, 2009
1. Actuarial Value (BOY)	$ 9,901	$ 11,040
Contributions	670	740
Disbursements	(531)	(735)
Expected Return on Market Value	908	885
2. Expected Actuarial Value (EOY)	$ 10,948	$ 11,930
3. 5-year Smoothing	92	(616)
4. Preliminary Actuarial Value (EOY)	$ 11,040	$ 11,314
5. Future Smoothing Amount	(313)	(2,778)
6. Market Value (EOY)	$ 10,727	$ 8,536
7. 120% of Market Value	$ 12,872	$ 10,243
8. 80% of Market Value	$ 8,582	$ 6,829
9. Final Actuarial Value (EOY)	$ 11,040	$ 10,243
10. Ratio Market Value to Actuarial Value	97%	83%

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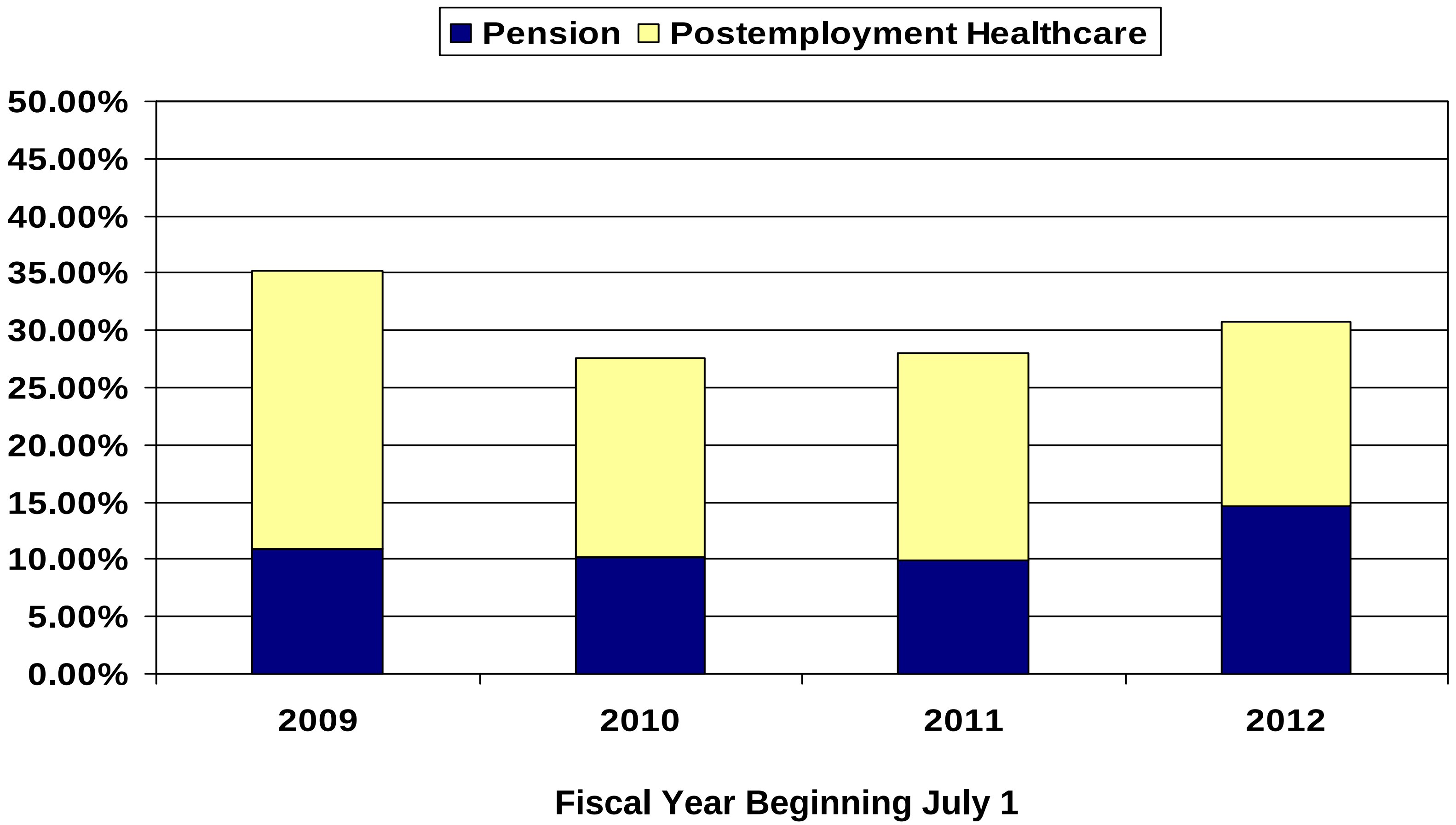
PERS Total Employer/State Contribution Rate History
Pension and Postemployment Healthcare



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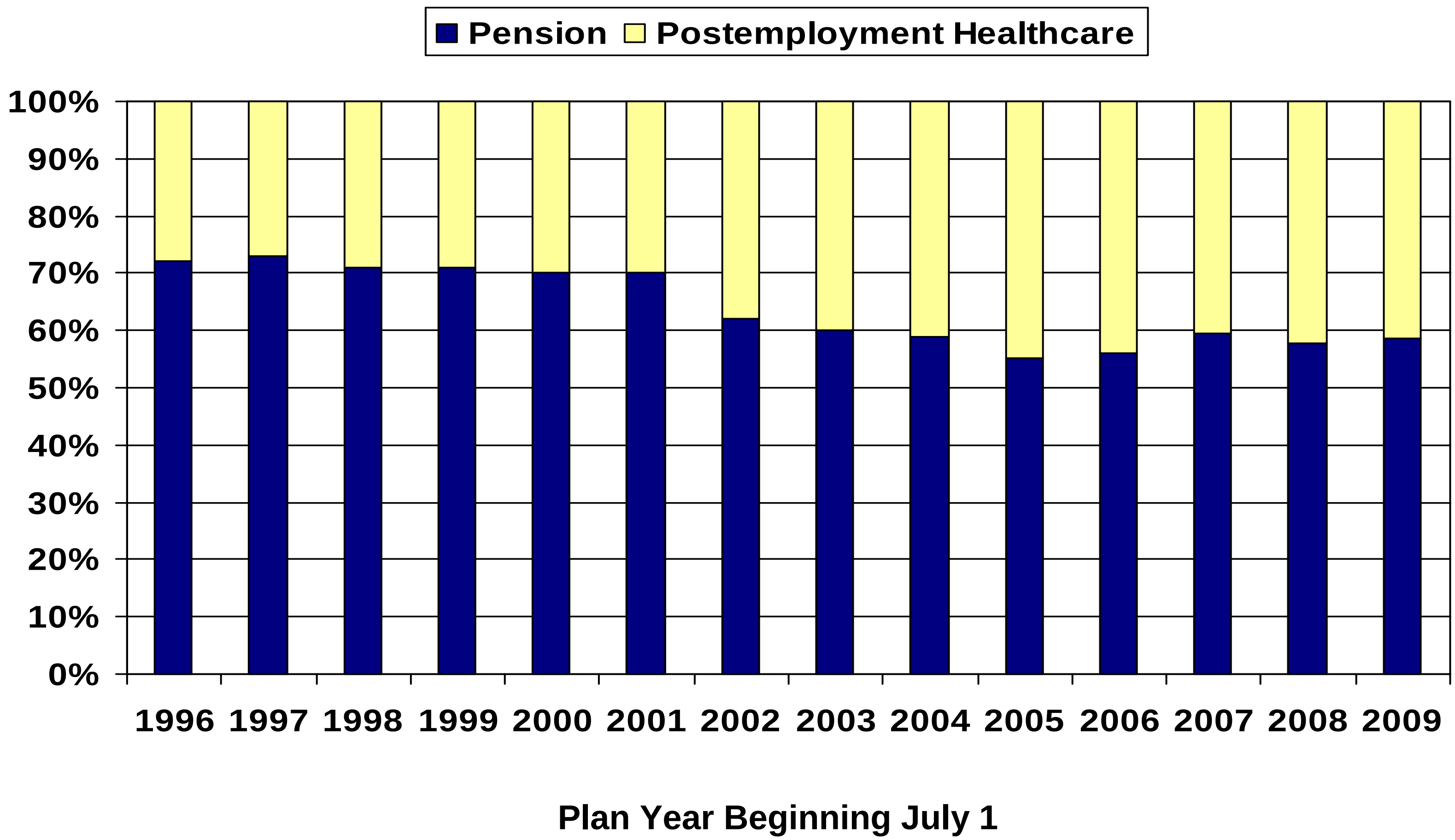
PERS Actuarial Accrued Liability History
Distribution % Between Pension and Postemployment Healthcare



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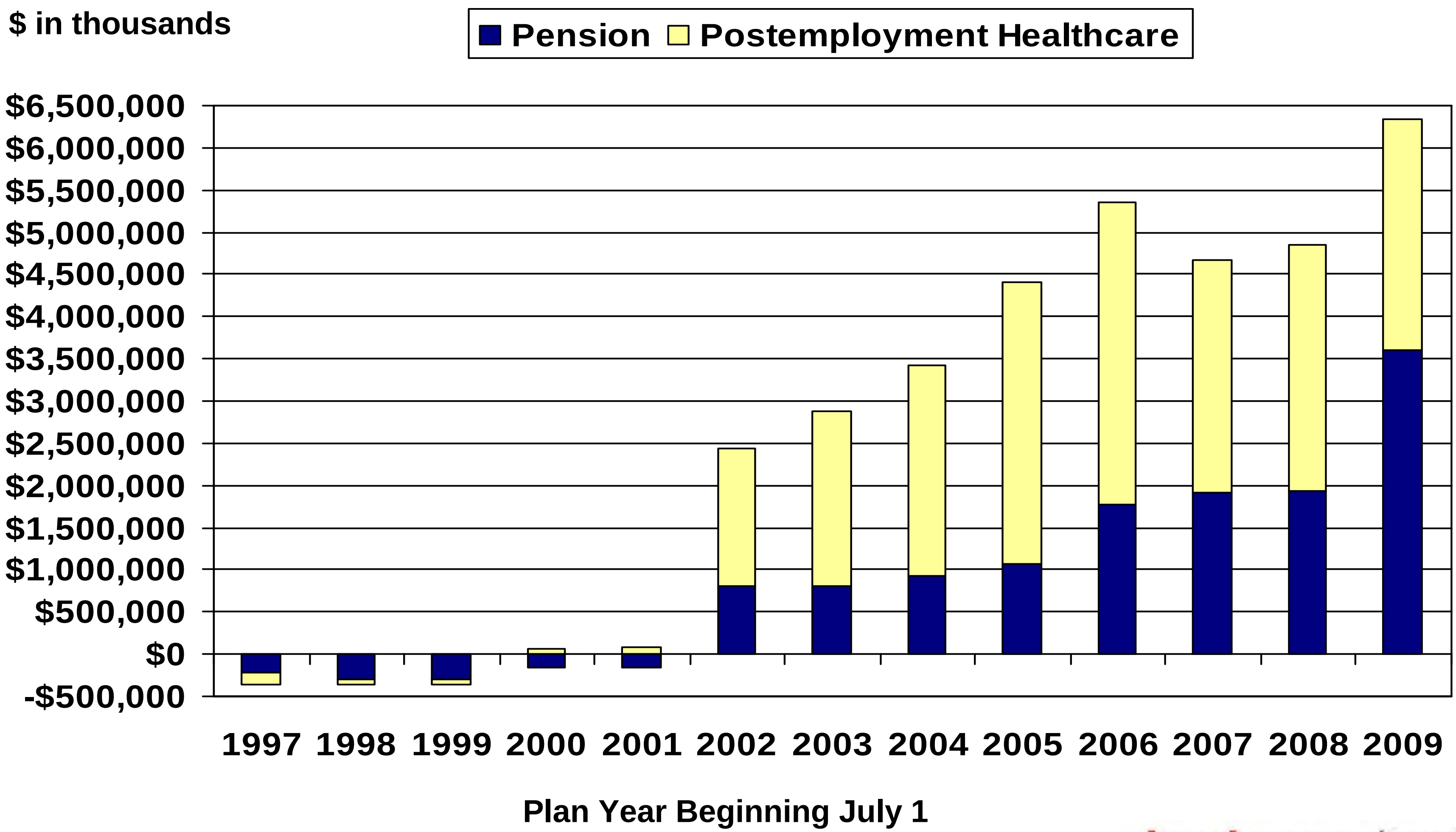
PERS Unfunded Actuarial Accrued Liability History

Pension and Postemployment Healthcare



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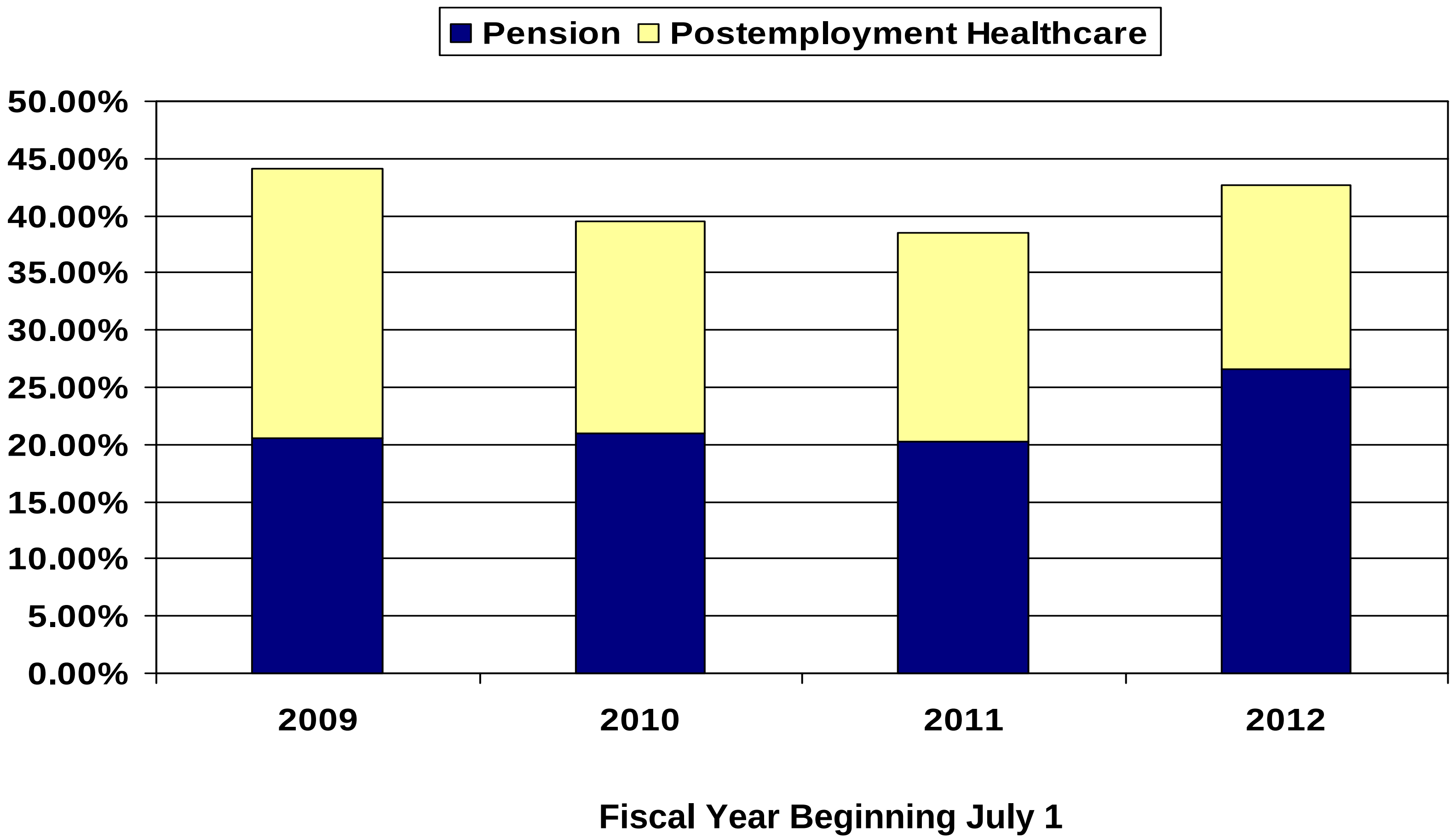
Teachers' Retirement System
Pension and Postemployment Healthcare

Total System Assets ($ in millions)

	Year Ending	
	June 30, 2008	June 30, 2009
1. Actuarial Value (BOY)	$ 4,424	$ 4,937
Contributions	399	334
Disbursements	(340)	(412)
Expected Return on Market Value	407	393
2. Expected Actuarial Value (EOY)	$ 4,890	$ 5,252
3. 5-year Smoothing	47	(276)
4. Preliminary Actuarial Value (EOY)	$ 4,937	$ 4,976
5. Future Smoothing Amount	(133)	(1,249)
6. Market Value (EOY)	$ 4,804	$ 3,727
7. 120% of Market Value	$ 5,765	$ 4,473
8. 80% of Market Value	$ 3,843	$ 2,982
9. Final Actuarial Value (EOY)	$ 4,937	$ 4,473
10. Ratio Market Value to Actuarial Value	97%	83%

TRS Total Employer/State Contribution Rate History
Pension and Postemployment Healthcare



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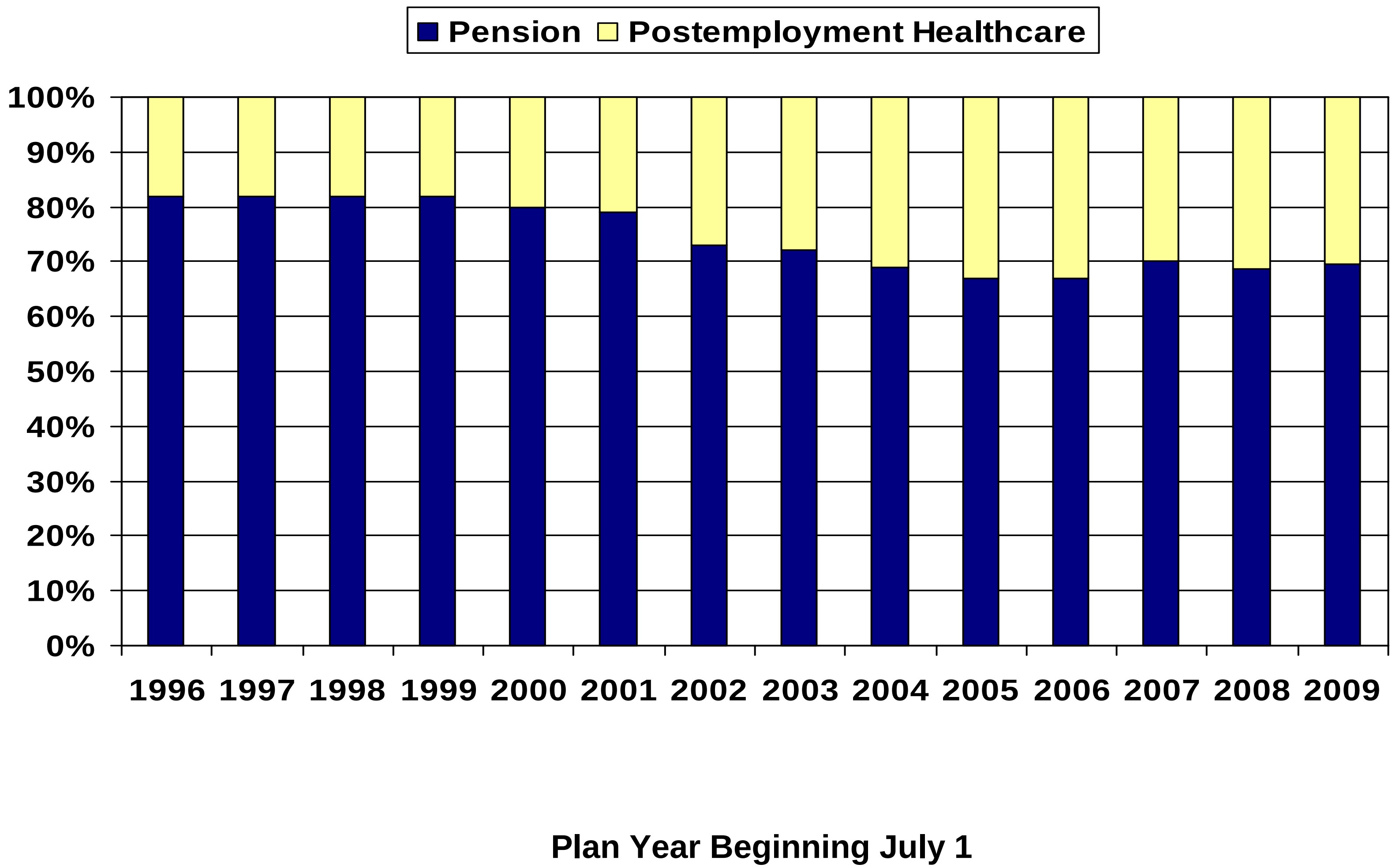
TRS Actuarial Accrued Liability History
Distribution % Between Pension and Postemployment Healthcare



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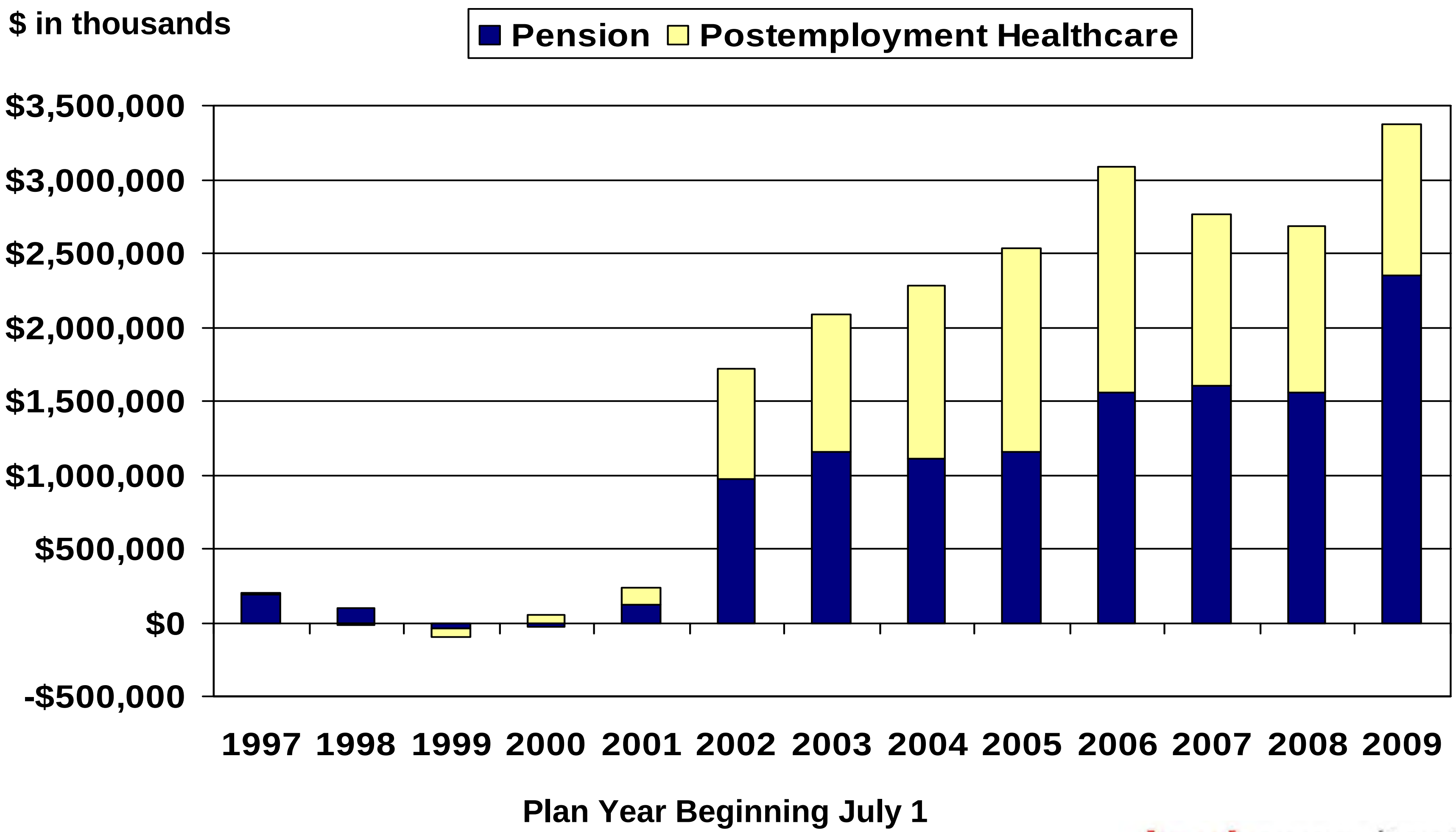
TRS Unfunded Actuarial Accrued Liability History
Pension and Postemployment Healthcare



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Judicial Retirement System – Roll-Forward Valuation

Pension and Healthcare

Total System Assets ($ in thousands)

	Year Ending June 30, 2009
1. Actuarial Value (BOY)	$141,236
Contributions	6,958
Disbursements	(8,138)
Expected Return on Market Value	10,992
2. Expected Actuarial Value (EOY)	$151,048
3. 5-year Smoothing	(9,159)
4. Preliminary Actuarial Value (EOY)	$141,889
5. Future Smoothing Amount	(36,700)
6. Market Value (EOY)	$ 105,189
7. 120% of Market Value	$ 126,227
8. 80% of Market Value	$ 84,151
9. Final Actuarial Value (EOY)	$ 126,227
10. Ratio Market Value to Actuarial Value	83%

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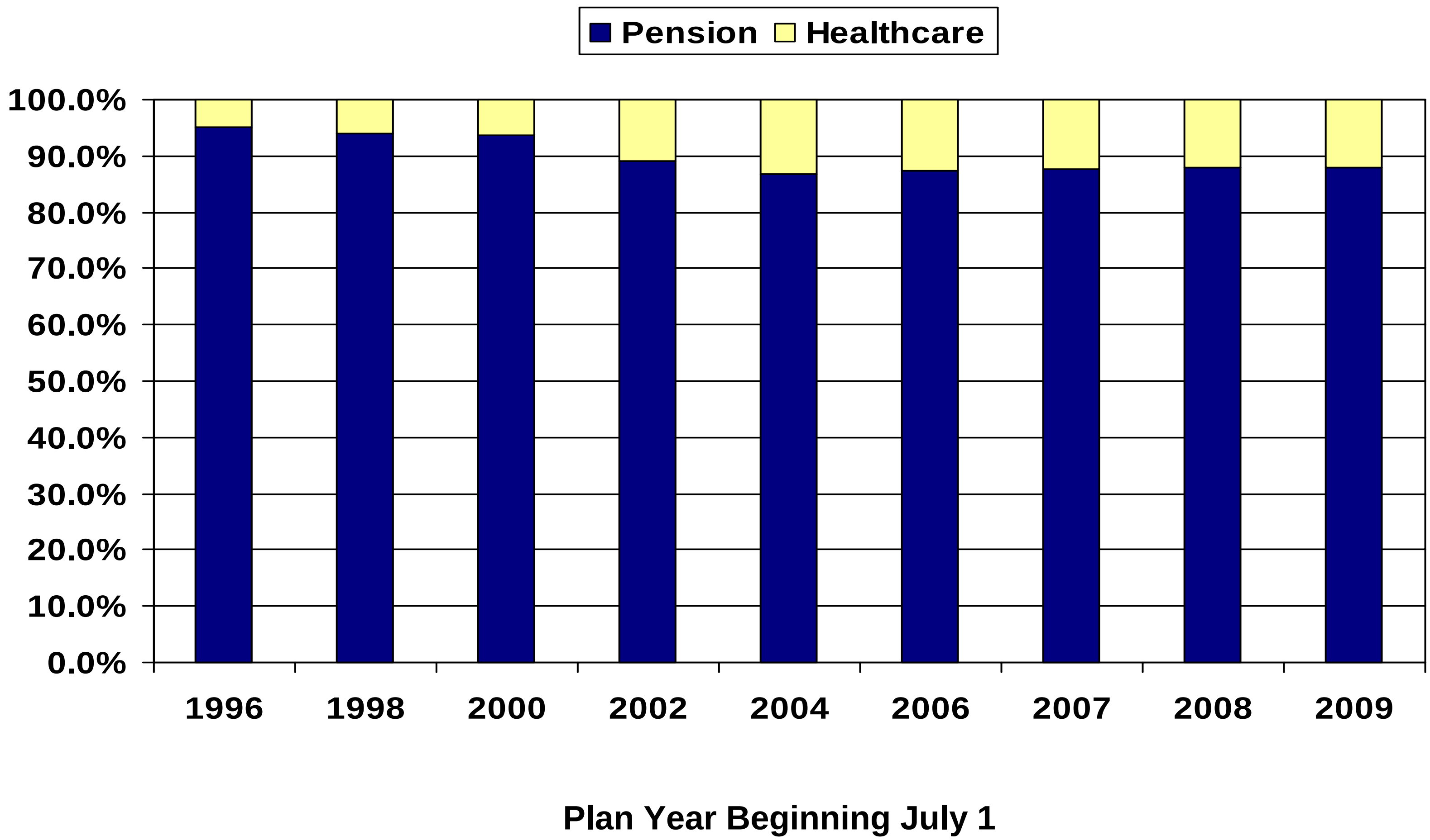
JRS Actuarial Accrued Liability History

Distribution % Between Pension and Healthcare



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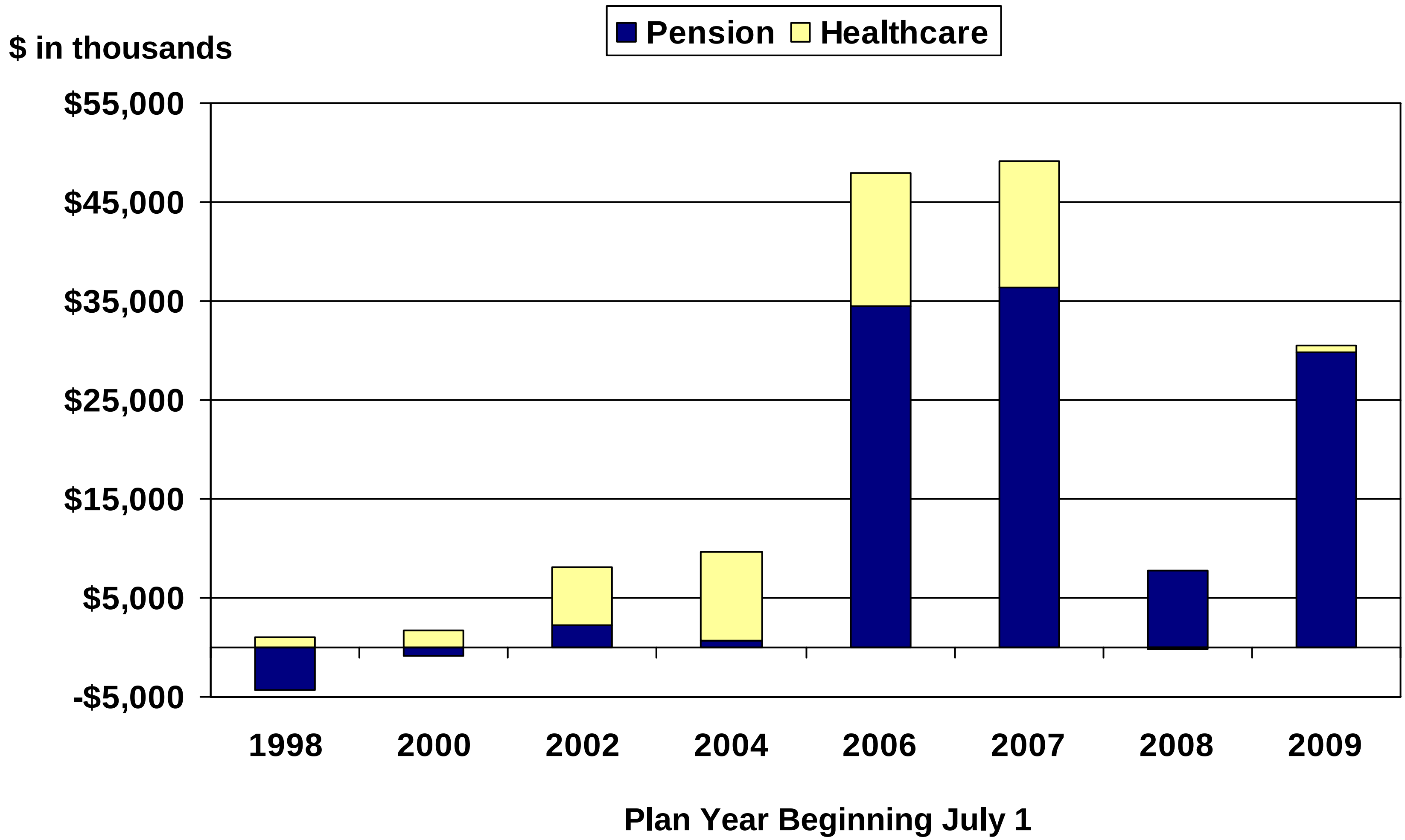
JRS Unfunded Actuarial Accrued Liability History

Pension and Healthcare



National Guard and Naval Militia Retirement System – Roll-Forward Valuation

Total System Assets ($ in thousands)

	Year Ending June 30, 2009
1. Actuarial Value (BOY)	$ 28,371
Contributions	2,473
Disbursements	(1,535)
Expected Return on Market Value	2,004
2. Expected Actuarial Value (EOY)	$ 31,313
3. 5-year Smoothing	(1,190)
4. Preliminary Actuarial Value (EOY)	$ 30,123
5. Future Smoothing Amount	(4,693)
6. Market Value (EOY)	$ 25,430
7. 120% of Market Value	$ 30,516
8. 80% of Market Value	$ 20,344
9. Final Actuarial Value (EOY)	$ 30,123
10. Ratio Market Value to Actuarial Value	84.4%

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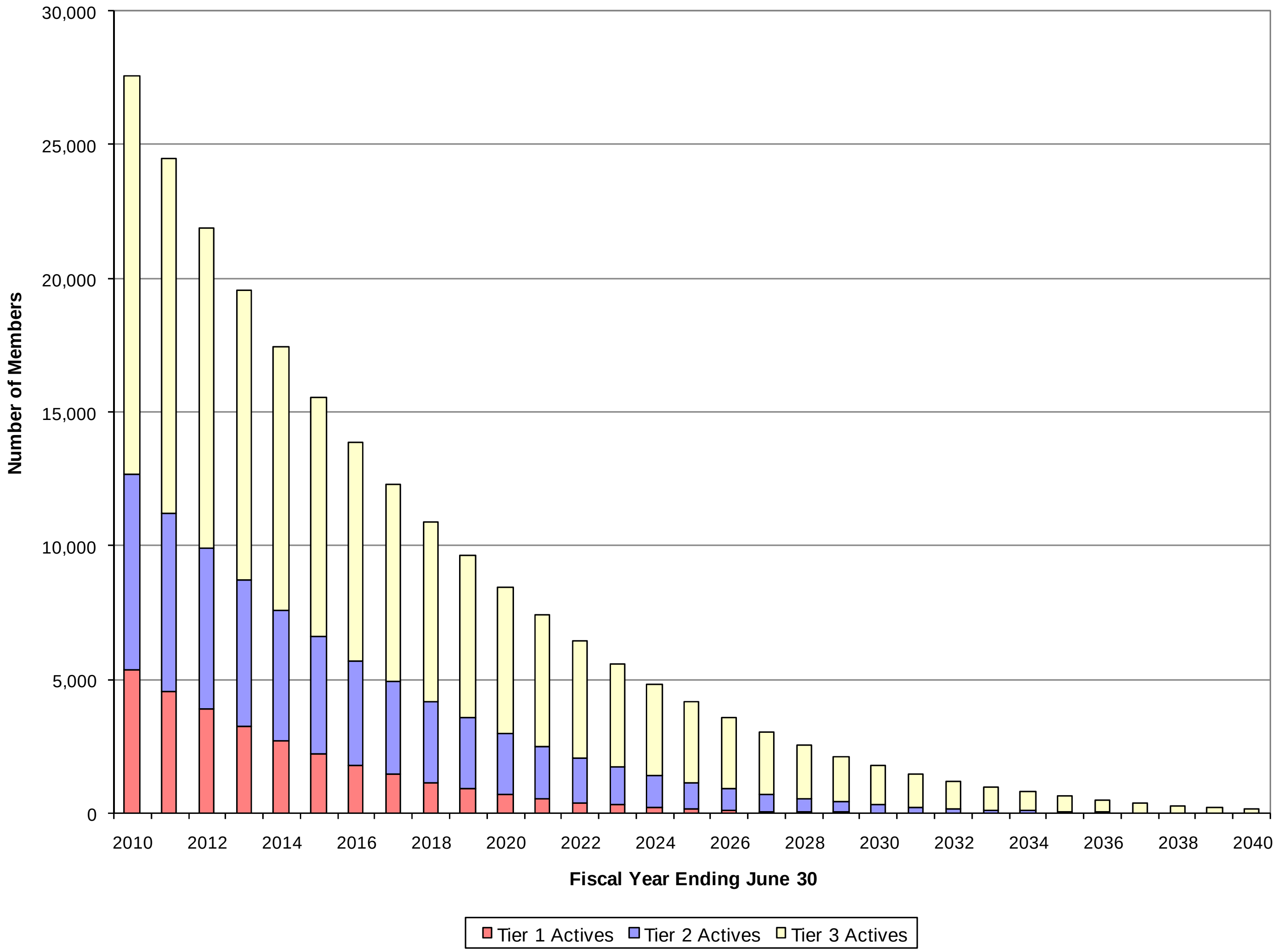
PERS Projected Active Member Count



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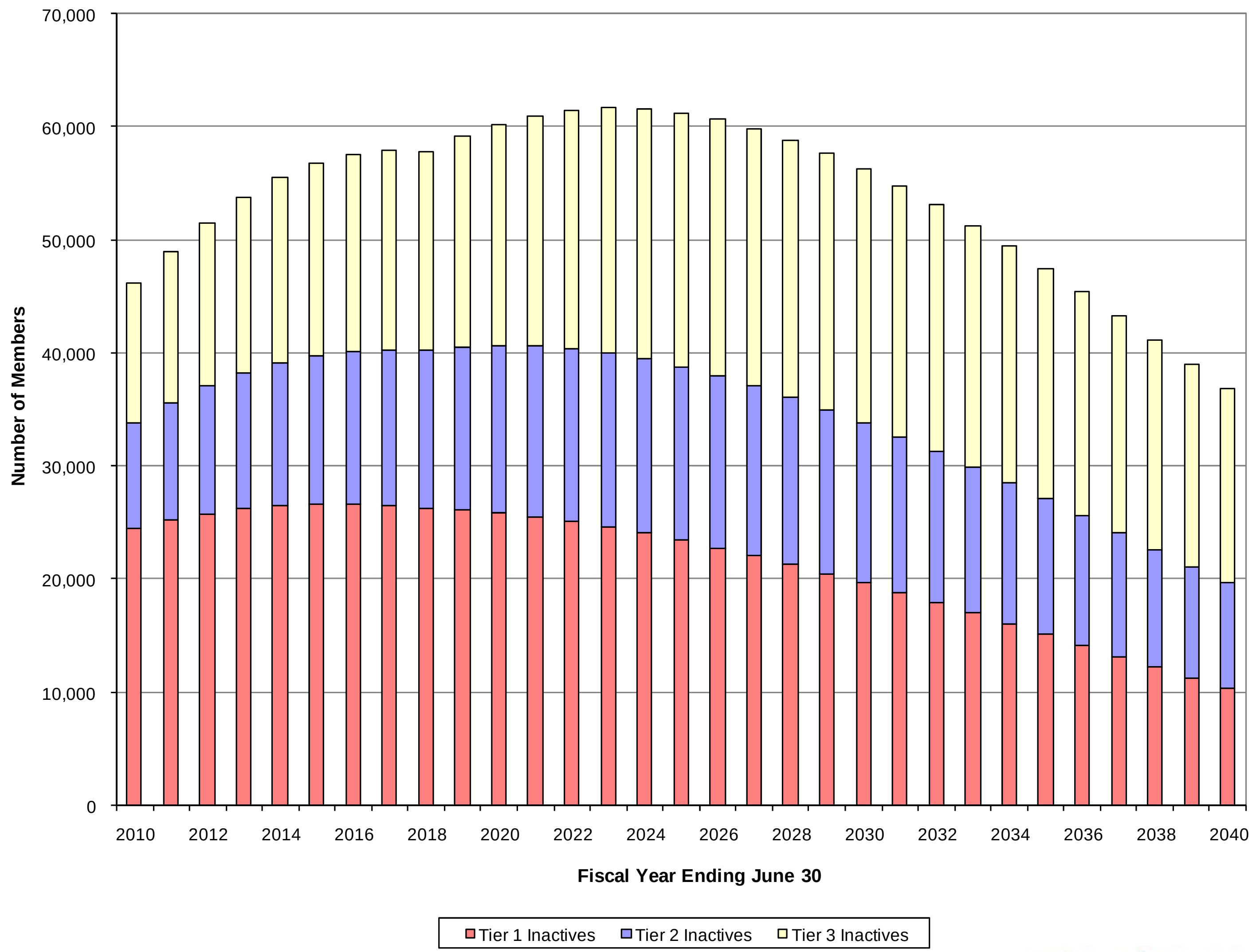
PERS Projected Inactive Member Count



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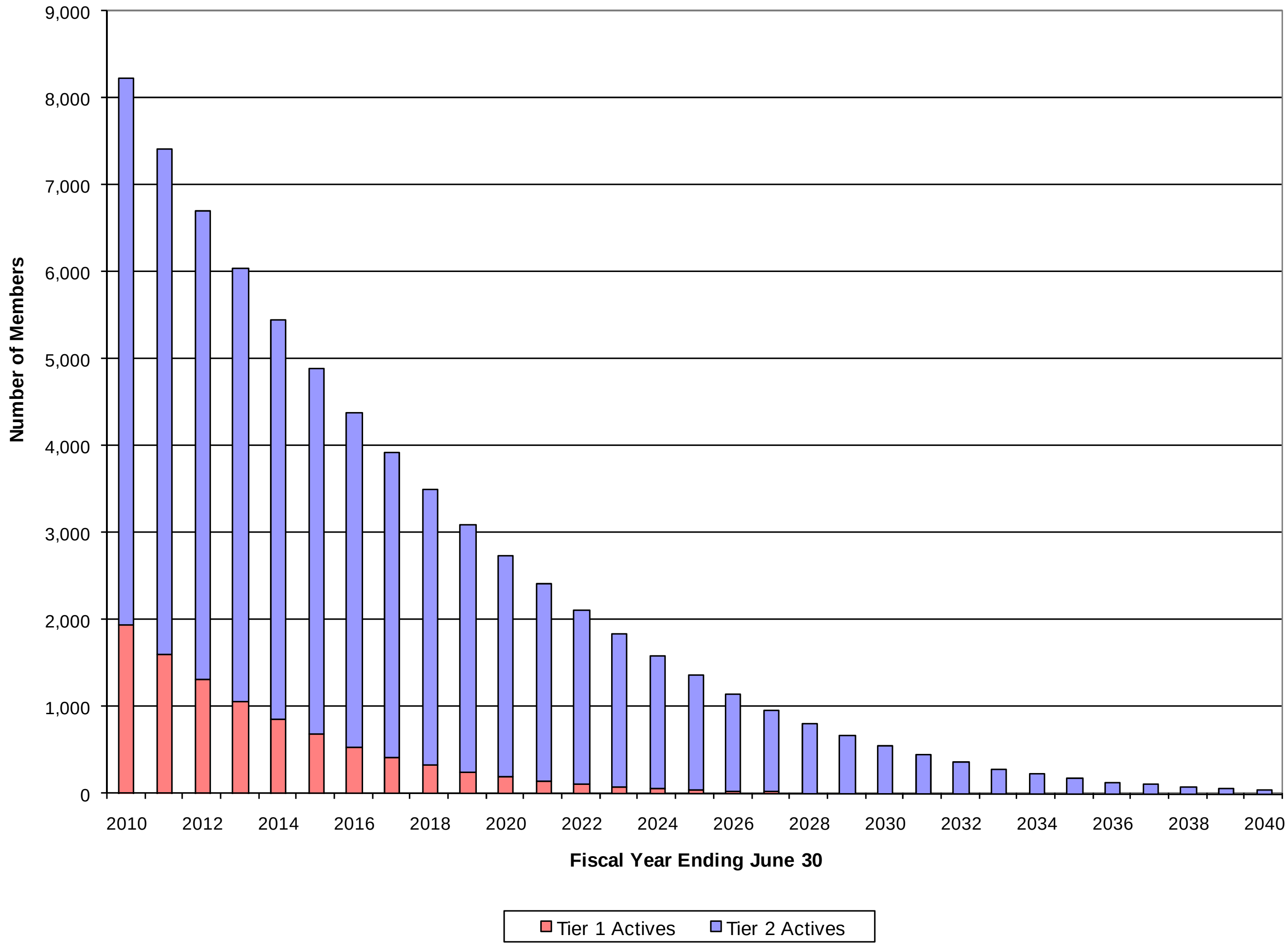
TRS Projected Active Member Count



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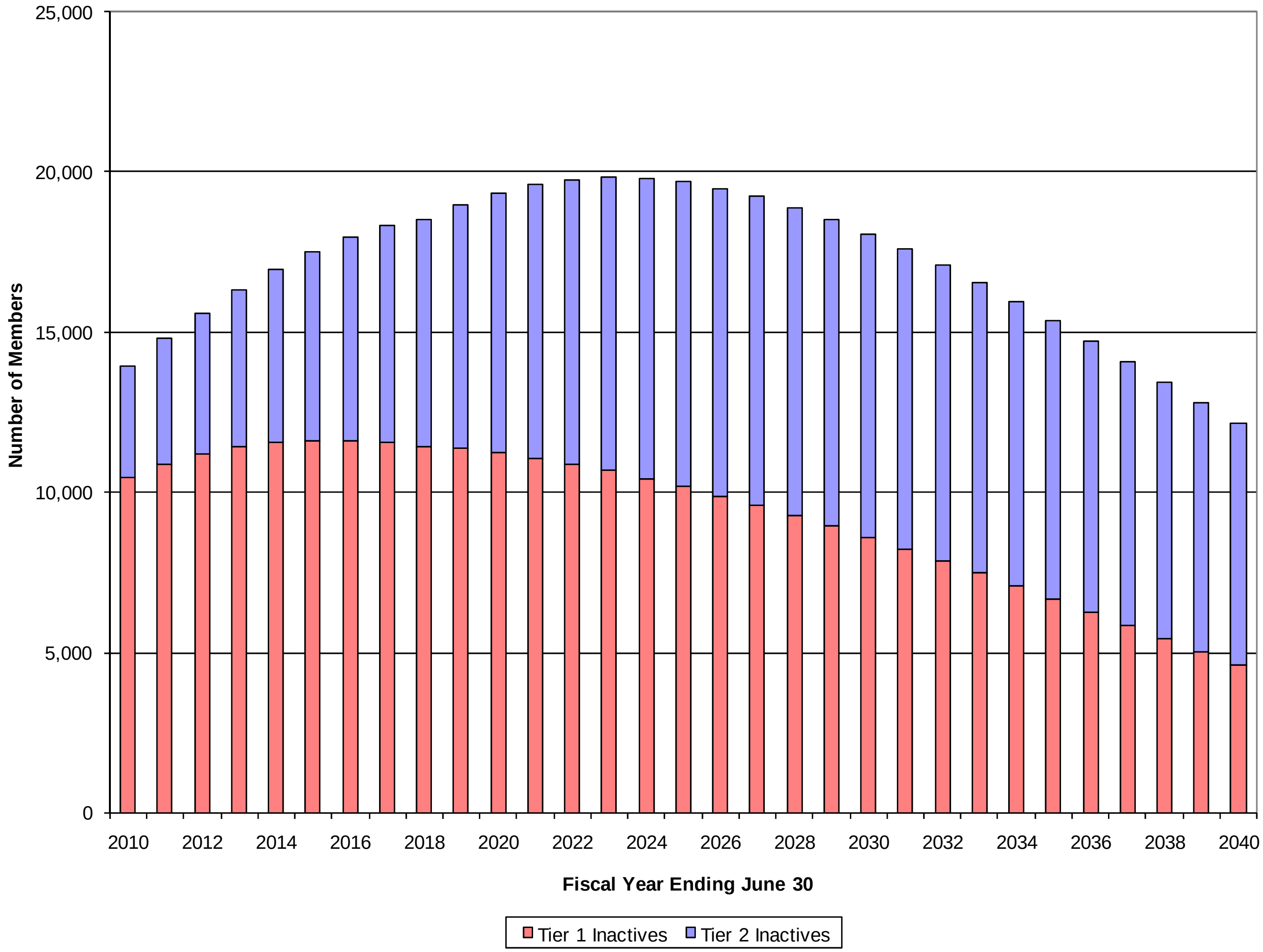
TRS Projected Inactive Member Count



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State of Alaska Public Employees' Retirement System

Actuarial Valuation Report
as of June 30, 2009

Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
Denver, CO 80202

DRAFT

buckconsultants A Xerox Company

March 22, 2010

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Dear Members of The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration:

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 2009 by Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the System as of June 30, 2009;

(2) a review of experience under the System for the year ended June 30, 2009;

(3) a determination of the appropriate contribution rate for all employers in the System, including additional State contributions pursuant to SB 125, which will be applied for the fiscal year ending June 30, 2012; and

(4) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The following schedules that we have prepared are included in this report:

(1) Summary of actuarial assumptions and methods (Section 2.3)

(2) Schedule of active member valuation data (Section 2.2(d) and (f))

(3) Schedule of benefit recipients added to and removed from rolls (Section 2.2(p) and 2.2(q))

(4) Solvency test (Section 3.3)

(5) Analysis of financial experience (Section 3.1)

(6) Summary of GASB No. 25 and 43 disclosure information (Section 3.2)

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. The employee data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of an experience study presented to and adopted by The Alaska Retirement Management Board (Board) in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY10 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 69.5% to 61.8% during the year. This report provides an analysis of the factors that led to the decrease. This report also provides a history of the funding ratio of the System.

A summary of the actuarial assumptions and methods is presented in Section 2.3 of this report. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the System.

Future contribution requirements may differ from those determined in the valuation because of:

(1) differences between actual experience and anticipated experience based on the assumptions;

(2) changes in actuarial assumptions or methods;

(3) changes in statutory provisions; or

(4) differences between the contribution rates determined by the valuation and those adopted by the Board.

The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

We believe that this report conforms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,

David H. Slishinsky, ASA, EA, MAAA
Principal, Consulting Actuary

Michelle Reding DeLange, FSA, EA, MAAA
Director, Consulting Actuary

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.

Melissa Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

Contents

Report Highlights

This report has been prepared by Buck Consultants for the State of Alaska Public Employees' Retirement System to:

(1) Present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 2009;

(2) Review experience under the plan for the year ended June 30, 2009;

(3) Determine the appropriate contribution rate for all employers in the System; and

(4) Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

This report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during Fiscal Year 2009, the current annual costs, and 30-year projections.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 3 contains additional exhibits showing historical information on system experience and unfunded liabilities and GASB information.

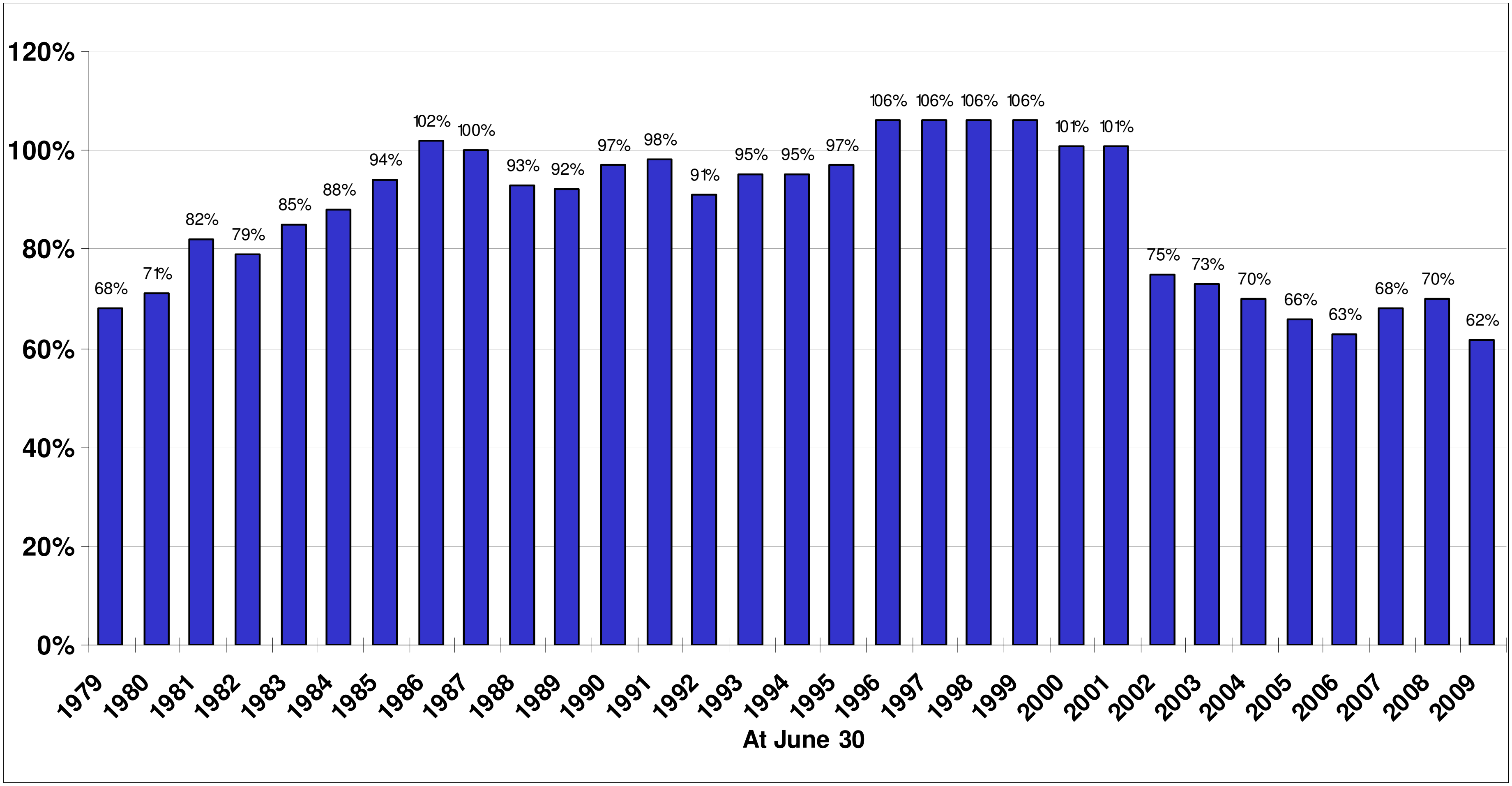
The principal results are as follows:

	Funding Status as of June 30[1]		**2008**		**2009**
(a)	Accrued Liability[2]	$	15,888,141	$	16,579,371
(b)	Valuation Assets[2]		11,040,106		10,242,978
(c)	Unfunded Accrued Liability[2], *(a) – (b)*	$	4,848,035	$	6,336,393
(d)	Funding Ratio based on Valuation Assets, *(b) ÷ (a)*		69.5%		61.8%
(e)	Market Value of Assets[2]	$	10,726,913	$	8,535,815
(f)	Funding Ratio based on Market Assets, *(e) ÷ (a)*		67.5%		51.5%

[1] *Includes pension and healthcare benefits.*
[2] *In thousands.*

Report Highlights *(continued)*

PERS Funding Ratio History
(Based on Valuation Assets)



Report Highlights *(continued)*

Employer/State Contribution Rates for Pension for Fiscal Year:	2011	2012
(a) Normal Cost Rate Net of Member Contributions	2.65%	2.52%
(b) Past Service Rate	7.33%	12.13%
(c) Total Employer/State Contribution Rate *(a) + (b)*	9.98%	14.65%

Employer/State Contribution Rates for Postemployment Healthcare for Fiscal Year:	2011	2012
(a) Normal Cost Rate	6.68%	5.76%
(b) Past Service Rate	11.30%	10.35%
(c) Total Employer/State Contribution Rate *(a) + (b)*	17.98%	16.11%

Total Employer/State Contribution Rates for Fiscal Year:	2011	2012
(a) Normal Cost Rate Net of Member Contributions	9.33%	8.28%
(b) Past Service Rate	18.63%	22.48%
(c) Total Employer/State Contribution Rate *(a) + (b)*	27.96%	30.76%
(d) Board Adopted Total Employer/State Contribution Rate	27.96%	TBD

Contribution rates are based on total salaries for DB and DC plan members, combined.

The rates shown above are for funding purposes which differ from the Annual Required Contribution for GASB No. 43 reporting purposes. Under GASB No. 43, postemployment healthcare liabilities are gross of the retiree drug subsidy and are calculated with a discount rate for a partially funded plan.

Contribution rates are based on Employer contribution rates as limited by State statute, and include the additional State contribution required under SB 125.

Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio based on valuation assets as of June 30, 2009 has decreased from 69.5% to 61.8%, a decrease of 7.7%. The calculated Employer/State contribution rate has increased from 27.96% of payroll for FY11 to 30.76% for FY12, an increase of 2.80% of payroll. The reasons for the change in the funded status and contribution rate are explained below.

(1) Retiree Medical Costs and Assumptions

The following table summarizes the monthly premium per benefit recipient since 1977.

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	$ 57.64	66%	- -
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	0%	9%
1/1/10-12/31/10	1,068.00	14%	9%

As shown in the above table, the monthly retiree medical premium for the January 1, 2010 to December 31, 2010 time period will increase to $1,068. This represents an increase of 14% from the previous year's medical premium of $937. The health cost trend rates used for this valuation are described in Section 2.3. Over the last 10 years, annual premium rate changes have ranged from no change to up to 15%. Also, over the last ten years, the increase in the premium rate has been about 7.3% compounded annually.

Analysis of the Valuation *(continued)*

Effective with the 2004 valuation, the assumptions used to value liabilities for retiree medical benefits were changed. The revised methods and assumptions more accurately measured retiree medical liabilities and incorporated the expected impact on System liabilities due to changes in the Medicare program. In particular, changes were made to the following elements in calculating medical liabilities:

- Claims cost methodology and development
- Offset for Medicare
- Aging factors

An analysis of medical costs was completed based on claims information provided by Premera and enrollment data provided by the Division of Retirement and Benefits. Costs for medical services and prescriptions were analyzed separately, and separate trend rates were developed to project expected future medical and prescription costs. An offset for costs expected to be reimbursed by Medicare was incorporated beginning at age 65. Average medical claims were then distributed across the population based on expected increases in medical expenses that occur with age.

For the 2009 valuation, we updated claims cost and Medicare offset analyses using fiscal year 2009 claims and enrollment information. We developed assumptions regarding the number of members with Medicare Part B only coverage based on employee date of hire, date of birth, tier, etc., and eligibility rules for Medicare Part A and associated claims costs. A lower average claims cost was applied to retirees assumed to be covered by both Medicare Part A and B vs. retirees assumed to be covered only by Medicare Part B. The assumed lag used to adjust claims data from a paid to incurred basis reflects the results of our June 30, 2009 lag study. Assumed lag from incurred date to paid claim is approximately 2.57 months for medical claims and 0.5 months for prescription claims. Composite lag for combined medical claims is about 1.9 months, similar to the 2-month composite lag assumption used for our 2008 valuation. The trend assumption is based on the Society of Actuaries' Healthcare Cost Trend Model as adopted by the ARM Board at their December 5, 2008 meeting. The trend rate varies by year declining to 5.1% over 100 years. The trends vary by medical and prescription drugs until 2012, at which point the same trends are used for both benefit types.

Analysis of the Valuation *(continued)*

Individual claim level detail from Aetna and Premera were obtained for calendar year 2005 and fiscal years 2006 through 2009. This data was reviewed and compared to management level reporting supplied by Premera. For the 2009 valuation, we have not modified any management level reporting information used to develop per capita claim cost rates. However, we will continue to compare data from both sources and potentially modify future claims cost rate derivation to reflect salient information at the individual claimant level that may enhance global management level data. For the 2009 valuation, we do not recommend any changes to morbidity assumptions used to project increasing claims costs as members age. However, we will continue to compare age-based claims costs derived from individual claimant data to the current morbidity curve and potentially modify the assumed aging impact on claims costs in future valuations. The portion of retirees assumed to be eligible for Medicare Parts A and B and for Part B only was modified, decreasing the Part B only proportion of all Medicare retirees from 4.0% to 3.5%. Finally, explicit third-party administration (TPA) costs were added to medical and prescription claims cost rates. Per-member TPA costs are derived from the current Wells Fargo contract and are projected to increase at the assumed rate of 5%.

Since 2004, the funding valuation also reflects the impact of the Medicare Part D Retiree Drug Subsidy (RDS) in the projection of prescription drug benefit costs. Buck's actuaries have attested that the prescription drug benefits meet the actuarial equivalence requirements and the plan qualifies to receive the RDS under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) for calendar 2009 and 2010. Based on current plan provisions and utilization data, we anticipate the plan will continue to qualify for RDS payments. The State has shared its RDS payments for calendar 2006, 2007, 2008 and the first quarter of 2009, and this information was used to estimate future RDS payments in this valuation. Please note, Part D subsidies are not reflected for accounting purposes under GASB No. 43.

Utilization and claims cost data indicate that healthcare experience emerging since the prior valuation is improving slightly. A large portion of the historical unfavorable experience is due to members with chronic diseases (diabetes, ESRD, etc.), and the corresponding large claims that accompany those diseases. Due to the nature of these diseases, it is expected that the State will have these members as benefit recipients for some time, and that costs may be able to be controlled, but not eliminated. With the introduction of a health improvement wellness plan for State employees, as well as disease management provided by the TPA, it is hoped that the incidence of the most severe and costly chronic conditions can be reduced to a more manageable and stable level. As with the prior valuation, a weighting methodology is employed, where each of the experience years is given similar weights when calculating the claims costs. This has the effect of preventing any one year from unduly influencing the claims costs. In future valuations, we will assess giving more recent experience greater weight in the overall claims cost rate development process. In the current valuation, we averaged these national assumptions with Alaska-specific trend during the experience period to give credibility to Alaska-specific experience while still reflecting national trends.

Analysis of the Valuation *(continued)*

The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2009 as compared to 2008:

Healthcare Cost Rate Data Source or Assumption Change, 2009 vs. 2008	Gain / Loss Impact on 2009 Valuation Results
Claim lag specific to medical and prescription experience (2.57 months for medical and 0.5 months for Rx versus 1.78 and 0.6 respectively)	Negligible
Individual claims level data	– No impact on cost data used for 2009, though potentially a source of future modifications – No impact on morbidity assumptions used for 2009, though potentially a source of future modifications – Moderate loss from decreasing the assumed Part B only proportion of all Medicare retirees from 4% to 3.5%
Explicit TPA fees	Minor gain
Actual RDS payments received	Minor loss
Weighting of prior experience periods used to derive base claims during the valuation year (nearly equal weighting for all five periods is similar to prior valuation)	Dampens the gain/loss from favorable provider discounts and experience since June 2006 but may be modified in future valuations
Averaging Alaska-specific trend during the experience period with Health Care Cost Trend Rates (HCCTR) used to bring prior data forward to the valuation year	No change
Aggregate claims data	Moderate gain due to experience, but dampened by weighting methodology

Analysis of the Valuation *(continued)*

(2) Investment Experience

The approximate FY09 investment return based on market values was (20.5)% compared to the expected investment return of 8.25%. This resulted in a loss of approximately $3,082 million to the System from investment experience. The asset valuation method recognizes 20 percent of this loss ($616.4 million) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY05 investment gain, 20 percent of the FY06 investment gain, 20% of the FY07 investment gain, and 20% of the FY08 investment loss were recognized this year. The approximate FY09 investment return based on actuarial values was (7.3)%, compared to the expected investment return of 8.25%. The net result was an investment loss of $1,713.6 million which decreased the funding ratio by 10.30% and increased the Employer/State contribution rate by 5.31%.

(3) Salary Increase

During the period from June 30, 2008 to June 30, 2009, salary increases for continuing active members were more than anticipated in the valuation assumptions. Higher accrued liabilities caused the funding ratio to decrease by 0.20%. The net effect of the salary loss was an increase of 0.23% in the Employer/State contribution rate.

(4) Demographic Experience

Section 2.2 provides statistics on active participants. The number of active participants decreased 4.5%, from 28,850 at June 30, 2008 to 27,565 at June 30, 2009 due to the closure of the plan to new entrants as of July 1, 2006. The average age of active participants increased from 47.01 to 47.85 and average credited service increased from 10.48 to 11.19 years.

The number of benefit recipients increased 3.9%, from 24,082 to 25,015, and their average age increased from 66.01 to 66.39. There was a 0.9% decrease in the number of vested terminated participants from 6,627 to 6,566. Their average age increased from 49.41 to 49.83.

The overall effect of these participant data changes along with the healthcare experience was an actuarial gain to the System, resulting in a decrease in the Employer/State contribution rate equal to 2.50% of total payroll. Most of this gain is due to healthcare claims costs which were less than expected. As a result, expected healthcare claims for FY10 and future years is reduced. The gain/loss by decrement on the accrued liability is shown on the summary page.

Analysis of the Valuation *(continued)*

(5) Effect of the Two-Year Delay in the Contribution Rate

As of June 30, 2008, the actuarially calculated rate was 27.96% for FY11 Employer/State contributions. Since Employer/State contribution rates are determined two years prior to the fiscal year, the June 30, 2006 employer rate of 35.22% was contributed during FY09. The difference between the two calculated rates, 27.96% and 35.22%, created a contribution surplus to the System. This surplus decreased the Employer/State contribution rate by 0.24%.

(6) Actuarial Projections

At the Fall 1991 Board Meetings, the PERS Board approved the use of an enhanced actuarial projection system. The same actuarial cost method is used, but the enhanced system projects the associated liabilities 30 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 30 years. Section 1.5, Actuarial Projections, contains the results of this analysis.

This type of information can be especially useful to multi-tiered systems, such as PERS. No new DB plan entrants are anticipated.

(7) Changes in Methods from the Prior Valuation

The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach. The impact of this change is not significant.

(8) Changes in Assumptions from the Prior Valuation

There were no changes in assumptions from the prior valuation.

(9) Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

Analysis of the Valuation *(continued)*

Summary

The following table summarizes the sources of change in the total Employer/State contribution rate based on DB and DCR payroll combined:

		Pension	Healthcare	Total
1.	Last year's total Employer/State contribution rate	9.98%	17.98%	27.96%
2.	Change due to:			
	a. Effect of two-year delay in the contribution rate	0.01%	(0.25)%	(0.24)%
	b. Investment experience	4.72%	0.59%	5.31%
	c. Salary increases	0.23%	N/A	0.23%
	d. Demographic and medical experience[1]	(0.29)%	(2.21)%	(2.50)%
	e. Total change, (a + b + c + d)	4.67%	(1.87)%	2.80%
3.	Total Employer/State contribution rate this year, (1) + (2e)	14.65%	16.11%	30.76%

The following table shows the gain/(loss) on total accrued liability (in thousands):	Amount
– Retirement Experience	$ (6,440)
– Termination Experience	(20,118)
– Mortality Experience	(23,756)
– Disability Experience	(60)
– Other Demographic Experience	(22,113)
– Salary Increases	(20,132)
– COLA other than expected	(19,481)
– Medical Experience	281,237
– Total	$ 169,137

[1] *Includes changes in future healthcare claims costs.*

Section 1

This section sets forth the results of the actuarial valuation.

Section 1.1(a)	Statement of Net Assets.
Section 1.1(b)	Statement of Changes in Net Assets During FY09 and Investment Return During FY09.
Section 1.1(c)	Actuarial Value of Assets.
Section 1.2(a)	Actuarial Present Values for Peace Officer/Firefighter.
Section 1.2(b)	Actuarial Present Values for Others.
Section 1.2(c)	Actuarial Present Values for All Members.
Section 1.3(a)	Development of Total Employer/State Contribution Rate for Peace Officer/Firefighter for FY12.
Section 1.3(b)	Development of Total Employer/State Contribution Rate for Others for FY12.
Section 1.3(c)	Development of Total Employer/State Contribution Rate for All Members for FY12.
Section 1.4	Development of Actuarial Gain or Loss for FY09.
Section 1.5(a)	Actuarial Projections –Projections at Calculated Rate. Based on Total DB and DCR Payroll.
Section 1.5(b)	Actuarial Projections – Projections at Current Rate. Based on Total DB and DCR Payroll.
Section 1.5(c)	Actuarial Projections – Effect of Economic Scenarios. Based on Total DB and DCR Payroll.

1.1(a) Statement of Net Assets

As of June 30, 2009 (in thousands)	Pension	Healthcare	Total Market Value
Cash and Cash Equivalents	$ 30,991	$ 6,448	$ 37,439
Domestic Equity Pool	1,643,106	1,196,748	2,839,854
Domestic Fixed Income Pool	580,397	418,412	998,809
International Equity Pool	754,666	552,932	1,307,598
Real Estate Pool	613,131	321,086	934,217
International Fixed Income Pool	75,736	54,458	130,194
Private Equity Pool	447,974	285,447	733,421
Emerging Markets Equity Pool	213,380	147,003	360,383
Absolute Return Pool	215,799	160,497	376,296
High Yield Pool	110,534	78,601	189,135
Treasury Inflation Protection Pool	28,372	23,702	52,074
Emerging Debt Pool	38,375	27,372	65,747
Other Investments Pool	327,538	160,631	488,169
Loans and Mortgages (Net of Reserves)	9	2,815	2,824
Total Cash and Investments	$ 5,080,008	$ 3,436,152	$ 8,516,160
Net Accrued Receivables	10,432	9,223	19,655
Net Assets	$ 5,090,440	$ 3,445,375	$ 8,535,815

1.1(b) Statement of Changes in Net Assets

Fiscal Year 2009 (in thousands)	Pension	Healthcare	Total Market Value
(1) Net Assets, June 30, 2008 (market value)	$ 6,935,808	$ 3,791,105	$10,726,913
(2) Additions:			
(a) Plan Member Contributions	$ 118,815	$ 523	$ 119,338
(b) Employer Contributions	113,059	266,481	379,540
(c) Employer Legislative Relief	79,681	161,919	241,600
(d) Interest and Dividend Income	288,657	14,451	303,108
(e) Net Appreciation in Fair Value of Investments	(1,942,579)	(527,365)	(2,469,944)
(f) Other	35	8,758	8,793
(g) Total Additions	$ (1,342,332)	$ (75,233)	$(1,417,565)
(3) Deductions:			
(a) Medical Benefits	$ 0	$ 256,408	$ 256,408
(b) Retirement Benefits	466,085	0	466,085
(c) Refunds of Contributions	12,498	0	12,498
(d) Investment Expenses	17,885	85	17,970
(e) Administrative Expenses	6,568	14,004	20,572
(f) Total Deductions	$ 503,036	$ 270,497	$ 773,533
(4) Net Assets, June 30, 2009 (market value)	$ 5,090,440	$ 3,445,375	$ 8,535,815
Approximate Market Value Investment Return Rate During FY09 Net of All Expense	(24.5)%	(13.6)%	(20.5)%

1.1(c) Actuarial Value of Assets

The actuarial value of assets was set equal to the market value at June 30, 2002. Future investment gains and losses will be recognized 20% per year over 5 years. In no event may valuation assets be less than 80% or more than 120% of market value as of the current valuation date.

In Thousands	Pension	Healthcare	Total
(1) Deferral of Investment Return for FY09			
(a) Market Value, June 30, 2008	$ 6,935,808	$ 3,791,105	$ 10,726,913
(b) Contributions for FY09	311,555	428,923	740,478
(c) Benefit Payments for FY09	478,583	256,408	734,991
(d) Actual Investment Return *(net of expenses)*	(1,678,340)	(518,245)	(2,196,585)
(e) Expected Return Rate *(net of expenses)*	8.25%	8.25%	8.25%
(f) Expected Return - Weighted for Timing	565,451	319,741	885,192
(g) Investment Gain/(Loss) for the Year *(d. – f.)*	(2,243,791)	(837,986)	(3,081,777)
(h) Deferred Investment Return/(Loss)	(2,054,513)	(724,051)	(2,778,564)
(2) Actuarial Value, June 30, 2009			
(a) Market Value, June 30, 2009	$ 5,090,440	$ 3,445,375	$ 8,535,815
(b) 2009 Deferred Investment Return/(Loss)	(2,054,513)	(724,051)	(2,778,564)
(c) Preliminary Actuarial Value, June 30, 2009 *(a. - b.)*	7,144,953	4,169,426	11,314,379
(d) Upper Limit: 120% of Market Value, June 30, 2009	6,108,528	4,134,450	10,242,978
(e) Lower Limit: 80% of Market Value, June 30, 2009	4,072,352	2,756,300	6,828,652
(f) Actuarial Value, June 30, 2009 *(c. limited by d. and e.)*	$ 6,108,528	$ 4,134,450	$ 10,242,978
(g) Ratio of Actuarial Value of Assets to Market Value of Assets	120.00%	120.00%	120.00%
(h) Approximate Actuarial Value Investment Return Rate During FY09 Net of All Expenses	(13.1)%	3.4%	(7.3)%

1.1(c) Actuarial Value of Assets *(continued)*

The tables below show the development of gain/(loss) to be recognized in the current year (in thousands).

Pension

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005[1]	$ 16,314	$ 13,052	$ 3,262	$ 0
6/30/2006[1]	181,865	109,119	36,373	36,373
6/30/2007[1]	652,485	260,994	130,497	260,994
6/30/2008	(928,079)	(185,616)	(185,616)	(556,847)
6/30/2009	(2,243,791)	0	(448,758)	(1,795,033)
Total	**$ (2,321,206)**	**$ 197,549**	**$(464,242)**	**$ (2,054,513)**

Healthcare

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005[1]	$ 7,655	$ 6,124	$ 1,531	$ 0
6/30/2006[1]	85,332	51,198	17,067	17,067
6/30/2007[1]	306,148	122,460	61,230	122,458
6/30/2008	(321,977)	(64,395)	(64,395)	(193,187)
6/30/2009	(837,986)	0	(167,597)	(670,389)
Total	**$ (760,828)**	**$ 115,387**	**$(152,164)**	**$ (724,051)**

Total

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005	$ 23,969	$ 19,176	$ 4,793	$ 0
6/30/2006	267,197	160,317	53,440	53,440
6/30/2007	958,633	383,454	191,727	383,452
6/30/2008	(1,250,056)	(250,011)	(250,011)	(750,034)
6/30/2009	(3,081,777)	0	(616,355)	(2,465,422)
Total	**$ (3,082,034)**	**$ 312,936**	**$ (616,406)**	**$ (2,778,564)**

[1] *The pension and healthcare assets bases were allocated using a ratio of market value of assets as of June 30, 2007.*

1.2(a) Actuarial Present Values - Peace Officer/Firefighter

As of June 30, 2009 (in thousands)			Normal Cost		Accrued Liability
Active Members					
Retirement Benefits		$	18,625	$	465,001
Termination Benefits			2,623		13,864
Disability Benefits			1,337		7,912
Death Benefits			1,063		6,321
Return of Contributions			1,471		(3,538)
Medical and Prescription Drug Benefits			11,727		247,603
Medicare Part D Subsidy			(624)		(11,671)
Indebtedness			N/A		(8,241)
Subtotal		$	36,222	$	717,251
Inactive Members					
Not Vested				$	2,159
Vested Terminations	- Retirement Benefits				17,658
	- Medical and Prescription Drug Benefits				34,666
	- Medicare Part D Subsidy				(1,524)
	- Indebtedness				(552)
Retirees & Beneficiaries	- Retirement Benefits				994,002
	- Medical and Prescription Drug Benefits				433,973
	- Medicare Part D Subsidy				(29,334)
Subtotal				$	1,451,048
Total		**$**	**36,222**	**$**	**2,168,299**
Total Pension		**$**	**25,119**	**$**	**1,494,586**
Total Medical, Net of Part D Subsidy		**$**	**11,103**	**$**	**673,713**
Total Medical, Gross of Part D Subsidy		**$**	**11,727**	**$**	**716,242**

1.2(a) Actuarial Present Values – Peace Officer/Firefighter *(continued)*

As of June 30, 2009 (in thousands)	Normal Cost	Accrued Liability
By Tier		
Tier 1		
- Pension	$ 2,683	$ 1,031,691
- Medical, Net of Part D Subsidy	1,639	433,671
Tier 2		
- Pension	7,603	301,004
- Medical, Net of Part D Subsidy	2,344	132,104
Tier 3		
- Pension	14,833	161,891
- Medical, Net of Part D Subsidy	7,120	107,938
Total	**$ 36,222**	**$ 2,168,299**

1.2(b) Actuarial Present Values - Others

As of June 30, 2009 (in thousands)		Normal Cost	Accrued Liability
Active Members			
Retirement Benefits		$ 93,759	$ 3,190,636
Termination Benefits		22,016	177,016
Disability Benefits		3,805	53,884
Death Benefits		2,005	27,544
Return of Contributions		19,352	(72,656)
Medical and Prescription Drug Benefits		110,219	2,525,235
Medicare Part D Subsidy		(6,023)	(116,276)
Indebtedness		N/A	(70,616)
Subtotal		$ 245,133	$ 5,714,767
Inactive Members			
Not Vested			$ 65,915
Vested Terminations	- Retirement Benefits		501,068
	- Medical and Prescription Drug Benefits		1,102,104
	- Medicare Part D Subsidy		(41,834)
	- Indebtedness		(12,637)
Retirees & Beneficiaries	- Retirement Benefits		4,347,346
	- Medical and Prescription Drug Benefits		2,966,519
	- Medicare Part D Subsidy		(232,176)
Subtotal			$ 8,696,305
Total		**$ 245,133**	**$ 14,411,072**
Total Pension		**$ 140,937**	**$ 8,207,500**
Total Medical, Net of Part D Subsidy		**$ 104,196**	**$ 6,203,572**
Total Medical, Gross of Part D Subsidy		**$ 110,219**	**$ 6,593,858**

1.2(b) Actuarial Present Values - Others
(continued)

As of June 30, 2009 (in thousands)		Normal Cost		Accrued Liability
By Tier				
Tier 1				
- Pension	$	34,264	$	5,672,919
- Medical, Net of Part D Subsidy		34,074		3,902,780
Tier 2				
- Pension		38,315		1,711,434
- Medical, Net of Part D Subsidy		20,168		1,332,543
Tier 3				
- Pension		68,358		823,147
- Medical, Net of Part D Subsidy		49,954		968,249
Total	**$**	**245,133**	**$**	**14,411,072**

1.2(c) Actuarial Present Values – All Members

As of June 30, 2009 (in thousands)			Normal Cost		Accrued Liability
Active Members					
Retirement Benefits		$	112,384	$	3,655,637
Termination Benefits			24,639		190,880
Disability Benefits			5,142		61,796
Death Benefits			3,068		33,865
Return of Contributions			20,823		(76,194)
Medical and Prescription Drug Benefits			121,946		2,772,838
Medicare Part D Subsidy			(6,647)		(127,947)
Indebtedness			N/A		(78,857)
Subtotal		$	281,355	$	6,432,018
Inactive Members					
Not Vested				$	68,074
Vested Terminations	- Retirement Benefits				518,726
	- Medical and Prescription Drug Benefits				1,136,770
	- Medicare Part D Subsidy				(43,358)
	- Indebtedness				(13,189)
Retirees & Beneficiaries	- Retirement Benefits				5,341,348
	- Medical and Prescription Drug Benefits				3,400,492
	- Medicare Part D Subsidy				(261,510)
Subtotal				$	10,147,353
Total		**$**	**281,355**	**$**	**16,579,371**
Total Pension		**$**	**166,056**	**$**	**9,702,086**
Total Medical, Net of Part D Subsidy		**$**	**115,299**	**$**	**6,877,285**
Total Medical, Gross of Part D Subsidy		**$**	**121,946**	**$**	**7,310,100**

1.2(c) Actuarial Present Values – All Members *(continued)*

As of June 30, 2009 (in thousands)	Normal Cost	Accrued Liability
By Tier		
Tier 1		
- Pension	$ 36,947	$ 6,704,610
- Medical, Net of Part D Subsidy	35,713	4,336,451
Tier 2		
- Pension	45,918	2,012,438
- Medical, Net of Part D Subsidy	22,512	1,464,647
Tier 3		
- Pension	83,191	985,038
- Medical, Net of Part D Subsidy	57,074	1,076,187
Total	**$ 281,355**	**$ 16,579,371**

1.3(a) Development of Total Employer/State Contribution Rate – FY12 Peace Officer/Firefighter

(in thousands)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	$ 25,119	$ 11,103	$ 36,222
(2) DB Member Salaries Projected for FY10	204,188	204,188	204,188
(3) DCR Member Salaries Projected for FY10	35,274	35,274	35,274
(4) Total Salaries Projected for FY10	239,462	239,462	239,462
(5) Normal Cost Rate for Peace Officer/Firefighter			
a. Based on DB Member Salaries, (1) ÷ (2)	12.30%	5.44%	17.74%
b. Based on Total Salaries, (1) ÷ (4)	10.49%	4.64%	15.13%
(6) Member Contribution Rate (Peace Officer/Firefighter)[1]	6.41%	0.00%	6.41%
(7) Employer Normal Cost Rate For Peace Officer/Firefighter, (5b) – (6)	4.08%	4.64%	8.72%

Past Service Rate	Pension	Healthcare	Total
(1) Accrued Liability	$ 1,494,586	$ 673,713	$ 2,168,299
(2) Valuation Assets[2]	941,006	405,019	1,346,025
(3) Unfunded Liability, (1) – (2)	553,580	268,694	822,274
(4) Funded Ratio, (2) ÷ (1)	63.0%	60.1%	62.1%
(5) Past Service Cost Amortization Payment[3]	37,498	20,353	57,851
(6) Total Salaries Projected for FY10	239,462	239,462	239,462
(7) Past Service Rate, (5) ÷ (6)	15.66%	8.50%	24.16%
Total Employer/State Contribution Rate	**19.74%**	**13.14%**	**32.88%**
Normal Cost Rate by Tier (Total Employer and Member)[4]			
Tier 1	13.29%	8.12%	21.41%
Tier 2	11.99%	3.70%	15.69%
Tier 3	12.30%	5.90%	18.20%

[1] *Assumes no member contributions from members in the DCR plan and 7.50% from Tiers 1, 2 and 3 in Peace Officer/Firefighters.*
[2] *Allocated between Peace Officer/Firefighters and Others in proportion to accrued liability.*
[3] *Amortized on a level percentage of pay basis.*
[4] *Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.*

1.3(a) Development of Total Employer/State Contribution Rate – FY12 Peace Officer/Firefighter *(continued)*

Schedule of Past Service Cost Amortizations – Peace Officer/Firefighter

Pension

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 137,169	$ 146,462	$ 11,194
FY03 Loss[1]	6/30/2003	19	9,777	10,405	767
FY04 Loss[1]	6/30/2004	20	25,832	27,328	1,947
FY05 Loss[1]	6/30/2005	21	48,970	51,378	3,547
Change in Assumptions/ Methods[1]	6/30/2006	22	65,436	67,939	4,554
FY06 Gain[1]	6/30/2006	22	(19,153)	(19,884)	(1,333)
FY07 Loss	6/30/2007	23	22,584	23,196	1,513
FY08 Gain	6/30/2008	24	(3,036)	(3,080)	(196)
FY09 Loss	6/30/2009	25	249,836	249,836	15,505
Total				**$ 553,580**	**$ 37,498**

Healthcare

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 175,533	$ 187,424	$ 14,324
FY03 Loss[4]	6/30/2003	19	12,512	13,315	981
FY04 Loss[4]	6/30/2004	20	33,056	34,971	2,491
FY05 Loss[1]	6/30/2005	21	62,666	65,748	4,538
Change in Assumptions/ Methods[4]	6/30/2006	22	83,737	86,940	5,828
FY06 Gain[1]	6/30/2006	22	(24,510)	(25,448)	(1,706)
FY07 Gain	6/30/2007	23	(86,375)	(88,714)	(5,786)
Change in Assumptions	6/30/2008	24	44,982	45,624	2,900
FY08 Gain	6/30/2008	24	(27,452)	(27,844)	(1,770)
FY09 Gain	6/30/2009	25	(23,322)	(23,322)	(1,447)
Total				**$ 268,694**	**$ 20,353**

[1] *The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.*

1.3(a) Development of Total Employer/State Contribution Rate – FY12 Peace Officer/Firefighter *(continued)*

Schedule of Past Service Cost Amortizations – Peace Officer/Firefighter

Total

	Amortization Period		Balances		
	Date Created	**Years Left**	**Initial**	**Outstanding**	**Beginning-of-Year Payment**
Initial Unfunded Liability	6/30/2002	18	$ 312,702	$ 333,886	$ 25,518
FY03 Loss	6/30/2003	19	22,289	23,720	1,748
FY04 Loss	6/30/2004	20	58,888	62,299	4,438
FY05 Loss	6/30/2005	21	111,636	117,126	8,085
Change in Assumptions/ Methods	6/30/2006	22	149,173	154,879	10,382
FY06 Gain	6/30/2006	22	(43,663)	(45,332)	(3,039)
FY07 Gain	6/30/2007	23	(63,791)	(65,518)	(4,273)
Change in Assumptions	6/30/2008	24	44,982	45,624	2,900
FY08 Gain	6/30/2008	24	(30,488)	(30,924)	(1,966)
FY09 Loss	6/30/2009	25	226,514	226,514	14,058
Total				**$ 822,274**	**$ 57,851**

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 14.213652. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

Note: The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach.

1.3(b) Development of Total Employer/State Contribution Rate – FY12 Others
(in thousands)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	$ 140,937	$ 104,196	$ 245,133
(2) DB Member Salaries Projected for FY10	1,458,593	1,458,593	1,458,593
(3) DCR Member Salaries Projected for FY10	305,086	305,086	305,086
(4) Total Salaries Projected for FY10	1,763,679	1,763,679	1,763,679
(5) Normal Cost Rate for Others			
a. Based on DB Member Salaries, (1) ÷ (2)	9.66%	7.14%	16.80%
b. Based on Total Salaries, (1) ÷ (4)	7.99%	5.91%	13.90%
(6) Member Contribution Rate (Others)[1]	5.68%	0.00%	5.68%
(7) Employer/State Normal Cost Rate For Others, (5b) – (6)	2.31%	5.91%	8.22%

Past Service Rate	Pension	Healthcare	Total
(1) Accrued Liability	$ 8,207,500	$ 6,203,572	$ 14,411,072
(2) Valuation Assets[2]	5,167,522	3,729,431	8,896,953
(3) Unfunded Liability, (1) – (2)	3,039,978	2,474,141	5,514,119
(4) Funded Ratio, (2) ÷ (1)	63.0%	60.1%	61.7%
(5) Past Service Cost Amortization Payment[3]	205,522	186,959	392,481
(6) Total Salaries Projected for FY10	1,763,679	1,763,679	1,763,679
(7) Past Service Rate, (5) ÷ (6)	11.65%	10.60%	22.25%
Total Employer/State Contribution Rate	**13.96%**	**16.51%**	**30.47%**
Normal Cost Rate by Tier (Total Employer and Member)[4]			
Tier 1	10.23%	10.18%	20.41%
Tier 2	9.35%	4.92%	14.27%
Tier 3	9.58%	7.00%	16.58%

[1] *Assumes no member contributions from members in the DCR plan and 6.75% from Tiers 1, 2 and 3 in Others members.*
[2] *Allocated between Peace Officer/Firefighter and Others in proportion to accrued liability.*
[3] *Amortized on a level percentage of pay basis.*
[4] *Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.*

1.3(b) Development of Total Employer/State Contribution Rate – FY12 Others *(continued)*

Schedule of Past Service Cost Amortizations – Others

Pension

	Amortization Period		Balances				
	Date Created	Years Left	Initial		Outstanding		Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 734,495	$	784,250	$	59,937
FY03 Loss[1]	6/30/2003	19	52,354		55,715		4,105
FY04 Loss[1]	6/30/2004	20	138,320		146,334		10,424
FY05 Loss[1]	6/30/2005	21	262,218		275,109		18,990
Change in Assumptions/ Methods[1]	6/30/2006	22	350,386		363,788		24,386
FY06 Gain[1]	6/30/2006	22	(102,558)		(106,483)		(7,138)
FY07 Loss	6/30/2007	23	120,930		124,206		8,101
FY08 Loss	6/30/2008	24	7,896		8,010		509
FY09 Loss	6/30/2009	25	1,389,049		1,389,049		86,208
Total				**$**	**3,039,978**	**$**	**205,522**

Healthcare

	Amortization Period		Balances				
	Date Created	Years Left	Initial		Outstanding		Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 1,596,753	$	1,704,920	$	130,302
FY03 Loss[9]	6/30/2003	19	113,814		121,125		8,926
FY04 Loss[9]	6/30/2004	20	300,702		318,122		22,662
FY05 Loss	6/30/2005	21	570,049		598,079		41,285
Change in Assumptions/ Methods[9]	6/30/2006	22	761,720		790,854		53,013
FY06 Gain[9]	6/30/2006	22	(222,957)		(231,484)		(15,517)
FY07 Gain	6/30/2007	23	(785,717)		(807,001)		(52,634)
Change in Assumptions	6/30/2008	24	364,085		369,278		23,476
FY08 Gain	6/30/2008	24	(238,309)		(241,708)		(15,366)
FY09 Gain	6/30/2009	25	(148,044)		(148,044)		(9,188)
Total				**$**	**2,474,141**	**$**	**186,959**

[1] *The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.*

1.3(b) Development of Total Employer/State Contribution Rate – FY12 Others *(continued)*

Schedule of Past Service Cost Amortizations – Others

Total

	Amortization Period		Balances		
	Date Created	**Years Left**	**Initial**	**Outstanding**	**Beginning-of-Year Payment**
Initial Unfunded Liability	6/30/2002	18	$ 2,331,248	$ 2,489,170	$ 190,239
FY03 Loss	6/30/2003	19	166,168	176,840	13,031
FY04 Loss	6/30/2004	20	439,022	464,456	33,086
FY05 Loss	6/30/2005	21	832,267	873,188	60,275
Change in Assumptions/ Methods	6/30/2006	22	1,112,106	1,154,642	77,399
FY06 Gain	6/30/2006	22	(325,515)	(337,967)	(22,655)
FY07 Gain	6/30/2007	23	(664,787)	(682,795)	(44,533)
Change in Assumptions	6/30/2008	24	364,085	369,278	23,476
FY08 Gain	6/30/2008	24	(230,413)	(233,698)	(14,857)
FY09 Loss	6/30/2009	25	1,241,005	1,241,005	77,020
Total				**$ 5,514,119**	**$ 392,481**

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 14.049391. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

Note: The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach.

1.3(c) Development of Total Employer/State Contribution Rate – FY12 All Members
(in thousands)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	$ 166,056	$ 115,299	$ 281,355
(2) DB Member Salaries Projected for FY10	1,662,781	1,662,781	1,662,781
(3) DCR Member Salaries Projected for FY10	340,360	340,360	340,360
(4) Total Salaries Projected for FY10	2,003,141	2,003,141	2,003,141
(5) Normal Cost Rate for All Members			
a. Based on DB Member Salaries, (1) ÷ (2)	9.99%	6.93%	16.92%
b. Based on Total Salaries, (1) ÷ (4)	8.29%	5.76%	14.05%
(6) Average Member Contribution Rate[1]	5.77%	0.00%	5.77%
(7) Employer Normal Cost Rate For All Members, (5b) – (6)	2.52%	5.76%	8.28%

Past Service Rate	Pension	Healthcare	Total
(1) Accrued Liability	$ 9,702,086	$ 6,877,285	$ 16,579,371
(2) Valuation Assets	6,108,528	4,134,450	10,242,978
(3) Total Unfunded Liability, (1) – (2)	3,593,558	2,742,835	6,336,393
(4) Funded Ratio, (2) ÷ (1)	63.0%	60.1%	61.8%
(5) Past Service Cost Amortization Payment[2]	243,020	207,312	450,332
(6) Total Salaries Projected for FY10	2,003,141	2,003,141	2,003,141
(7) Past Service Rate, (5) ÷ (6)	12.13%	10.35%	22.48%
Total Employer/State contribution Rate	**14.65%**	**16.11%**	**30.76%**
Normal Cost Rate by Tier (Total Employer and Member)[3]			
Tier 1	10.41%	10.06%	20.47%
Tier 2	9.70%	4.76%	14.46%
Tier 3	9.97%	6.84%	16.81%

[1] *Assumes no member contribution from members in the DCR plan, 7.5% for Peace Officer/Firefighter members and 6.75% for Others members.*
[2] *Amortized as a level percent of pay.*
[3] *Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.*

1.3(c) Development of Total Employer/State Contribution Rate – FY12 All Members *(continued)*

Schedule of Past Service Cost Amortizations – All Members

Pension

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 871,664	$ 930,712	$ 71,131
FY03 Loss[1]	6/30/2003	19	62,131	66,120	4,872
FY04 Loss[1]	6/30/2004	20	164,152	173,662	12,371
FY05 Loss[1]	6/30/2005	21	311,188	326,487	22,537
Change in Assumptions/ Methods[1]	6/30/2006	22	415,822	431,727	28,940
FY06 Gain[1]	6/30/2006	22	(121,711)	(126,367)	(8,471)
FY07 Loss	6/30/2007	23	143,514	147,402	9,614
FY08 Loss	6/30/2008	24	4,860	4,930	313
FY09 Loss	6/30/2009	25	1,638,885	1,638,885	101,713
Total				**$ 3,593,558**	**$ 243,020**

Healthcare

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 1,772,286	$ 1,892,344	$ 144,626
FY03 Loss[1]	6/30/2003	19	126,326	134,440	9,907
FY04 Loss[1]	6/30/2004	20	333,758	353,093	25,153
FY05 Loss[1]	6/30/2005	21	632,715	663,827	45,823
Change in Assumptions/ Methods[1]	6/30/2006	22	845,457	877,794	58,841
FY06 Gain[1]	6/30/2006	22	(247,467)	(256,932)	(17,223)
FY07 Gain	6/30/2007	23	(872,092)	(895,715)	(58,420)
Changes in Assumptions	6/30/2008	24	409,067	414,902	26,376
FY08 Gain	6/30/2008	24	(265,761)	(269,552)	(17,136)
FY09 Gain	6/30/2009	25	(171,366)	(171,366)	(10,635)
Total				**$ 2,742,835**	**$ 207,312**

[1] *The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.*

1.3(c) Development of Total Employer/State Contribution Rate – FY12 All Members *(continued)*

Schedule of Past Service Cost Amortizations – All Members

Total

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability	6/30/2002	18	$ 2,643,950	$ 2,823,056	$ 215,757
FY03 Loss	6/30/2003	19	188,457	200,560	14,779
FY04 Loss	6/30/2004	20	497,910	526,755	37,524
FY05 Loss	6/30/2005	21	943,903	990,314	68,360
Change in Assumptions/ Methods	6/30/2006	22	1,261,279	1,309,521	87,781
FY06 Gain	6/30/2006	22	(369,178)	(383,299)	(25,694)
FY07 Gain	6/30/2007	23	(728,578)	(748,313)	(48,806)
Change in Assumptions	6/30/2008	24	409,067	414,902	26,376
FY08 Gain	6/30/2008	24	(260,901)	(264,622)	(16,823)
FY09 Loss	6/30/2009	25	1,467,519	1,467,519	91,078
Total				**$ 6,336,393**	**$ 450,332**

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 14.070492. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

Note: The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach.

1.4 Development of Actuarial Gain/(Loss) for FY09
(in thousands)

			Pension	Healthcare	Total
(1)	Expected Actuarial Accrued Liability				
	(a)	Accrued Liability, June 30, 2008	$ 9,154,282	$ 6,733,859	$ 15,888,141
	(b)	Normal Cost for FY09	164,812	125,538	290,350
	(c)	Interest on (a) and (b) at 8.25%	768,825	565,900	1,334,725
	(d)	Benefit Payments for FY09	466,085	256,408	722,493
	(e)	Refund of Contributions for FY09	12,498	0	12,498
	(f)	Interest on (d) and (e) at 8.25% for one-half year	19,350	10,367	29,717
	(g)	Expected Accrued Liability as of June 30, 2009 (a) + (b) + (c) – (d) – (e) – (f)	9,589,986	7,158,522	16,748,508
(2)	Actual Accrued Liability, June 30, 2009		9,702,086	6,877,285	16,579,371
(3)	**Liability Gain/(Loss), (1)(g) – (2)**		**$ (112,100)**	**$ 281,237**	**$ 169,137**
(4)	Expected Actuarial Asset Value				
	(a)	Actuarial Asset Value, June 30, 2008	$ 7,210,772	$ 3,829,334	$ 11,040,106
	(b)	Interest on (a) at 8.25%	594,889	315,920	910,809
	(c)	Employee Contributions for FY09	118,815	523	119,338
	(d)	Employer Contributions for FY09	113,059	266,481	379,540
	(e)	Employer Legislative Relief for FY09	79,681	161,919	241,600
	(f)	Interest on (c), (d) and (e) at 8.25% for one-half year	12,597	17,342	29,939
	(g)	Benefit Payments for FY09	466,085	256,408	722,493
	(h)	Refund of Contributions for FY09	12,498	0	12,498
	(i)	Interest on (f) and (g) at 8.25% for one-half year	19,350	10,367	29,717
	(j)	Expected Actuarial Asset Value, June 30, 2009 (a) + (b) + (c) + (d) + (e) – (f) – (g) – (h) – (i)	7,631,880	4,324,744	11,956,624
(5)	Actuarial Asset Value, June 30, 2009		6,108,528	4,134,450	10,242,978
(6)	**Actuarial Asset Gain/(Loss), (5) – (4)(j)**		**$ (1,523,352)**	**$ (190,294)**	**$ (1,713,646)**
(7)	**Actuarial Gain/(Loss), (3) + (6)**		**$ (1,635,452)**	**$ 90,943**	**$ (1,544,509)**
(8)	**Effect of the 2-Year Delay on Contributions**		**$ (3,433)**	**$ 80,423**	**$ 76,990**
(9)	**FY09 Gain/(Loss) to be Amortized, (7) + (8)**		**$ (1,638,885)**	**$ 171,366**	**$ (1,467,519)**

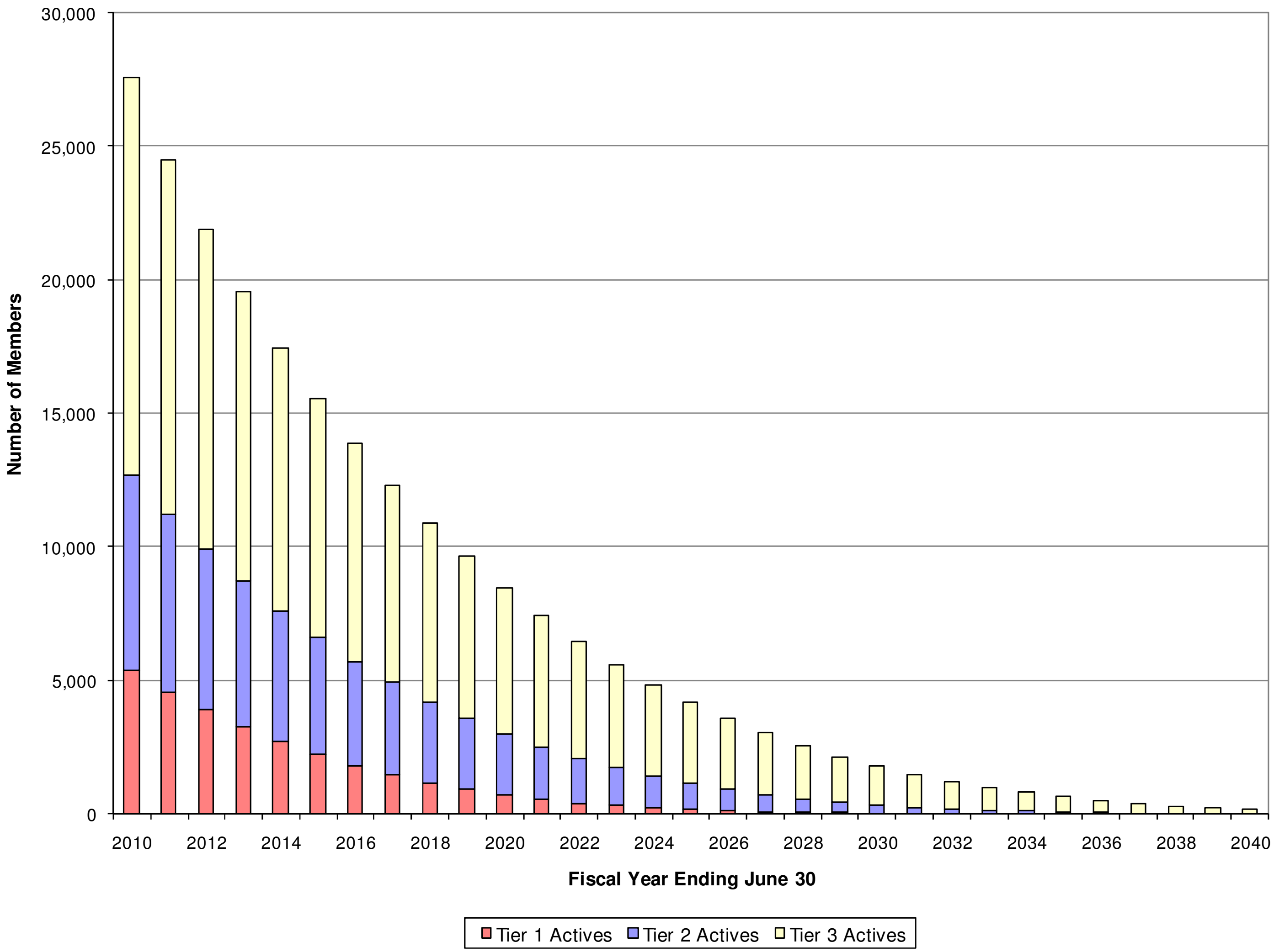
1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll

Key Assumptions

- 8.25% investment return on the Market Value of Assets in all years.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods as described in Section 2.3.
- The actuarially calculated contribution rate with a two-year lag is adopted each year.
- No new DB Plan entrants into Tiers 1, 2 and 3.
- Projections assume a 1% increase in the total active population. All new members are expected to enter the DCR plan.

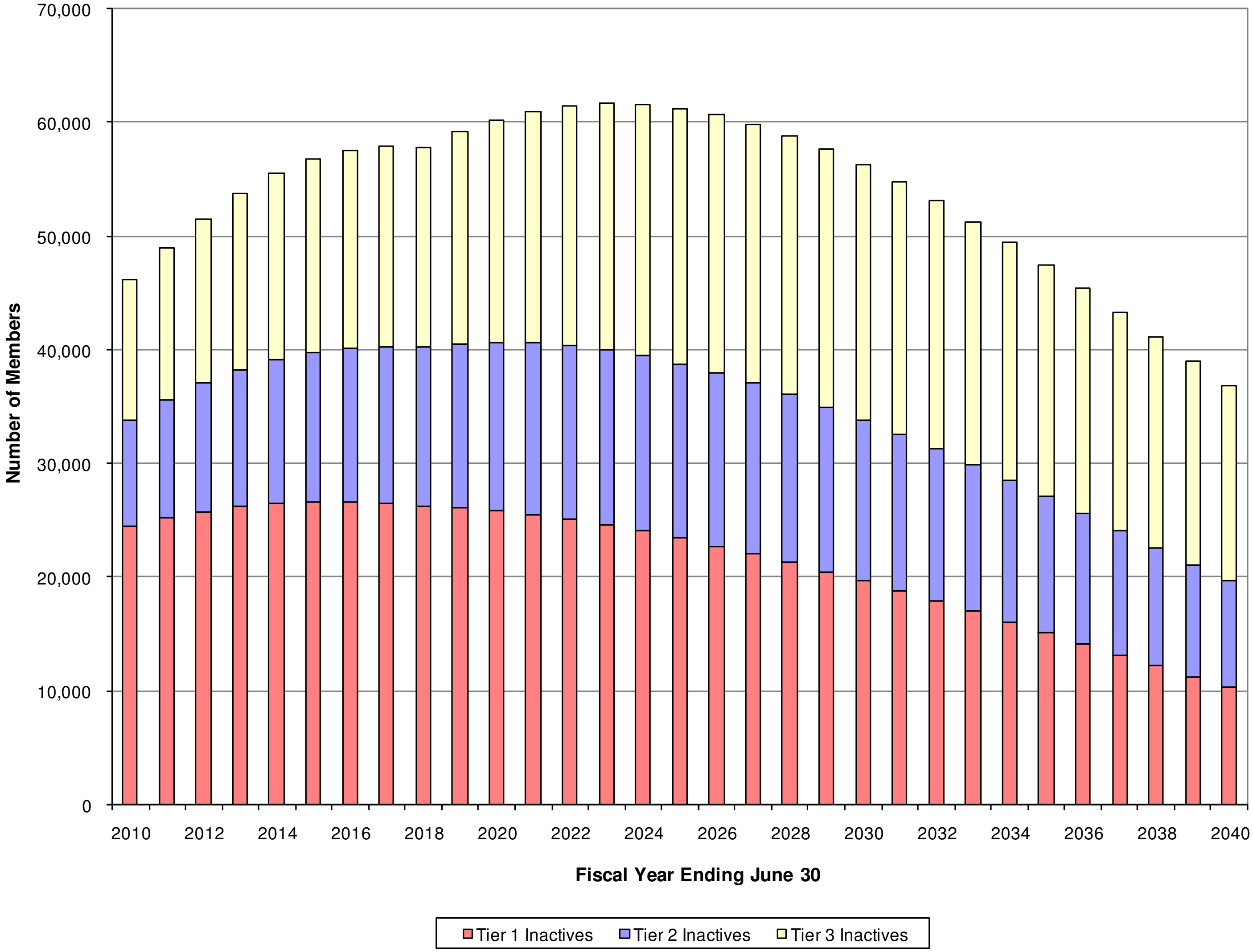
1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Active Member Count



1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Inactive Member Count



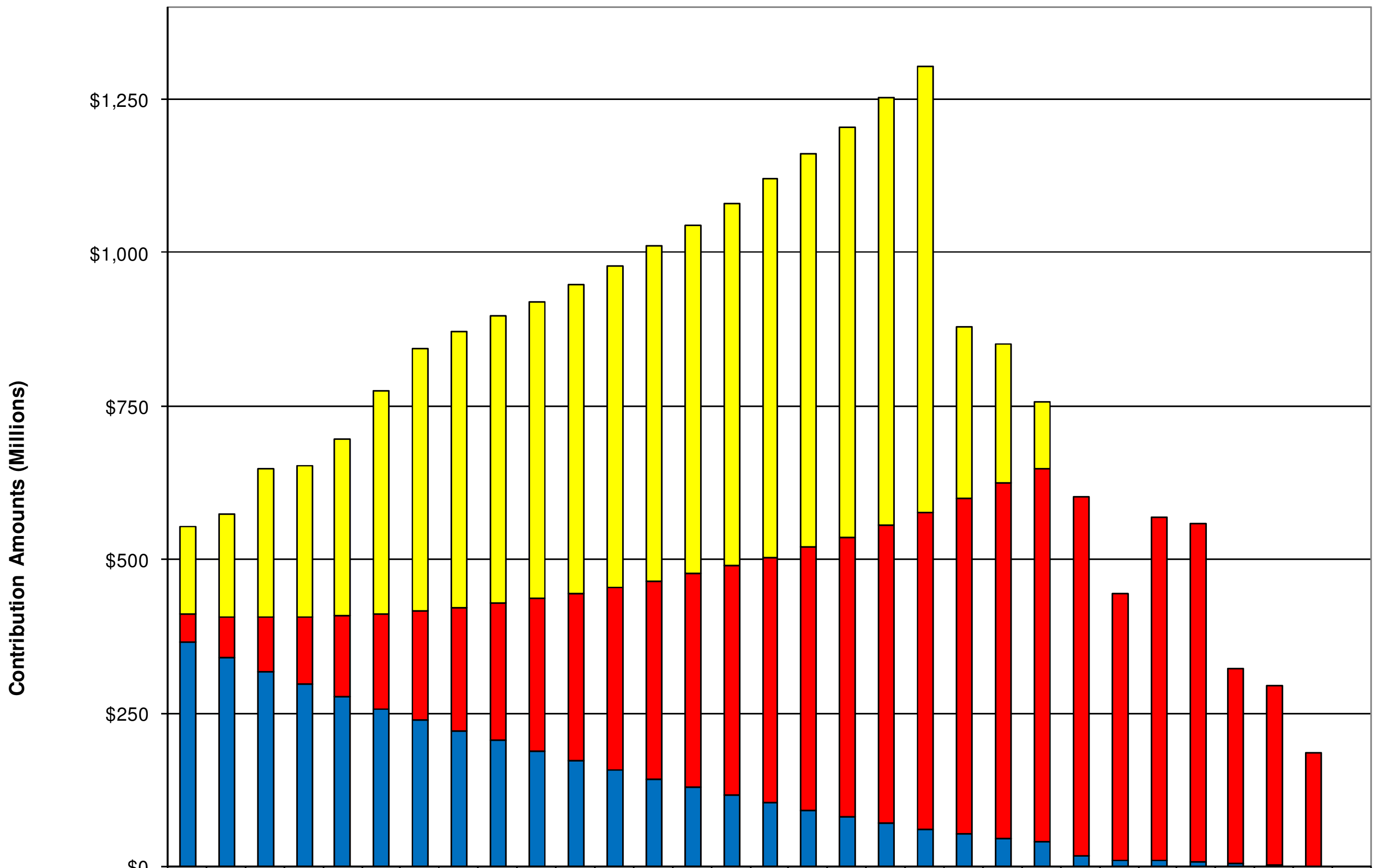
1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DBR and DC Payroll *(continued)*

Observations

- Contribution amounts have been shown instead of rates. The actual contribution amount provides a more meaningful illustration of the contributions due.
- Contribution amounts increase until FY29 before dropping off significantly as the June 30, 2002 unfunded liability amortization base is paid off.
- Contributions become $0 towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.
- Funding ratios decrease until FY14 as the deferral of recent investment losses are realized, and then improve throughout the rest of the projection period.

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Assistance	143	166	243	245	288	363	427	449	468	485	504	525	546	568	591
DB ER Contrib. on DCR Pay	45	67	88	110	132	154	177	201	224	248	272	297	323	348	374
DB ER Contrib. on DB Pay	366	341	319	298	277	258	240	222	205	189	173	158	143	130	116

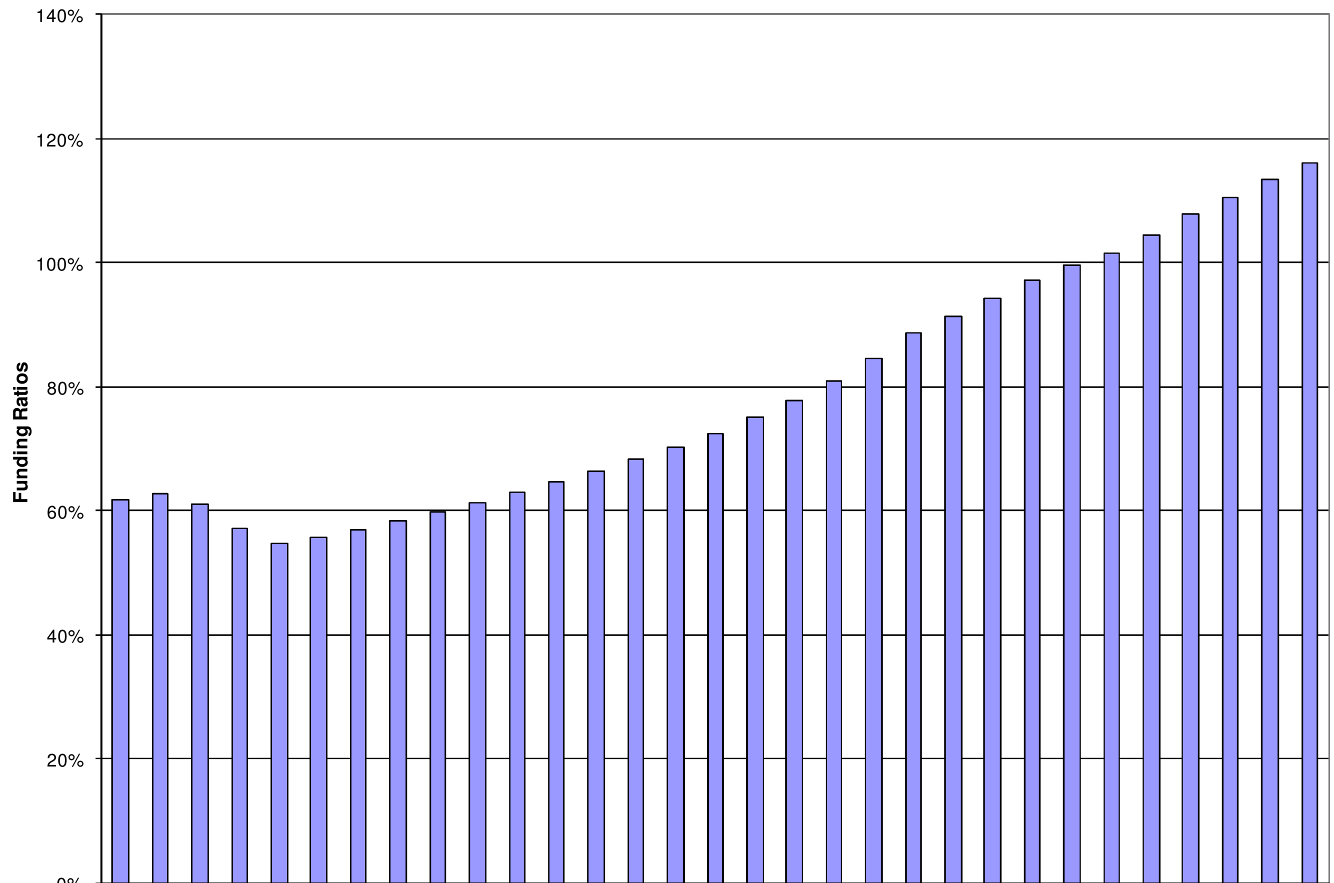
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
State Assistance	616	642	669	698	728	280	226	108	0	0	0	0	0	0	0	0
DB ER Contrib. on DCR Pay	401	429	457	486	515	546	578	610	586	435	560	553	319	292	184	0
DB ER Contrib. on DB Pay	104	92	81	71	62	54	47	40	18	11	11	8	4	3	1	0

Fiscal Year Ending June 30

DB ER Contrib. on DB Pay | DB ER Contrib. on DCR Pay | State Assistance

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Funding Ratios



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Funding Ratios	62%	63%	61%	57%	55%	56%	57%	58%	60%	61%	63%	65%	66%	68%	70%	73%

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Funding Ratios	75%	78%	81%	85%	89%	91%	94%	97%	100%	102%	105%	108%	111%	113%	116%

Fiscal Year Ending June 30

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

State of Alaska PERS

Financial Projections (in Thousands)

Investment Return: 8.25%

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year): Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Flow Amounts During Following 12 Months: Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	Recognized Asset Gain/(Loss)	Ending Actuarial Assets
2010	$10,242,978	$16,579,371	61.78%	($6,336,393)	$2,003,141	27.65%	$553,868	$127,552	$681,420	$828,971	($147,551)	$698,239	$110,138	$10,903,804
2011	10,903,804	17,394,993	62.68%	(6,491,189)	2,052,495	27.96%	573,878	130,323	704,201	904,892	(200,691)	741,522	(334,578)	11,110,057
2012	11,110,057	18,181,129	61.11%	(7,071,072)	2,111,483	30.76%	649,492	123,292	772,784	973,652	(200,868)	786,133	(866,367)	10,828,955
2013	10,828,955	18,936,269	57.19%	(8,107,314)	2,178,561	29.94%	652,261	116,925	769,186	1,043,253	(274,067)	831,458	(616,355)	10,769,991
2014	10,769,991	19,658,935	54.78%	(8,888,944)	2,252,502	30.94%	696,924	110,908	807,832	1,112,646	(304,814)	876,200	0	11,341,377
2015	11,341,377	20,348,017	55.74%	(9,006,640)	2,334,299	33.24%	775,921	105,255	881,176	1,184,169	(302,993)	923,413	0	11,961,797
2016	11,961,797	21,000,350	56.96%	(9,038,553)	2,423,734	34.81%	843,702	99,935	943,637	1,257,531	(313,894)	974,157	0	12,622,060
2017	12,622,060	21,612,333	58.40%	(8,990,273)	2,518,912	34.61%	871,795	94,629	966,424	1,329,279	(362,855)	1,026,649	0	13,285,854
2018	13,285,854	22,183,282	59.89%	(8,897,428)	2,619,618	34.26%	897,481	72,563	970,044	1,400,752	(430,708)	1,078,668	0	13,933,814
2019	13,933,814	22,707,497	61.36%	(8,773,683)	2,724,809	33.84%	922,075	67,030	989,105	1,463,314	(474,209)	1,130,366	0	14,589,971
2020	14,589,971	23,182,436	62.94%	(8,592,465)	2,836,101	33.47%	949,243	61,827	1,011,070	1,537,474	(526,404)	1,182,389	0	15,245,956
2021	15,245,956	23,605,510	64.59%	(8,359,554)	2,955,421	33.15%	979,722	56,744	1,036,466	1,611,683	(575,217)	1,234,534	0	15,905,273
2022	15,905,273	23,973,417	66.35%	(8,068,144)	3,079,884	32.85%	1,011,742	51,742	1,063,484	1,689,180	(625,696)	1,286,886	0	16,566,463
2023	16,566,463	24,279,376	68.23%	(7,712,913)	3,210,930	32.56%	1,045,479	46,880	1,092,359	1,765,362	(673,003)	1,339,522	0	17,232,982
2024	17,232,982	24,520,269	70.28%	(7,287,287)	3,349,003	32.31%	1,082,063	42,532	1,124,595	1,840,092	(715,497)	1,392,792	0	17,910,277
2025	17,910,277	24,693,467	72.53%	(6,783,190)	3,494,975	32.09%	1,121,537	38,095	1,159,632	1,913,804	(754,172)	1,447,105	0	18,603,210
2026	18,603,210	24,794,886	75.03%	(6,191,676)	3,649,422	31.88%	1,163,436	33,940	1,197,376	1,981,549	(784,173)	1,503,059	0	19,322,096
2027	19,322,096	24,825,790	77.83%	(5,503,694)	3,810,581	31.69%	1,207,573	30,104	1,237,677	2,046,393	(808,716)	1,561,374	0	20,074,754
2028	20,074,754	24,784,267	81.00%	(4,709,513)	3,982,020	31.51%	1,254,735	26,680	1,281,415	2,109,481	(828,066)	1,622,686	0	20,869,374
2029	20,869,374	24,666,731	84.61%	(3,797,357)	4,163,432	31.35%	1,305,236	23,315	1,328,551	2,165,812	(837,261)	1,687,871	0	21,719,984
2030	21,719,984	24,474,928	88.74%	(2,754,944)	4,355,441	20.20%	879,799	20,471	900,270	2,214,880	(1,314,610)	1,738,745	0	22,144,119
2031	22,144,119	24,211,022	91.46%	(2,066,903)	4,561,972	18.64%	850,352	17,792	868,144	2,262,842	(1,394,698)	1,770,498	0	22,519,919
2032	22,519,919	23,870,954	94.34%	(1,351,035)	4,776,337	15.87%	758,005	15,284	773,289	2,303,704	(1,530,415)	1,796,015	0	22,785,519
2033	22,785,519	23,456,280	97.14%	(670,761)	5,000,192	12.08%	604,023	13,000	617,023	2,333,930	(1,716,907)	1,810,386	0	22,878,998
2034	22,878,998	22,972,531	99.59%	(93,533)	5,234,704	8.52%	445,997	10,993	456,990	2,357,596	(1,900,606)	1,810,671	0	22,789,063
2035	22,789,063	22,421,212	101.64%	367,851	5,481,033	10.41%	570,576	9,318	579,894	2,370,715	(1,790,821)	1,807,690	0	22,805,932
2036	22,805,932	21,808,270	104.57%	997,662	5,739,602	9.78%	561,333	7,461	568,794	2,372,947	(1,804,153)	1,808,543	0	22,810,322
2037	22,810,322	21,140,445	107.90%	1,669,877	6,007,530	5.37%	322,604	6,008	328,612	2,368,608	(2,039,996)	1,799,369	0	22,569,695
2038	22,569,695	20,420,298	110.53%	2,149,397	6,289,452	4.68%	294,346	5,032	299,378	2,351,708	(2,052,330)	1,779,019	0	22,296,384
2039	22,296,384	19,656,809	113.43%	2,639,575	6,584,216	2.81%	185,016	3,951	188,967	2,324,495	(2,135,528)	1,753,107	0	21,913,963
2040	21,913,963	18,857,507	116.21%	3,056,456	6,893,877	0.00%	0	3,447	3,447	2,286,463	(2,283,016)	1,715,594	0	21,346,541

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a), except adopted contribution rate is maintained at the FY12 level of 30.76% of total pay for all future years.

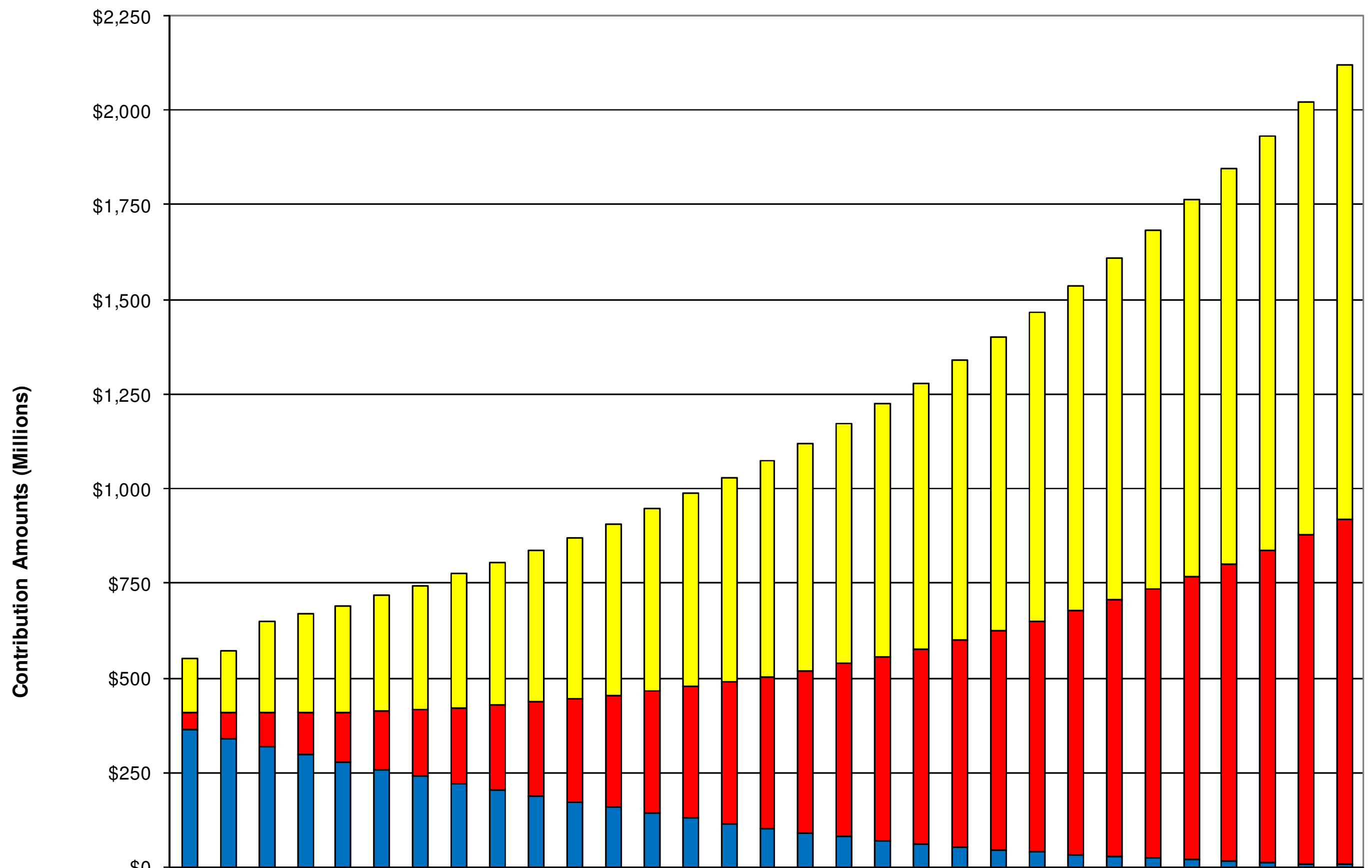
Observations

- Contribution amounts increase through the projection period.

- Funding ratios decrease until FY14 as the deferral of recent investment losses are realized, and then improve throughout the rest of the projection period.

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Assistance	143	166	243	263	284	306	329	352	376	401	427	454	481	510	539
DB ER Contrib. on DCR Pay	45	67	88	110	132	154	177	201	224	248	272	297	323	348	374
DB ER Contrib. on DB Pay	366	341	319	298	277	258	240	222	205	189	173	158	143	130	116

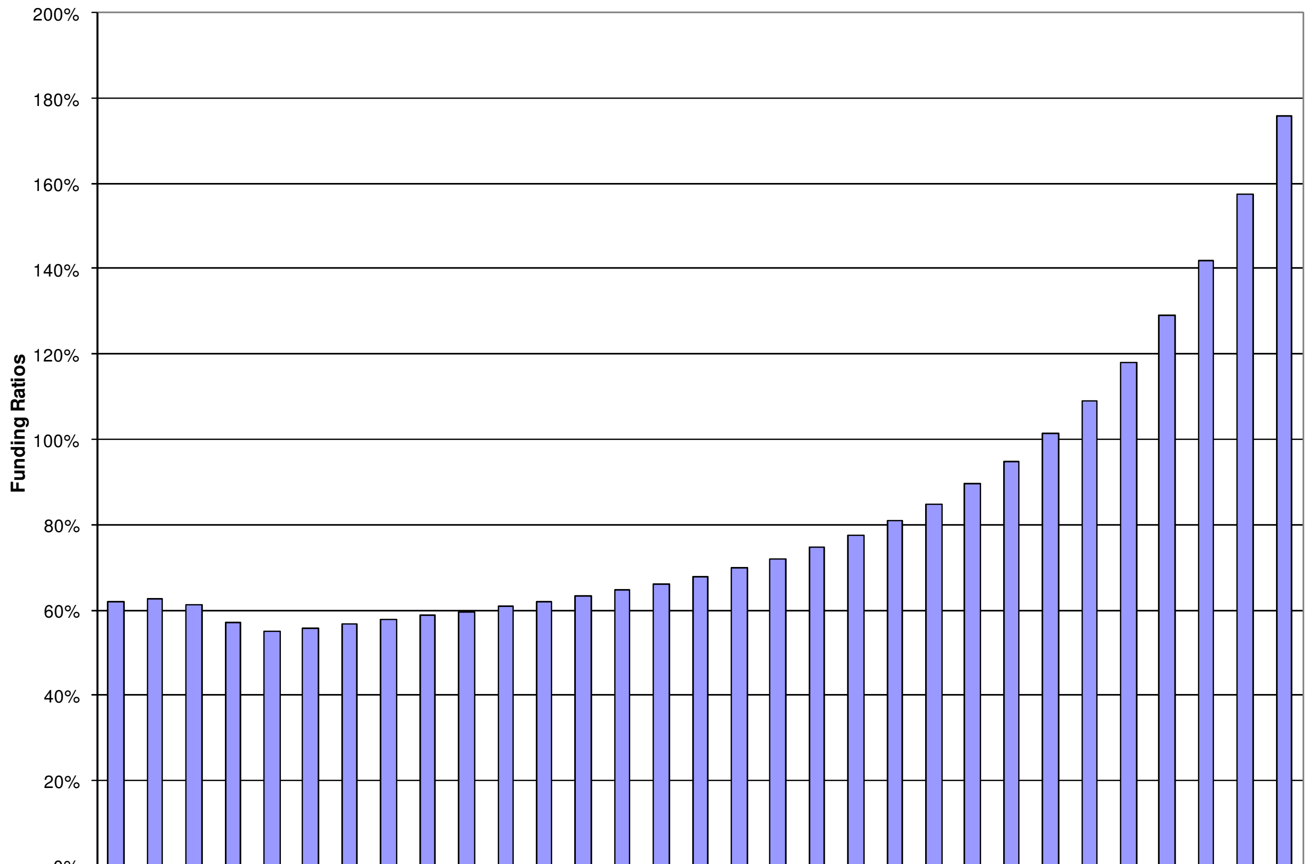
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
State Assistance	570	601	634	668	703	740	779	819	861	904	949	996	1,044	1,095	1,147	1,202
DB ER Contrib. on DCR Pay	401	429	457	486	515	546	578	610	644	678	714	751	788	828	868	911
DB ER Contrib. on DB Pay	104	92	81	71	62	54	47	40	34	28	23	19	15	12	10	7

Fiscal Year Ending June 30

DB ER Contrib. on DB Pay | DB ER Contrib. on DCR Pay | State Assistance

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll *(continued)*

Projected Funding Ratios



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Funding Ratios	62%	63%	61%	57%	55%	56%	57%	58%	59%	60%	61%	62%	63%	65%	66%	68%	70%	72%	75%	78%	81%	85%	90%	95%	101%	109%	118%	129%	142%	157%	176%

Fiscal Year Ending June 30

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll *(continued)*

State of Alaska PERS

Financial Projections (in Thousands)

	Investment Return: 8.25% Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									
Fiscal Year End	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	Recognized Asset Gain/(Loss)	Ending Actuarial Assets
--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------
2010	$10,242,978	$16,579,371	61.78%	($6,336,393)	$2,003,141	27.65%	$553,868	$127,552	$681,420	$828,971	($147,551)	$698,239	$110,138	$10,903,804
2011	10,903,804	17,394,993	62.68%	(6,491,189)	2,052,495	27.96%	573,878	130,323	704,201	904,892	(200,691)	741,522	(334,578)	11,110,057
2012	11,110,057	18,181,129	61.11%	(7,071,072)	2,111,483	30.76%	649,492	123,292	772,784	973,652	(200,868)	786,133	(866,367)	10,828,955
2013	10,828,955	18,936,269	57.19%	(8,107,314)	2,178,561	30.76%	670,125	116,925	787,050	1,043,253	(256,203)	832,180	(616,355)	10,788,577
2014	10,788,577	19,658,935	54.88%	(8,870,358)	2,252,502	30.76%	692,870	110,908	803,778	1,112,646	(308,868)	877,569	0	11,357,278
2015	11,357,278	20,348,017	55.82%	(8,990,739)	2,334,299	30.76%	718,030	105,255	823,285	1,184,169	(360,884)	922,384	0	11,918,778
2016	11,918,778	21,000,350	56.76%	(9,081,572)	2,423,734	30.76%	745,541	99,935	845,476	1,257,531	(412,055)	966,639	0	12,473,362
2017	12,473,362	21,612,333	57.71%	(9,138,971)	2,518,912	30.76%	774,817	94,629	869,446	1,329,279	(459,833)	1,010,460	0	13,023,989
2018	13,023,989	22,183,282	58.71%	(9,159,293)	2,619,618	30.76%	805,794	72,563	878,357	1,400,752	(522,395)	1,053,357	0	13,554,951
2019	13,554,951	22,707,497	59.69%	(9,152,546)	2,724,809	30.76%	838,151	67,030	905,181	1,463,314	(558,133)	1,095,717	0	14,092,535
2020	14,092,535	23,182,436	60.79%	(9,089,901)	2,836,101	30.76%	872,385	61,827	934,212	1,537,474	(603,262)	1,138,243	0	14,627,516
2021	14,627,516	23,605,510	61.97%	(8,977,994)	2,955,421	30.76%	909,087	56,744	965,831	1,611,683	(645,852)	1,180,657	0	15,162,321
2022	15,162,321	23,973,417	63.25%	(8,811,096)	3,079,884	30.76%	947,372	51,742	999,114	1,689,180	(690,066)	1,222,990	0	15,695,245
2023	15,695,245	24,279,376	64.64%	(8,584,131)	3,210,930	30.76%	987,682	46,880	1,034,562	1,765,362	(730,800)	1,265,309	0	16,229,754
2024	16,229,754	24,520,269	66.19%	(8,290,515)	3,349,003	30.76%	1,030,153	42,532	1,072,685	1,840,092	(767,407)	1,307,926	0	16,770,273
2025	16,770,273	24,693,467	67.91%	(7,923,194)	3,494,975	30.76%	1,075,054	38,095	1,113,149	1,913,804	(800,655)	1,351,175	0	17,320,793
2026	17,320,793	24,794,886	69.86%	(7,474,093)	3,649,422	30.76%	1,122,562	33,940	1,156,502	1,981,549	(825,047)	1,395,607	0	17,891,353
2027	17,891,353	24,825,790	72.07%	(6,934,437)	3,810,581	30.76%	1,172,135	30,104	1,202,239	2,046,393	(844,154)	1,441,905	0	18,489,104
2028	18,489,104	24,784,267	74.60%	(6,295,163)	3,982,020	30.76%	1,224,869	26,680	1,251,549	2,109,481	(857,932)	1,490,663	0	19,121,835
2029	19,121,835	24,666,731	77.52%	(5,544,896)	4,163,432	30.76%	1,280,672	23,315	1,303,987	2,165,812	(861,825)	1,542,705	0	19,802,715
2030	19,802,715	24,474,928	80.91%	(4,672,213)	4,355,441	30.76%	1,339,734	20,471	1,360,205	2,214,880	(854,675)	1,599,167	0	20,547,207
2031	20,547,207	24,211,022	84.87%	(3,663,815)	4,561,972	30.76%	1,403,263	17,792	1,421,055	2,262,842	(841,787)	1,661,109	0	21,366,529
2032	21,366,529	23,870,954	89.51%	(2,504,425)	4,776,337	30.76%	1,469,201	15,284	1,484,485	2,303,704	(819,219)	1,729,615	0	22,276,925
2033	22,276,925	23,456,280	94.97%	(1,179,355)	5,000,192	30.76%	1,538,059	13,000	1,551,059	2,333,930	(782,871)	1,806,193	0	23,300,247
2034	23,300,247	22,972,531	101.43%	327,716	5,234,704	30.76%	1,610,195	10,993	1,621,188	2,357,596	(736,408)	1,892,495	0	24,456,334
2035	24,456,334	22,421,212	109.08%	2,035,122	5,481,033	30.76%	1,685,966	9,318	1,695,284	2,370,715	(675,431)	1,990,338	0	25,771,241
2036	25,771,241	21,808,270	118.17%	3,962,971	5,739,602	30.76%	1,765,502	7,461	1,772,963	2,372,947	(599,984)	2,101,868	0	27,273,125
2037	27,273,125	21,140,445	129.01%	6,132,680	6,007,530	30.76%	1,847,916	6,008	1,853,924	2,368,608	(514,684)	2,229,223	0	28,987,664
2038	28,987,664	20,420,298	141.96%	8,567,366	6,289,452	30.76%	1,934,635	5,032	1,939,667	2,351,708	(412,041)	2,374,822	0	30,950,445
2039	30,950,445	19,656,809	157.45%	11,293,636	6,584,216	30.76%	2,025,305	3,951	2,029,256	2,324,495	(295,239)	2,541,474	0	33,196,680
2040	33,196,680	18,857,507	176.04%	14,339,173	6,893,877	30.76%	2,120,557	3,447	2,124,004	2,286,463	(162,459)	2,732,157	0	35,766,378

1.5(c) Actuarial Projections – Effect of Economic Scenarios Based on Total DB and DCR Payroll

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except investment returns on the Market Value of Assets are assumed as follows:

Base Case:	8.25% for all future years
Optimistic:	9.00% for all future years
Pessimistic:	7.50% for all future years

- In all cases, liabilities have been projected using 8.25% as the discount rate for future benefit payments. These scenarios are intended to illustrate the impact if investment rates are different than the 8.25% assumed investment return. They do not illustrate the effect of changing the assumed discount rate for determining liabilities.

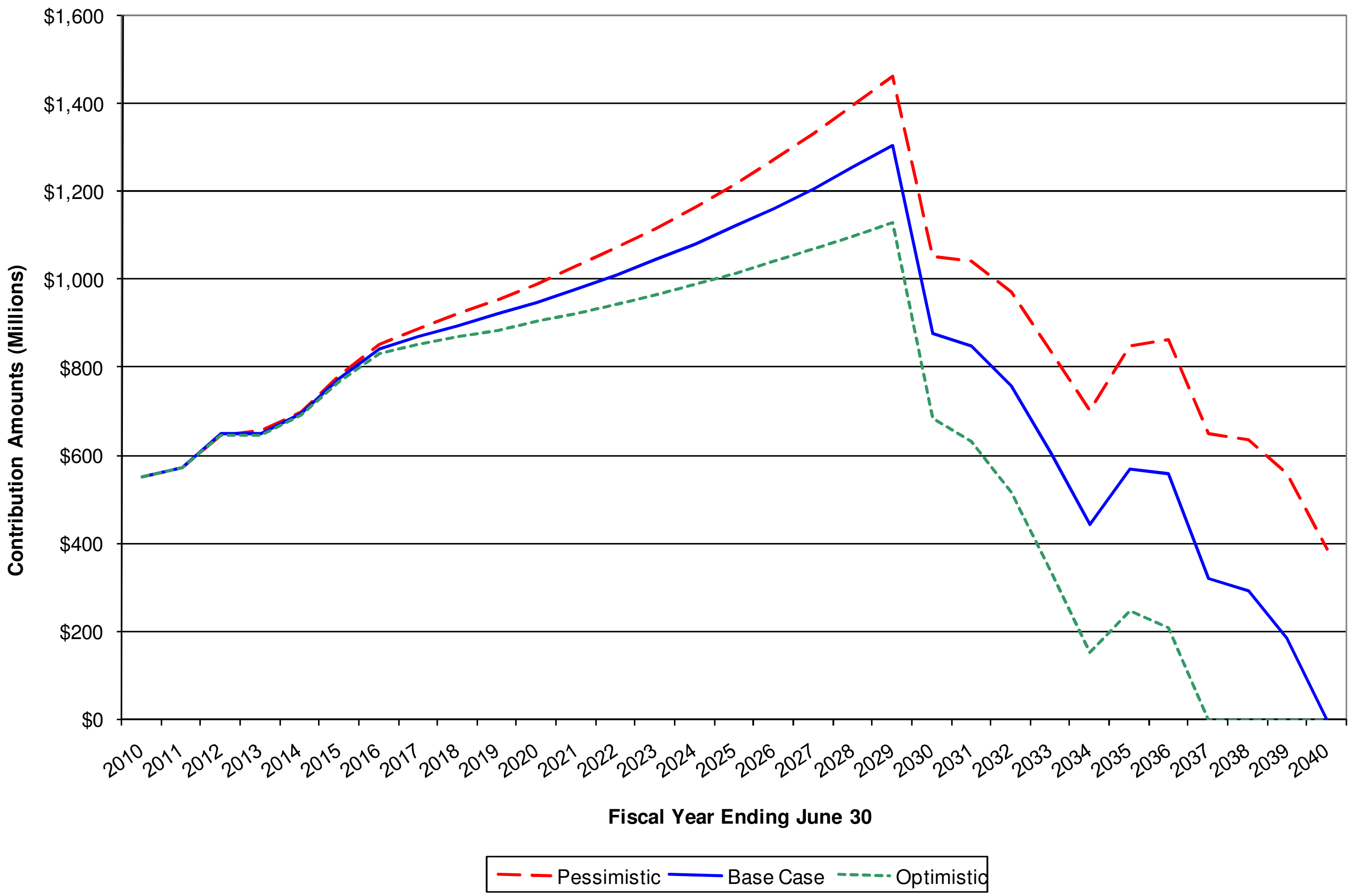
Observations

- As expected, lower investment returns would yield higher contribution requirements and higher investment returns would yield lower contribution requirements.

- In all scenarios, contribution amounts decrease towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.

1.5(c) Actuarial Projections – Projections at Calculated Rate Effect of Economic Scenarios Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts



Section 2

In this section, the basis of the valuation is presented and described. This information – the provisions of the plan and the census of participants – is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of plan provisions is provided in Section 2.1 and participant census information is shown in Section 2.2.

The valuation is based upon the premise that the plan will continue in existence so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will retire, die, terminate their services, their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the plan in a reasonable and acceptable manner, are described in Section 2.3.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions

(1) Effective Date

January 1, 1961, with amendments through June 30, 2008. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier for members who were first hired after June 30, 1996 (Tier 3). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

(2) Administration of Plan

The Commissioner of Administration or the Commissioner's designee is the administrator of the system. The Attorney General of the state is the legal counsel for the system and shall advise the administrator and represent the system in legal proceedings.

Prior to June 30, 2005, the Public Employees' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing PERS funds.

On July 27, 2005, Senate Bill 141, enacted as Chapter 9, 2005 Session laws of Alaska, replaced the Public Employees' Retirement Board and the Alaska State Pension Investment Board with the Alaska Retirement Management Board.

(3) Employers Included

Currently there are 160 employers participating in the PERS, including the State of Alaska and 159 political subdivisions and public organizations.

(4) Membership

PERS membership is mandatory for all permanent full-time and part-time employees of the State of Alaska and participating political subdivisions and public organizations, unless they are specifically excluded by Alaska Statute or employer participation agreements. Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the PERS. Elected officials may waive PERS membership.

Certain members of the Alaska Teachers' Retirement System (TRS) are eligible for PERS retirement benefits for their concurrent elected public official service with municipalities. In addition, employees who work half-time in the PERS and TRS simultaneously are eligible for half-time PERS and TRS credit.

Senate Bill 141, signed into law on July 27, 2005, closes the Plan effective July 1, 2006, to new members first hired on or after July 1, 2006.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

(5) Credited Service

Permanent employees who work at least 30 hours a week earn full-time credit; part-time employees working between 15 and 30 hours a week earn partial credit based upon the number of hours worked. Members receiving PERS occupational disability benefits continue to earn PERS credit while disabled. Survivors who are receiving occupational death benefits continue to earn PERS service credit while occupational survivor benefits are being paid.

Members may claim other types of service, including:

- part-time State of Alaska service rendered after December 31, 1960, and before January 1, 1976;
- service with the State, former Territory of Alaska, or U.S. Government in Alaska before January 1, 1961;
- past Peace Officer, correctional officer, fire fighter, and special officer service after January 1, 1961;
- military service (not more than five years may be claimed);
- temporary service after December 31, 1960;
- elected official service before January 1, 1981;
- Alaska Bureau of Indian Affairs service;
- past service rendered by employees who worked half-time in the PERS and Teachers' Retirement System (TRS) simultaneously;
- leave without pay service after June 13, 1987, while receiving Workers' Compensation;
- Village Public Safety Officer service; and
- service as a temporary employee of the legislature before July 1, 1979, but this service must have been claimed no later than July 1, 2003, or by the date of retirement, if sooner (not more than 10 years may be claimed).

Except for service before January 1, 1961, with the State, former Territory of Alaska, or U.S. Government in Alaska, contributions are required for all past service.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

Past employment with participating political subdivisions that occurred before the employers joined the PERS is creditable if the employers agree to pay the required contributions.

At the election of certain PERS members, certain service may be credited in the same fashion as members in the State of Alaska Teachers' Retirement System (TRS).

Members employed as dispatchers or within a state correctional facility may, at retirement, elect to convert their dispatcher or correctional facility service from "all other" service to Peace Officer/Firefighter service and retire under the 20 year retirement option. Members pay the full actuarial cost of conversion.

(6) Employer Contributions

PERS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

The normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

Pursuant to AS 39.35.255 effective July 1, 2008, each PERS employer will pay a simple uniform contribution rate of 22% of member payroll.

(7) Additional State Contributions

Pursuant to AS 39.35.280 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution (22%) will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

(8) Member Contributions

Mandatory Contributions: Peace Officer/Firefighter members are required to contribute 7.5% of their compensation; all Others contribute 6.75%. Those all Others who have elected to have their service calculated under the Teachers' Retirement System rules contribute 9.76% of their compensation. Members' contributions are deducted from gross wages before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (5) above.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

Voluntary Contributions: Members may voluntarily contribute up to 5% of their salary on an after-tax basis. Voluntary contributions are recorded in a separate account and are payable to the:

(a) member in lump sum payment upon termination of employment;

(b) member's beneficiary if the member dies; or

(c) member in a lump sum, life annuity, or payments over a designated period of time when the member retires.

Interest: Members' contributions earn 4.5% interest, compounded semiannually on June 30 and December 31.

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts which includes their mandatory and voluntary contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid Qualified Domestic Relations Orders.

Reinstatement of Contributions: Refunded accounts and the corresponding PERS service may be reinstated upon reemployment in the PERS prior to July 1, 2010. Accounts attached to satisfy claims under Alaska Statute 09.38.065 or a federal tax levy may be reinstated at any time. Interest accrues on refunds until paid in full or members retire.

(9) Retirement Benefits

Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:

  (i) five years of paid-up PERS service;

  (ii) 60 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS before May 30, 1987;

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

(iii) 80 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS after May 29, 1987;

(iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System; or

(v) two years of paid-up PERS service and a minimum three years of TRS service to qualify for a public service benefit.

(b) Members may retire at any age when they have:

(i) 20 paid-up years of PERS Peace Officer/Firefighter service; or

(ii) 30 paid-up years of PERS "all other" or "elected official" service.

Benefit Type: Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements under the "20 and out" or "30 and out" provisions. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

Members may elect an early retirement or a joint and survivor option. Members who entered the PERS prior to July 1, 1986 may also select a 66-2/3 last survivor option and a level income option. Under these options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculations: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Peace Officer/Firefighter members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of $25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers for Peace Officer/Firefighter members are 2% for the first ten years of service and 2.5% for all service over 10 years.

The percentage multipliers for all Others are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

Indebtedness: Members who terminate and refund their PERS contributions are not eligible to retire, unless they return to PERS employment and pay back their refunds plus interest or accrue additional service which qualifies them for retirement. PERS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded PERS service is included in total service for the purpose of calculating retirement benefits. However, if a member is otherwise eligible to retire, when refunds are not completely paid before retirement, benefits are actuarially reduced for life. Indebtedness balances may also be created when a member purchases qualified claimed service.

(10) Reemployment of Retired Members

Retirement and retiree healthcare benefits are suspended while retired members are reemployed under the PERS. During reemployment, members earn additional PERS service and contributions are withheld from their wages. A member who retired with a normal retirement benefit can elect to waive payment of PERS contributions. The waiver allows the member to continue receiving the retirement benefit during the period of reemployment. Members who elect the waiver option do not earn additional PERS service. The Waiver Option first became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is not available to members who retired early or under the Retirement Incentive Programs (RIPs). The Waiver Option is no longer available after June 30, 2009.

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under the PERS, Teachers' Retirement System (TRS), or the University of Alaska's Optional Retirement Plan will:

(a) forfeit the three years of incentive credits that they received;

(b) owe the PERS 150% of the benefits that they received for state and political subdivision members, and 110% for school district employees, under the 1996-2000 RIP, which may include costs for health insurance, excluding amounts that they paid to participate for the 1986 and 1989 RIPs. Under prior RIPs, the penalty is 110% of the benefits received; and

(c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

Employers make contributions to the unfunded liability of the plan on behalf of rehired retired members at the rate the employer is making contributions to the unfunded liability of the plan for other members.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

(11) Postemployment Healthcare Benefits

Major medical benefits are provided to retirees and their surviving spouses by the PERS for all employees hired before July 1, 1986 (Tier 1) and disabled retirees. Employees hired after June 30, 1986 (Tier 2) and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age sixty and will receive benefits paid by the PERS if they are over age sixty. In addition, Peace Officers and their surviving spouses with twenty-five years of Peace Officer membership service and Other employees and their surviving spouses with thirty years of membership service receive benefits paid by the PERS, regardless of their age or date of hire. Peace Officers / Firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

(12) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. Members are appointed to normal retirement on the first of the month after they become eligible.

<u>Occupational Disability:</u> Members are not required to satisfy age or service requirements to be eligible for occupational disability. Monthly benefits are equal to 40% of their gross monthly compensation on the date of their disability. Members on occupational disability continue to earn PERS service until they become eligible for normal retirement. Peace Officer/Firefighter members may elect to retain the disability benefit formula for the calculation of their normal retirement benefits.

<u>Nonoccupational Disability:</u> Members must be vested (five paid-up years of PERS service) to be eligible for nonoccupational disability benefits. Monthly benefits are calculated based on the member's average monthly compensation and PERS service on the date of termination from employment because of disability. Members do not earn PERS service while on nonoccupational disability.

(13) Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

Occupational Death: When an active member (vested or nonvested) dies from occupational causes, a monthly survivor's pension may be paid to the spouse. The pension equals 40% of the member's gross monthly compensation on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date. Survivors of Peace Officer/Firefighter members receive the greater of 50% of the member's gross monthly compensation on the date of death or disability, or 75% of the member's monthly normal retirement benefit (including service projected to Normal Retirement). If the member is unmarried with no children, a refund of contributions is payable to the estate.

Death after Occupational Disability: When a member dies while occupationally disabled, benefits are paid as described above in Occupational Death.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit. The monthly benefit is calculated on the member's average monthly compensation and PERS service at the time of termination or death.

Lump Sum Nonoccupational Death Benefit: Upon the death of a member who has less than one year of service, the designated beneficiary receives the member's contribution account, which includes mandatory and voluntary contributions, indebtedness payments, and interest earned. If the member has more than one year of PERS service or is vested, the beneficiary also receives $1,000 and $100 for each year of PERS service.

Death After Retirement: When a retired member dies, the designated beneficiary receives the member's contribution account, less any benefits already paid and the member's last benefit check. If the member selected a survivor option at retirement, the eligible spouse receives continuing, lifetime monthly benefits.

(14) Postretirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, times:

(a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on PERS disability; or

(b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or has been receiving benefits for at least five years.

2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

(15) Alaska Cost of Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits or $50, whichever is more. The following benefit recipients are eligible:

(a) members who first entered the PERS before July 1, 1986 (Tier 1) and their survivors;

(b) members who first entered the PERS after June 30, 1986 (Tiers 2 & 3) and their survivors if they are at least age 65; and

(c) all disabled members.

Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

2.2(a) Member Census Information – Total PERS

As of June 30	2005	2006	2007	2008	2009
Active Members					
(1) Number	33,730	34,071	31,362	28,850	27,565
(2) Average Age	44.82	45.04	46.06	47.01	47.85
(3) Average Credited Service	8.72	8.92	9.66	10.48	11.19
(4) Average Entry Age	36.10	36.12	36.40	36.53	36.66
(5) Average Annual Earnings	$ 44,860	$ 46,688	$ 51,203	$ 54,691	$ 57,518
(6) Number Vested	19,349	19,032	19,587	20,058	20,671
(7) Percent Who Are Vested	57.4%	55.9%	62.5%	69.5%	75.0%
Retirees, Disableds and Beneficiaries					
(1) Number	20,703	21,901	22,997	24,082	25,015
(2) Average Age	65.21	65.40	65.69	66.01	66.39
(3) Average Monthly Pension Benefit					
Base	$ 1,193	$ 1,217	$ 1,242	$ 1,263	$ 1,280
COLA	82	83	84	84	85
P.R.P.A.	221	222	226	225	244
Adjustment	1	1	0	1	0
Total	$ 1,497	$ 1,523	$ 1,552	$ 1,573	$ 1,609
Vested Terminations (vested at time of termination, not refunded contributions or commenced benefits)					
(1) Number	6,105	6,219	6,398	6,627	6,566
(2) Average Age	48.46	48.76	49.07	49.41	49.83
(3) Average Monthly Pension Benefit	$ 582	$ 590	$ 786	$ 816	$ 836
Non-Vested Terminations With Account Balances (not vested at termination, not refunded contributions)					
(1) Number	12,761	14,155	14,902	14,930	14,626
(2) Average Account Balance	$ 3,832	$ 3,876	$ 4,035	$ 4,354	$ 4,654
Total Number of Members	**73,299**	**76,346**	**75,659**	**74,489**	**73,772**

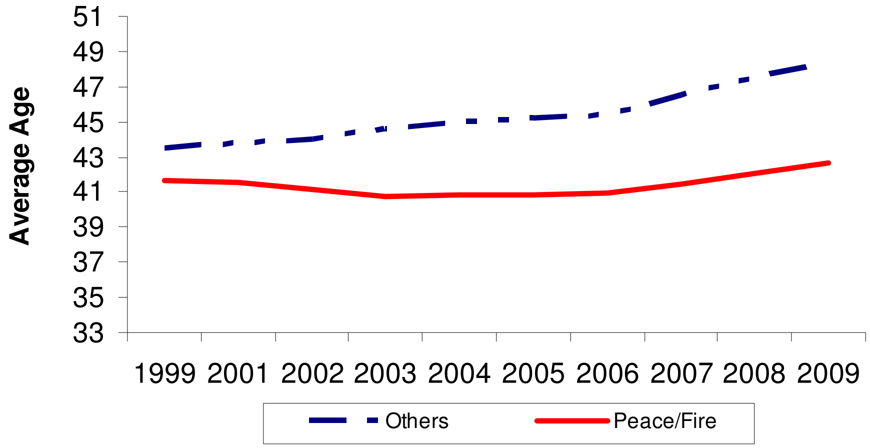
2.2(a) Member Census Information – Total PERS *(continued)*

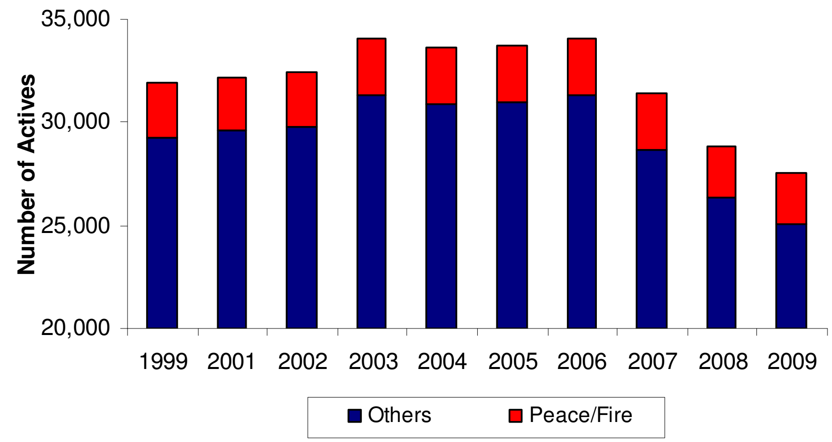
As of June 30, 2009	Tier 1	Tier 2	Tier 3	Total
Retirees, Disableds and Beneficiaries				
(1) Number	20,936	3,504	575	25,015
(2) Average Age	66.67	65.26	62.89	66.39
(3) Average Monthly Pension Benefit				
Base	$ 1,370	$ 847	$ 664	$ 1,280
COLA	96	27	25	85
P.R.P.A.	280	66	27	244
Adjustment	1	0	0	0
Total	$ 1,747	$ 940	$ 716	$ 1,609

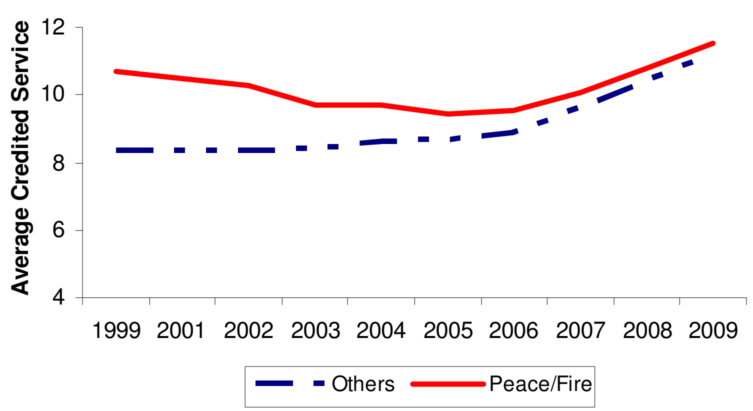
2.2(b) Additional Information – Active Members

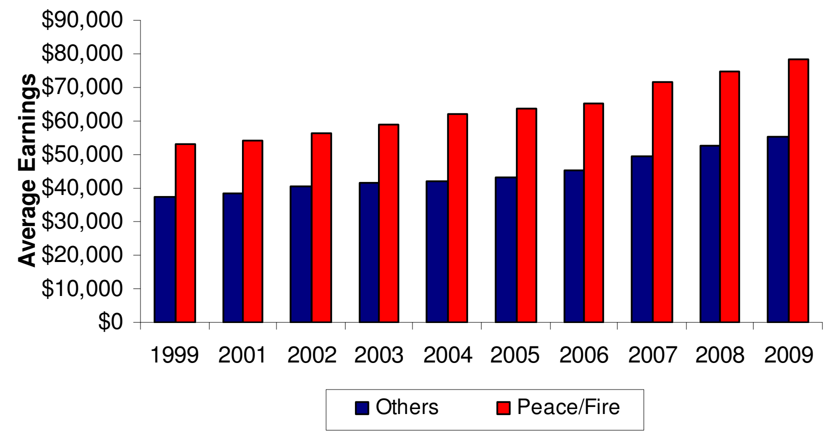
As of June 30	2005	2006	2007	2008	2009
Peace Officer/Firefighter					
(1) Number	2,733	2,785	2,687	2,549	2,476
(2) Average Age	40.82	40.94	41.48	42.04	42.63
(3) Average Credited Service	9.46	9.54	10.05	10.80	11.55
(4) Average Entry Age	31.36	31.40	31.43	31.24	31.08
(5) Average Annual Earnings	$ 63,723	$ 65,289	$ 71,334	$ 74,825	$ 78,562
(6) Number Vested	1,799	1,811	1,892	1,928	2,017
(7) Percent Who Are Vested	65.8%	65.0%	70.4%	75.6%	81.5%
Others					
(1) Number	30,997	31,286	28,675	26,301	25,089
(2) Average Age	45.17	45.40	46.49	47.49	48.36
(3) Average Credited Service	8.65	8.86	9.62	10.45	11.15
(4) Average Entry Age	36.52	36.54	36.87	37.04	37.21
(5) Average Annual Earnings	$ 43,197	$ 45,032	$ 49,316	$ 52,740	$ 55,441
(6) Number Vested	17,550	17,221	17,695	18,130	18,654
(7) Percent Who Are Vested	56.6%	55.0%	61.7%	68.9%	74.4%
Total					
(1) Number	33,730	34,071	31,362	28,850	27,565
(2) Average Age	44.82	45.04	46.06	47.01	47.85
(3) Average Credited Service	8.72	8.92	9.66	10.48	11.19
(4) Average Entry Age	36.10	36.12	36.40	36.53	36.66
(5) Average Annual Earnings	$ 44,860	$ 46,688	$ 51,203	$ 54,691	$ 57,518
(6) Number Vested	19,349	19,032	19,587	20,058	20,671
(7) Percent Who Are Vested	57.4%	55.9%	62.5%	69.5%	75.0%

2.2(b) Additional Information – Active Members *(continued)*









2.2(c) Distribution of Active Members – Peace Officer/Firefighter

Annual Earnings by Age

Age	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	0	$ 0	$ 0
20 – 24	12	772,516	64,376
25 – 29	165	12,016,528	72,827
30 – 34	361	27,803,865	77,019
35 – 39	510	40,509,797	79,431
40 – 44	479	39,274,458	81,993
45 – 49	401	31,880,366	79,502
50 – 54	290	22,519,533	77,654
55 – 59	193	14,998,285	77,711
60 – 64	59	4,358,394	73,871
65 – 69	6	385,747	64,291
70 – 74	0	0	0
75+	0	0	0
Total	2,476	$ 194,519,489	$ 78,562

Annual Earnings by Credited Service

Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0	5	$ 265,425	$ 53,085
1	18	981,513	54,529
2	16	1,025,971	64,123
3	236	16,025,110	67,903
4	200	14,476,390	72,382
0 – 4	475	32,774,409	68,999
5 – 9	740	56,209,761	75,959
10 – 14	596	49,123,928	82,423
15 – 19	355	30,398,798	85,630
20 – 24	202	16,893,350	83,630
25 – 29	85	7,087,276	83,380
30 – 34	22	1,944,109	88,369
35 – 39	0	0	0
40+	1	87,858	87,858
Total	2,476	$ 194,519,489	$ 78,562

Years of Credited Service by Age

	Years of Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	0	0	0	0	0	0	0	0	0	0
20 – 24	12	0	0	0	0	0	0	0	0	12
25 – 29	113	51	1	0	0	0	0	0	0	165
30 – 34	111	188	62	0	0	0	0	0	0	361
35 – 39	79	192	187	51	1	0	0	0	0	510
40 – 44	56	125	143	120	35	0	0	0	0	479
45 – 49	45	111	87	75	66	17	0	0	0	401
50 – 54	36	44	60	59	49	36	6	0	0	290
55 – 59	17	19	44	37	38	27	11	0	0	193
60 – 64	6	9	11	11	11	5	5	0	1	59
65 – 69	0	1	1	2	2	0	0	0	0	6
70 – 74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	475	740	596	355	202	85	22	0	1	2,476

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(d) Schedule of Active Member Valuation Data – Peace Officer/Firefighter

Valuation Date	Number	Annual Earnings (000's) [1]	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2009	2,476	$ 194,519	$ 78,562	5.0%	160
June 30, 2008	2,549	190,729	74,825	4.9%	159
June 30, 2007	2,687	191,674	71,334	9.3%	160
June 30, 2006	2,785	181,830	65,289	2.5%	160
June 30, 2005	2,733	174,155	63,723	3.0%	160
June 30, 2004	2,705	167,317	61,855	4.9%	161
June 30, 2003	2,727	160,743	58,945	0.8%	160
June 30, 2002	2,695	157,632	58,490	3.4%	161
June 30, 2001	2,683	151,701	56,542	3.9%	158
June 30, 1999	2,624	142,843	54,437	2.7%	148

[1] *Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.*

2.2(e) Distribution of Active Members – Others

Annual Earnings by Age

Age	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	0	$ 0	$ 0
20 – 24	139	5,819,805	41,869
25 – 29	1,001	47,082,916	47,036
30 – 34	1,783	91,347,531	51,232
35 – 39	2,288	123,819,041	54,117
40 – 44	3,015	161,853,150	53,683
45 – 49	4,671	255,692,148	54,740
50 – 54	5,589	323,772,955	57,930
55 – 59	4,220	246,379,695	58,384
60 – 64	1,781	103,277,892	57,989
65 – 69	471	26,025,975	55,257
70 – 74	102	4,522,511	44,338
75+	29	1,376,918	47,480
Total	25,089	$1,390,970,537	$ 55,441

Annual Earnings by Credited Service

Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0	177	$ 7,031,619	$ 39,727
1	502	20,255,657	40,350
2	864	34,799,999	40,278
3	2,300	107,125,613	46,576
4	2,048	99,918,683	48,788
0 – 4	5,891	269,131,571	45,685
5 – 9	7,827	401,618,476	51,312
10 – 14	4,581	262,214,591	57,240
15 – 19	3,175	201,013,963	63,311
20 – 24	2,069	141,258,328	68,274
25 – 29	1,219	90,422,932	74,178
30 – 34	283	21,464,273	75,845
35 – 39	41	3,577,328	87,252
40+	3	269,075	89,692
Total	25,089	$ 1,390,970,537	$ 55,441

Years of Credited Service by Age

	Years of Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	0	0	0	0	0	0	0	0	0	0
20 – 24	134	5	0	0	0	0	0	0	0	139
25 – 29	721	276	4	0	0	0	0	0	0	1,001
30 – 34	800	854	125	4	0	0	0	0	0	1,783
35 – 39	744	1,014	452	73	5	0	0	0	0	2,288
40 – 44	830	1,090	613	364	113	5	0	0	0	3,015
45 – 49	882	1,468	930	710	453	219	9	0	0	4,671
50 – 54	821	1,431	1,111	895	700	519	111	1	0	5,589
55 – 59	593	1,023	878	736	550	334	92	14	0	4,220
60 – 64	275	491	353	302	193	105	45	16	1	1,781
65 – 69	65	139	95	70	41	30	22	8	1	471
70 – 74	22	24	19	16	12	4	3	1	1	102
75+	4	12	1	5	2	3	1	1	0	29
Total	5,891	7,827	4,581	3,175	2,069	1,219	283	41	3	25,089

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(f) Schedule of Active Member Valuation Data – Others

Valuation Date	Number	Annual Earnings (000's) [1]	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2009	25,089	$ 1,390,971	$ 55,441	5.1%	160
June 30, 2008	26,301	1,387,117	52,740	6.9%	159
June 30, 2007	28,675	1,414,145	49,316	9.5%	160
June 30, 2006	31,286	1,408,863	45,032	4.2%	160
June 30, 2005	30,997	1,338,962	43,197	2.3%	160
June 30, 2004	30,907	1,305,670	42,245	1.8%	161
June 30, 2003	31,338	1,300,041	41,484	1.8%	160
June 30, 2002	30,547	1,245,055	40,759	0.3%	161
June 30, 2001	29,758	1,208,700	40,618	5.4%	158
June 30, 1999	29,590	1,140,706	38,550	3.0%	148

[1] *Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.*

2.2(g) Statistics on New Benefit Recipients – Peace Officer/Firefighter

During the Year Ending June 30	2005	2006	2007	2008	2009
Service					
(1) Number	121	91	97	97	80
(2) Average Age at Commencement	52.98	54.50	54.23	55.95	55.98
(3) Average Monthly Pension Benefit	$ 2,435	$ 2,415	$ 2,692	$ 2,616	$ 2,402
Survivor (including surviving spouse and QDROs)					
(1) Number	12	22	30	20	25
(2) Average Age at Commencement	49.41	56.72	57.01	56.36	58.42
(3) Average Monthly Pension Benefit	$ 876	$ 993	$ 1,388	$ 1,163	$ 1,337
Disability					
(1) Number	12	5	11	8	3
(2) Average Age at Commencement	47.42	47.21	48.51	43.62	44.87
(3) Average Monthly Pension Benefit	$ 1,691	$ 2,032	$ 2,253	$ 2,425	$ 1,461
Total					
(1) Number	145	118	138	125	108
(2) Average Age at Commencement	52.23	54.61	54.38	55.23	56.24
(3) Average Monthly Pension Benefit	$ 2,244	$ 2,134	$ 2,374	$ 2,371	$ 2,129

2.2(h) Schedule of Average Pension Benefit Payments – New Benefit Recipients – Peace Officer/Firefighter

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/08 - 6/30/09:							
Average Monthly Pension Benefit	$ 489	$ 820	$ 979	$ 2,466	$ 3,152	$ 4,213	$ 4,894
Number of Recipients	2	17	11	18	23	7	5
Period 7/1/07 - 6/30/08:							
Average Monthly Pension Benefit	$ 1,522	$ 950	$ 1,171	$ 2,378	$ 3,179	$ 3,837	$ 6,014
Number of Recipients	6	13	13	20	32	18	3
Period 7/1/06 - 6/30/07:							
Average Monthly Pension Benefit	$ 925	$ 858	$ 1,304	$ 2,385	$ 3,180	$ 4,198	$ 4,942
Number of Recipients	4	13	9	26	40	12	4
Period 7/1/05 - 6/30/06:							
Average Monthly Pension Benefit	$ 1,556	$ 748	$ 1,280	$ 2,236	$ 2,931	$ 3,595	$ 4,190
Number of Recipients	5	11	9	26	29	13	3
Period 7/1/04 - 6/30/05:							
Average Monthly Pension Benefit	$ 277	$ 700	$ 1,209	$ 1,823	$ 2,852	$ 3,804	$ 3,846
Number of Recipients	1	14	20	23	66	13	3
Period 7/1/03 - 6/30/04:							
Average Monthly Pension Benefit	$ 1,644	$ 2,392	$ 2,298	$ 2,093	$ 2,435	$ 2,895	$ 2,546
Number of Recipients	4	78	46	43	61	30	8
Period 7/1/02 - 6/30/03:							
Average Monthly Pension Benefit	$ 1,594	$ 697	$ 1,131	$ 2,043	$ 3,013	$ 4,079	$ 4,313
Number of Recipients	1	9	20	20	79	11	3
Period 7/1/01 - 6/30/02:							
Average Monthly Pension Benefit	$ 1,903	$ 466	$ 1,056	$ 1,561	$ 2,567	$ 3,447	$ 5,996
Number of Recipients	1	6	12	19	85	32	2
Period 7/1/00 - 6/30/01:							
Average Monthly Pension Benefit	$ 1,416	$ 927	$ 1,249	$ 1,704	$ 2,824	$ 2,892	$ 2,702
Number of Recipients	2	13	34	61	143	57	18

"Average Monthly Pension Benefit" includes post-retirement pension adjustments and cost-of-living increases.

2.2(i) Statistics on New Benefit Recipients – Others

During the Year Ending June 30	2005	2006	2007	2008	2009
Service					
(1) Number	1,200	1,308	1,270	1,226	1,140
(2) Average Age at Commencement	57.09	57.41	57.70	57.77	58.10
(3) Average Monthly Pension Benefit	$ 1,524	$ 1,539	$ 1,731	$ 1,743	$ 1,698
Survivor (including surviving spouse and QDROs)					
(1) Number	43	155	175	201	181
(2) Average Age at Commencement	55.11	62.33	62.74	63.66	64.33
(3) Average Monthly Pension Benefit	$ 602	$ 852	$ 847	$ 1,000	$ 866
Disability					
(1) Number	44	31	34	27	19
(2) Average Age at Commencement	50.26	49.93	50.60	47.75	51.79
(3) Average Monthly Pension Benefit	$ 1,354	$ 1,222	$ 2,026	$ 1,355	$ 1,264
Total					
(1) Number	1,287	1,494	1,479	1,454	1,340
(2) Average Age at Commencement	56.79	57.77	58.13	58.40	58.85
(3) Average Monthly Pension Benefit	$ 1,487	$ 1,461	$ 1,633	$ 1,633	$ 1,579

2.2(j) Schedule of Average Pension Benefit Payments – New Benefit Recipients – Others

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/08 - 6/30/09:							
Average Monthly Pension Benefit	$ 534	$ 554	$ 988	$ 1,708	$ 2,693	$ 3,718	$ 4,723
Number of Recipients	71	341	216	171	154	159	47
Period 7/1/07 - 6/30/08:							
Average Monthly Pension Benefit	$ 586	$ 548	$ 1,044	$ 1,655	$ 2,668	$ 3,642	$ 4,561
Number of Recipients	69	315	249	222	172	170	56
Period 7/1/06 - 6/30/07:							
Average Monthly Pension Benefit	$ 1,026	$ 564	$ 1,084	$ 1,773	$ 2,509	$ 3,699	$ 4,132
Number of Recipients	97	320	263	207	190	183	44
Period 7/1/05 - 6/30/06:							
Average Monthly Pension Benefit	$ 519	$ 536	$ 950	$ 1,464	$ 2,212	$ 3,247	$ 3,837
Number of Recipients	72	319	271	246	197	184	50
Period 7/1/04 - 6/30/05:							
Average Monthly Pension Benefit	$ 423	$ 516	$ 1,008	$ 1,571	$ 2,249	$ 3,176	$ 3,369
Number of Recipients	40	363	266	211	213	118	76
Period 7/1/03 - 6/30/04:							
Average Monthly Pension Benefit	$ 659	$ 745	$ 806	$ 968	$ 917	$ 1,163	$ 1,488
Number of Recipients	28	300	231	218	234	109	58
Period 7/1/02 - 6/30/03:							
Average Monthly Pension Benefit	$ 984	$ 678	$ 1,022	$ 1,601	$ 2,201	$ 3,116	$ 4,004
Number of Recipients	202	379	290	219	179	99	77
Period 7/1/01 - 6/30/02:							
Average Monthly Pension Benefit	$ 488	$ 500	$ 886	$ 1,428	$ 2,020	$ 2,663	$ 3,653
Number of Recipients	15	283	246	227	198	94	72
Period 7/1/00 - 6/30/01:							
Average Monthly Pension Benefit	$ 602	$ 577	$ 791	$ 1,129	$ 1,392	$ 1,771	$ 1,949
Number of Recipients	8	174	289	594	542	438	297

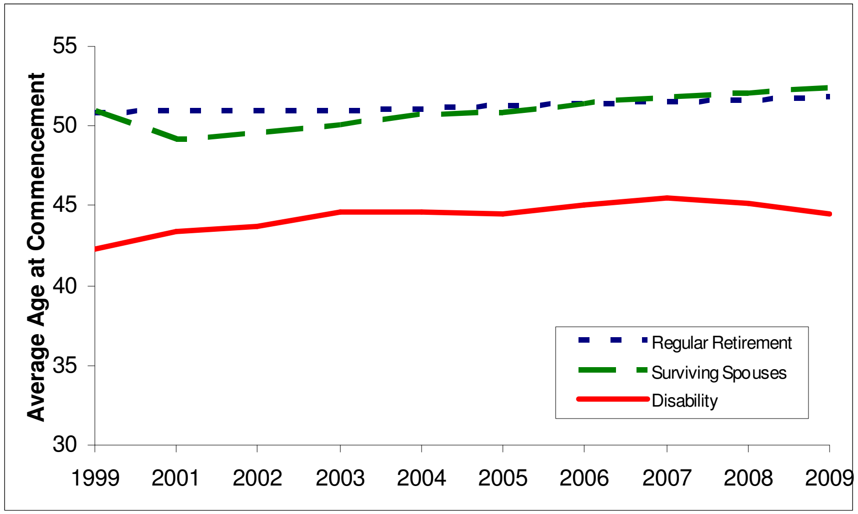
"Average Monthly Benefit" includes post-retirement pension adjustments and cost-of-living increases.

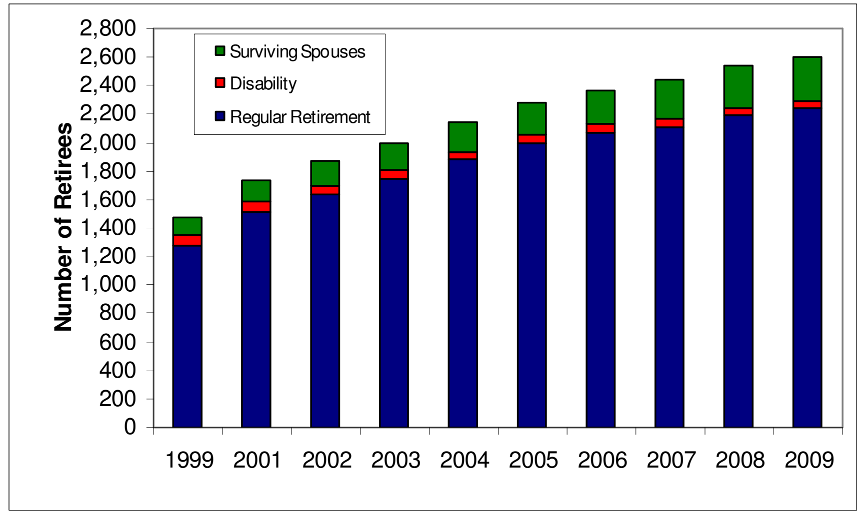
2.2(k) Statistics on All Pension Benefit Recipients

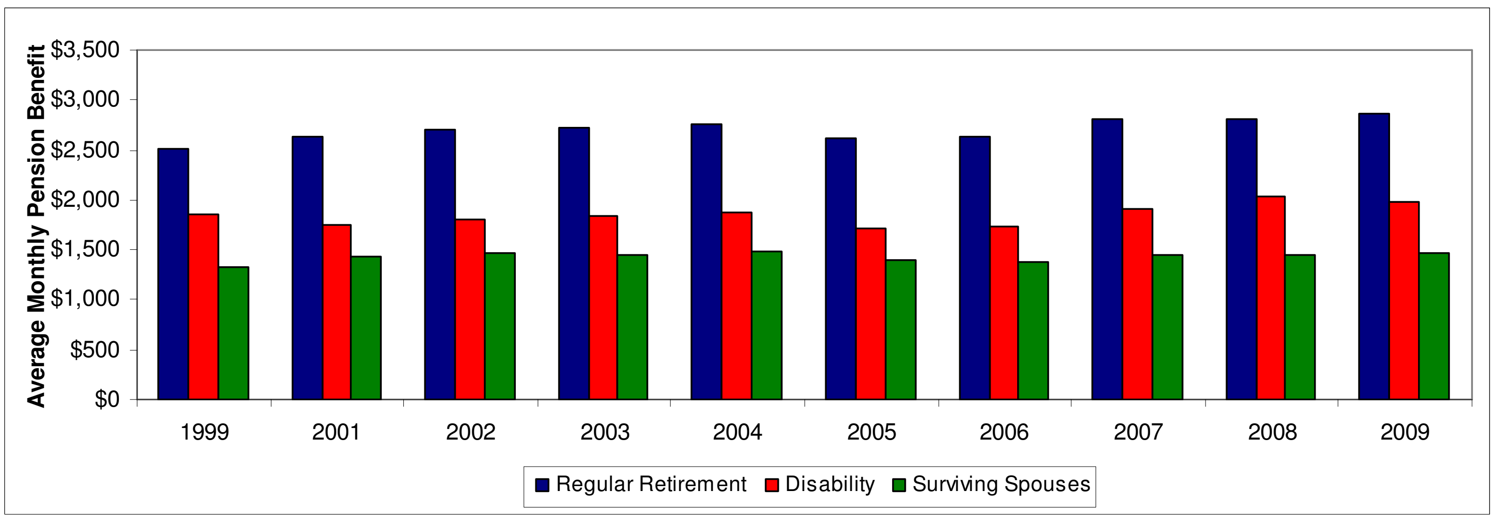
	Peace Officer/ Firefighter	Others
Service Retirements		
(1) Number, June 30, 2008	2,187	19,254
(2) Net Change During FY09	59	791
(3) Number, June 30, 2009	2,246	20,045
(3) Average Age At Commencement	51.75	56.70
(4) Average Current Age	62.70	66.93
(5) Average Monthly Pension Benefit	$ 2,858	$ 1,545
Survivors (including surviving spouses and QDROs)		
(1) Number, June 30, 2008	288	1,990
(2) Net Change During FY09	21	100
(3) Number, June 30, 2009	309	2,090
(4) Average Age At Commencement	52.36	58.78
(5) Average Current Age	60.95	68.24
(6) Average Monthly Pension Benefit	$ 1,471	$ 919
Disabilities		
(1) Number, June 30, 2008	61	302
(2) Net Change During FY09	(11)	(27)
(3) Number, June 30, 2009	50	275
(4) Average Age At Commencement	44.52	45.05
(5) Average Current Age	50.72	52.37
(6) Average Monthly Pension Benefit	$ 1,988	$ 1,475
Total		
(1) Number, June 30, 2008	2,536	21,546
(2) Net Change During FY09	69	864
(3) Number, June 30, 2009	2,605	22,410
(4) Average Age At Commencement	51.68	56.75
(5) Average Current Age	62.26	66.87
(6) Average Monthly Pension Benefit	$ 2,677	$ 1,487

2.2(k) Statistics on All Pension Benefit Recipients *(continued)*

Peace Officer/Firefighter

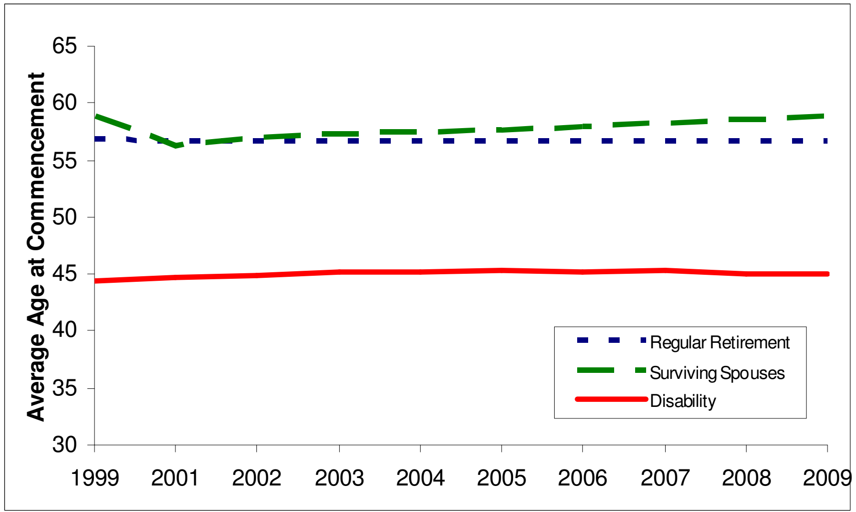


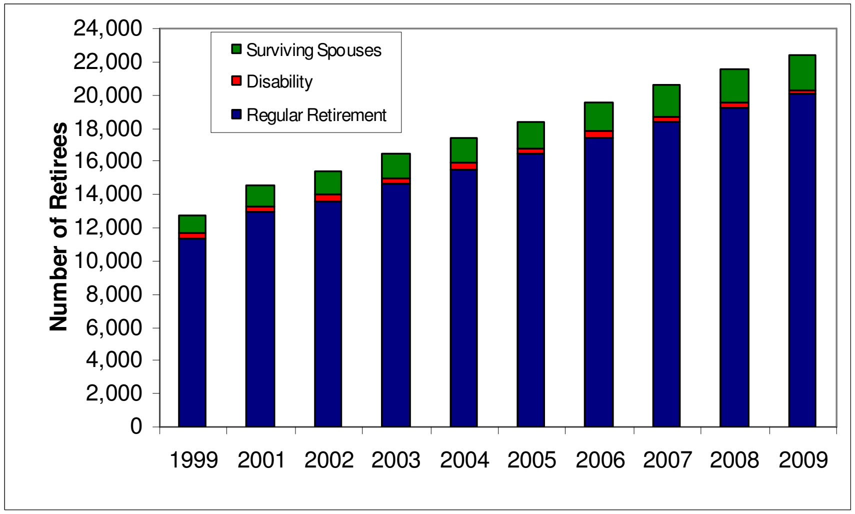


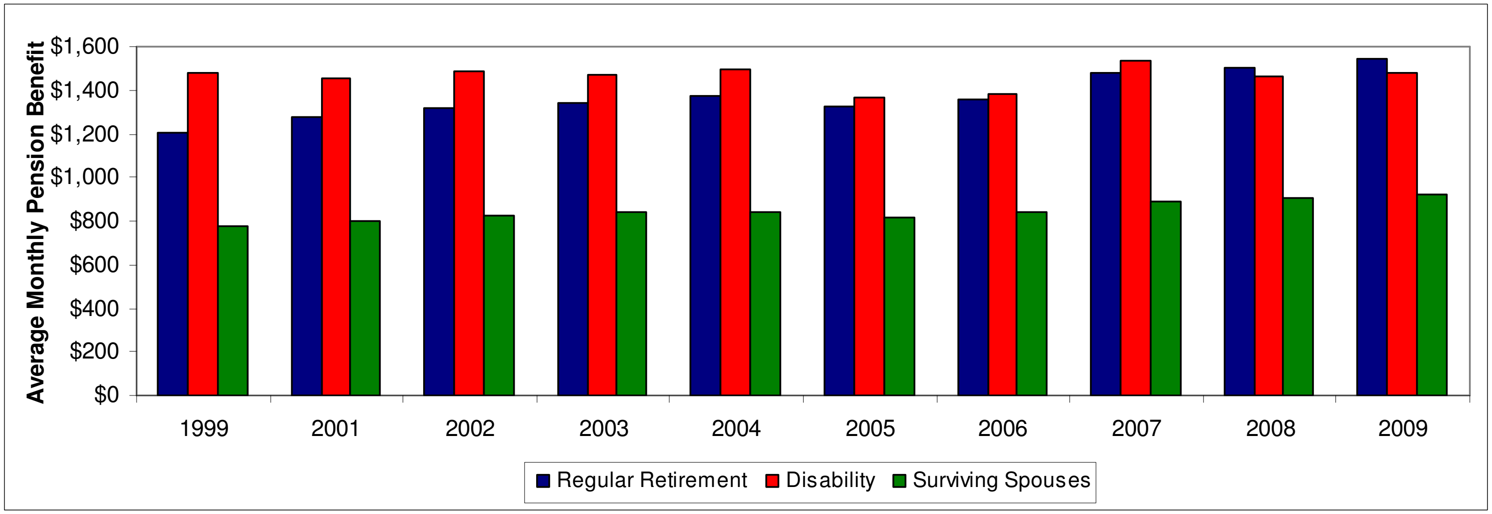


2.2(k) Statistics on All Pension Benefit Recipients *(continued)*

Others







2.2(l) Distribution of Annual Pension Benefits for Benefit Recipients – Peace Officer/Firefighter

Annual Pension Benefit by Age

Age	Number	Total Annual Benefit	Average Annual Benefit
0 – 19	0	$ 0	$ 0
20 – 24	0	0	0
25 – 29	0	0	0
30 – 34	2	57,008	28,504
35 – 39	5	116,706	23,341
40 – 44	16	376,027	23,502
45 – 49	101	3,207,319	31,756
50 – 54	339	11,408,386	33,653
55 – 59	603	19,503,791	32,345
60 – 64	645	21,457,965	33,268
65 – 69	478	14,411,651	30,150
70 – 74	235	7,415,531	31,555
75+	181	5,708,828	31,540
Total	2,605	$ 83,663,212	$ 32,116

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Benefit	Average Annual Benefit
0	113	$ 2,943,556	$ 26,049
1	128	3,499,981	27,344
2	136	3,927,785	28,881
3	118	3,343,419	28,334
4	147	4,224,366	28,737
0 – 4	642	17,939,107	27,943
5 – 9	712	22,375,623	31,426
10 – 14	640	21,385,711	33,415
15 – 19	285	9,270,181	32,527
20 – 24	216	9,078,489	42,030
25 – 29	74	2,567,929	34,702
30 - 34	31	958,536	30,921
35 – 39	5	87,636	17,527
40+	0	0	0
Total	2,605	$ 83,663,212	$ 32,116

Years Since Benefit Commencement by Age

	Years Since Commencement									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	0	0	0	0	0	0	0	0	0	0
20 – 24	0	0	0	0	0	0	0	0	0	0
25 – 29	0	0	0	0	0	0	0	0	0	0
30 – 34	2	0	0	0	0	0	0	0	0	2
35 – 39	3	1	1	0	0	0	0	0	0	5
40 – 44	11	3	2	0	0	0	0	0	0	16
45 – 49	66	32	1	2	0	0	0	0	0	101
50 – 54	145	156	32	3	2	1	0	0	0	339
55 – 59	207	248	130	16	1	0	1	0	0	603
60 – 64	151	168	215	70	34	3	4	0	0	645
65 – 69	38	76	192	108	59	3	1	1	0	478
70 – 74	12	21	52	58	73	15	2	2	0	235
75+	7	7	15	28	47	52	23	2	0	181
Total	642	712	640	285	216	74	31	5	0	2,605

2.2(m) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected – Peace Officer/Firefighter

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected				
		1	2	3	1	2	3	4	5
$ 1 – $ 300	45	27	18	0	23	8	1	1	12
301 – 600	147	99	46	2	66	38	18	12	13
601 – 900	133	85	45	3	70	35	9	9	10
901 – 1,200	150	100	46	4	80	34	15	8	13
1,201 – 1,500	143	113	27	3	66	33	17	15	12
1,501 – 1,800	130	102	23	5	48	42	25	9	6
1,801 – 2,100	172	130	32	10	76	48	21	13	14
2,101 – 2,400	199	166	23	10	70	81	25	18	5
2,401 – 2,700	192	177	11	4	55	84	26	15	12
2,701 – 3,000	259	239	14	6	66	124	43	10	16
3,001 – 3,300	193	183	8	2	54	89	24	17	9
3,301 – 3,600	182	177	5	0	42	87	26	16	11
3,601 – 3,900	158	154	3	1	41	81	15	15	6
3,901 – 4,200	135	133	2	0	32	63	20	12	8
Over $ 4,200	367	361	6	0	68	221	38	28	12
Totals	2,605	2,246	309	50	857	1,068	323	198	159

Type of Pension Benefit

1. *Regular retirement*
2. *Survivor payment*
3. *Disability*

Option Selected

1. *Whole Life Annuity*
2. *75% Joint and Contingent Annuity*
3. *50% Joint and Contingent Annuity*
4. *66 2/3% Joint and Survivor Annuity*
5. *Level Income Option*

2.2(n) Distribution of Annual Pension Benefits for Benefit Recipients – Others

Annual Pension Benefit by Age

Age	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0 – 19	1	$ 31,485	$ 31,485
20 – 24	0	0	0
25 – 29	1	22,274	22,274
30 – 34	2	37,571	18,786
35 – 39	13	176,528	13,579
40 – 44	39	457,387	11,728
45 – 49	119	1,848,859	15,537
50 – 54	924	17,322,568	18,747
55 – 59	4,070	83,172,895	20,436
60 – 64	5,517	103,054,868	18,680
65 – 69	4,519	77,335,930	17,114
70 – 74	3,074	50,455,844	16,414
75+	4,131	65,747,540	15,916
Total	22,410	$ 399,663,749	$ 17,834

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0	1,283	$ 24,294,447	$ 18,936
1	1,452	28,758,807	19,806
2	1,454	27,772,670	19,101
3	1,447	28,027,214	19,369
4	1,359	26,048,293	19,167
0 – 4	6,995	134,901,431	19,285
5 – 9	5,655	100,356,947	17,747
10 – 14	4,331	78,563,628	18,140
15 – 19	2,488	37,129,258	14,923
20 – 24	1,828	31,992,471	17,501
25 – 29	755	11,396,097	15,094
30 - 34	331	4,923,662	14,875
35 – 39	26	373,027	14,347
40+	1	27,228	27,228
Total	22,410	$ 399,663,749	$ 17,834

Years Since Benefit Commencement by Age

	Years Since Commencement									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	1	0	0	0	0	0	0	0	0	1
20 – 24	0	0	0	0	0	0	0	0	0	0
25 – 29	1	0	0	0	0	0	0	0	0	1
30 – 34	2	0	0	0	0	0	0	0	0	2
35 – 39	9	4	0	0	0	0	0	0	0	13
40 – 44	20	13	5	1	0	0	0	0	0	39
45 – 49	63	33	14	6	3	0	0	0	0	119
50 – 54	765	90	46	15	6	2	0	0	0	924
55 – 59	2,890	1,026	120	18	12	3	1	0	0	4,070
60 – 64	1,984	2,490	998	26	12	5	2	0	0	5,517
65 – 69	824	1,236	1,693	670	72	16	7	1	0	4,519
70 – 74	235	515	872	929	494	17	10	2	0	3,074
75+	201	248	583	823	1,229	712	311	23	1	4,131
Total	6,995	5,655	4,331	2,488	1,828	755	331	26	1	22,410

2.2(o) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected – Others

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit 1	2	3	Option Selected 1	2	3	4	5
$ 1 – $ 300	1,830	1,472	354	4	797	365	267	59	342
301 – 600	4,124	3,548	531	45	2,004	1,040	627	231	222
601 – 900	3,230	2,820	386	24	1,514	819	495	204	198
901 – 1,200	2,692	2,384	270	38	1,243	688	429	181	151
1,201 – 1,500	2,176	1,940	195	41	961	613	337	135	130
1,501 – 1,800	1,641	1,499	110	32	646	487	275	116	117
1,801 – 2,100	1,397	1,272	88	37	562	412	229	100	94
2,101 – 2,400	1,091	1,019	46	26	406	348	194	70	73
2,401 – 2,700	854	806	40	8	311	296	155	50	42
2,701 – 3,000	704	672	24	8	241	252	129	38	44
3,001 – 3,300	609	589	16	4	190	235	115	40	29
3,301 – 3,600	453	432	17	4	147	183	61	36	26
3,601 – 3,900	355	349	5	1	107	145	67	19	17
3,901 – 4,200	316	314	1	1	89	149	53	15	10
Over $ 4,200	938	929	7	2	263	399	167	69	40
Totals	22,410	20,045	2,090	275	9,481	6,431	3,600	1,363	1,535

Type of Pension Benefit
1. *Regular retirement*
2. *Survivor payment*
3. *Disability*

Option Selected
1. *Whole Life Annuity*
2. *75% Joint and Contingent Annuity*
3. *50% Joint and Contingent Annuity*
4. *66 2/3% Joint and Survivor Annuity*
5. *Level Income Option*

2.2(p) Schedule of Pension Benefit Recipients Added to and Removed from Rolls – Peace Officer/Firefighter

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Year Ended	No.[1]	Annual Pension Benefits[1]	No.[1]	Annual Pension Benefits[1]	No.	Annual Pension Benefits	Percent Increase in Annual Pension Benefits	Average Annual Pension Benefit
June 30, 2009	108	$ 2,759,299	39	$ (518,134)	2,605	$ 83,663,212	4.1%	$ 32,116
June 30, 2008	125	3,556,519	28	191,073	2,536	80,385,779	4.4%	31,698
June 30, 2007	138	3,930,564	67	(2,546,491)	2,439	77,020,333	9.2%	31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	4.6%	29,790
June 30, 2005	145	3,904,737	5	3,332,357	2,280	67,463,195	0.9%	29,589
June 30, 2004	174	6,388,270	25	904,310	2,140	66,890,815	8.9%	31,257
June 30, 2003	143	4,923,581	21	802,499	1,991	61,406,855	7.2%	30,842
June 30, 2002	157	6,155,365	19	744,917	1,869	57,285,773	10.4%	30,650
June 30, 2001	328	12,637,854	75	2,889,753	1,731	51,875,325	23.1%	29,968
June 30, 1999	163	4,761,117	8	233,673	1,478	42,127,224	12.0%	28,503

[1] *Numbers are estimated, and include other internal transfers.*

2.2(q) Schedule of Pension Benefit Recipients Added to and Removed from Rolls – Others

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Year Ended	No. [1]	Annual Pension Benefits[1]	No.[1]	Annual Pension Benefits[1]	No.	Annual Pension Benefits	Percent Increase in Annual Pension Benefits	Average Annual Pension Benefit
June 30, 2009	1,340	$ 25,402,811	476	$ 28,773	22,410	$399,663,749	6.8%	$ 17,834
June 30, 2008	1,454	28,498,471	466	5,349,935	21,546	374,289,711	6.6%	17,372
June 30, 2007	1,479	28,985,748	454	(14,280,390)	20,558	351,141,175	14.1%	17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4%	15,762
June 30, 2005	1,287	22,966,842	296	17,019,851	18,423	283,946,938	2.1%	15,413
June 30, 2004	1,346	27,617,383	354	6,823,010	17,432	277,999,947	8.1%	15,948
June 30, 2003	1,445	27,802,265	351	6,507,821	16,440	257,205,574	9.0%	15,645
June 30, 2002	1,135	27,484,388	332	8,039,486	15,346	235,911,130	9.0%	15,373
June 30, 2001	2,342	46,880,694	506	10,128,792	14,543	216,466,228	20.5%	14,885
June 30, 1999	1,053	19,402,623	124	2,284,829	12,707	179,714,326	10.5%	14,143

[1] *Numbers are estimated, and include other internal transfers.*

2.3 Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2009 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in October 2006. These assumptions were the result of an experience study performed as of June 30, 2005. The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

Valuation of Liabilities

(A) Actuarial Method – Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for pension benefits (constant dollar amount for healthcare benefits) from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Changes in Methods from the Prior Valuation

There were no changes in methods from the prior valuation, except for any described in the healthcare sections below.

(B) Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the difference between actual and expected investment return in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(C) Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Public Employees' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our Experience Study for the period July 1, 2001 to June 30, 2005.

Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data.

We analyzed Aetna and Premera management level reporting for calendar 2005 through fiscal 2009, as well as Aetna and Premera claim level data for calendar 2005 and fiscal years 2006 through 2009, and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.
2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting was used to augment cost data by Medicare status.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these "no-Part A" individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim and enrollment experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The smaller the no-Part A population, the more accrued liabilities will decrease.

   Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I PERS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 3.5% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 3.5% of the current Medicare retiree population does not receive Part A coverage.

   All claim cost rates developed from management level reporting have compared to similar rates developed from claim level data.

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four fiscal years and calendar year 2005. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 2.57 months for medical claims and 0.5 months for prescription claims. This "trend and blend" methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year's data in the 5-year experience period at approximately 20%. We also incorporated actual administrative costs that are projected to increase at 5%.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

June 30, 2009 Valuation – FY 2010 Claims Cost Rates

	Medical			Prescription Drugs			
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**	**Pre-Medicare**	**Medicare A&B**	**Medicare B Only**	**Total**
Calendar 2005 Paid Claims	**$ 146,356,647**	**$ 25,618,571**	**$ 3,976,509**	**$ 42,812,358**	**$ 35,481,585**	**$ 1,999,302**	**$ 256,244,972**
Membership	33,343	18,603	979	33,343	18,603	979	52,925
Paid Claims Cost Rate	$ 4,389	$ 1,377	$ 4,061	$ 1,284	$ 1,907	$ 2,042	$ 4,842
Trend to FY2010	1.468	1.468	1.468	1.558	1.558	1.558	
FY 2010 Paid Cost Rate	$ 6,445	$ 2,022	$ 5,963	$ 2,000	$ 2,971	$ 3,180	$ 7,244
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 6,580**	**$ 2,064**	**$ 6,088**	**$ 2,009**	**$ 2,985**	**$ 3,195**	**$ 7,359**
Calendar 2006 Paid Claims* **	**$ 150,287,171**	**$ 24,546,905**	**$ 4,079,223**	**$ 45,461,356**	**$ 39,644,399**	**$ 2,235,948**	**$ 266,255,002**
Membership	33,473	19,490	1,026	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	$ 4,490	$ 1,259	$ 3,977	$ 1,358	$ 2,034	$ 2,180	$ 4,932
Trend to FY2010	1.361	1.361	1.361	1.407	1.407	1.407	
FY 2010 Paid Cost Rate	$ 6,112	$ 1,715	$ 5,413	$ 1,912	$ 2,863	$ 3,068	$ 6,788
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 6,240**	**$ 1,750**	**$ 5,527**	**$ 1,920**	**$ 2,876**	**$ 3,082**	**$ 6,894**
Fiscal 2007 Paid Claims* **	**$ 129,762,975**	**$ 22,677,328**	**$ 3,524,812**	**$ 46,176,199**	**$ 42,348,638**	**$ 2,391,089**	**$ 246,881,041**
Membership	33,446	20,315	1,069	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	$ 3,880	$ 1,116	$ 3,297	$ 1,381	$ 2,085	$ 2,236	$ 4,503
Trend to FY2010	1.313	1.313	1.313	1.340	1.340	1.340	
FY 2010 Paid Cost Rate	$ 5,096	$ 1,466	$ 4,330	$ 1,851	$ 2,794	$ 2,998	$ 5,959
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 5,202**	**$ 1,497**	**$ 4,421**	**$ 1,859**	**$ 2,807**	**$ 3,012**	**$ 6,048**

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

*** Calendar 2006 Paid Claims covers the period from 01/01/2006 through 06/30/2006, along with estimated claims runout under the then current TPA. Fiscal 2007 Paid Claims covers the period 07/01/2006 through 06/30/2007, with claims paid under the then current TPA.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

June 30, 2009 Valuation – FY 2010 Claims Cost Rates

	Medical			Prescription Drugs			
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**	**Pre-Medicare**	**Medicare A&B**	**Medicare B Only**	**Total**
Fiscal 2008 Paid Claims	**$ 169,598,064**	**$ 28,657,490**	**$ 6,079,463**	**$ 53,506,123**	**$ 52,529,773**	**$ 2,346,512**	**$ 312,717,425**
Membership	33,630	21,434	893	33,630	21,434	893	55,957
Paid Claims Cost Rate	$ 5,043	$ 1,337	$ 6,807	$ 1,591	$ 2,451	$ 2,627	$ 5,589
Trend to FY2010	1.190	1.190	1.190	1.200	1.200	1.200	
FY 2010 Paid Cost Rate	$ 5,999	$ 1,591	$ 8,098	$ 1,910	$ 2,942	$ 3,154	$ 6,669
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 6,125**	**$ 1,624**	**$ 8,268**	**$ 1,919**	**$ 2,956**	**$ 3,169**	**$ 6,771**
Fiscal 2009 Paid Claims	**$ 187,868,089**	**$ 30,550,328**	**$ 10,093,527**	**$ 63,181,353**	**$ 57,263,605**	**$ 2,226,629**	**$ 351,183,531**
Membership	33,832	23,424	850	33,832	23,424	850	58,106
Paid Claims Cost Rate	$ 5,553	$ 1,304	$ 11,881	$ 1,867	$ 2,445	$ 2,621	$ 6,044
Trend to FY2010	1.080	1.080	1.080	1.080	1.080	1.080	
FY 2010 Paid Cost Rate	$ 5,997	$ 1,408	$ 12,830	$ 2,017	$ 2,640	$ 2,830	$ 6,527
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 6,122**	**$ 1,438**	**$ 13,099**	**$ 2,026**	**$ 2,652**	**$ 2,844**	**$ 6,627**
Weighted Average 7/1/2009-6/30/2010 Incurred Claims Cost Rates:							
At average age	$ 6,075	$ 1,691	$ 7,289	$ 1,941	$ 2,868	$ 3,076	$ 6,756
At age 65*	$ 7,503	$ 1,336	$ 4,754	$ 2,419	$ 2,419	$ 2,419	$ 7,252

* Methodology prior to 2006 did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A&B and B only rates based on the 3.5% of Medicare membership assumed to lack Part A.

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2009 through June 30, 2010

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	$ 4,155	$ 4,155	$ 1,276	$ 0
50	4,701	4,701	1,516	0
55	5,319	5,319	1,800	0
60	6,318	6,318	2,087	0
65	1,336	4,754	2,419	477
70	1,626	5,784	2,606	514
75	1,931	6,867	2,780	548
80	2,080	7,398	2,850	562

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions

Investment Return / Discount Rate	8.25% per year (geometric), compounded annually, net of expenses.
Salary Scale	Inflation – 3.5% per year. Peace Officer/Firefighter: Merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity – 0.5% per year. Others: Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.
Payroll Growth	4.0% per year. (Inflation + Productivity)
Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.5% annually.
Mortality (Pre-retirement)	Peace Officer/Firefighters: 1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin. Others: Based upon the 2001-2005 actual mortality experience (see Table 1). 42% of the 1994 Group Annuity Table, 1994 Base Year without margin for males and females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 50% of the time for Others.
Mortality (Post-retirement)	1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin.
Total Turnover	Based upon the 2001-2005 actual withdrawal experience. (See Table 2).
Disability	Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 3. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 75% of the time for Peace Officer/ Firefighter, 50% of the time for Others.
Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Tables 4 and 5. Deferred vested members are assumed to retire at their earliest retirement date.
Marriage and Age Difference	Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.
Dependent Children	Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
Contribution Refunds	15% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.
Post-Retirement Pension Adjustment	50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute.
Expenses	All expenses are net of the investment return assumption.
Part-Time Status	Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighters and 0.65 years of credited service per year for Other members.
Final Average Earnings	Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.
Per Capita Claims Cost	Sample claims cost rates for FY10 medical and prescription are shown below:

	Medical	Prescription Drugs
Pre-Medicare	$ 7,503	$ 2,419
Medicare Parts A & B	$ 1,336	$ 2,419
Medicare Part B Only	$ 4,754	$ 2,419
Medicare Part D	N/A	$ 477

Third Party Administrator Fees	$153.33 per person per year; assumed trend rate of 5% per year.
Health Cost Trend	The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 8.0% is applied to the FY09 rate claims costs to get the FY10 claims costs.

	Medical	Prescription Drugs
FY10	7.5%	9.6%
FY11	6.9%	8.3%
FY12	6.4%	7.1%
FY13	5.9%	5.9%
FY14	5.9%	5.9%
FY15	5.9%	5.9%
FY16	5.9%	5.9%
FY25	5.8%	5.8%
FY50	5.7%	5.7%
FY100	5.1%	5.1%

For the June 30, 2008 valuations and later, the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2012, and projects out to 2100. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Aging Factors

Age	Medical	Prescription Drugs
0-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-74	4.0%	1.5%
75-84	1.5%	0.5%
85-94	0.5%	0.0%
95+	0.0%	0.0%

Retired Member Contributions for Medical Benefits

Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY10 contributions based on monthly rates shown below for calendar 2009 and 2010 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled.

Coverage Category	Calendar 2010 Annual Contribution	Calendar 2010 Monthly Contribution	Calendar 2009 Monthly Contribution
Retiree Only	$ 8,628	$ 719	$ 631
Retiree and Spouse	$ 17,268	$ 1,439	$ 1,262
Retiree and Child(ren)	$ 12,192	$ 1,016	$ 891
Retiree and Family	$ 20,832	$ 1,736	$ 1,523
Composite	$ 12,816	$ 1,068	$ 937

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Trend Rate for Retired Member Medical Contributions	The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.0% is applied to the FY10 retired member medical contributions to get the FY11 retired member medical contributions.

FY10	7.0%
FY11	6.7%
FY12	6.3%
FY13	6.0%
FY14	5.7%
FY15	5.3%
FY16	5.0%
FY17	5.0%
FY18 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. Note that actual FY09 retired member medical contributions are reflected in the valuation so trend on such contribution during FY09 is not applicable.

Healthcare Participation	100% of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 1
Alaska PERS Others
Mortality Table (Preretirement)

Age	Male	Female
20	.0229%	.0128%
21	.0239	.0129
22	.0251	.0131
23	.0266	.0131
24	.0282	.0131
25	.0299	.0131
26	.0315	.0133
27	.0328	.0136
28	.0341	.0142
29	.0352	.0150
30	.0362	.0158
31	.0371	.0168
32	.0379	.0179
33	.0383	.0191
34	.0383	.0202
35	.0384	.0216
36	.0389	.0231
37	.0402	.0249
38	.0424	.0270
39	.0452	.0294
40	.0484	.0320
41	.0522	.0347
42	.0565	.0373
43	.0611	.0396
44	.0659	.0417
45	.0713	.0439
46	.0778	.0467
47	.0858	.0502
48	.0949	.0545
49	.1050	.0591
50	.1165	.0645
51	.1297	.0708
52	.1451	.0783
53	.1619	.0861
54	.1797	.0941
55	.1998	.1036
56	.2235	.1157
57	.2252	.1318
58	.2845	.1517
59	.3202	.1745
60	.3602	.2005

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 2
Alaska PERS
Total Turnover Assumptions

Peace Officer/Firefighter:

Select Rates of Turnover
During the First 5 Years of Employment

Year of Employment	Current Age 25 Male	Current Age 25 Female	Year of Employment	Current Age 40 Male	Current Age 40 Female
1	11.24%	12.47%	1	11.15%	12.37%
2	9.34	10.37	2	9.24	10.26
3	7.43	8.26	3	7.32	8.14
4	6.48	7.21	4	6.35	7.07
5	5.52	6.15	5	5.38	6.00

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	4.57%	5.76%
25	4.54	5.75
30	4.49	5.71
35	4.46	5.66
40	4.39	5.56
45	4.20	5.38
50	3.88	5.09
55	3.24	4.51
60	1.74	2.94
65+	4.80	6.00

Select rates vary slightly by age.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 2
Alaska PERS
Total Turnover Assumptions

Others:

Select Rates of Turnover
During the First 5 Years of Employment

	Current Age 25		Current Age 40	
	Age at Hire			
Year of	20-34		35+	
Employment	Male	Female	Male	Female
1	24.90%	26.19%	14.84%	15.26%
2	22.90	24.09	14.83	15.61
3	19.89	20.93	12.81	13.50
4	15.89	16.73	11.80	12.44
5	14.88	15.68	10.78	11.38

	Current Age 40		Current Age 50	
	Age at Hire			
Year of	20-34		35+	
Employment	Male	Female	Male	Female
1	24.84%	26.12%	14.63%	15.49%
2	22.83	24.01	14.59	15.46
3	19.81	20.85	12.54	13.33
4	15.80	16.64	11.49	12.25
5	14.78	15.58	10.43	11.17

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	12.01%	13.68%
25	11.99	13.67
30	11.97	13.66
35	8.66	9.89
40	6.42	7.35
45	5.24	6.04
50	5.09	5.94
55	4.80	5.74
60	4.19	5.23
65+	5.50	6.25

Select rates vary slightly by age.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 3
Alaska PERS
Disability Table

Age	Peace Officer/ Firefighter Rate	Other Member Rate Male	Other Member Rate Female
20	.088%	.032%	.029%
21	.089	.032	.029
22	.090	.033	.031
23	.091	.033	.031
24	.093	.035	.032
25	.094	.035	.032
26	.095	.035	.032
27	.098	.036	.033
28	.100	.037	.034
29	.103	.038	.035
30	.105	.039	.036
31	.108	.039	.036
32	.110	.040	.037
33	.113	.041	.038
34	.116	.043	.039
35	.120	.044	.040
36	.124	.046	.042
37	.129	.047	.043
38	.134	.050	.045
39	.139	.051	.046
40	.144	.053	.048
41	.150	.055	.050
42	.159	.059	.054
43	.170	.062	.057
44	.185	.068	.062
45	.203	.075	.068
46	.220	.081	.074
47	.239	.087	.080
48	.259	.096	.087
49	.279	.102	.094
50	.300	.110	.101
51	.325	.120	.109
52	.353	.131	.120
53	.398	.146	.133
54	.444	.163	.149
55	.500	.184	.168
56	.574	.212	.193
57	.668	.246	.225
58	.763	.281	.256
59	.900	.331	.302
60	1.054	.388	.354

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 4
Alaska PERS Peace Officer/Firefighter
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	10.40%	10.40%
50	10.50%	6.30%	40.00	40.00
51	14.80	10.00	27.50	27.50
52	15.00	10.00	27.50	27.50
53	19.70	10.00	25.00	25.00
54	19.60	10.00	25.00	25.00
55	8.80	15.60	30.00	30.00
56	9.60	13.00	22.75	22.75
57	13.00	13.00	22.75	22.75
58	12.70	13.00	15.60	15.60
59	13.00	13.00	15.60	15.60
60	N/A	N/A	25.00	25.00
61	N/A	N/A	25.00	25.00
62	N/A	N/A	26.00	26.00
63	N/A	N/A	25.00	25.00
64	N/A	N/A	25.00	25.00
65	N/A	N/A	100.00	100.00

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 5
Alaska PERS Others
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	7.10%	7.20%
50	6.00%	7.30%	20.00	20.00
51	6.20	7.50	17.50	20.00
52	7.50	7.50	20.00	15.00
53	7.50	8.90	18.00	24.00
54	6.00	5.40	30.00	21.00
55	7.90	8.20	30.00	30.00
56	9.50	9.20	17.50	17.50
57	9.60	9.10	17.50	17.50
58	9.50	9.10	15.00	17.50
59	4.70	3.80	15.00	17.50
60	N/A	N/A	20.00	21.00
61	N/A	N/A	17.50	15.00
62	N/A	N/A	30.00	18.75
63	N/A	N/A	22.50	18.75
64	N/A	N/A	26.25	18.75
65	N/A	N/A	27.00	25.00
66	N/A	N/A	27.00	25.00
67	N/A	N/A	27.00	25.00
68	N/A	N/A	30.00	25.00
69	N/A	N/A	30.00	30.00
70	N/A	N/A	100.00	100.00

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Changes in Actuarial Assumptions Since the Prior Valuation

There were no changes in actuarial assumptions since the prior valuation.

Section 3

3.1 Analysis of Financial Experience

Change in Employer/State Contribution Rate
Due to (Gains) and Losses in Accrued Liabilities During the Last Four Fiscal Years
Resulting From Differences Between Assumed Experience and Actual Experience

	Change in Employer/State Contribution Rate During Fiscal Year							
	Pension				Healthcare			
Type of (Gain) or Loss	**2006**	**2007**	**2008**	**2009**	**2006**	**2007**	**2008**	**2009**
(1) Health Experience	N/A	N/A	N/A	N/A	(4.06)%	(5.64)%	(0.97)%	(2.21)%
(2) Salary Experience	0.02%	0.23%	0.54%	0.23%	N/A	N/A	N/A	N/A
(3) Investment Experience	0.19%	(0.11)%	(0.35)%	4.72%	(0.48)%	(0.92)%	(0.24)%	0.59%
(4) Demographic Experience	1.05%	(0.17)%	(0.60)%	(0.29)%	N/A	N/A	N/A	N/A
(5) Contribution Shortfall	(0.81)%	0.11%	0.14%	0.01%	1.82%	0.83%	(0.25)%	(0.25)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	0.45%	0.06%	(0.27)%	4.67%	(2.72)%	(5.73)%	(1.46)%	(1.87)%
Non-recurring Changes								
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	1.51%	(0.72)%	0.00%	0.00%	3.47%	(1.18)%*	2.04%	0.00%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10)	1.96%	(0.66)%	(0.27)%	4.67%	0.75%	(6.91)%	0.58%	(1.87)%
(12) Beginning Employer/State Contribution Rate	8.95%	10.91%	10.25%	9.98%	23.56%	24.31%	17.40%	17.98%
(13) Ending Employer/State Contribution Rate, (11) + (12)	10.91%	10.25%	9.98%	14.65%	24.31%	17.40%	17.98%	16.11%
(14) Fiscal Year Above Rate is Applied	FY09	FY10	FY11	FY12	FY09	FY10	FY11	FY12

*Includes change in rate by using total payroll.

3.1 Analysis of Financial Experience *(continued)*

Change in Employer/State Contribution Rate
Due to (Gains) and Losses in Accrued Liabilities During the Last Five Fiscal Years
Resulting From Differences Between Assumed Experience and Actual Experience

	Change in Employer/State Contribution Rate During Fiscal Year				
Type of (Gain) or Loss	**2005**	**2006**	**2007**	**2008**	**2009**
(1) Health Experience	1.49%	(4.06)%	(5.64)%	(0.97)%	(2.21)%
(2) Salary Experience	(0.32)%	0.02%	0.23%	0.54%	0.23%
(3) Investment Experience	(0.02)%	(0.29)%	(1.03)%	(0.59)%	5.31%
(4) Demographic Experience	0.01%	1.05%	(0.17)%	(0.60)%	(0.29)%
(5) Contribution Shortfall	0.98%	1.01%	0.94%	(0.11)%	(0.24)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	2.14%	(2.27)%	(5.67)%	(1.73)%	2.80%
Non-recurring Changes					
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	0.00%	4.98%	(1.90)%*	2.04%	0.00%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Change due to revaluation of plan liabilities as of June 30, 2004	2.18%	0.00%	0.00%	0.00%	0.00%
(12) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10) + (11)	4.32%	2.71%	(7.57)%	0.31%	2.80%
(13) Beginning Employer/State Contribution Rate	28.19%	32.51%	35.22%	27.65%	27.96%
(14) Ending Employer/State Contribution Rate, (12) + (13)	32.51%	35.22%	27.65%	27.96%	30.76%
(15) Fiscal Year Above Rate is Applied	FY08	FY09	FY10	FY11	FY12

*Includes change in rate by using total payroll.

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities – Total

The exhibit below shows the pension disclosure under GASB No. 25.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009	$ 9,702,086	$ 6,108,528	63.0%	$ 3,593,558	$ 1,585,490	226.7%
June 30, 2008	$ 9,154,282	$ 7,210,772	78.8%	$ 1,943,510	$ 1,577,846	123.2%
June 30, 2007	$ 8,662,324	$ 6,739,004	77.8%	$ 1,923,320	$ 1,605,819	119.8%
June 30, 2006[1]	$ 8,094,043	$ 6,331,065	78.2%	$ 1,762,978	$ 1,590,693	110.8%

The exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009 – 4.70%	$ 12,770,990	$ 4,134,450	32.4%	$ 8,636,540	$ 1,585,490	544.7%
June 30, 2008[1] – 4.50%	$ 13,013,450	$ 3,829,334	29.4%	$ 9,184,116	$ 1,577,846	582.1%
June 30, 2007 – 4.50%	$ 11,108,553	$ 3,161,956	28.5%	$ 7,946,597	$ 1,605,819	494.9%
June 30, 2006[1] – 4.50%	$ 11,455,015	$ 2,709,843	23.7%	$ 8,745,172	$ 1,590,693	549.8%

For illustration, the exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy discounted at 8.25% and at 4.50% per annum under GASB No. 43 for the current year. These values show the minimum and maximum accrued liability amounts depending on the portion of ARC actually contributed.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009 – 8.25%	$ 7,310,100	$ 4,134,450	56.6%	$ 3,175,650	$ 1,585,490	200.3%
June 30, 2009 – 4.50%	$ 12,770,990	$ 4,134,450	32.4%	$ 8,636,540	$ 1,585,490	544.7%

[1] *Change in assumptions*

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities – Total *(continued)*

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25, prior to 2006.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2005	$ 12,844,841	$ 8,442,919	65.7%	$ 4,401,922	$ 1,513,117	290.9%
June 30, 2004[2 3]	11,443,916	8,030,414	70.2%	3,413,502	1,472,987	231.7%
June 30, 2003	10,561,653	7,687,281	72.8%	2,874,372	1,460,783	196.8%
June 30, 2002[1 2 3]	9,859,591	7,412,833	75.2%	2,446,758	1,402,687	174.4%
June 30, 2001	7,868,574	7,941,756	100.9%	N/A	1,360,401	N/A
June 30, 2000[2 3]	7,376,912	7,454,758	101.1%	N/A	1,324,278	N/A
June 30, 1999	6,648,673	7,016,340	105.5%	N/A	1,279,359	N/A
June 30, 1998[1 2 3]	6,203,991	6,571,562	105.9%	N/A	1,232,488	N/A
June 30, 1997	5,534,116	5,885,488	106.3%	N/A	1,227,795	N/A

[1] *Change in Asset Valuation Method*
[2] *Change of Assumptions*
[3] *Change in Methods*

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25 and 26 for fiscal years ending in 2006 and before.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2006	$ 416,237	65.4%
2005	376,754	47.3%
2004	105,585	100.0%
2003	89,934	110.3%
2002	92,098	102.9%
2001	91,628	105.3%
2000	89,084	105.2%
1999	97,197	100.0%
1998	95,217	100.0%
1997	144,863	100.0%

This exhibit below shows the pension disclosure under GASB No. 25 for fiscal year ending 2007 and later.

		Percentage Contributed		
Fiscal Year Ended June 30	Total Annual Required Contribution	By Employer	By State	Total
2009	$ 166,016	68.1%	48.0%	116.1%
2008	$ 140,729	71.2%	36.2%	107.4%
2007	$ 268,742	73.2%	4.1%	77.3%

This exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2007 and later.

		Percentage Contributed		
Fiscal Year Ended June 30	Total Annual Required Contribution	By Employer	By State	Total
2009	$ 391,321	68.1%	41.4%	109.5%
2008	$ 370,456	71.2%	36.2%	107.4%
2007	$ 189,495	73.2%	4.1%	77.3%

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities *(continued)*

The exhibit below shows the annual required contribution (ARC) as a percentage of pay for pension and healthcare.

		ARC (% of Pay)		
Valuation Date	**Fiscal Year**	**Pension**	**Healthcare**	**Total**
June 30, 2005	FY08	10.72%	53.96%	64.68%
June 30, 2006	FY09	13.49%	55.87%	69.36%
June 30, 2007	FY10	13.72%	49.98%	63.70%
June 30, 2008	FY11	14.13%	33.66%	47.79%
June 30, 2009	FY12	23.10%	32.74%	55.84%

ARC is based on DB salary only and a level dollar amortization of the unfunded liability.

3.2(c) Actuarial Assumptions, Methods and Additional Information Under GASB

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.25% for pension, 4.70% for healthcare.
Projected salary increases	Peace Officer/Firefighter: Merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity – 0.5% per year. Others: Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.
*Includes inflation at	3.5%
Cost-of-living adjustment	Post-retirement Pension Adjustment as described in Section 2.1, item (13)

GASB 43 requires that the discount rate used in the valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

The State of Alaska Public Employees' Retirement System's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State of Alaska has utilized the second methodology to develop a discount rate of 4.70% as of June 30, 2009, to be used for fiscal 2010 disclosure.

The development of the discount rate used for the healthcare liabilities valuation is summarized below:

Investment Returns		
Plan Assets (Long-Term Return)	=	8.25%
Employer Assets (Estimated Short-Term Return)	=	4.50%
Based on Percentage of ARC Contributed During FY07*		
1. Contribution Allocated to Healthcare	=	9.93%
2. Annual Required Contribution, Funding Assumptions	=	24.14%
3. Pay-as-you-go Contribution	=	9.13%
4. Portion of ARC Contributed: [(1-3) / (2-3), not less than 0%)]	=	5.36%
5. Multiplied by long-term investment return	=	0.44%
6. Portion of ARC not Contributed: [100% - (4)]	=	94.64%
7. Multiplied by short-term investment return	=	4.26%
8. Total: (5) + (7)	=	4.70%

*It is assumed that fiscal 2005 contributions allocated to healthcare ARC for funding purposes and pay-as-you-go contributions are used to derive the GASB 43 discount rate applied to the June 30, 2007 valuation (fiscal 2008), which in turn drives the fiscal 2010 GASB 43 ARC.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2010 employer ARC rate for accounting purposes is 49.98% of pay for healthcare benefits and 63.70% of pay for healthcare and pension benefits combined.

3.3 Solvency Test

Valuation Date	Aggregate Accrued Liability For: (1) Active Member Contributions (000's)	(2) Inactive Members (000's)	(3) Active Members (Employer-Financed Portion) (000's)	Valuation Assets (000's)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
June 30, 2009	$ 1,315,924	$ 10,147,353	$ 5,116,094	$ 10,242,978	100.0%	88.0%	0.0%
June 30, 2008[2]	1,242,288	9,772,672	4,873,181	11,040,106	100.0%	100.0%	0.5%
June 30, 2007	1,203,007	8,967,038	4,400,888	9,900,960	100.0%	97.0%	0.0%
June 30, 2006 [2 3]	1,157,755	8,923,811	4,306,847	9,040,908	100.0%	88.3%	0.0%
June 30, 2005	1,104,821	8,667,058	3,072,962	8,442,919	100.0%	84.7%	0.0%
June 30, 2004[2]	1,070,268	7,650,156	2,723,492	8,030,414	100.0%	91.0%	0.0%
June 30, 2003	1,026,730	6,860,834	2,674,089	7,687,281	100.0%	97.1%	0.0%
June 30, 2002 [1 2 3]	967,045	6,301,095	2,591,451	7,412,833	100.0%	100.0%	5.6%
June 30, 2001	920,702	5,059,386	1,888,486	7,941,756	100.0%	100.0%	100.0%
June 30, 2000[2 3]	892,949	4,588,201	1,895,762	7,454,758	100.0%	100.0%	100.0%

Healthcare liabilities are calculated using the funding assumptions (i.e., 8.25% investment return and net of Medicare Part D subsidy).

[1] *Change in Asset Valuation Method*
[2] *Change in Assumptions*
[3] *Change in Methods*

DRAFT

State of Alaska
Teachers' Retirement System

Actuarial Valuation Report
as of June 30, 2009

Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
Denver, CO 80202

DRAFT

buckconsultants A Xerox Company

March 22, 2010

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Dear Members of The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration:

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Teachers' Retirement System has been prepared as of June 30, 2009 by Buck Consultants. The purposes of the report include:

(1) a presentation of the valuation results of the System as of June 30, 2009;

(2) a review of experience under the System for the year ended June 30, 2009;

(3) a determination of the appropriate total contribution rate to be paid by all employers in the System including additional State contributions pursuant to SB 125, which will be applied for the fiscal year ending June 30, 2012; and

(4) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The following schedules that we have prepared are included in this report:

(1) Summary of actuarial assumptions and methods (Section 2.3)

(2) Schedule of active member valuation data (Section 2.2(c))

(3) Schedule of benefit recipients added to and removed from rolls (Section 2.2(i))

(4) Solvency test (Section 3.3)

(5) Analysis of financial experience (Section 3.1)

(6) Summary of GASB No. 25 and 43 disclosure information (Section 3.2)

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. The employee data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of an experience study presented to and adopted by The Alaska Retirement Management Board (Board) in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The total contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY10 and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 64.8% to 57.0% during the year. This report provides an analysis of the factors that led to the decrease. This report also provides a history of the funding ratio of the System.

A summary of the actuarial assumptions and methods is presented in Section 2.3 of this report. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the System.

Future contribution requirements may differ from those determined in the valuation because of:

(1) differences between actual experience and anticipated experience based on the assumptions;

(2) changes in actuarial assumptions or methods;

(3) changes in statutory provisions; or

(4) differences between the contribution rates determined by the valuation and those adopted by the Board.

The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

We believe that this report confirms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,

David H. Slishinsky, ASA, EA, MAAA	Michelle Reding DeLange, FSA, EA, MAAA
Principal, Consulting Actuary	Director, Consulting Actuary

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.

Melissa Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

Contents

Report Highlights

This report has been prepared by Buck Consultants for the State of Alaska Teachers' Retirement System to:

(1) Present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 2009;

(2) Review experience under the plan for the year ended June 30, 2009;

(3) Determine the appropriate contribution rate for all employers in the System; and

(4) Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during Fiscal Year 2009, the current annual costs, and 30-year projections.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 3 contains additional exhibits showing historical information on system experience and unfunded liabilities and GASB information.

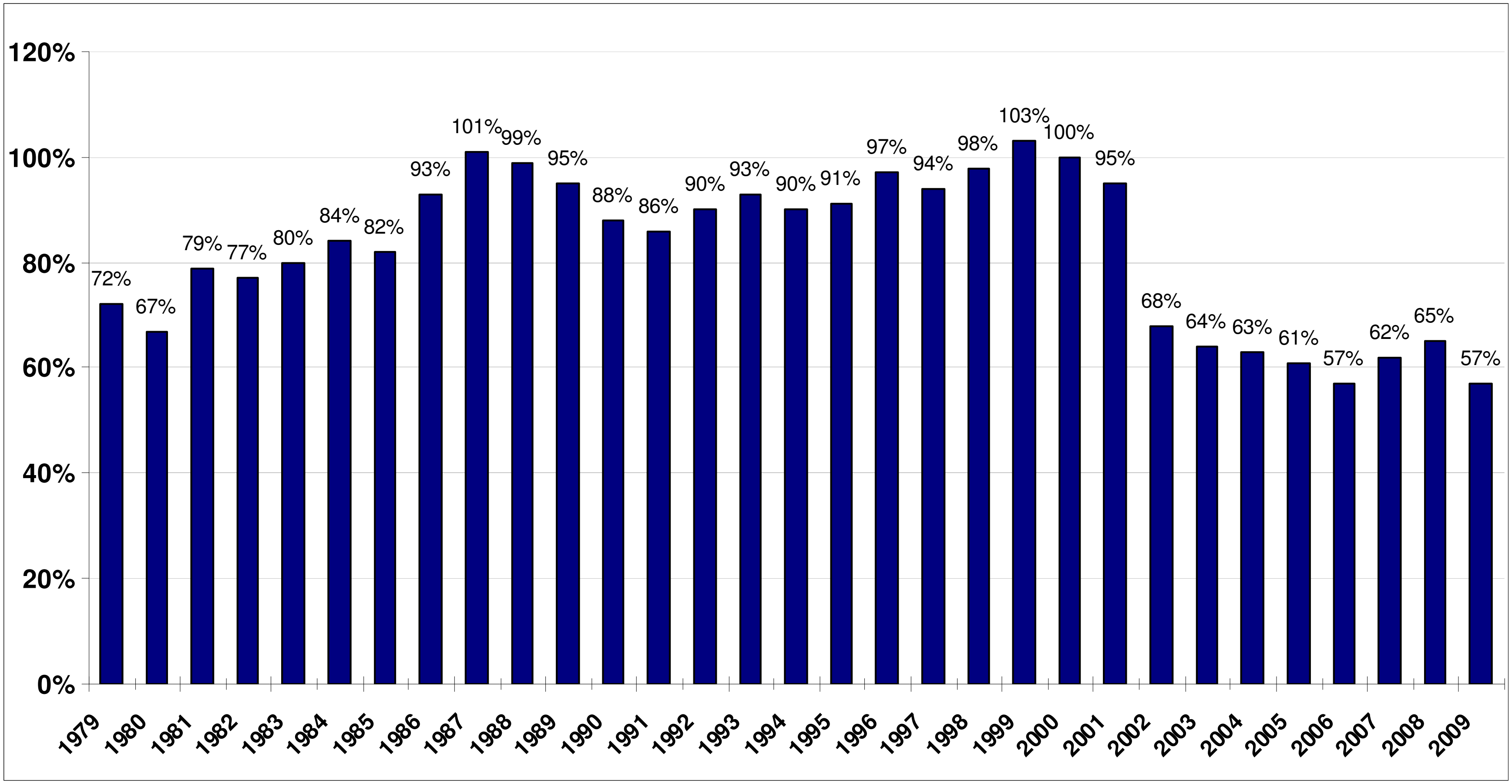
The principal results are as follows:

Funding Status as of June 30[1]	**2008**	**2009**
(a) Accrued Liability[2]	$7,619,178	$7,847,514
(b) Valuation Assets[2]	4,936,976	4,472,958
(c) Unfunded Accrued Liability[2], *(a) – (b)*	$2,682,202	$3,374,556
(d) Funding Ratio based on Valuation Assets, *(b) ÷ (a)*	64.8%	57.0%
(e) Market Value of Assets[2]	$4,804,371	$3,727,466
(f) Funding Ratio based on Market Assets, *(e) ÷ (a)*	63.1%	47.5%

[1] *Includes pension and healthcare benefits.*
[2] *In thousands.*

Report Highlights *(continued)*

TRS Funding Ratio History
(Based on Valuation Assets)



Report Highlights *(continued)*

Employer/State Contribution Rates for Pension for Fiscal Year:	2011	2012
(a) Normal Cost Rate Net of Member Contributions	2.56%	2.42%
(b) Past Service Rate	17.76%	24.19%
(c) Total Employer/State Contribution Rate *(a) + (b)*	20.32%	26.61%

Employer/State Contribution Rates for Postemployment Healthcare for Fiscal Year:	2011	2012
(a) Normal Cost Rate	5.00%	4.15%
(b) Past Service Rate	13.24%	11.85%
(c) Total Employer/State Contribution Rate *(a) + (b)*	18.24%	16.00%

Total Employer/State Contribution Rates for Fiscal Year:	2011	2012
(a) Normal Cost Rate Net of Member Contributions	7.56%	6.57%
(b) Past Service Rate	31.00%	36.04%
(c) Total Employer/State Contribution Rate *(a) + (b)*	38.56%	42.61%
(d) Board Adopted Total Employer/State Contribution Rate	38.56%	TBD

Contribution rates are based on salary for both DB plan members and DCR members, combined.

The rates shown above are for funding purposes which differ from the Annual Required Contribution for GASB No. 43 reporting purposes. Under GASB No. 43, postemployment healthcare liabilities are gross of the retiree drug subsidy and are calculated with a discount rate for a partially funded plan.

Contribution rates include Employer contribution rates as limited by State statute, and include the State Relief Funding required under SB 125.

Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio based on valuation assets as of June 30, 2009 has decreased from 64.8% to 57.0%, a decrease of 7.8%. The total calculated Employer/State contribution rate has increased from 38.56% of payroll for FY11 to 42.61% for FY12, an increase of 4.05%. The reasons for the change in the funded status and calculated contribution rate are explained below.

(1) Retiree Medical Costs and Assumptions

The following table summarizes the monthly premium per benefit recipient since 1977.

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	$ 57.64	66%	- -
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	7%	9%
1/1/10-12/31/10	1,068.00	14%	9%

As shown in the above table, the monthly retiree medical premium for the January 1, 2010 to December 31, 2010 time period will increase to $1,068. This represents an increase of 14% from the previous year's medical premium of $937. The health cost trend rates used for this valuation are described in Section 2.3. Over the last 10 years, annual premium rate changes have ranged from no change to up 15%. Also, over the last ten years, the increase in the premium rate has been about 7.3% compounded annually.

Analysis of the Valuation *(continued)*

Effective with the 2004 valuation, the assumptions used to value liabilities for retiree medical benefits were changed. The revised methods and assumptions more accurately measured retiree medical liabilities and incorporated the expected impact on System liabilities due to changes in the Medicare program. In particular, changes were made to the following elements in calculating medical liabilities:

- Claims cost methodology and development
- Offset for Medicare
- Aging factors

An analysis of medical costs was completed based on claims information provided by Premera and enrollment data provided by the Division of Retirement and Benefits. Costs for medical services and prescriptions were analyzed separately, and separate trend rates were developed to project expected future medical and prescription costs. An offset for costs expected to be reimbursed by Medicare was incorporated beginning at age 65. Average medical claims were then distributed across the population based on expected increases in medical expenses that occur with age.

For the 2009 valuation, we updated claims cost and Medicare offset analyses using fiscal year 2009 claims and enrollment information. We developed assumptions regarding the number of members with Medicare Part B only coverage based on employee date of hire, date of birth, tier, etc., and eligibility rules for Medicare Part A and associated claims costs. A lower average claims cost was applied to retirees assumed to be covered by both Medicare Part A and B vs. retirees assumed to be covered only by Medicare Part B. The assumed lag used to adjust claims data from a paid to incurred basis reflects the results of our June 30, 2009 lag study. Assumed lag from incurred date to paid claim is approximately 2.57 months for medical claims and 0.5 months for prescription claims. Composite lag for combined medical and prescription claims is about 1.9 months, similar to the 2-month composite lag assumption used for our 2008 valuation. The trend assumption is based on the Society of Actuaries' Healthcare Cost Trend Model as adopted by the ARM Board at their December 5, 2008 meeting. The trend rate varies by year declining to 5.1% over 100 years. The trends vary by medical and prescription drugs until 2012, at which point the same trends are used for both benefit types.

Analysis of the Valuation *(continued)*

Individual claim level detail from Aetna and Premera were obtained for calendar year 2005 and fiscal years 2006 through 2009. This data was reviewed and compared to management level reporting supplied by Premera. For the 2009 valuation, we have not modified any management level reporting information used to develop per capita claim cost rates. However, we will continue to compare data from both sources and potentially modify future claims cost rate derivation to reflect salient information at the individual claimant level that may enhance global management level data. For the 2009 valuation, we do not recommend any changes to morbidity assumptions used to project increasing claims costs as members age. However, we will continue to compare age-based claims costs derived from individual claimant data to the current morbidity curve and potentially modify the assumed aging impact on claims costs in future valuations. The portion of retirees assumed to be eligible for Medicare Parts A and B and for Part B only was modified, decreasing the Part B only proportion of all Medicare retirees from 4.0% to 3.5%. Finally, explicit third-party administration (TPA) costs were added to medical and prescription claims cost rates. Per-member TPA costs are derived from the current Wells Fargo contract and are projected to increase at the assumed rate of 5%.

Since 2004, the funding valuation also reflects the impact of the Medicare Part D Retiree Drug Subsidy (RDS) in the projection of prescription drug benefit costs. Buck's actuaries have attested that the prescription drug benefits meet the actuarial equivalence requirements and the plan qualifies to receive the RDS under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) for calendar 2009 and 2010. Based on current plan provisions and utilization data, we anticipate the plan will continue to qualify for RDS payments. The State has shared its payments for calendar 2006, 2007, 2008 and the first quarter of 2009 and this information was used to estimate future RDS payments in this valuation. Please note, Part D subsidies are not reflected for accounting purposes under GASB No. 43.

Utilization and claims cost data indicate that healthcare experience emerging since the prior valuation is improving slightly. A large portion of the historical unfavorable experience is due to members with chronic diseases (diabetes, ESRD, etc.), and the corresponding large claims that accompany those diseases. Due to the nature of these diseases, it is expected that the State will have these members as benefit recipients for some time, and that costs may be able to be controlled, but not eliminated. With the introduction of a health improvement plan for State employees, as well as disease management provided by the TPA, it is hoped that the incidence of the most severe and costly chronic conditions can be reduced to a more manageable and stable level. As with the prior valuation, a weighting methodology is employed, where each of the experience years is given similar weights when calculating the claims costs. This has the effect of preventing any one year from unduly influencing the claims costs. In future valuations, we will assess giving more recent experience greater weight in the overall claims cost rate development process. In the current valuation, we averaged national trend assumptions with Alaska-specific trend during the experience period to give credibility to Alaska-specific experience while still reflecting national trends.

The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2009 as compared to 2008:

Healthcare Cost Rate Data Source or Assumption Change, 2009 vs. 2008	**Gain / Loss Impact on 2009 Valuation Results**
Claim lag specific to medical and prescription experience (2.57 months for medical and 0.5 months for Rx versus 1.78 and 0.6 respectively)	Negligible
Individual claims level data	– No impact on cost data used for 2009, though potentially a source of future modifications – No impact on morbidity assumptions used for 2009, though potentially a source of future modifications – Moderate loss from decreasing the assumed Part B only proportion of all Medicare retirees from 4% to 3.5%
Explicit TPA fees	Minor gain
Actual RDS payments received	Minor loss
Weighting of prior experience periods used to derive base claims during the valuation year (near equal weighting for all five periods is similar to prior valuation)	Dampens the gain/loss from favorable provider discounts and experience since June 2006 but may be modified in future valuations
Averaging Alaska-specific trend during the experience period with Health Care Cost Trend Rates (HCCTR) used to bring prior data forward to the valuation year	No change
Aggregate claims data	Moderate gain due to experience, but dampened by weighting methodology.

Analysis of the Valuation *(continued)*

(2) Investment Experience

The approximate FY09 investment return based on market values was (21.0)% compared to the expected investment return of 8.25%. This resulted in a loss of approximately $1,392.0 million to the System from investment experience. The asset valuation method recognizes 20 percent of this loss ($278.4 million) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY05 investment gain, 20 percent of the FY06 investment gain, 20 percent of the FY07 investment gain and 20 percent of the FY08 investment loss were recognized this year. The approximate FY09 investment return based on actuarial values was (7.9)% compared to the expected investment return of 8.25%. The net result was an investment loss of $790.1 million which decreased the funding ratio by 10.07% and increased the Employer/State contribution rate by 7.23%.

(3) Salary Increase

During the period from June 30, 2008, to June 30, 2009, salary increases for continuing active members were more than anticipated in the valuation assumptions. Higher accrued liabilities caused the funding ratio to decrease by 0.17%. The net effect of the salary loss was an increase of 0.29% in the Employer/State contribution rate.

(4) Demographic Experience

Section 2.2 provides statistics on active and inactive participants. The number of active participants decreased 3.58% from 8,531 at June 30, 2008 to 8,226 at June 30, 2009 due to the closure of the plan to new entrants as of July 1, 2006. The average age of active participants increased from 46.64 to 47.42 and average credited service increased from 12.44 to 13.19 years.

The number of retirees and beneficiaries increased 2.28% from 10,026 to 10,255, and their average age increased from 65.82 to 66.42. There was a 1.26% increase in the number of vested terminated participants from 873 to 884. Their average age increased from 49.14 to 49.52.

The overall effect of these participant data changes along with the healthcare experience was an actuarial gain to the System, resulting in a decrease in the Employer/State contribution rate of 3.21% of total payroll. Most of this gain is due to healthcare claims costs which were less than expected. As a result, expected healthcare claims for FY10 and future years are reduced. The gain/loss by decrement on the accrued liability is shown on the summary page.

Analysis of the Valuation *(continued)*

(5) Effect of the Two-Year Delay in the Contribution Rate

As of June 30, 2008, the actuarially calculated rate was 38.56% for FY11 Employer/State contributions. Since Employer/State contribution rates are determined two years prior to the fiscal year, the June 30, 2006 adopted employer rate of 44.17% was contributed during FY09. The difference between the two calculated rates, 44.17% and 38.56%, created a contribution surplus to the System. This surplus decreased the Employer/State contribution rate by 0.26%.

(6) Actuarial Projections

At the Fall 1991 Board Meetings, the TRS Board approved the use of an enhanced actuarial projection system in the valuation report. The same actuarial cost method is used, but the enhanced system projects the associated liabilities 30 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 30 years. Section 1.5, Actuarial Projections, contains the results of this analysis.

This type of information can be especially useful to multi-tiered systems, such as TRS. No new DB plan entrants are anticipated.

(7) Changes in Methods from the Prior Valuation

The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach. The impact of this change is not significant.

(8) Changes in Assumptions from the Prior Valuation

There were no changes in assumptions from the prior valuation.

(9) Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

Analysis of the Valuation *(continued)*

Summary

The following table summarizes the sources of change in the total Employer/State contribution rate based on DB and DCR member payroll combined:

	Pension	Healthcare	Total
1. Last year's total Employer/State contribution rate	20.32%	18.24%	38.56%
2. Change due to:			
a. Effect of two-year delay in the contribution rate	0.01%	(0.27)%	(0.26)%
b. Investment experience	6.53%	0.70%	7.23%
c. Salary increases	0.29%	N/A	0.29%
d. Demographic and medical experience[1]	(0.54)%	(2.67)%	(3.21)%
e. Total change (a + b + c + d)	6.29%	(2.24)%	4.05%
3. Total Employer/State contribution rate this year, (1) + (2e)	26.61%	16.00%	42.61%

The following table shows the gain/(loss) on total accrued liability (in thousands):	Amount
– Retirement Experience	$ 8,298
– Termination Experience	(10,182)
– Mortality Experience	(17,693)
– Disability Experience	(428)
– Other Demographic Experience	(16,262)
– Salary Increases	(12,153)
– COLA Other Than Expected	(16,355)
– Medical Experience	142,185
– Total	$ 77,410

[1] *Includes changes in future healthcare claims costs.*

Section 1

This section sets forth the results of the actuarial valuation.

Section 1.1(a)	Statement of Net Assets.
Section 1.1(b)	Statement of Changes in Net Assets During FY09 and the Investment Return for FY09.
Section 1.1(c)	Actuarial Value of Assets.
Section 1.2	Actuarial Present Values.
Section 1.3	Development of Total Employer/State Contribution Rate for FY12.
Section 1.4	Development of Actuarial Gain or Loss for FY09.
Section 1.5(a)	Actuarial Projections – Projections at Calculated Rate. Based on Total DB and DCR Payroll.
Section 1.5(b)	Actuarial Projections – Projections at Current Rate. Based on Total DB and DCR Payroll.
Section 1.5(c)	Actuarial Projections – Effect of Economic Scenarios. Based on Total DB and DCR Payroll.

1.1(a) Statement of Net Assets

As of June 30, 2009 (in thousands)	Pension	Healthcare	Total Market Value
Cash and Cash Equivalents	$ 14,466	$ 4,006	$ 18,472
Domestic Equity Pool	853,583	392,459	1,246,042
Domestic Fixed Income Pool	285,083	130,790	415,873
International Equity Pool	389,604	184,594	574,198
Real Estate Pool	306,343	103,027	409,370
International Fixed Income Pool	38,632	18,026	56,658
Private Equity Pool	230,646	91,006	321,652
Emerging Markets Equity Pool	110,171	49,079	159,250
Other Investments Pool	163,963	50,024	213,987
High Yield Pool	56,322	26,000	82,322
Absolute Return Pool	111,351	54,028	165,379
Treasury Inflation Protection Pool	14,634	5,914	20,548
Emerging Debt Pool	19,548	9,063	28,611
Loans and Mortgages (Net of Reserves)	9	984	993
Total Cash and Investments	$ 2,594,355	$ 1,119,000	$ 3,713,355
Net Accrued Receivables	2,078	12,033	14,111
Net Assets	$ 2,596,433	$ 1,131,033	$ 3,727,466

1.1(b) Statement of Changes in Net Assets

Fiscal Year 2009 (in thousands)	Pension	Healthcare	Total Market Value
(1) Net Assets, June 30, 2008 (market value)	$ 3,550,798	$ 1,253,573	$ 4,804,371
(2) Additions:			
(a) Plan Member Contributions	$ 53,544	$ 116	$ 53,660
(b) Employer Contributions	27,110	47,174	74,284
(c) Employer Legislative Relief	104,423	101,877	206,300
(d) Interest and Dividend Income	127,846	6,640	134,486
(e) Net Appreciation in Fair Value of Investments	(933,967)	(186,531)	(1,120,498)
(f) Other	3	3,595	3,598
(g) Total Additions	$ (621,041)	$ (27,129)	$ (648,170)
(3) Deductions:			
(a) Medical Benefits	$ 0	$ 89,571	$ 89,571
(b) Retirement Benefits	319,148	0	319,148
(c) Refunds of Contributions	3,622	0	3,622
(d) Investment Expenses	8,017	28	8,045
(e) Administrative Expenses	2,537	5,812	8,349
(f) Total Deductions	$ 333,324	$ 95,411	$ 428,735
(4) Net Assets, June 30, 2009 (market value)	$ 2,596,433	$ 1,131,033	$ 3,727,466
Approximate Market Value Investment Return Rate During FY09 Net of All Expenses	(23.5)%	(14.5)%	(21.0)%

1.1(c) Actuarial Value of Assets

The actuarial value of assets was set equal to the market value at June 30, 2002. Future investment gains and losses will be recognized 20% per year over 5 years. In no event may valuation assets be less than 80% or more than 120% of market value as of the current valuation date.

In Thousands	Pension	Healthcare	Total
(1) Deferral of Investment Return for FY09			
(a) Market Value, June 30, 2008	$3,550,798	$ 1,253,573	$ 4,804,371
(b) Contributions for FY09	185,077	149,167	334,244
(c) Benefit Payments for FY09	322,770	89,571	412,341
(d) Actual Investment Return *(net of expenses)*	(816,672)	(182,136)	(998,808)
(e) Expected Return Rate *(net of expenses)*	8.25%	8.25%	8.25%
(f) Expected Return - Weighted for Timing	287,374	105,829	393,203
(g) Investment Gain/(Loss) for the Year *(d. – f.)*	(1,104,046)	(287,965)	(1,392,011)
(h) Deferred Investment Return/(Loss)	(1,000,487)	(248,291)	(1,248,778)
(2) Actuarial Value, June 30, 2009			
(a) Market Value, June 30, 2009	$2,596,433	$ 1,131,033	$ 3,727,466
(b) 2009 Deferred Investment Return/(Loss)	(1,000,487)	(248,291)	(1,248,778)
(c) Preliminary Actuarial Value, June 30, 2009 *(a. - b.)*	3,596,920	1,379,324	4,976,244
(d) Upper Limit: 120% of Market Value, June 30, 2009	3,115,719	1,357,239	4,472,958
(e) Lower Limit: 80% of Market Value, June 30, 2009	2,077,147	904,827	2,981,974
(f) Actuarial Value, June 30, 2009 *(c. limited by d. and e.)*	$3,115,719	$ 1,357,239	$ 4,472,958
(g) Ratio of Actuarial Value of Assets to Market Value of Assets	120.00%	120.00%	120.00%
(h) Approximate Actuarial Value Investment Return Rate During FY09 Net of All Expenses	(11.6)%	2.4%	(7.9)%

1.1(c) Actuarial Value of Assets *(continued)*

The tables below show the development of gain/(loss) to be recognized in the current year (in thousands).

Pension

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005[1]	$ 8,842	$ 7,073	$ 1,769	$ 0
6/30/2006[1]	96,920	58,151	19,384	19,385
6/30/2007[1]	335,304	134,122	67,061	134,121
6/30/2008	(451,260)	(90,252)	(90,252)	(270,756)
6/30/2009	(1,104,046)	0	(220,809)	(883,237)
Total	**$ (1,114,240)**	**$ 109,094**	**$(222,847)**	**$ (1,000,487)**

Healthcare

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005[1]	$ 2,524	$ 2,019	$ 505	$ 0
6/30/2006[1]	27,667	16,600	5,533	5,534
6/30/2007[1]	95,718	38,286	19,144	38,288
6/30/2008	(102,901)	(20,580)	(20,580)	(61,741)
6/30/2009	(287,965)	0	(57,593)	(230,372)
Total	**$ (264,957)**	**$ 36,325**	**$ (52,991)**	**$ (248,291)**

Total

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005	$ 11,366	$ 9,092	$ 2,274	$ 0
6/30/2006	124,587	74,751	24,917	24,919
6/30/2007	431,022	172,408	86,205	172,409
6/30/2008	(554,161)	(110,832)	(110,832)	(332,497)
6/30/2009	(1,392,011)	0	(278,402)	(1,113,609)
Total	**$ (1,379,197)**	**$ 145,419**	**$(275,838)**	**$ (1,248,778)**

[1] *The pension and healthcare assets bases were allocated using a ratio of market value of assets as of June 30, 2007.*

1.2 Actuarial Present Values

As of June 30, 2009 (in thousands)			Normal Cost		Accrued Liability
Active Members					
Retirement Benefits		$	49,102	$	1,689,629
Termination Benefits			5,113		32,836
Disability Benefits			1,283		19,068
Death Benefits			373		10,118
Return of Contributions			11,474		(51,817)
Medical and Prescription Drug Benefits			30,272		959,310
Medicare Part D Subsidy			(2,102)		(53,571)
Indebtedness			N/A		(50,867)
Subtotal		$	95,515	$	2,554,706
Inactive Members					
Not Vested				$	40,775
Vested Terminations	- Retirement Benefits				98,458
	- Medical and Prescription Drug Benefits				143,264
	- Medicare Part D Subsidy				(8,516)
	- Indebtedness				(4,767)
Retirees & Beneficiaries	- Retirement Benefits				3,680,554
	- Medical and Prescription Drug Benefits				1,459,605
	- Medicare Part D Subsidy				(116,565)
Subtotal				$	5,292,808
Total		**$**	**95,515**	**$**	**7,847,514**
Total Pension		**$**	**67,345**	**$**	**5,463,987**
Total Medical, Net of Part D Subsidy		**$**	**28,170**	**$**	**2,383,527**
Total Medical, Gross of Part D Subsidy		**$**	**30,272**	**$**	**2,562,179**

1.2 Actuarial Present Values
(continued)

As of June 30, 2009 (in thousands)	Normal Cost	Accrued Liability
By Tier		
Tier 1		
- Pension	$ 19,028	$ 4,487,063
- Medical, Net of Part D Subsidy	5,564	1,719,303
Tier 2		
- Pension	48,317	976,924
- Medical, Net of Part D Subsidy	22,606	664,224
Total	$ **95,515**	**$ 7,847,514**

1.3 Development of Total Employer/State Contribution Rate – FY12
(in thousands)

Normal Cost Rate		Pension	Healthcare	Total
(1)	Total Normal Cost	$ 67,345	$ 28,170	$ 95,515
(2)	DB Member Salaries Projected for FY10	583,746	583,746	583,746
(3)	DCR Member Salaries Projected for FY10	95,141	95,141	95,141
(4)	Total Salaries Projected for FY10	678,887	678,887	678,887
(5)	Normal Cost Rate			
	a. Based on DB Member Salaries, (1) ÷ (2)	11.54%	4.83%	16.37%
	b. Based on Total Salaries, (1) ÷ (4)	9.92%	4.15%	14.07%
(6)	Average Member Contribution Rate[1]	7.50%	0.00%	7.50%
(7)	Employer Normal Cost Rate, (5b) – (6)	2.42%	4.15%	6.57%

Past Service Rate		Pension	Healthcare	Total
(1)	Accrued Liability	$ 5,463,987	$ 2,383,527	$ 7,847,514
(2)	Valuation Assets	3,115,719	1,357,239	4,472,958
(3)	Total Unfunded Liability, (1) – (2)	2,348,268	1,026,288	3,374,556
(4)	Funded Ratio, (2) ÷ (1)	57.0%	56.9%	57.0%
(5)	Past Service Cost Amortization Payment[2]	164,219	80,444	244,663
(6)	Total Salaries Projected for FY10	678,887	678,887	678,887
(7)	Past Service Rate, (5) ÷ (6)	24.19%	11.85%	36.04%
Total Employer/State Contribution Rate		**26.61%**	**16.00%**	**42.61%**
Normal Cost Rate by Tier (Total Employer and Member)[3]				
	Tier 1	11.92%	3.48%	15.40%
	Tier 2	11.39%	5.33%	16.72%

[1] *Assumes no member contribution from members in the DCR plan, 9.65% contributions for Tier 1 members who elected supplemental coverage and 8.65% for the remaining members.*
[2] *Amortized on a level percentage of pay basis.*
[3] *Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.*

1.3 Development of Total Employer/State Contribution Rate – FY12 *(continued)*

Schedule of Past Service Cost Amortizations - Pension

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 871,526	$ 930,565	$ 71,120
FY03 Loss[1]	6/30/2003	19	168,666	179,500	13,227
FY04 Loss[1]	6/30/2004	20	83,331	88,158	6,280
FY05 Loss[1]	6/30/2005	21	117,313	123,080	8,496
Change in Assumptions/Methods[1]	6/30/2006	22	284,349	295,225	19,790
FY06 Gain[1]	6/30/2006	22	(21,576)	(22,402)	(1,502)
FY07 Loss	6/30/2007	23	25,203	25,885	1,688
FY08 Gain	6/30/2008	24	(51,093)	(51,821)	(3,294)
FY09 Loss	6/30/2009	25	780,078	780,078	48,414
Total				**$ 2,348,268**	**$ 164,219**

Schedule of Past Service Cost Amortizations - Healthcare

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability[1]	6/30/2002	18	$ 851,080	$ 908,734	$ 69,452
FY03 Loss[1]	6/30/2003	19	164,710	175,290	12,917
FY04 Loss[1]	6/30/2004	20	81,376	86,090	6,133
FY05 Loss[1]	6/30/2005	21	114,560	120,193	8,297
Change in Assumptions/Methods[1]	6/30/2006	22	277,678	288,298	19,325
FY06 Gain[1]	6/30/2006	22	(21,071)	(21,877)	(1,466)
FY07 Gain	6/30/2007	23	(375,974)	(386,158)	(25,186)
Change in Assumptions	6/30/2008	24	138,986	140,969	8,962
FY08 Gain	6/30/2008	24	(186,882)	(189,548)	(12,050)
FY09 Gain	6/30/2009	25	(95,703)	(95,703)	(5,940)
Total				**$ 1,026,288**	**$ 80,444**

[1] *The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.*

1.3 Development of Total Employer/State Contribution Rate – FY12 *(continued)*

Schedule of Past Service Cost Amortizations - Total

	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability	6/30/2002	18	$ 1,722,606	$ 1,839,299	$ 140,572
FY03 Loss	6/30/2003	19	333,376	354,790	26,144
FY04 Loss	6/30/2004	20	164,707	174,248	12,413
FY05 Loss	6/30/2005	21	231,873	243,273	16,793
Change in Assumptions/Methods	6/30/2006	22	562,027	583,523	39,115
FY06 Gain	6/30/2006	22	(42,647)	(44,279)	(2,968)
FY07 Gain	6/30/2007	23	(350,771)	(360,273)	(23,498)
Change in Assumptions	6/30/2008	24	138,986	140,969	8,962
FY08 Gain	6/30/2008	24	(237,975)	(241,369)	(15,344)
FY09 Loss	6/30/2009	25	684,375	684,375	42,474
Total				**$ 3,374,556**	**$ 244,663**

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 13.792670. The amortization method is level percentage of pay.

The equivalent single amortization period is 19 years.

Note: The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach.

1.4 Development of Actuarial Gain/(Loss) for FY09
(in thousands)

	Pension	Healthcare	Total
(1) Expected Actuarial Accrued Liability			
(a) Accrued Liability, June 30, 2008	$ 5,231,654	$ 2,387,524	$ 7,619,178
(b) Normal Cost for FY09	66,297	31,788	98,085
(c) Interest on (a) and (b) at 8.25%	437,081	199,593	636,674
(d) Benefit Payments for FY09	319,148	89,571	408,719
(e) Refund of Contributions for FY09	3,622	0	3,622
(f) Interest on (d) and (e) at 8.25% for one-half year	13,050	3,622	16,672
(g) Expected Accrued Liability as of June 30, 2009 (a) + (b) + (c) – (d) – (e) – (f)	5,399,212	2,525,712	7,924,924
(2) Actual Accrued Liability, June 30, 2009	5,463,987	2,383,527	7,847,514
(3) Liability Gain/(Loss), (1)(g) – (2)	**$ (64,775)**	**$ 142,185**	**$ 77,410**
(4) Expected Actuarial Asset Value			
(a) Actuarial Asset Value, June 30, 2008	$ 3,670,086	$ 1,266,890	$ 4,936,976
(b) Interest on (a) at 8.25%	302,782	104,518	407,300
(c) Employee Contributions for FY09	53,544	116	53,660
(d) Employer Contributions for FY09	27,110	47,174	74,284
(e) Employer Legislative Relief for FY09	104,423	101,877	206,300
(f) Interest on (c), (d) and (e) at 8.25% for one-half year	7,483	6,031	13,514
(g) Benefit Payments for FY09	319,148	89,571	408,719
(h) Refund of Contributions for FY09	3,622	0	3,622
(i) Interest on (g) and (h) at 8.25% for one-half year	13,050	3,622	16,672
(j) Expected Actuarial Asset Value, June 30, 2009 (a) + (b) + (c) + (d) + (e) + (f) – (g) – (h) – (i)	3,829,608	1,433,413	5,263,021
(5) Actuarial Asset Value, June 30, 2009	3,115,719	1,357,239	4,472,958
(6) Actuarial Asset Gain/(Loss), (5) - (4)(j)	**$ (713,889)**	**$ (76,174)**	**$ (790,063)**
(7) Actuarial Gain/(Loss), (3) + (6)	**$ (778,664)**	**$ 66,011**	**$ (712,653)**
(8) Effect of the 2-Year Delay on Contributions	**$ (1,414)**	**$ 29,692**	**$ 28,278**
(9) FY09 Gain/(Loss) to be Amortized, (7) + (8)	**$ (780,078)**	**$ 95,703**	**$ (684,375)**

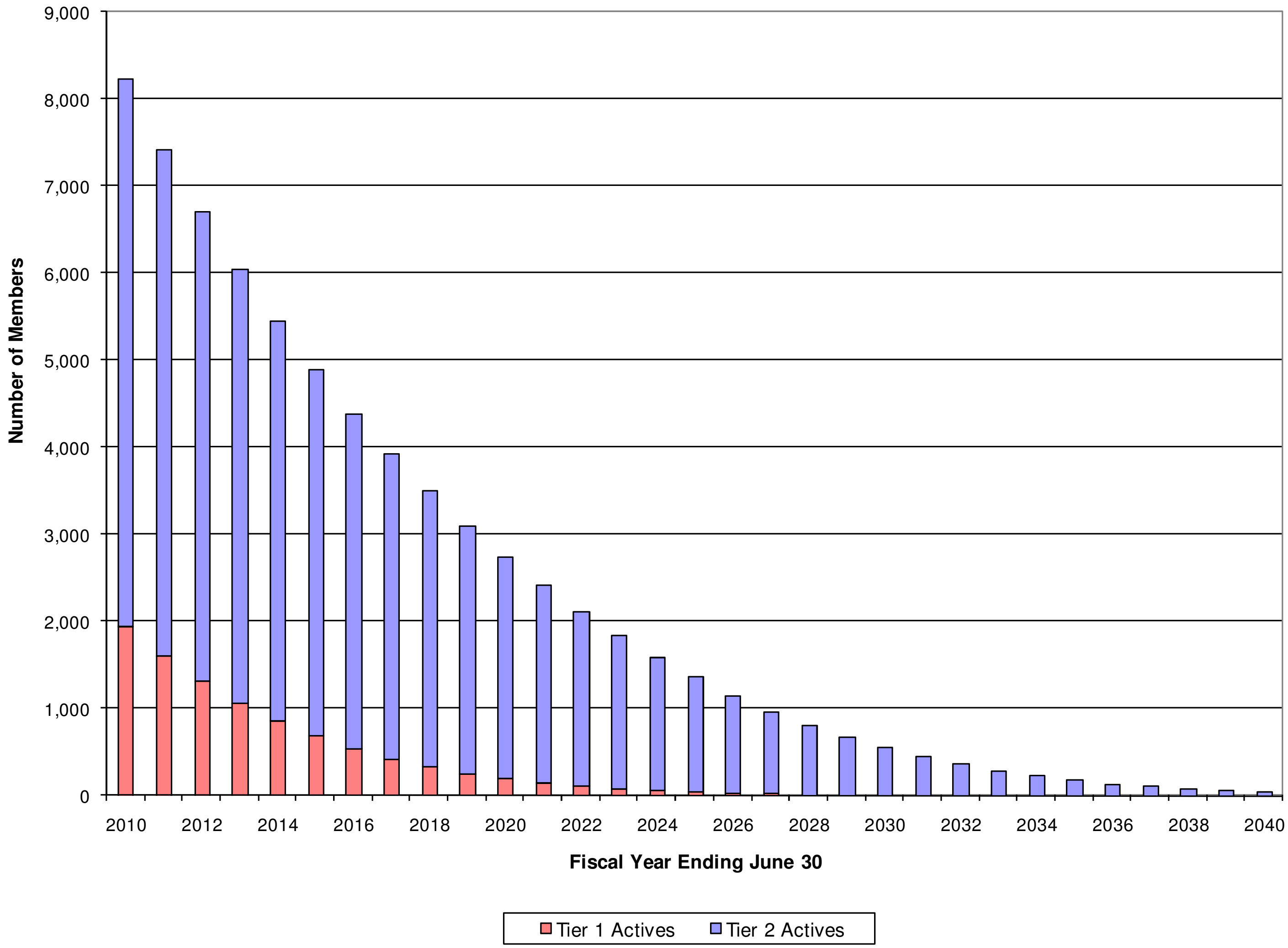
1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll

Key Assumptions

- 8.25% investment return on the Market Value of Assets in all years.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods as described in Section 2.3.
- The actuarially calculated contribution rate with a two-year lag is adopted each year.
- No new DB Plan entrants into Tiers 1 and 2.
- Projections assume a 1% increase in the total active population. All new members are expected to enter the DCR plan.

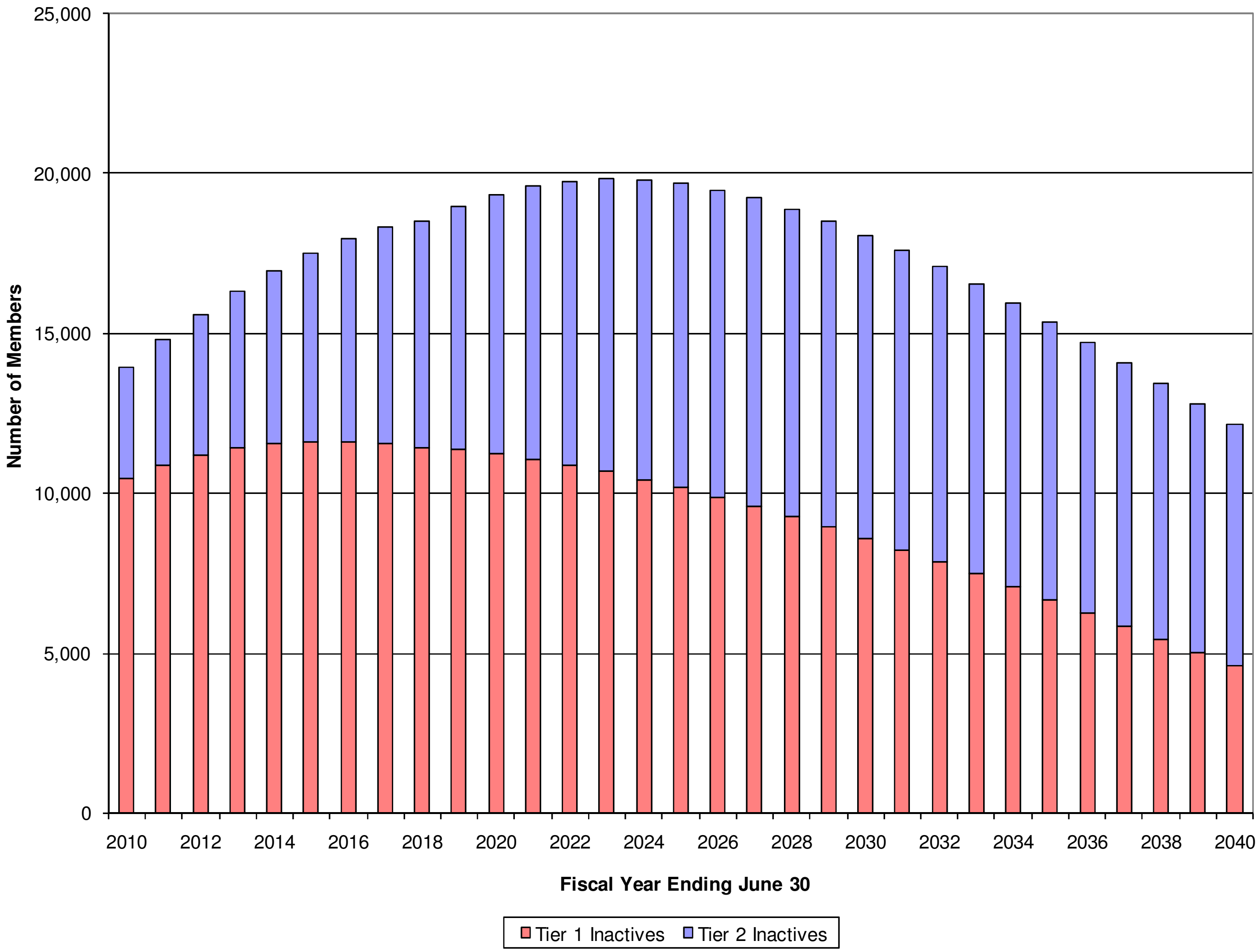
1.5(a) Actuarial Projections – Projections at Calculated Rate Based Total DB and DCR Payroll *(continued)*

Projected Active Member Count



1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Inactive Member Count



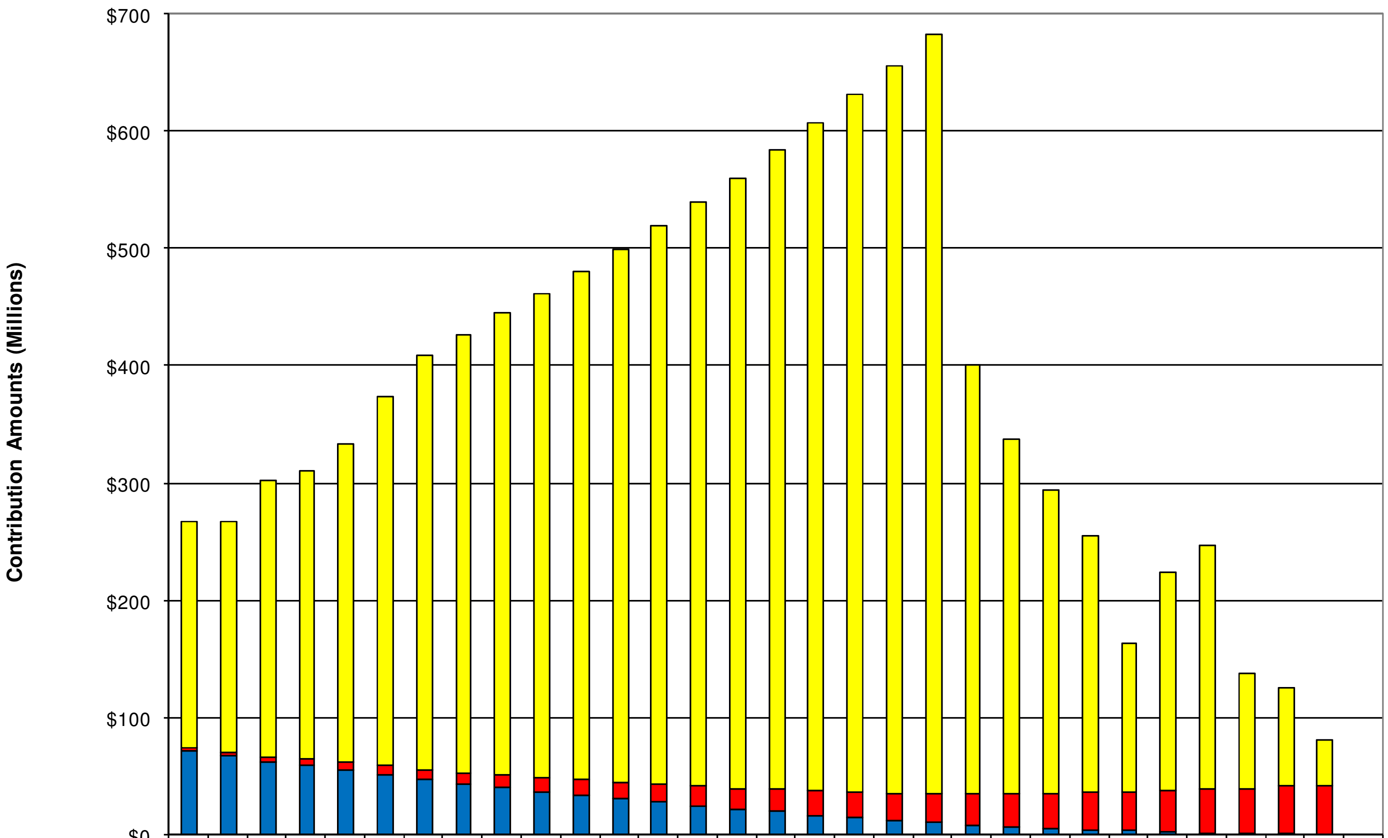
1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Observations

- Contribution amounts have been shown instead of rates. The actual contribution amount provides a more meaningful illustration of the contributions due.
- Contribution amounts increase until FY29 before dropping off significantly as the June 30, 2002 unfunded liability amortization base is paid off.
- Contributions become $0 towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.
- Funding ratios decrease until FY14 as the deferral of recent investment losses are realized, and then improve throughout the rest of the projection period.

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Assistance	193	196	235	245	271	315	353	374	394	413	434	455	476	498	520
DB ER Contrib. on DCR Pay	2	3	4	5	6	7	8	9	11	12	13	14	16	17	18
DB ER Contrib. on DB Pay	73	69	64	61	57	53	49	45	42	38	35	32	29	26	23

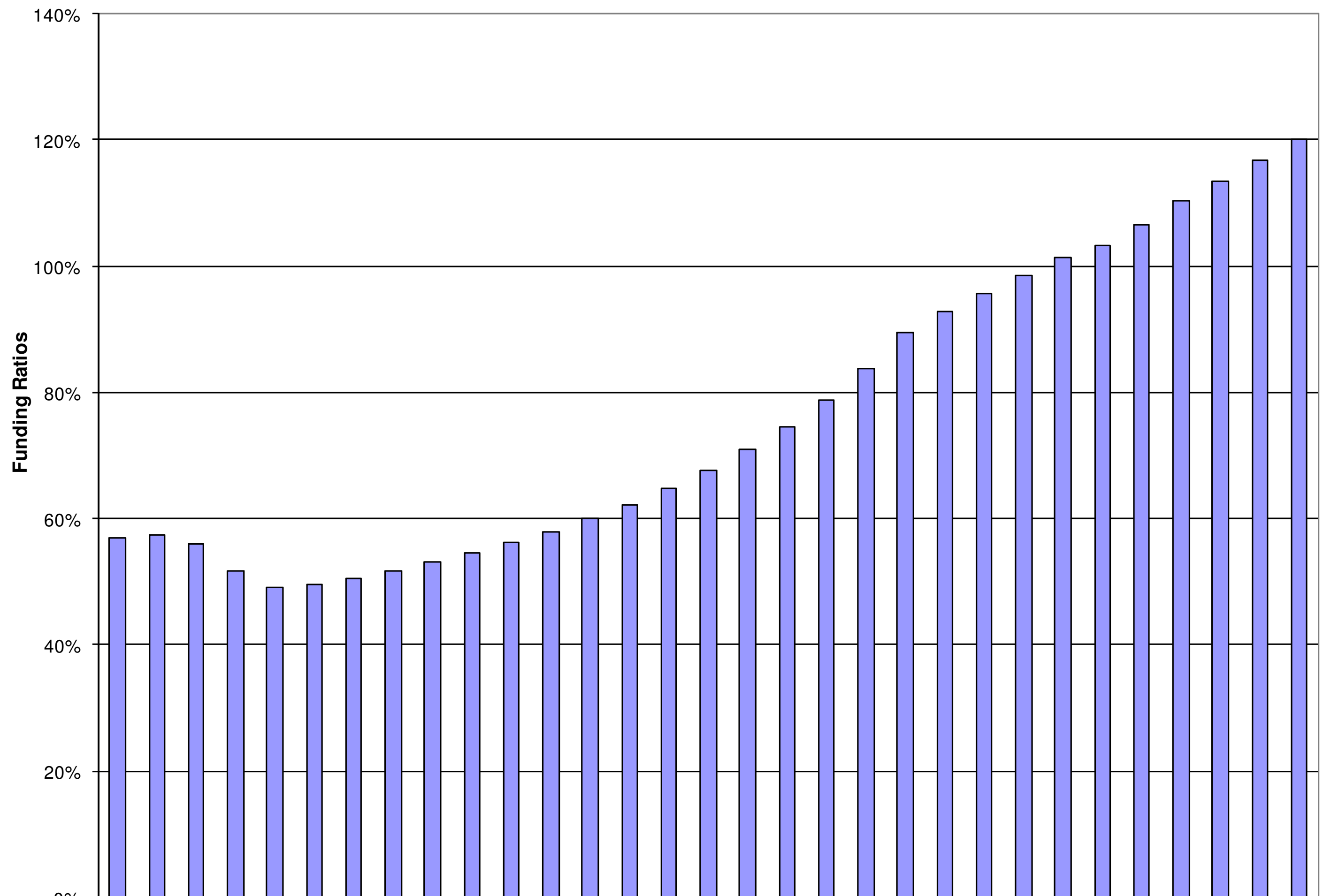
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
State Assistance	544	569	594	620	647	365	301	258	218	127	186	208	98	84	39	0
DB ER Contrib. on DCR Pay	20	21	22	24	25	27	29	30	32	33	35	37	39	41	42	0
DB ER Contrib. on DB Pay	21	18	16	13	12	10	8	7	6	5	4	3	2	2	1	0

Fiscal Year Ending June 30

■ DB ER Contrib. on DB Pay ■ DB ER Contrib. on DCR Pay ■ State Assistance

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

Projected Funding Ratios



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Funding Ratios	57%	58%	56%	52%	49%	50%	51%	52%	53%	55%	56%	58%	60%	62%	65%	68%

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Funding Ratios	71%	75%	79%	84%	90%	93%	96%	99%	101%	103%	107%	110%	113%	117%	120%

Fiscal Year Ending June 30

1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll *(continued)*

State of Alaska TRS

Financial Projections (in Thousands)

Investment Return 8.25%

	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									
Fiscal Year End	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	Recognized Asset Gain/(Loss)	Ending Actuarial Assets
--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------
2010	$4,472,958	$7,847,514	57.00%	($3,374,556)	$678,887	39.53%	$268,364	$58,152	$326,516	$466,578	($140,062)	$301,853	$32,359	$4,667,108
2011	4,667,108	8,115,362	57.51%	(3,448,254)	693,733	38.56%	267,503	59,313	326,816	500,024	(173,208)	313,860	(110,216)	4,697,544
2012	4,697,544	8,368,357	56.13%	(3,670,813)	710,874	42.61%	302,903	56,596	359,499	527,373	(167,874)	325,680	(389,234)	4,466,116
2013	4,466,116	8,606,603	51.89%	(4,140,487)	730,739	42.50%	310,564	54,074	364,638	552,559	(187,921)	337,888	(278,402)	4,337,681
2014	4,337,681	8,832,005	49.11%	(4,494,324)	753,394	44.30%	333,754	51,722	385,476	577,677	(192,201)	350,088	0	4,495,568
2015	4,495,568	9,043,698	49.71%	(4,548,130)	777,608	48.23%	375,040	49,529	424,569	602,851	(178,282)	363,676	0	4,680,962
2016	4,680,962	9,240,920	50.65%	(4,559,958)	804,042	51.05%	410,463	47,292	457,755	629,189	(171,434)	379,248	0	4,888,776
2017	4,888,776	9,421,135	51.89%	(4,532,359)	832,681	51.48%	428,664	45,068	473,732	654,987	(181,255)	395,995	0	5,103,516
2018	5,103,516	9,583,910	53.25%	(4,480,394)	863,949	51.64%	446,143	32,571	478,714	679,128	(200,414)	412,937	0	5,316,039
2019	5,316,039	9,727,257	54.65%	(4,411,218)	897,899	51.61%	463,406	29,990	493,396	695,463	(202,067)	430,403	0	5,544,375
2020	5,544,375	9,853,008	56.27%	(4,308,633)	934,569	51.54%	481,677	27,663	509,340	718,401	(209,061)	448,958	0	5,784,272
2021	5,784,272	9,960,605	58.07%	(4,176,333)	974,260	51.48%	501,549	25,331	526,880	742,414	(215,534)	468,488	0	6,037,226
2022	6,037,226	10,047,654	60.09%	(4,010,428)	1,015,766	51.30%	521,088	23,159	544,247	765,779	(221,532)	489,114	0	6,304,808
2023	6,304,808	10,113,286	62.34%	(3,808,478)	1,059,392	51.08%	541,137	20,976	562,113	788,654	(226,541)	510,987	0	6,589,254
2024	6,589,254	10,156,527	64.88%	(3,567,273)	1,105,376	50.84%	561,973	18,902	580,875	811,313	(230,438)	534,296	0	6,893,112
2025	6,893,112	10,175,984	67.74%	(3,282,872)	1,153,995	50.63%	584,268	16,848	601,116	834,237	(233,121)	559,256	0	7,219,247
2026	7,219,247	10,169,635	70.99%	(2,950,388)	1,205,447	50.41%	607,666	14,827	622,493	855,140	(232,647)	586,181	0	7,572,781
2027	7,572,781	10,137,750	74.70%	(2,564,969)	1,258,625	50.20%	631,830	13,090	644,920	874,264	(229,344)	615,482	0	7,958,919
2028	7,958,919	10,080,207	78.96%	(2,121,288)	1,315,048	49.98%	657,261	11,309	668,570	893,549	(224,979)	647,514	0	8,381,454
2029	8,381,454	9,995,056	83.86%	(1,613,602)	1,374,862	49.78%	684,406	9,762	694,168	910,443	(216,275)	682,725	0	8,847,904
2030	8,847,904	9,882,863	89.53%	(1,034,959)	1,438,088	27.93%	401,658	8,341	409,999	925,798	(515,799)	709,097	0	9,041,202
2031	9,041,202	9,743,314	92.79%	(702,112)	1,504,914	22.42%	337,402	7,073	344,475	938,624	(594,149)	721,876	0	9,168,929
2032	9,168,929	9,577,041	95.74%	(408,112)	1,574,377	18.72%	294,723	5,983	300,706	946,562	(645,856)	730,323	0	9,253,396
2033	9,253,396	9,387,163	98.58%	(133,767)	1,646,839	15.51%	255,425	4,941	260,366	953,238	(692,872)	735,391	0	9,295,915
2034	9,295,915	9,173,262	101.34%	122,653	1,722,672	9.56%	164,687	4,134	168,821	956,440	(787,619)	735,068	0	9,243,364
2035	9,243,364	8,937,179	103.43%	306,185	1,802,096	12.46%	224,541	3,244	227,785	953,352	(725,567)	733,241	0	9,251,038
2036	9,251,038	8,683,829	106.53%	567,209	1,885,549	13.15%	247,950	2,640	250,590	946,979	(696,389)	735,054	0	9,289,703
2037	9,289,703	8,415,379	110.39%	874,324	1,971,888	7.04%	138,821	2,169	140,990	938,265	(797,275)	734,165	0	9,226,593
2038	9,226,593	8,133,194	113.44%	1,093,399	2,062,659	6.13%	126,441	1,650	128,091	924,512	(796,421)	728,993	0	9,159,165
2039	9,159,165	7,841,515	116.80%	1,317,650	2,157,538	3.85%	83,065	1,295	84,360	906,956	(822,596)	722,371	0	9,058,940
2040	9,058,940	7,543,640	120.09%	1,515,300	2,257,108	0.00%	0	1,129	1,129	889,132	(888,003)	711,458	0	8,882,395

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll

Key Assumptions

All assumptions and methods are the same as Section 1.5(a), except adopted contribution rate is maintained at the FY12 level of 42.61% of total pay for all future years.

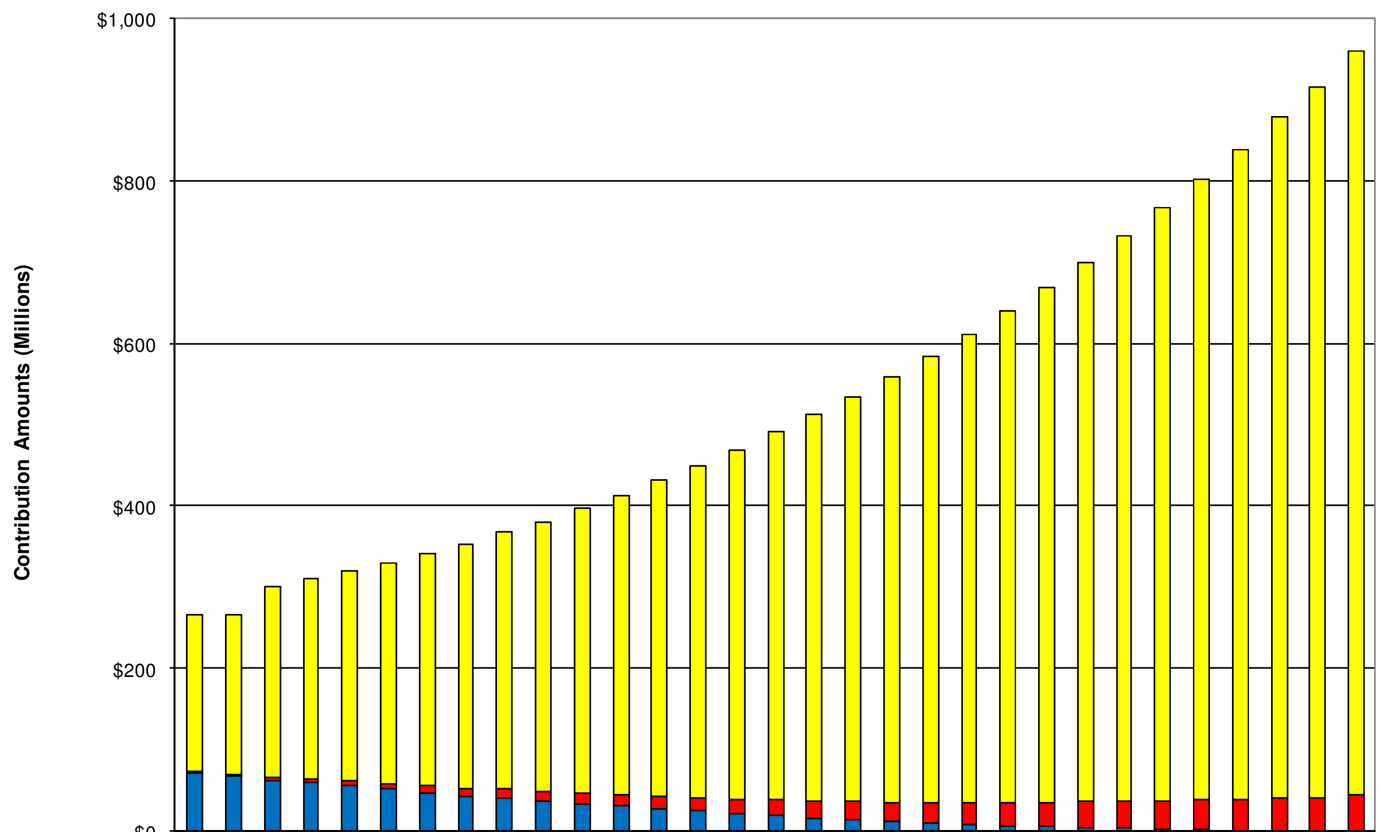
Observations

- Contribution amounts increase through the projection period

- Funding ratios decrease until FY14 as the deferral of recent investment losses are realized, and then improve throughout the rest of the projection period.

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Assistance	193	196	235	246	258	271	285	300	316	332	350	369	388	408	429
DB ER Contrib. on DCR Pay	2	3	4	5	6	7	8	9	11	12	13	14	16	17	18
DB ER Contrib. on DB Pay	73	69	64	61	57	53	49	45	42	38	35	32	29	26	23

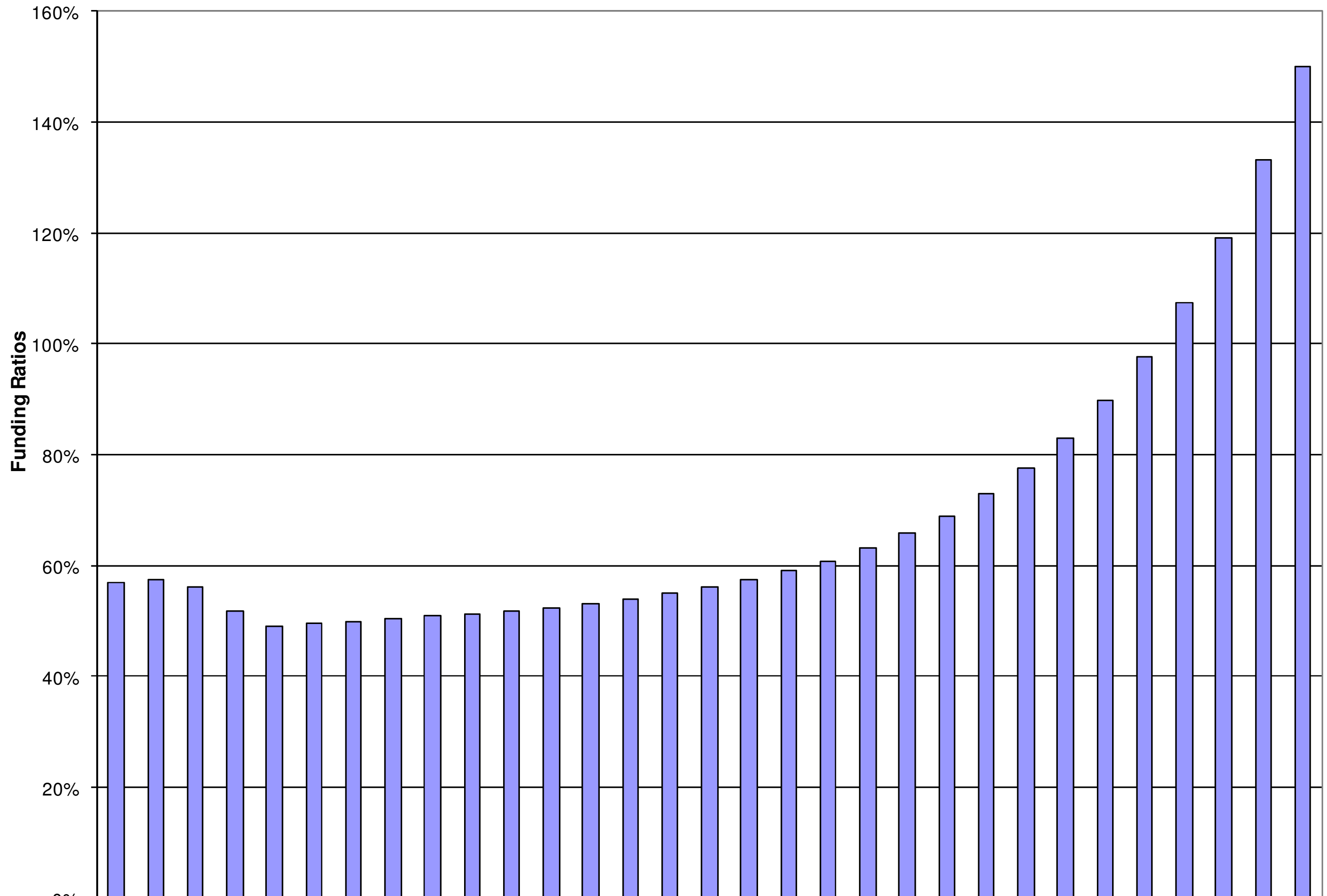
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
State Assistance	452	475	498	523	549	576	605	634	664	696	729	764	799	837	875	916
DB ER Contrib. on DCR Pay	20	21	22	24	25	27	29	30	32	33	35	37	39	41	42	45
DB ER Contrib. on DB Pay	21	18	16	13	12	10	8	7	6	5	4	3	2	2	1	1

Fiscal Year Ending June 30

DB ER Contrib. on DB Pay   DB ER Contrib. on DCR Pay   State Assistance

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll *(continued)*

Projected Funding Ratios



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Funding Ratios	57%	58%	56%	52%	49%	50%	50%	50%	51%	51%	52%	53%	53%	54%	55%	56%

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Funding Ratios	57%	59%	61%	63%	66%	69%	73%	78%	83%	90%	98%	108%	119%	133%	150%

Fiscal Year Ending June 30

1.5(b) Actuarial Projections – Projections at Current Rate
Based on Total DB and DCR Payroll *(continued)*

State of Alaska TRS

Financial Projections (in Thousands)

Investment Return 8.25%

	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									
Fiscal Year End	**Actuarial Assets**	**Accrued Liability**	**Funding Ratio**	**Surplus (Deficit)**	**Total Salaries**	**Employer/State Ctb Rate**	**Employer/State Contribs**	**Employee Contribs**	**Total Contribs**	**Benefit Payments**	**Net Contribs**	**Investment Earnings**	**Recognized Asset Gain/(Loss)**	**Ending Actuarial Assets**
--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------
2010	$4,472,958	$7,847,514	57.00%	($3,374,556)	$678,887	39.53%	$268,364	$58,152	$326,516	$466,578	($140,062)	$301,853	$32,359	$4,667,108
2011	4,667,108	8,115,362	57.51%	(3,448,254)	693,733	38.56%	267,503	59,313	326,816	500,024	(173,208)	313,860	(110,216)	4,697,544
2012	4,697,544	8,368,357	56.13%	(3,670,813)	710,874	42.61%	302,903	56,596	359,499	527,373	(167,874)	325,680	(389,234)	4,466,116
2013	4,466,116	8,606,603	51.89%	(4,140,487)	730,739	42.61%	311,368	54,074	365,442	552,559	(187,117)	337,921	(278,402)	4,338,518
2014	4,338,518	8,832,005	49.12%	(4,493,487)	753,394	42.61%	321,021	51,722	372,743	577,677	(204,934)	349,642	0	4,483,226
2015	4,483,226	9,043,698	49.57%	(4,560,472)	777,608	42.61%	331,339	49,529	380,868	602,851	(221,983)	360,891	0	4,622,134
2016	4,622,134	9,240,920	50.02%	(4,618,786)	804,042	42.61%	342,602	47,292	389,894	629,189	(239,295)	371,651	0	4,754,490
2017	4,754,490	9,421,135	50.47%	(4,666,645)	832,681	42.61%	354,805	45,068	399,873	654,987	(255,114)	381,931	0	4,881,307
2018	4,881,307	9,583,910	50.93%	(4,702,603)	863,949	42.61%	368,129	32,571	400,700	679,128	(278,428)	391,450	0	4,994,329
2019	4,994,329	9,727,257	51.34%	(4,732,928)	897,899	42.61%	382,595	29,990	412,585	695,463	(282,878)	400,595	0	5,112,046
2020	5,112,046	9,853,008	51.88%	(4,740,962)	934,569	42.61%	398,220	27,663	425,883	718,401	(292,518)	409,917	0	5,229,445
2021	5,229,445	9,960,605	52.50%	(4,731,160)	974,260	42.61%	415,132	25,331	440,463	742,414	(301,951)	419,221	0	5,346,715
2022	5,346,715	10,047,654	53.21%	(4,700,939)	1,015,766	42.61%	432,818	23,159	455,977	765,779	(309,802)	428,578	0	5,465,491
2023	5,465,491	10,113,286	54.04%	(4,647,795)	1,059,392	42.61%	451,407	20,976	472,383	788,654	(316,271)	438,115	0	5,587,335
2024	5,587,335	10,156,527	55.01%	(4,569,192)	1,105,376	42.61%	471,001	18,902	489,903	811,313	(321,410)	447,960	0	5,713,885
2025	5,713,885	10,175,984	56.15%	(4,462,099)	1,153,995	42.61%	491,717	16,848	508,565	834,237	(325,672)	458,228	0	5,846,441
2026	5,846,441	10,169,635	57.49%	(4,323,194)	1,205,447	42.61%	513,641	14,827	528,468	855,140	(326,672)	469,123	0	5,988,892
2027	5,988,892	10,137,750	59.08%	(4,148,858)	1,258,625	42.61%	536,300	13,090	549,390	874,264	(324,874)	480,948	0	6,144,966
2028	6,144,966	10,080,207	60.96%	(3,935,241)	1,315,048	42.61%	560,342	11,309	571,651	893,549	(321,898)	493,945	0	6,317,013
2029	6,317,013	9,995,056	63.20%	(3,678,043)	1,374,862	42.61%	585,829	9,762	595,591	910,443	(314,852)	508,423	0	6,510,584
2030	6,510,584	9,882,863	65.88%	(3,372,279)	1,438,088	42.61%	612,769	8,341	621,110	925,798	(304,688)	524,804	0	6,730,700
2031	6,730,700	9,743,314	69.08%	(3,012,614)	1,504,914	42.61%	641,244	7,073	648,317	938,624	(290,307)	543,545	0	6,983,938
2032	6,983,938	9,577,041	72.92%	(2,593,103)	1,574,377	42.61%	670,842	5,983	676,825	946,562	(269,737)	565,269	0	7,279,470
2033	7,279,470	9,387,163	77.55%	(2,107,693)	1,646,839	42.61%	701,718	4,941	706,659	953,238	(246,579)	590,587	0	7,623,478
2034	7,623,478	9,173,262	83.11%	(1,549,784)	1,722,672	42.61%	734,031	4,134	738,165	956,440	(218,275)	620,112	0	8,025,315
2035	8,025,315	8,937,179	89.80%	(911,864)	1,802,096	42.61%	767,873	3,244	771,117	953,352	(182,235)	654,720	0	8,497,800
2036	8,497,800	8,683,829	97.86%	(186,029)	1,885,549	42.61%	803,432	2,640	806,072	946,979	(140,907)	695,371	0	9,052,264
2037	9,052,264	8,415,379	107.57%	636,885	1,971,888	42.61%	840,221	2,169	842,390	938,265	(95,875)	742,935	0	9,699,324
2038	9,699,324	8,133,194	119.26%	1,566,130	2,062,659	42.61%	878,899	1,650	880,549	924,512	(43,963)	798,417	0	10,453,778
2039	10,453,778	7,841,515	133.31%	2,612,263	2,157,538	42.61%	919,327	1,295	920,622	906,956	13,666	862,989	0	11,330,433
2040	11,330,433	7,543,640	150.20%	3,786,793	2,257,108	42.61%	961,754	1,129	962,883	889,132	73,751	937,743	0	12,341,927

1.5(c) Actuarial Projections – Effect of Economic Scenarios Based on Total DB and DCR Payroll

Key Assumptions

All assumptions and methods are the same as Section 1.5(a) except investment returns on the Market Value of Assets are assumed as follows:

Base Case:	8.25% for all future years
Optimistic:	9.00% for all future years
Pessimistic:	7.50% for all future years

In all cases, liabilities have been projected using 8.25% as the discount rate for future benefit payments. These scenarios are intended to illustrate the impact if investment rates are different than the 8.25% assumed investment return. They do not illustrate the effect of changing the assumed discount rate for determining liabilities.

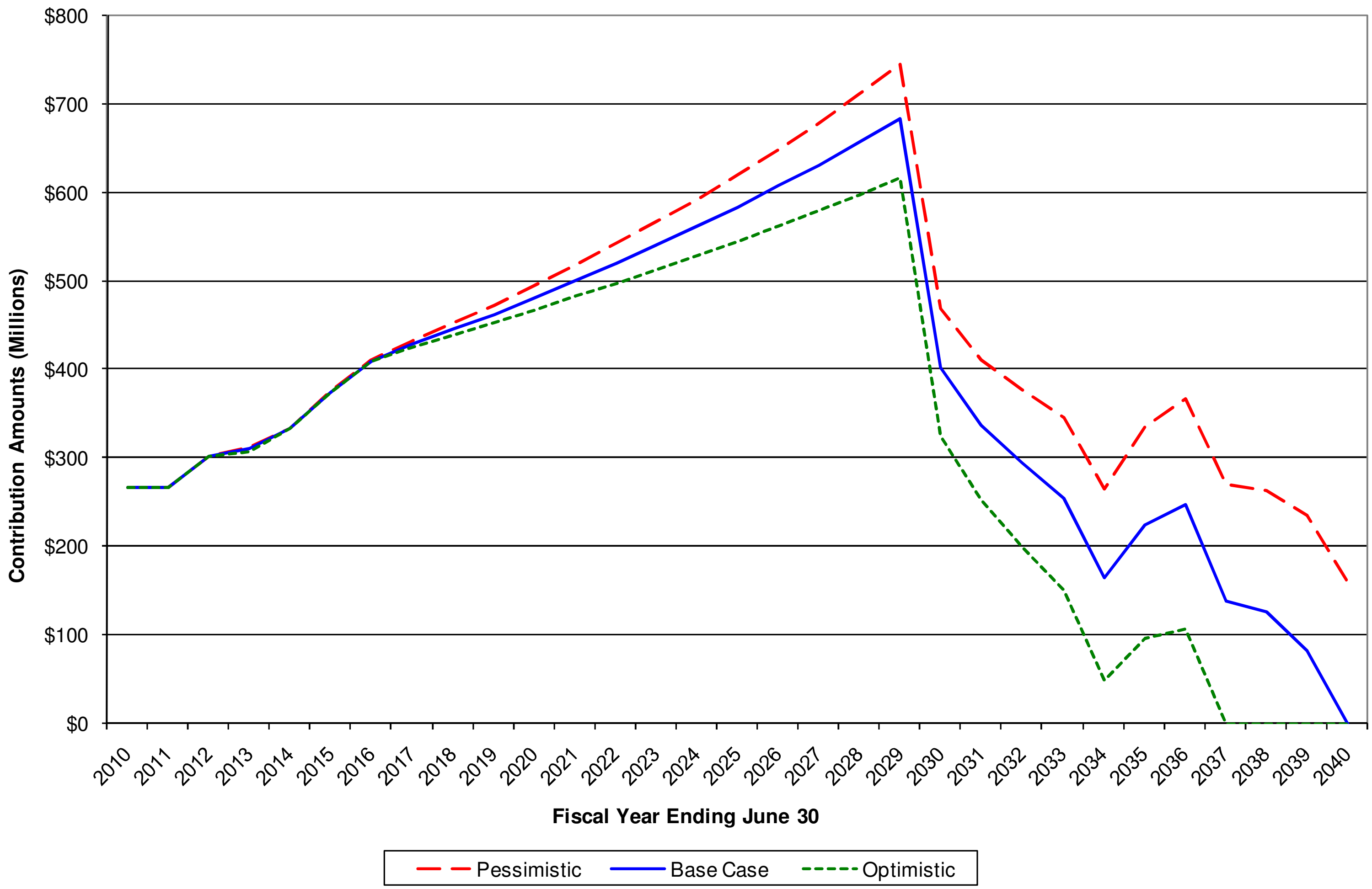
Observations

- As expected, lower investment returns would yield higher contribution requirements and higher investment returns would yield lower contribution requirements.

- In all scenarios, contribution amounts decrease towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.

1.5(c) Actuarial Projections – Projections at Calculated Rate Effect of Economic Scenarios Based on Total DB and DCR Payroll *(continued)*

Projected Employer/State Contribution Amounts



Section 2

In this section, the basis of the valuation is presented and described. This information – the provisions of the plan and the census of participants – is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of plan provisions is provided in Section 2.1 and participant census information is shown in Section 2.2.

The valuation is based upon the premise that the plan will continue in existence so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will retire, die, or terminate their services, their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the plan in a reasonable and acceptable manner, are described in Section 2.3.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through June 30, 2009. Chapter 97, 1990 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the TRS before July 1, 1990 (Tier 1) are eligible for different benefits than members hired after June 30, 1990 (Tier 2). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

(2) Administration of Plan

The Commissioner of Administration or the Commissioner's designee is the administrator of the system. The Attorney General of the state is the legal counsel for the system and shall advise the administrator and represent the system in legal proceedings.

Prior to June 30, 2005, the Teachers' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing TRS funds.

On July 27, 2005, Senate Bill 141, enacted as Chapter 9, 2005 Session laws of Alaska, replaced the Teachers' Retirement Board and the Alaska State Pension Investment Board with the Alaska Retirement Management Board.

(3) Employers Included

Currently, there are 58 employers participating in the TRS, including the State of Alaska, 53 school districts, and four other eligible organizations.

(4) Membership

Membership in the Alaska TRS is mandatory for the following employees hired before July 1, 2006:

- certificated full-time and part-time elementary and secondary teachers, certificated school nurses, and certificated employees in positions requiring teaching certificates;
- positions requiring a teaching certificate as a condition of employment in the Department of Education and Early Development and the Department of Labor and Workforce Development;
- University of Alaska full-time and part-time teachers, and full-time administrative employees in positions requiring academic standing if approved by the TRS administrator;
- certain full-time or part-time teachers of Alaska Native language or culture who have elected to be covered under the TRS;
- members on approved sabbatical leave under AS 14.20.310;
- certain State legislators who have elected to be covered under the TRS; and
- a teacher who has filed for worker's compensation benefits due to an on-the-job assault and who, as a result of the physical injury, is placed on leave without pay.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the TRS.

Employees who work half-time in the TRS and Public Employees' Retirement System (PERS) simultaneously are eligible for half-time TRS and PERS credit.

Senate Bill 141, signed into law on July 27, 2005, closes the plan effective July 1, 2006 to new members first hired on or after July 1, 2006.

(5) Credited Service

TRS members receive a year of membership credit if they work a minimum of 172 days during the school year (July 1 through June 30 of the following year). Fractional credit is determined based on the number of days worked. Part-time members who work at least 50% of full-time receive membership credit for each day in proportion to full-time service. Credit is granted for all Alaskan public school service.

Members may claim other types of service, including:

- Outside teaching service in out-of-state schools or Alaska private schools (not more than ten years may be claimed);
- Military service (not more than five years of military service or ten years of combined outside and military service may be claimed);
- Alaska Bureau of Indian Affairs (BIA) service;
- Retroactive Alaskan service that was not creditable at the time it occurred, but later became creditable because of legislative change;
- Unused sick leave credit after members retire; and
- Leave of absence without pay.

Except for retroactive Alaska service that occurred before July 1, 1955, and unused sick leave, contributions are required for all claimed service.

Members receiving TRS disability benefits continue to earn TRS credit while disabled.

Survivors who are receiving occupational death benefits continue to earn TRS service credit while occupational survivor benefits are being paid.

(6) Employer Contributions

TRS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

The normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

(7) Additional State Contribution

Pursuant to AS14.25.070 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution (12.56%) will be sufficient to pay the total contribution rate adopted by The State of Alaska Retirement Management Board.

(8) Member Contributions

Mandatory Contributions: Members are required to contribute 8.65% of their base salaries. Members' contributions are deducted from gross salaries before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (5) above.

1% Supplemental Contributions: Members who joined the system before July 1, 1982 and elected to participate in the supplemental contributions provision are required to contribute an additional 1% of their salaries. Supplemental contributions are deducted from gross salaries after federal income taxes are withheld. Under the supplemental provision, an eligible spouse or dependent child will receive a survivor's allowance or spouse's pension if the member dies (see (13) below). Supplemental contributions are only refundable upon death (see (13) below).

Interest: Members' contributions earn 4.5% interest, compounded annually on June 30.

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts which includes their mandatory contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid Qualified Domestic Relations Orders.

Reinstatement of Contributions: Refunded accounts and the corresponding TRS service may be reinstated upon reemployment in the TRS prior to July 1, 2010. Accounts attached to satisfy claims under Alaska Statute 09.38.065 or a federal tax levy may be reinstated at any time. Interest accrues on refunds until paid in full or members retire.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

(9) Retirement Benefits

Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1990 (Tier 1) and age 60 or early retirement at age 55 if they were hired on or after July 1, 1990 (Tier 2). Additionally, they must have at least:

(i) eight years of paid-up membership service;

(ii) 15 years of paid-up creditable service, the last five years of which are membership service, and they were first hired under the TRS before July 1, 1975;

(iii) five years of paid-up membership service and three years of paid-up Alaska Bureau of Indian Affairs service;

(iv) 12 years of combined part-time and full-time paid-up membership service;

(v) two years of paid-up membership service if they are vested in the Public Employees' Retirement System (PERS); or

(vi) one year of paid-up membership service if they are retired from the PERS.

(b) Members may retire at any age when they have:

(i) 25 years of paid-up creditable service, the last five years of which are membership service;

(ii) 20 years of paid-up membership service;

(iii) 20 years of combined paid-up membership and Alaska Bureau of Indian Affairs service, the last five years of which are membership service; or

(iv) 20 years of combined paid-up part-time and full-time membership service.

Benefit Type: Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements to retire at any age under (b) above. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Members may select joint and survivor options and a last survivor option. Under those options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculation: Retirement benefits are calculated by multiplying the average base salary (ABS) times the total TRS service times the percentage multiplier. The ABS is determined by averaging the salaries earned during the three highest school years. Members must earn at least 115 days of credit in a school year to include it in the ABS calculation. The TRS pays a minimum benefit of $25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers are 2% for the first 20 years and 2.5% for all remaining service. Service before July 1, 1990 is calculated at 2%.

Indebtedness: Members who terminate and refund their TRS contributions are not eligible to retire unless they return to TRS employment and pay back their refunds plus interest or accrue additional service which qualifies them for retirement. TRS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded TRS service is included in total service for the purpose of calculating retirement benefits. However, when refunds are not completely paid before retirement, benefits are actuarially reduced for life. Indebtedness balances may also be created when a member purchases qualified claimed service.

(10) Reemployment of Retired Members

Retirees who return to work in a permanent full-time or part-time TRS position after a Normal Retirement have two options available, the Standard Option or the Waiver Option.

Under the Standard Option, retirement and retiree healthcare benefits are suspended while retired members are reemployed under the TRS. During reemployment, members earn additional TRS service and contributions are withheld from their wages.

If an Alaska school district has established that there is a shortage of teachers in a particular discipline or specialty and has passed a resolution to that effect, a retiree returning to work in a permanent full-time or part-time TRS position with that school district may exercise the Waiver Option. The Waiver Option allows a retiree who retired under a Normal Retirement to reemploy with a TRS employer and continue to receive a retirement benefit by signing a waiver of participation in the TRS. The Waiver Option first became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is no longer available after June 30, 2009.

The Waiver Option is not available to members who retired early or under the Retirement Incentive Program (RIP).

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Members retired under the RIP who return to employment under the TRS, Public Employees' Retirement System (PERS), Judicial Retirement System (JRS) or the University of Alaska's Optional Retirement Plan will:

(a) forfeit the three years of incentive credits that they received;

(b) owe the TRS 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; and

(c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

Employers make contributions to the unfunded liability of the plan on behalf of rehired retired members at the rate the employer is making contributions to the unfunded liability of the plan for other members.

(11) Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided by the TRS to (1) all employees first hired before July 1, 1990 (Tier 1) and their surviving spouses and (2) members and their surviving spouses who have twenty-five years of membership service, are disabled or age sixty or older, regardless of their initial hire dates. Employees first hired after June 30, 1990 (Tier 2) and their surviving spouses may receive major medical benefits prior to age sixty by paying premiums.

(12) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. To be eligible, members must have at least five years of paid-up membership service.

Disability benefits are equal to 50% of the member's base salary at the time of disability. The benefit is increased by 10% of the base salary for each minor child, up to a maximum of 40%. Members continue to earn TRS service until eligible for normal retirement.

Members are appointed to normal retirement on the first of the month after they become eligible.

(13) Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the supplemental contributions provision or occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Occupational Death: When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse, unless benefits are payable under the supplemental contributions provision (below). The pension equals 40% of the member's base salary on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's average base salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit, unless benefits are payable under the supplemental contributions provision (below). The monthly benefit is calculated on the member's average base salary and TRS service accrued at the time of death.

Lump Sum Benefit: Upon the death of an active member who has less than one year of service or an inactive member who is not vested, the designated beneficiary receives the member's contribution account, which includes mandatory contributions, indebtedness payments, and interest earned. Any supplemental contributions will also be refunded. If the member has more than one year of TRS service or is vested, the beneficiary also receives $1,000 and $100 for each year of TRS service, up to a maximum of $3,000. An additional $500 may be payable if the member is survived by dependent children.

Supplemental Contributions Provision: Members are eligible for supplemental coverage if they joined the TRS before July 1, 1982, elected to participate in the supplemental provision, and made the required contributions. A survivor's allowance or spouse's pension (below) may be payable if the member made supplemental contributions for at least one year and dies while in membership service or while disabled under the TRS. In addition, the allowance and pension may be payable if the member dies while retired or in deferred vested status if supplemental contributions were made for at least five years.

(a) Survivor's Allowance: If the member is survived by dependent children, the surviving spouse and dependent children are entitled to a survivor's allowance. The allowance for the spouse is equal to 35% of the member's base salary at the time of death or disability, plus 10% for each dependent child up to a maximum of 40%. The allowance terminates and a spouse's pension becomes payable when there is no longer an eligible dependent child.

(b) Spouse's Pension: The spouse's pension is equal to 50% of the retirement benefit that the deceased member was receiving or the unreduced retirement benefit that the deceased member would have received if retired at the time of death. The spouse's pension begins on the first of the month after the member's death or termination of the survivor's allowance.

2.1 Summary of the Alaska Teachers' Retirement System Plan Provisions *(continued)*

Death After Retirement: If a joint and survivor option was selected at retirement, the eligible spouse receives continuing, lifetime monthly benefits after the member dies. A survivor's allowance or spouse's pension may be payable if the member participated in the supplemental contributions provision. If a joint and survivor option was not selected and benefits are not payable under the supplemental contributions provision, the designated beneficiary receives the member's contribution account, less any benefits already paid and the member's last benefit check.

(14) Postretirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, times:

(a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on TRS disability; or

(b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or under age 60 if the recipient has been receiving benefits for at least eight years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

In a year where an Ad Hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

(15) Alaska Cost of Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits. The following benefit recipients are eligible:

(a) members who were first hired under the TRS before July 1, 1990 (Tier 1) and their survivors;

(b) members who were first hired under the TRS after June 30, 1990 (Tier 2) and their survivors if they are at least age 65; and

(c) all disabled members.

Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

2.2(a) Member Census Information – Total TRS

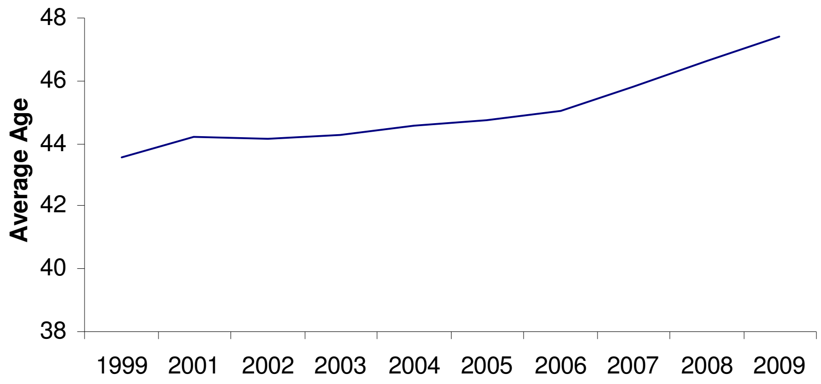
As of June 30	2005	2006	2007	2008	2009
Active Members					
(1) Number	9,656	9,710	9,107	8,531	8,226
(2) Average Age	44.76	45.02	45.84	46.64	47.42
(3) Average Credited Service	10.58	10.87	11.70	12.44	13.19
(4) Average Entry Age	34.18	34.15	34.14	34.20	34.23
(5) Average Annual Earnings	$ 55,493	$ 59,156	$ 60,859	$ 64,371	$ 67,715
(6) Number Vested	5,254	5,462	5,571	5,612	5,799
(7) Percent Who Are Vested	54.4%	56.3%	61.2%	65.8%	70.5%
Retirees, Disableds and Beneficiaries					
(1) Number	9,020	9,386	9,678	10,026	10,255
(2) Average Age	64.42	64.83	65.33	65.82	66.42
(3) Average Monthly Pension Benefit					
Base	$ 1,968	$ 1,962	$ 1,977	$ 1,994	$ 1,994
C.O.L.A.	122	122	123	123	124
P.R.P.A.	457	469	483	485	526
Adjustment	0	0	0	0	0
Sick[1]	N/A	N/A	44	45	47
Total	$ 2,547	$ 2,595	$ 2,627	$ 2,647	$ 2,691
Vested Terminations (vested at time of termination, not refunded contributions or commenced benefit)					
(1) Number	826	795	846	873	884
(2) Average Age	49.13	48.80	49.03	49.14	49.52
(3) Average Monthly Pension Benefit	$ 1,072	$ 1,051	$ 1,094	$ 1,099	$ 1,204
Non-Vested Terminations (not vested at termination, not refunded contributions)					
(1) Number	2,874	3,085	3,044	2,971	2,830
(2) Average Account Balance	$ 11,684	$ 12,057	$ 12,675	$ 13,692	$ 14,408
Total Number of Members	**22,376**	**22,976**	**22,675**	**22,401**	**22,195**

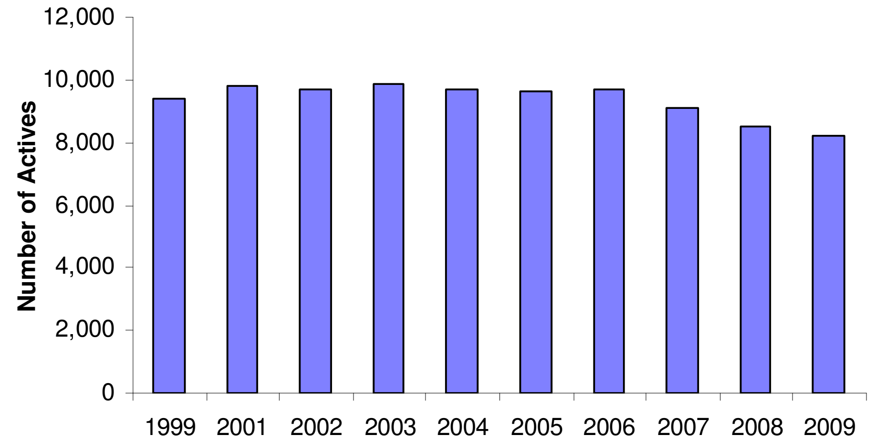
1 Prior to 2006, the sick benefit was included in the base benefit.

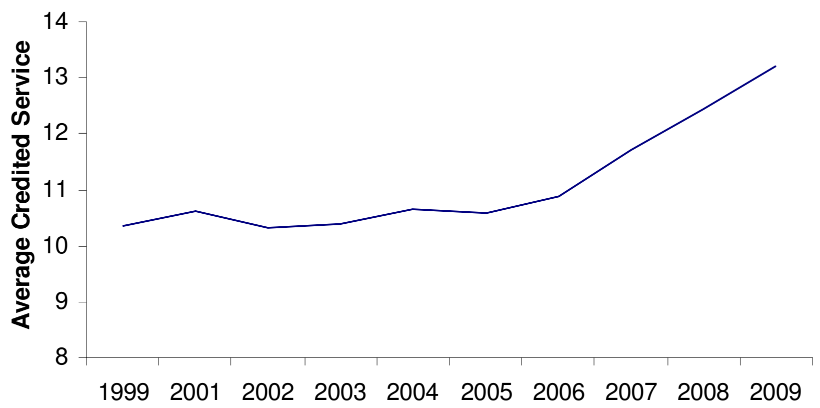
2.2(a) Member Census Information – Total TRS *(continued)*

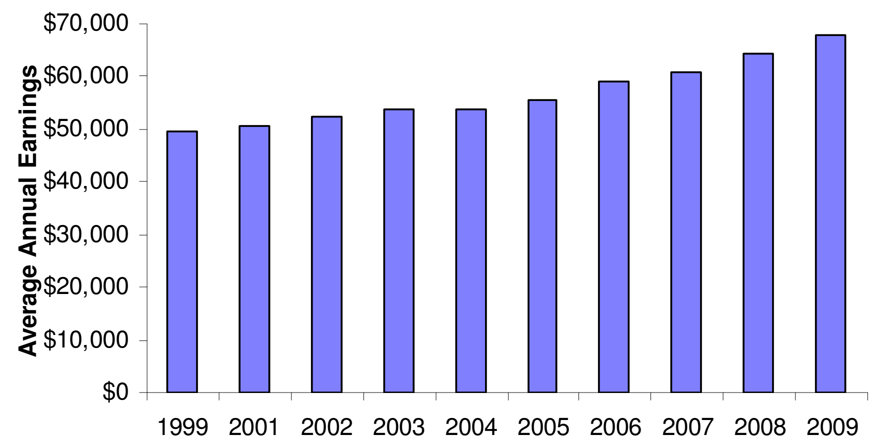
As of June 30, 2009	Tier 1	Tier 2	Total
Retirees, Disableds and Beneficiaries			
(1) Number	9,740	515	10,255
(2) Average Age	66.58	63.40	66.42
(3) Average Monthly Pension Benefit			
Base	$ 2,035	$ 1,210	$ 1,994
C.O.L.A.	129	28	124
P.R.P.A.	550	73	526
Adjustment	0	0	0
Sick	48	28	47
Total	$ 2,762	$ 1,339	$ 2,691

2.2(a) Member Census Information – TRS Active Members at June 30 *(continued)*









2.2(b) Distribution of Active Members

Annual Earnings by Age

Age	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	0	$ 0	$ 0
20 – 24	0	0	0
25 – 29	257	13,189,239	51,320
30 – 34	748	42,281,593	56,526
35 – 39	1,130	68,563,036	60,675
40 – 44	1,206	79,624,540	66,024
45 – 49	1,318	90,700,962	68,817
50 – 54	1,461	103,890,207	71,109
55 – 59	1,362	99,790,299	73,267
60 – 64	570	44,562,243	78,179
65 – 69	145	12,160,879	83,868
70 – 74	26	2,052,181	78,930
75+	3	210,331	70,110
Total	8,226	$557,025,510	$ 67,715

Annual Earnings by Credited Service

Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0	0	$ 0	$ 0
1	19	855,236	45,012
2	68	3,517,527	51,728
3	203	10,831,411	53,357
4	526	29,659,088	56,386
0 – 4	816	44,863,262	54,979
5 – 9	2,404	144,616,652	60,157
10 – 14	1,960	129,940,131	66,296
15 – 19	1,462	107,751,256	73,701
20 – 24	870	68,102,063	78,278
25 – 29	509	42,846,108	84,177
30 – 34	149	13,417,990	90,054
35 – 39	44	4,158,176	94,504
40+	12	1,329,872	110,823
Total	8,226	$557,025,510	$ 67,715

Years of Credited Service by Age

	Years of Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	0	0	0	0	0	0	0	0	0	0
20 – 24	0	0	0	0	0	0	0	0	0	0
25 – 29	151	106	0	0	0	0	0	0	0	257
30 – 34	168	505	75	0	0	0	0	0	0	748
35 – 39	129	512	454	35	0	0	0	0	0	1,130
40 – 44	100	334	420	317	35	0	0	0	0	1,206
45 – 49	83	299	324	357	219	36	0	0	0	1,318
50 – 54	68	275	329	327	270	173	19	0	0	1,461
55 – 59	76	251	245	300	224	181	73	12	0	1,362
60 – 64	36	94	89	98	101	87	41	23	1	570
65 – 69	5	21	17	24	20	27	14	8	9	145
70 – 74	0	6	6	4	0	5	2	1	2	26
75+	0	1	1	0	1	0	0	0	0	3
Total	816	2,404	1,960	1,462	870	509	149	44	12	8,226

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(c) Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Earnings (000's) [1]	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2009	8,226	$ 557,026	$ 67,715	5.2%	58
June 30, 2008	8,531	549,148	64,371	5.8%	58
June 30, 2007	9,107	554,245	60,859	2.9%	58
June 30, 2006	9,710	574,409	59,156	6.6%	58
June 30, 2005	9,656	535,837	55,493	2.9%	58
June 30, 2004	9,688	522,421	53,925	0.0%	58
June 30, 2003	9,873	532,630	53,948	2.7%	57
June 30, 2002	9,690	509,437	52,535	3.9%	57
June 30, 2001	9,815	496,188	50,544	1.8%	60
June 30, 1999	9,396	466,414	49,640	(2.1)%	61

[1] *Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.*

2.2(d) Statistics on New Benefit Recipients

During the Year Ending June 30	2005	2006	2007	2008	2009
Service					
(1) Number	393	425	368	419	299
(2) Average Age at Commencement	56.43	56.52	56.73	57.16	57.30
(3) Average Monthly Pension Benefit	$ 2,261	$ 2,290	$ 2,556	$ 2,600	$ 2,374
Survivor (including surviving spouse and QDROs)					
(1) Number	46	57	61	55	65
(2) Average Age at Commencement	60.88	63.29	65.32	64.54	68.52
(3) Average Monthly Pension Benefit	$ 1,263	$ 1,288	$ 1,338	$ 1,460	$ 1,419
Disability					
(1) Number	7	5	3	7	4
(2) Average Age at Commencement	53.64	44.41	54.76	53.60	49.85
(3) Average Monthly Pension Benefit	$ 2,627	$ 2,855	$ 2,844	$ 2,693	$ 3,426
Total					
(1) Number	446	487	432	481	368
(2) Average Age at Commencement	56.57	57.19	57.93	57.95	59.20
(3) Average Monthly Pension Benefit	$ 2,164	$ 2,179	$ 2,386	$ 2,471	$ 2,217

2.2(e) Schedule of Average Pension Benefit Payments – New Benefit Recipients

	Years of Credited Service						
	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30+
Period 7/1/08 – 6/30/09:[1]							
Average Monthly Pension Benefit	$ 230	$ 950	$ 1,168	$ 2,239	$ 2,957	$ 3,897	$ 4,860
Number of Recipients	13	35	64	52	67	54	18
Period 7/1/07- 6/30/08:[1]							
Average Monthly Pension Benefit	$ 209	$ 945	$ 1,248	$ 2,226	$ 2,966	$ 3,832	$ 5,057
Number of Recipients	13	44	62	92	95	87	33
Period 7/1/06- 6/30/07:[1]							
Average Monthly Pension Benefit	$ 214	$ 798	$ 1,249	$ 2,250	$ 2,909	$ 3,709	$ 5,109
Number of Recipients	9	41	54	69	102	68	28
Period 7/1/05- 6/30/06:[1]							
Average Monthly Pension Benefit	$ 1,078	$ 960	$ 1,110	$ 1,982	$ 2,695	$ 3,388	$ 4,563
Number of Recipients	9	50	63	90	124	68	26
Period 7/1/04- 6/30/05:[1]							
Average Monthly Pension Benefit	$ 1,287	$ 1,106	$ 1,575	$ 2,255	$ 2,932	$ 3,534	$ 4,018
Number of Recipients	119	24	33	69	105	31	16
Period 7/1/03- 6/30/04:							
Average Monthly Pension Benefit	$ 251	$ 896	$ 1,243	$ 2,044	$ 2,782	$ 3,640	$ 4,860
Number of Recipients	21	51	75	85	178	64	17
Period 7/1/02- 6/30/03:							
Average Monthly Pension Benefit	$ 236	$ 899	$ 1,153	$ 2,350	$ 2,835	$ 3,969	$ 5,133
Number of Recipients	16	40	69	91	264	87	32
Period 7/1/01- 6/30/02:							
Average Monthly Pension Benefit	$ 532	$ 795	$ 1,168	$ 1,706	$ 2,455	$ 3,126	$ 3,915
Number of Recipients	4	36	62	78	180	137	92
Period 7/1/99- 6/30/01:							
Average Monthly Pension Benefit	$ 1,514	$ 1,021	$ 1,488	$ 1,935	$ 2,435	$ 2,551	$ 2,864
Number of Recipients	2	33	101	237	374	201	109

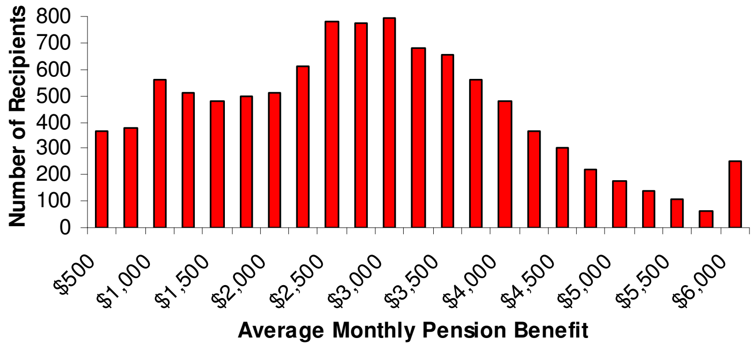
"Average Monthly Benefit" includes postretirement pension adjustments and cost-of-living increases.

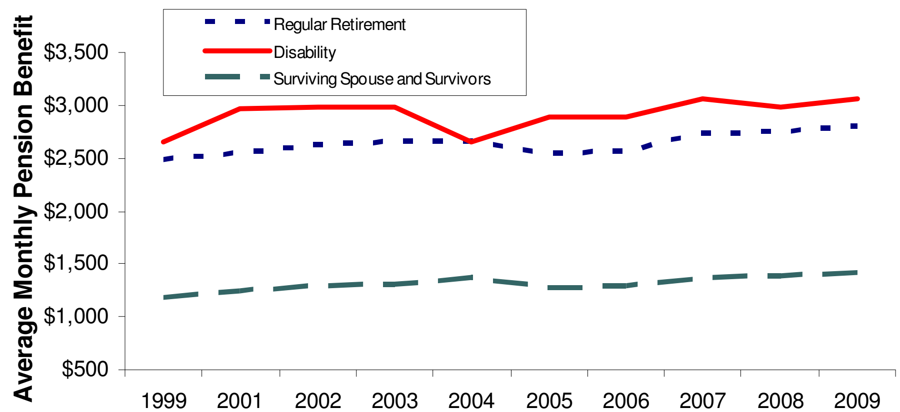
[1] *Does not include beneficiaries.*

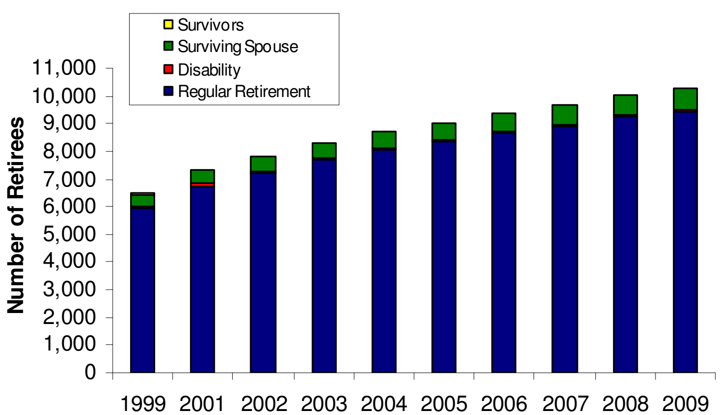
2.2(f) Statistics on All Pension Benefit Recipients

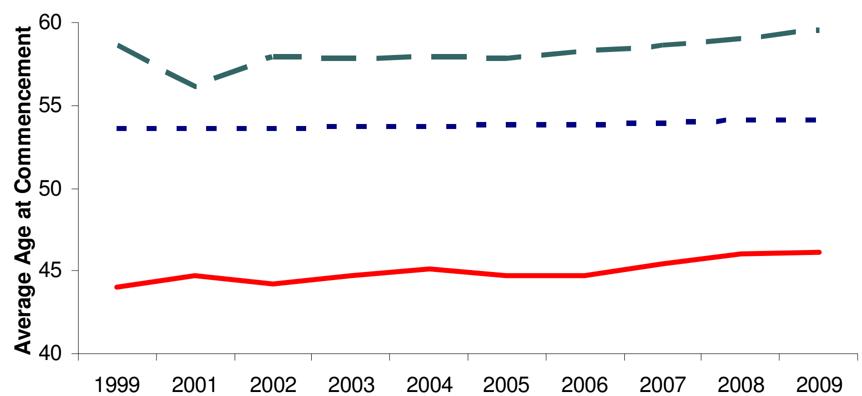
As of June 30	2005	2006	2007	2008	2009
Service					
(1) Number, Fiscal Year Start	8,052	8,351	8,675	8,926	9,250
(2) Net Change	299	324	251	324	182
(3) Number, Fiscal Year End	8,351	8,675	8,926	9,250	9,432
(4) Average Age at Commencement	53.77	53.81	53.91	54.03	54.10
(5) Average Current Age	64.32	64.72	65.19	65.66	66.25
(6) Average Monthly Pension Benefit	$ 2,537	$ 2,558	$ 2,723	$ 2,745	$ 2,794
Surviving Spouse's Benefits (includes QDROs)					
(1) Number, Fiscal Year Start	576	602	647	696	726
(2) Net Change	26	45	49	30	48
(3) Number, Fiscal Year End	602	647	696	726	774
(4) Average Age at Commencement	57.75	58.16	58.61	59.06	59.64
(5) Average Current Age	67.31	67.71	68.17	68.77	69.50
(6) Average Monthly Pension Benefit	$ 1,270	$ 1,292	$ 1,362	$ 1,390	$ 1,421
Survivor's Benefits (other than spouses)					
(1) Number, Fiscal Year Start	3	1	1	1	3
(2) Net Change	(2)	0	0	2	0
(3) Number, Fiscal Year End	1	1	1	3	3
(4) Average Age at Commencement	35.52	35.52	35.52	33.44	33.44
(5) Average Current Age	35.77	36.77	37.77	35.19	36.19
(6) Average Monthly Pension Benefit	$ 448	$ 451	$ 469	$ 536	$ 545
Disabilities					
(1) Number, Fiscal Year Start	76	66	63	55	47
(2) Net Change	(10)	(3)	(8)	(8)	(1)
(3) Number, Fiscal Year End	66	63	55	47	46
(4) Average Age at Commencement	44.74	44.76	45.47	46.02	46.13
(5) Average Current Age	51.31	51.03	51.71	51.79	52.13
(6) Average Monthly Pension Benefit	$ 2,891	$ 2,885	$ 3,060	$ 2,977	$ 3,058
Total					
(1) Number, Fiscal Year Start	8,707	9,020	9,386	9,678	10,026
(2) Net Change	313	366	292	348	229
(3) Number, Fiscal Year End	9,020	9,386	9,678	10,026	10,255
(4) Average Age at Commencement	53.97	54.05	54.20	54.35	54.48
(5) Average Current Age	64.42	64.83	65.33	65.82	66.42
(6) Average Monthly Pension Benefit	$ 2,455	$ 2,473	$ 2,627	$ 2,647	$ 2,691

2.2(f) Statistics on All Pension Benefit Recipients *(continued)*









2.2(g) Distribution of Annual Pension Benefits for Benefit Recipients

Annual Pension Benefit by Age

Age	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0 – 19	1	$ 6,830	$ 6,830
20 – 24	0	0	0
25 – 29	0	0	0
30 – 34	0	0	0
35 – 39	4	85,725	21,431
40 – 44	16	424,983	26,561
45 – 49	136	4,022,239	29,575
50 – 54	544	16,635,520	30,580
55 – 59	1,688	50,393,800	29,854
60 – 64	2,610	79,572,426	30,488
65 – 69	2,239	75,798,937	33,854
70 – 74	1,328	47,244,949	35,576
75+	1,689	56,950,181	33,718
Total	10,255	$ 331,135,590	$ 32,290

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0	339	$ 9,056,708	$ 26,716
1	466	13,905,264	29,840
2	447	13,234,823	29,608
3	445	12,628,281	28,378
4	453	13,249,054	29,247
0 – 4	2,150	62,074,130	28,872
5 – 9	2,263	64,491,763	28,498
10 – 14	2,602	88,056,755	33,842
15 – 19	1,372	47,509,727	34,628
20 – 24	1,056	42,199,701	39,962
25 – 29	485	17,158,932	35,379
30 – 34	287	8,560,288	29,827
35 – 39	34	879,349	25,863
40+	6	204,945	34,158
Total	10,255	$ 331,135,590	$ 32,290

Years Since Benefit Commencement by Age

	Years Since Commencement									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0 – 19	1	0	0	0	0	0	0	0	0	1
20 – 24	0	0	0	0	0	0	0	0	0	0
25 – 29	0	0	0	0	0	0	0	0	0	0
30 – 34	0	0	0	0	0	0	0	0	0	0
35 – 39	4	0	0	0	0	0	0	0	0	4
40 – 44	10	4	2	0	0	0	0	0	0	16
45 – 49	99	32	4	1	0	0	0	0	0	136
50 – 54	323	156	63	1	0	0	0	1	0	544
55 – 59	768	536	355	27	2	0	0	0	0	1,688
60 – 64	584	947	800	220	50	7	1	1	0	2,610
65 – 69	219	389	904	485	224	15	2	1	0	2,239
70 – 74	61	127	328	397	326	83	5	1	0	1,328
75+	81	72	146	241	454	380	279	30	6	1,689
Total	2,150	2,263	2,602	1,372	1,056	485	287	34	6	10,255

2.2(h) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit 1	2	3	Option Selected 1	2	3	4
$ 1 $ 300	180	137	43	0	105	34	31	10
301 – 600	324	249	75	0	170	73	64	17
601 – 900	587	477	110	0	307	126	124	30
901 – 1,200	633	530	103	0	361	135	110	27
1,201 – 1,500	576	453	123	0	317	118	119	22
1,501 – 1,800	596	493	103	0	337	124	119	16
1,801 – 2,100	637	552	82	3	322	134	156	25
2,101 – 2,400	840	779	55	6	425	186	199	30
2,401 – 2,700	941	903	31	7	455	208	253	25
2,701 – 3,000	947	916	19	12	495	178	253	21
3,001 – 3,300	817	803	11	3	417	141	238	21
3,301 – 3,600	755	737	12	6	418	118	204	15
3,601 – 3,900	622	618	2	2	345	93	171	13
3,901 – 4,200	487	478	6	3	258	56	167	6
Over $4,200	1,313	1,307	2	4	704	166	409	34
Totals	10,255	9,432	777	46	5,436	1,890	2,617	312

Type of Pension Benefit
1. *Regular retirement*
2. *Survivor payment*
3. *Disability*

Option Selected
1. *Whole Life Annuity*
2. *75% Joint and Contingent Annuity*
3. *50% Joint and Contingent Annuity*
4. *66 2/3% Joint and Survivor Annuity*

2.2(i) Schedule of Pension Benefit Recipients Added to and Removed from Rolls

Year Ended	Added to Rolls No.[1]	Added to Rolls Annual Pension Allowances[1]	Removed from Rolls No.[1]	Removed from Rolls Annual Pension Allowances[1]	Rolls – End of Year No.	Rolls – End of Year Annual Pension Allowances	Percent Increase in Annual Pension Allowances	Average Annual Pension Allowance
June 30, 2009	368	$9,788,639	139	$(2,857,118)	10,255	$331,135,590	3.97%	$32,290
June 30, 2008	481	14,265,236	133	806,945	10,026	318,489,833	4.41%	31,766
June 30, 2007	432	12,388,703	140	(14,114,559)	9,678	305,031,542	9.52%	31,518
June 30, 2006	487	12,731,292	121	(50,838)	9,386	278,528,280	4.81%	29,675
June 30, 2005	446	11,243,448	121	13,053,612	9,020	265,746,150	(0.68)%	29,462
June 30, 2004	491	17,867,366	96	5,503,666	8,707	267,556,314	4.84%	30,729
June 30, 2003	599	21,475,421	91	3,377,352	8,312	255,192,614	7.63%	30,702
June 30, 2002	589	24,789,896	118	4,966,397	7,804	237,094,545	9.12%	30,381
June 30, 2001	1,057	39,213,327	210	7,790,727	7,333	217,271,046	16.91%	29,629
June 30, 1999	598	19,014,567	91	2,893,521	6,486	185,848,446	9.50%	28,654

[1] *Numbers are estimated, and include other internal transfers.*

2.3 Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2009 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in October 2006. These assumptions were the result of an experience study performed as of June 30, 2005. The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

Valuation of Liabilities

(A) Actuarial Method – Entry Age Actuarial Cost.

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay amount. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for pension benefits (constant dollar amount for healthcare benefits) from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Changes in Methods from the Prior Valuation

There were no changes in methods from the prior valuation, except for any described in the healthcare sections below.

(B) Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the difference between actual and expected investment return in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(C) Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Teachers' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our Experience Study for the period July 1, 2001 to June 30, 2005.

Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data.

We analyzed Aetna and Premera management level reporting for calendar 2005 through fiscal 2009, as well as Aetna and Premera claim level data for calendar 2005 and fiscal years 2006 through 2009, and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.

2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting was used to augment cost data by Medicare status.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these "no-Part A" individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim and enrollment experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The smaller the no-Part A population, the more accrued liabilities will decrease.

   Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I TRS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 3.5% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 3.5% of the current Medicare retiree population does not receive Part A coverage.

   All claims cost rates developed from management level reporting have been compared to similar rates developed from claim level data.

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four fiscal years and calendar year 2005. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 2.57 months for medical claims and 0.5 months for prescription claims. This "trend and blend" methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year's data in the 5-year experience period at approximately 20%. We also incorporated actual administrative costs that are projected to increase at 5%.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

June 30, 2009 Valuation – FY 2010 Claims Cost Rates

	Medical			Prescription Drugs			
	Pre-Medicare	**Medicare A&B**	**Medicare B Only**	**Pre-Medicare**	**Medicare A&B**	**Medicare B Only**	**Total**
Calendar 2005 Paid Claims	**$ 146,356,647**	**$ 25,618,571**	**$ 3,976,509**	**$ 42,812,358**	**$ 35,481,585**	**$ 1,999,302**	**$ 256,244,972**
Membership	33,343	18,603	979	33,343	18,603	979	52,925
Paid Claims Cost Rate	$ 4,389	$ 1,377	$ 4,061	$ 1,284	$ 1,907	$ 2,042	$ 4,842
Trend to FY2010	1.468	1.468	1.468	1.558	1.558	1.558	-
FY 2010 Paid Cost Rate	$ 6,445	$ 2,022	$ 5,963	$ 2,000	$ 2,971	$ 3,180	$ 7,244
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	-
FY 2010 Incurred Cost Rate	**$ 6,580**	**$ 2,064**	**$ 6,088**	**$ 2,009**	**$ 2,985**	**$ 3,195**	**$ 7,359**
Calendar 2006 Paid Claims* **	**$ 150,287,171**	**$ 24,546,905**	**$ 4,079,223**	**$ 45,461,356**	**$ 39,644,399**	**$ 2,235,948**	**$ 266,255,002**
Membership	33,473	19,490	1,026	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	$ 4,490	$ 1,259	$ 3,977	$ 1,358	$ 2,034	$ 2,180	$ 4,932
Trend to FY2010	1.361	1.361	1.361	1.407	1.407	1.407	
FY 2010 Paid Cost Rate	$ 6,112	$ 1,715	$ 5,413	$ 1,912	$ 2,863	$ 3,068	$ 6,788
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 6,240**	**$ 1,750**	**$ 5,527**	**$ 1,920**	**$ 2,876**	**$ 3,082**	**$ 6,894**
Fiscal 2007 Paid Claims* **	**$ 129,762,975**	**$ 22,677,328**	**$ 3,524,812**	**$ 46,176,199**	**$ 42,348,638**	**$ 2,391,089**	**$ 246,881,041**
Membership	33,446	20,315	1,069	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	$ 3,880	$ 1,116	$ 3,297	$ 1,381	$ 2,085	$ 2,236	$ 4,503
Trend to FY2010	1.313	1.313	1.313	1.340	1.340	1.340	
FY 2010 Paid Cost Rate	$ 5,096	$ 1,466	$ 4,330	$ 1,851	$ 2,794	$ 2,998	$ 5,959
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 5,202**	**$ 1,497**	**$ 4,421**	**$ 1,859**	**$ 2,807**	**$ 3,012**	**$ 6,048**

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

*** Calendar 2006 Paid Claims covers the period from 01/01/2006 through 06/30/2006, along with estimated claims runout under the then current TPA. Fiscal 2007 Paid Claims covers the period from 07/01/2006 through 06/30/2007, with claims paid under the then current TPA.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

June 30, 2009 Valuation – FY 2010 Claims Cost Rates

	Medical			Prescription Drugs			
	Pre-Medicare	Medicare A&B	Medicare B Only	Pre-Medicare	Medicare A&B	Medicare B Only	Total
Fiscal 2008 Paid Claims	**$ 169,598,064**	**$ 28,657,490**	**$ 6,079,463**	**$ 53,506,123**	**$ 52,529,773**	**$ 2,346,512**	**$ 312,717,425**
Membership	33,630	21,434	893	33,630	21,434	893	55,957
Paid Claims Cost Rate	$ 5,043	$ 1,337	$ 6,807	$ 1,591	$ 2,451	$ 2,627	$ 5,589
Trend to FY2010	1.190	1.190	1.190	1.200	1.200	1.200	
FY 2010 Paid Cost Rate	$ 5,999	$ 1,591	$ 8,098	$ 1,910	$ 2,942	$ 3,154	$ 6,669
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 6,125**	**$ 1,624**	**$ 8,268**	**$ 1,919**	**$ 2,956**	**$ 3,169**	**$ 6,771**
Fiscal 2009 Paid Claims	**$ 187,868,089**	**$ 30,550,328**	**$ 10,093,527**	**$ 63,181,353**	**$ 57,263,605**	**$ 2,226,629**	**$ 351,183,531**
Membership	33,832	23,424	850	33,832	23,424	850	58,106
Paid Claims Cost Rate	$ 5,553	$ 1,304	$ 11,881	$ 1,867	$ 2,445	$ 2,621	$ 6,044
Trend to FY2010	1.080	1.080	1.080	1.080	1.080	1.080	
FY 2010 Paid Cost Rate	$ 5,997	$ 1,408	$ 12,830	$ 2,017	$ 2,640	$ 2,830	$ 6,527
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
FY 2010 Incurred Cost Rate	**$ 6,122**	**$ 1,438**	**$ 13,099**	**$ 2,026**	**$ 2,652**	**$ 2,844**	**$ 6,627**
Weighted Average 7/1/2009-6/30/2010 Incurred Claims Cost Rates:							
At average age	$ 6,075	$ 1,691	$ 7,289	$ 1,941	$ 2,868	$ 3,076	$ 6,756
At age 65*	$ 7,503	$ 1,336	$ 4,754	$ 2,419	$ 2,419	$ 2,419	$ 7,252

* Methodology prior to 2006 did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A&B and B only rates based on the 3.5% of Medicare membership assumed to lack Part A.

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

Distribution of Per Capita Claims Cost by Age for the Period July 1, 2009 through June 30, 2010

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	$ 4,155	$ 4,155	$ 1,276	$ 0
50	4,701	4,701	1,516	0
55	5,319	5,319	1,800	0
60	6,318	6,318	2,087	0
65	1,336	4,754	2,419	477
70	1,626	5,784	2,606	514
75	1,931	6,867	2,780	548
80	2,080	7,398	2,850	562

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions

Investment Return / Discount Rate	8.25% per year (geometric), compounded annually, net of expenses.
Salary Scale	Inflation – 3.5% per year. Merit– 2.0% per year for first 5 years of employment grading down to 0% after 15 years. Productivity – 0.5% per year.
Payroll Growth	4.0% per year. (Inflation + Productivity).
Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.5% annually.
Mortality (Preretirement)	Based upon the 2001-2005 actual experience. (See Table 1). 60% of the 1994 Group Annuity Table 1994 Base Year without margin for females and 55% for males. All deaths are assumed to result from non-occupational causes.
Mortality (Postretirement)	Based upon the 2001-2005 actual experience. (See Table 2). 1-year setback of the 1994 Group Annuity Table 1994 Base Year without margin for females and 3-year setback for males.
Turnover	Select and ultimate rates based upon the 2001-2005 actual withdrawal experience. (See Table 3).
Disability	Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 4. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security.
Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Table 5. Deferred vested members are assumed to retire at their earliest retirement date.
Marriage and Age Difference	Wives are assumed to be three years younger than husbands. 85% of male members and 75% of female members are assumed to be married.
Dependent Children	Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
Contribution Refunds	10% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.
COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Sick Leave	4.7 days of unused sick leave for each year of service are assumed to be available to be credited once the member is retired, terminates or dies.
Postretirement Pension Adjustment	50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Postretirement Pension Adjustment (PRPA) as specified in the statute.
Expenses	All expenses are net of the investment return assumption.
Part-time Status	Part-time employees are assumed to earn 0.55 years of credited service per year.
Re-employment Option	We assume all re-employed retirees return to work under the Standard Option.
Service	Total credited service is provided by the State. We assume that this service is the only service that should be used to calculate benefits. Additionally, the State provides claimed service (including Bureau of Indian Affairs Service). Claimed service is used for vesting and eligibility purposes as described in Section 2.1.
Final Average Earnings	Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.
Per Capita Claims Cost	Sample claims cost rates for FY10 medical benefits are shown below:

	Medical	Prescription Drugs
Pre-Medicare	$ 7,503	$ 2,419
Medicare Parts A & B	$ 1,336	$ 2,419
Medicare Part B Only	$ 4,754	$ 2,419
Medicare Part D	N/A	$ 477

Third Party Administrator Fees	$153.33 per person per year; assumed trend rate of 5% per year.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Health Cost Trend

The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 7.5% is applied to the FY10 rate claims costs to get the FY11 claims costs.

	Medical	Prescription Drugs
FY10	7.5%	9.6%
FY11	6.9%	8.3%
FY12	6.4%	7.1%
FY13	5.9%	5.9%
FY14	5.9%	5.9%
FY15	5.9%	5.9%
FY16	5.9%	5.9%
FY25	5.8%	5.8%
FY50	5.7%	5.7%
FY100	5.1%	5.1%

For the June 30, 2009 valuations and later, the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2012 and projects out to 2100. The model has been populated with assumptions that are specific to the State of Alaska.

Aging Factors

Age	Medical	Prescription Drugs
0-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-74	4.0%	1.5%
75-84	1.5%	0.5%
85-94	0.5%	0.0%
95+	0.0%	0.0%

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Retired Member Contributions for Medical Benefits	Currently contributions are required for TRS members who are under age 60 and have less than 30 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY10 contributions based on monthly rates shown below for calendar 2009 and 2010 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in Tier 2 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled:

Coverage Category	Calendar 2010 Annual Contribution	Calendar 2010 Monthly Contribution	Calendar 2009 Monthly Contribution
Retiree Only	$ 8,628	$ 719	$ 631
Retiree and Spouse	$ 17,268	$ 1,439	$ 1,262
Retiree and Child(ren)	$ 12,192	$ 1,016	$ 891
Retiree and Family	$ 20,832	$ 1,736	$ 1,523
Composite	$ 12,816	$ 1,068	$ 937

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Trend Rate for Retired Member Medical Contribution	The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.0% is applied to the FY10 retired member medical contributions to get the FY11 retired member medical contributions. FY10 7.0% FY11 6.7% FY12 6.3% FY13 6.0% FY14 5.7% FY15 5.3% FY16 5.0% FY17 5.0% FY18 and later 5.0% Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. Note that actual FY09 retired member medical contributions are reflected in the valuation so trend on such contribution during FY09 is not applicable.
Healthcare Participation	100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 1
Alaska TRS
Mortality Table (Preretirement)

Age	Male	Female
20	.030%	.018%
21	.031	.019
22	.033	.019
23	.035	.019
24	.037	.019
25	.039	.019
26	.041	.019
27	.043	.019
28	.045	.020
29	.046	.021
30	.047	.023
31	.049	.024
32	.050	.026
33	.050	.027
34	.050	.029
35	.050	.031
36	.051	.033
37	.053	.036
38	.056	.039
39	.059	.042
40	.063	.046
41	.068	.050
42	.074	.053
43	.080	.057
44	.086	.060
45	.093	.063
46	.102	.067
47	.112	.072
48	.124	.078
49	.138	.085
50	.153	.092
51	.170	.101
52	.190	.112
53	.212	.123
54	.235	.135
55	.262	.148
56	.293	.165
57	.330	.188
58	.373	.217
59	.419	.249
60	.472	.286
61	.532	.329
62	.600	.376
63	.678	.431
64	.765	.492

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 2
Alaska TRS
Mortality Table (Postretirement)

Age	Male	Female
50	.204%	.141%
51	.226	.154
52	.250	.169
53	.277	.186
54	.309	.205
55	.346	.224
56	.385	.247
57	.428	.276
58	.476	.314
59	.532	.361
60	.600	.415
61	.677	.477
62	.762	.548
63	.858	.627
64	.966	.718
65	1.091	.819
66	1.233	.929
67	1.391	1.042
68	1.563	1.157
69	1.746	1.265
70	1.939	1.367
71	2.135	1.476
72	2.336	1.608
73	2.552	1.775
74	2.791	1.972
75	3.063	2.192
76	3.355	2.439
77	3.661	2.723
78	4.001	3.050
79	4.393	3.412
80	4.857	3.802
81	5.399	4.236
82	6.007	4.726
83	6.670	5.285
84	7.378	5.899
85	8.122	6.557

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 3
Alaska TRS
Turnover Assumptions

Select Rates of Turnover During the First 8 Years of Employment

Year of Employment	Current Age 25 Male	Current Age 25 Female	Year of Employment	Current Age 40 Male	Current Age 40 Female
1	14.85%	13.42%	1	14.76%	13.33%
2	14.84	13.42	2	14.74	13.32
3	13.34	12.06	3	13.22	11.96
4	13.33	12.06	4	13.20	11.95
5	11.82	10.71	5	11.68	10.59
6	10.32	9.35	6	10.15	9.22
7	8.82	8.00	7	8.62	7.86
8	7.31	6.65	8	7.08	6.49

Ultimate Rates of Turnover
After the First 8 Years of Employment

Age	Male	Female	Age	Male	Female
15	4.9538%	4.3747%	40	4.7988%	4.2658%
16	4.9475	4.3714	41	4.7850	4.2559
17	4.9425	4.3692	42	4.7675	4.2460
18	4.9375	4.3681	43	4.7513	4.2372
19	4.9350	4.3670	44	4.7300	4.2262
20	4.8963	4.3351	45	4.7063	4.2130
21	4.8938	4.3351	46	4.6813	4.2009
22	4.8888	4.3340	47	4.6500	4.1844
23	4.8850	4.3340	48	4.6138	4.1657
24	4.8788	4.3329	49	4.5763	4.1470
25	4.8738	4.3329	50	4.5338	4.1250
26	4.8688	4.3318	51	4.4838	4.0997
27	4.8638	4.3307	52	4.4250	4.0700
28	4.8588	4.3274	53	4.3600	4.0348
29	4.8538	4.3241	54	4.2875	3.9974
30	4.8500	4.3208	55	4.2050	3.9523
31	4.8475	4.3186	56	4.1050	3.8940
32	4.8438	4.3142	57	3.9825	3.8192
33	4.8413	4.3109	58	3.8488	3.7345
34	4.8400	4.3065	59	3.6875	3.6267
35	4.8375	4.3021	60	3.5063	3.5046
36	4.8338	4.2955	61	3.3050	3.3682
37	4.8288	4.2900	62	3.0713	3.2131
38	4.8200	4.2823	63	2.8050	3.0360
39	4.8100	4.2746	64	2.5163	2.8435
			65+	5.0000	4.4000

Select rates vary slightly by age.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 4
Alaska TRS
Disability Table

Age	Male	Female
20	.028%	.025%
21	.028	.025
22	.029	.026
23	.029	.026
24	.030	.027
25	.030	.027
26	.030	.027
27	.031	.028
28	.032	.029
29	.033	.030
30	.034	.031
31	.034	.031
32	.035	.032
33	.036	.032
34	.037	.033
35	.038	.034
36	.040	.036
37	.041	.037
38	.043	.039
39	.044	.040
40	.046	.041
41	.048	.043
42	.051	.046
43	.054	.049
44	.059	.053
45	.065	.059
46	.070	.063
47	.076	.068
48	.083	.075
49	.089	.080
50	.096	.086
51	.104	.094
52	.114	.103
53	.127	.114
54	.142	.128
55	.160	.144
56	.184	.166
57	.214	.193
58	.244	.220
59	.288	.259
60	.337	.303
61	.390	.351
62	.452	.407
63	.522	.470
64	.596	.536

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Table 5
Alaska TRS
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	5.60%	5.70%
50	6.00%	6.30%	20.00	12.50
51	6.80	6.80	17.50	15.00
52	6.80	6.70	20.00	15.00
53	7.90	8.90	15.00	20.00
54	7.80	10.00	25.00	20.00
55	5.90	7.20	22.50	22.50
56	5.80	7.10	19.50	19.50
57	5.50	6.90	17.50	17.50
58	6.20	8.50	17.50	20.00
59	6.30	8.30	25.00	20.00
60	N/A	N/A	20.00	20.00
61	N/A	N/A	20.00	20.00
62	N/A	N/A	12.50	25.00
63	N/A	N/A	25.50	29.75
64	N/A	N/A	34.00	34.00
65	N/A	N/A	25.00	50.00
66	N/A	N/A	20.00	30.00
67	N/A	N/A	20.00	30.00
68	N/A	N/A	20.00	25.00
69	N/A	N/A	20.00	30.00
70	N/A	N/A	100.00	100.00

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Changes in Actuarial Assumptions Since the Prior Valuation

There were no changes in actuarial assumptions since the prior valuation.

Section 3

3.1 Analysis of Financial Experience

Change in Employer/State Contribution Rate
Due to (Gains) and Losses in Accrued Liabilities During the Last Four Fiscal Years
Resulting From Differences Between Assumed Experience and Actual Experience

	Change in Employer/State Contribution Rate During Fiscal Year							
	Pension				Healthcare			
Type of (Gain) or Loss	**2006**	**2007**	**2008**	**2009**	**2006**	**2007**	**2008**	**2009**
(1) Health Experience	N/A	N/A	N/A	N/A	(2.52)%	(3.90)%	(1.22)%	(2.67)%
(2) Salary Experience	0.79%	(0.27)%	0.43%	0.29%	N/A	N/A	N/A	N/A
(3) Investment Experience	0.10%	(0.32)%	(0.62)%	6.53%	(0.46)%	(1.05)%	(0.23)%	0.70%
(4) Demographic Experience	(0.27)%	1.63%	(0.33)%	(0.54)%	N/A	N/A	N/A	N/A
(5) Contribution Shortfall	(0.41)%	0.42%	(0.11)%	0.01%	1.62%	0.89%	(0.87)%	(0.27)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	0.21%	1.46%	(0.63)%	6.29%	(1.36)%	(4.06)%	(2.32)%	(2.24)%
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	2.96%	(1.08)%*	0.00%	0.00%	0.10%	(0.96)%*	1.98%	0.00%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10)	3.17%	0.38%	(0.63)%	6.29%	(1.26)%	(5.02)%	(0.34)%	(2.24)%
(12) Beginning Total Employer/State Contribution Rate	17.40%	20.57%	20.95%	20.32%	24.86%	23.60%	18.58%	18.24%
(13) Ending Total Employer/State Contribution Rate, (11) + (12)	20.57%	20.95%	20.32%	26.61%	23.60%	18.58%	18.24%	16.00%
(14) Fiscal Year Above Rate is Applied	FY09	FY10	FY11	FY12	FY09	FY10	FY11	FY12

*Includes change in rate by using total payroll.

3.1 Analysis of Financial Experience *(continued)*

Change in Employer/State Contribution Rate

Due to (Gains) and Losses in Accrued Liabilities During the Last Five Fiscal Years
Resulting From Differences Between Assumed Experience and Actual Experience

	Change in Employer/State Contribution Rate During Fiscal Year				
Type of (Gain) or Loss	**2005**	**2006**	**2007**	**2008**	**2009**
(1) Health Experience	1.47%	(2.52)%	(3.90)%	(1.22)%	(2.67)%
(2) Salary Experience	(0.26)%	0.79%	(0.27)%	0.43%	0.29%
(3) Investment Experience	(0.02)%	(0.36)%	(1.37)%	(0.85)%	7.23%
(4) Demographic Experience	(2.10)%	(0.27)%	1.63%	(0.33)%	(0.54)%
(5) Contribution Shortfall	1.42%	1.21%	1.31%	(0.98)%	(0.26)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	0.51%	(1.15)%	(2.60)%	(2.95)%	4.05%
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	0.00%	3.06%	(2.04)%*	1.98%	0.00%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Change due to revaluation of plan liabilities as of June 30, 2004	(0.03)%	0.00%	0.00%	0.00%	0.00%
(12) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10) + (11)	0.48%	1.91%	(4.64)%	(0.97)%	4.05%
(13) Beginning Total Employer/State Contribution Rate	41.78%	42.26%	44.17%	39.53%	38.56%
(14) Ending Total Employer/State Contribution Rate, (12) + (13)	42.26%	44.17%	39.53%	38.56%	42.61%
(15) Fiscal Year Above Rate is Applied	FY08	FY09	FY10	FY11	FY12

*Includes change in rate by using total payroll.

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities

The exhibit below shows the pension disclosure under GASB No. 25.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009	$ 5,463,987	$ 3,115,719	57.0%	$ 2,348,268	$ 557,026	421.6%
June 30, 2008	$ 5,231,654	$ 3,670,086	70.2%	$ 1,561,568	$ 549,148	284.4%
June 30, 2007	$ 5,043,448	$ 3,441,867	68.2%	$ 1,601,581	$ 554,245	289.0%
June 30, 2006[1]	$ 4,859,336	$ 3,296,934	67.8%	$ 1,562,402	$ 574,409	272.0%

The exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009 – 4.50%	$ 4,604,820	$ 1,357,239	29.5%	$ 3,247,581	$ 557,026	583.0%
June 30, 2008[1] – 4.50%	$ 4,648,055	$ 1,266,890	27.3%	$ 3,381,165	$ 549,148	615.7%
June 30, 2007 – 4.50%	$ 4,059,573	$ 982,532	24.2%	$ 3,077,041	$ 554,245	552.2%
June 30, 2006[1] – 4.50%	$ 4,288,707	$ 844,766	19.7%	$ 3,443,941	$ 574,409	599.6%

For illustration, the exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy discounted at 8.25% and at 4.50% per annum under GASB No. 43 for the current year. These values show the minimum and maximum accrued liability amounts depending on the portion of ARC actually contributed.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009 – 8.25%	$ 2,562,179	$ 1,357,239	53.0%	$ 1,204,940	$ 557,026	216.3%
June 30, 2009 – 4.50%	$ 4,604,820	$ 1,357,239	29.5%	$ 3,247,581	$ 557,026	583.0%

[1] *Change in assumptions*

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities *(continued)*

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25, prior to 2006.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2005	$ 6,498,556	$ 3,958,939	60.9%	$ 2,539,617	$ 535,837	474.0%
June 30, 2004 [2]	$ 6,123,600	$ 3,845,370	62.8%	$ 2,278,230	$ 522,421	436.1%
June 30, 2003	$ 5,835,609	$ 3,752,285	64.3%	$ 2,083,324	$ 532,630	391.1%
June 30, 2002 [1 2 3]	$ 5,411,642	$ 3,689,036	68.2%	$ 1,722,606	$ 509,437	338.1%
June 30, 2001	$ 4,603,147	$ 4,372,229	95.0%	$ 230,918	$ 496,188	46.5%
June 30, 2000 [1 2 3]	$ 4,198,868	$ 4,184,015	99.6%	$ 14,853	$ 482,571	3.1%
June 30, 1999	$ 3,720,954	$ 3,815,633	102.5%	$ N/A	$ 466,414	N/A
June 30, 1998	$ 3,528,757	$ 3,446,070	97.7%	$ 82,687	$ 469,433	17.6%
June 30, 1997	$ 3,320,069	$ 3,120,044	94.0%	$ 200,025	$ 466,455	42.9%

[1] *Change in Asset Valuation Method*
[2] *Change of Assumptions*
[3] *Change in Methods*

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25 and 26 for fiscal years ending in 2006 and before.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2006	$ 236,738	54.0%
2005	207,951	45.0%
2004	82,660	83.0%
2003	47,370	133.0%
2002	39,576	155.0%
2001	56,391	114.0%
2000	67,874	92.0%
1999	53,901	114.0%
1998	76,504	80.0%

The following shows pension disclosure under GASB No. 25 for fiscal year ending 2007 and later.

		Percentage Contributed		
Fiscal Year Ended June 30	Total Annual Required Contribution	By Employer	By State	Total
2009	$ 94,388	28.7%	110.6%	139.3%
2008	$ 134,544	23.3%	82.7%	106.0%
2007	$ 169,974	62.2%	0.00%	62.2%

The following shows postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2007 and later.

		Percentage Contributed		
Fiscal Year Ended June 30	Total Annual Required Contribution	By Employer	By State	Total
2009	$ 164,171	28.7%	62.1%	90.8%
2008	$ 185,271	23.6%	85.7%	109.3%
2007	$ 76,879	62.2%	0.00%	62.2%

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities *(continued)*

The exhibit below shows the annual required contribution (ARC) as a percentage of pay for pension and healthcare.

		ARC (% of Pay)		
Valuation Date	**Fiscal Year**	**Pension**	**Healthcare**	**Total**
June 30, 2005	FY08	22.73%	54.45%	77.18%
June 30, 2006	FY09	26.89%	52.20%	79.09%
June 30, 2007	FY10	28.61%	52.42%	81.03%
June 30, 2008	FY11	28.76%	28.71%	57.47%
June 30, 2009	FY12	40.84%	34.29%	75.13%

ARC is based on DB salary only and a level dollar amortization of the unfunded liability.

3.2(c) Actuarial Assumptions, Methods and Additional Information Under GASB

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	19 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions: Investment rate of return* Projected salary increases	 8.25% for pension, 4.50% for healthcare 6.0% for first 5 years of service grading down to 4.0% after 15 years
*Includes inflation at	3.5%
Cost-of-living adjustment	Postretirement Pension Adjustment as described in Section 2.1, item (13)

GASB 43 requires that the discount rate used in the valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

The State of Alaska Teachers Retirement System's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State of Alaska has utilized the second methodology to develop a discount rate of 4.50% as of June 30, 2009, to be used for fiscal 2010 disclosure.

The development of the discount rate used for the healthcare liabilities valuation is summarized below:

Investment Returns		
Plan Assets (Long-Term Return)	=	8.25%
Employer Assets (Estimated Short-Term Return)	=	4.50%

Based on Percentage of ARC Contributed during FY07*		
1. Contribution Allocated to Healthcare	=	9.16%
2. Annual Required Contribution, Funding Assumptions	=	29.15%
3. Pay-as-you-go Contribution	=	14.03%
4. Portion of ARC Contributed: [(1-3) / (2-3), not less than 0%]	=	0.00%
5. Multiplied by long-term investment return	=	0.00%
6. Portion of ARC not Contributed: [100% - (4)]	=	100.00%
7. Multiplied by short-term investment return	=	4.50%
8. Total: (5) + (7)	=	4.50%

*It is assumed that fiscal 2005 contributions allocated to healthcare ARC for funding purposes and pay-as-you-go contributions are used to derive the GASB 43 discount rate applied to the June 30, 2007 valuation (fiscal 2008), which in turn drives the fiscal 2010 GASB 43 ARC.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2010 employer ARC rate for accounting purposes is 52.42% of pay for healthcare benefits and 81.03% of pay for healthcare and pension benefits combined.

3.3 Solvency Test – Pension and Healthcare

Valuation Date	Aggregate Accrued Liability For: (1) Active Member Contributions (000's)	(2) Inactive Members (000's)	(3) Active Members (Employer-Financed Portion) (000's)	Valuation Assets (000's)	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
June 30, 2009	$ 692,105	$ 5,292,808	$ 1,862,601	$ 4,472,958	100%	71.4%	0.0%
June 30, 2008 [2]	654,662	5,181,676	1,782,840	4,936,976	100%	82.6%	0.0%
June 30, 2007	638,420	4,912,025	1,638,958	4,424,399	100%	77.1%	0.0%
June 30, 2006 [2 3]	615,207	4,925,922	1,688,722	4,141,700	100%	71.6%	0.0%
June 30, 2005	589,169	4,694,176	1,215,211	3,958,939	100%	71.8%	0.0%
June 30, 2004 [2]	569,435	4,423,036	1,131,129	3,845,370	100%	74.1%	0.0%
June 30, 2003	548,947	4,105,445	1,181,217	3,752,285	100%	78.0%	0.0%
June 30, 2002 [1 2 3]	523,142	3,755,882	1,132,618	3,689,036	100%	84.3%	0.0%
June 30, 2001	533,752	3,213,431	855,964	4,372,229	100%	100%	73.0%
June 30, 2000 [1 2 3]	490,176	2,872,250	836,442	4,184,015	100%	100%	98.2%

Healthcare liabilities are calculated using the funding assumptions (i.e., 8.25% investment return and net of Medicare Part D subsidy).

1 *Change in Asset Valuation Method*
2 *Change in Assumptions*
3 *Change in Methods*

December 11, 2009

VIA EMAIL

Mr. Pat Shier
Director
Division of Retirement and Benefits
Department of Administration
State of Alaska
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

Re: Judicial Retirement System and National Guard and Naval Militia Retirement System Roll-Forward Actuarial Valuations as of June 30, 2009

Dear Pat:

We have completed the roll-forward actuarial valuations for the State of Alaska Judicial Retirement System (JRS) and the National Guard and Naval Militia Retirement System (NGNMRS) as of June 30, 2009. The valuations have been performed by a projection or "roll forward" of liabilities from the last valuation date of June 30, 2008 to June 30, 2009. A summary of our results and methods is included in this letter.

RESULTS

The actuarial valuation produced an increase of 11.87% in the employer contribution rate for JRS and a slight decrease of $69,764 in the contribution for NGNMRS. A full description of the results can be found in the attachments. A summary of the results are as follows:

	June 30, 2008	June 30, 2009
Judicial Retirement System	36.20%	48.07%
National Guard and Naval Militia Retirement System	$965,329	$895,565

ACTUARIAL ASSUMPTIONS AND METHODS

In lieu of collecting new data as of June 30, 2009 and performing a full actuarial valuation, it is an acceptable practice to project or "roll forward" liabilities calculated in the last complete valuation as of June 30, 2008 to June 30, 2009 by assuming the actuarial assumptions during the year are exactly realized. This process produces liabilities and normal costs which reflect the best available estimates of the major factors that would be reflected in a full actuarial valuation, including salary increases, cost of living adjustments and increases in medical costs. All data, actuarial assumptions, methods and plan provisions are the same as those used for the June 30, 2008 valuation unless otherwise noted in this letter, including a valuation interest rate of 8.25% for JRS, a valuation interest rate of 7.25% for NGNMRS, and salary scale for JRS of 4.00%.

The actuarial value of assets was calculated as of June 30, 2009 using actual assets and cash flows during the year. We are phasing in the five-year smoothing method, and investment gains experienced during FY09 are recognized at 20%.

Contributions during the year were more than the 2008 actuarial valuation requirement creating actuarial gains on both plans. However, large investment losses were experienced during the year by JRS, with a smaller investment loss experienced by NGNMRS. The net result was an overall actuarial loss for JRS and an actuarial gain for NGNMRS. The net actuarial loss for JRS was $23,122,000, and the net actuarial gain was $250,000 for NGNMRS. The net actuarial loss for JRS has the effect of increasing the unfunded liability from what was expected while the net actuarial gain for NGNMRS has the effect of decreasing the unfunded liability. Given the differences between actual and expected contributions and investment return, this results in changes in the employer contributions from the previous year.

Please let us know if you have any questions.

Sincerely,

David H. Slishinsky

David H. Slishinsky, A.S.A.
Principal and Consulting Actuary

/mlp

Attachments

c: Ms. Teresa Kesey, State of Alaska
Ms. Melissa Bissett, Buck Consultants
Ms. Michelle DeLange, Buck Consultants
Mr. Chris Hulla, Buck Consultants

State of Alaska
Judicial Retirement System

	June 30, 2008	June 30, 2009
Total Pension Accrued Liability	$ 130,596,048	$ 137,586,315
Annual Pension Normal Cost	$ 3,593,057	$ 3,736,779
Pension Actuarial Value of Assets (AVA)	$ 122,822,726	$ 107,818,399
Pension Funded Ratio based on AVA	94.1%	78.4%
Pension Market Value of Assets (MVA)	$ 116,209,622	$ 89,848,666
Pension Funded Ratio based on MVA	89.0%	65.3%
Total Postemployment Healthcare Accrued Liability	$ 18,141,832	$ 19,093,191
Annual Postemployment Healthcare Normal Cost	$ 462,781	$ 462,781
Postemployment Healthcare Actuarial Value of Assets (AVA)	$ 18,352,929	$ 18,408,493
Postemployment Healthcare Funded Ratio based on AVA	101.2%	96.4%
Postemployment Healthcare Market Value of Assets (MVA)	$ 17,602,098	$ 15,340,411
Postemployment Healthcare Funded Ratio based on MVA	97.0%	80.3%
Total Accrued Liability	$ 148,737,880	$ 156,679,506
Actuarial Value of Assets	$ 141,235,655	$ 126,226,892
Unfunded Liability	$ 7,502,225	$ 30,452,614
Funded Ratio based on Actuarial Value of Assets	95.0%	80.6%
Market Value of Assets	$ 133,811,720	$ 105,189,077
Funded Ratio based on Market Value of Assets	90.0%	67.1%
Total Normal Cost	$ 4,055,838	$ 4,239,822
Pension Contribution Rate		
– Employer Normal Cost Rate	25.97%	25.97%
– Past Service Rate	5.77%	17.28%
– Pension Contribution Rate	31.74%	43.25%
Postemployment Healthcare Contribution Rate		
– Employer Normal Cost Rate	3.97%	3.82%
– Past Service Rate	0.49%	1.00%
– Postemployment Healthcare Contribution Rate	4.46%	4.82%
Total Employer Contribution Rate		
– Employer Normal Cost Rate	29.94%	29.79%
– Past Service Rate	6.26%	18.28%
– Total Employer Contribution Rate	36.20%	48.07%

This exhibit is an attachment to a letter dated December 11, 2009.

State of Alaska
National Guard and Naval Militia Retirement System

	June 30, 2008	June 30, 2009
Total Accrued Liability	$ 28,904,645	$ 30,208,411
Actuarial Value of Assets	28,370,756	30,123,348
Unfunded Liability	533,889	85,063
Funded Ratio based on Actuarial Value of Assets	98.2%	99.7%
Market Value of Assets	$ 27,188,928	$ 25,429,842
Funded Ratio based on Market Value of Assets	94.1%	84.2%
Normal Cost	$ 744,154	$ 744,154
Past Service Payment	84,175	13,411
Expense Load	137,000	138,000
Total Contribution	$ 965,329	$ 895,565

This exhibit is an attachment to a letter dated December 11, 2009.

ALASKA RETIREMENT MANAGEMENT BOARD
M E M O R A N D U M

To: ARMB Trustees
From: Judy Hall
Date: April 12, 2010
Subject: Financial Disclosures

As required by AS 37.10.230 and Alaska Retirement Management Board policy relating to investment conduct and reporting, trustees and staff must disclose certain financial interests. We are hereby submitting to you a list of disclosures for individual transactions made by trustees and staff.

Name	Position Title	Disclosure Type	Disclosure Date
Michael Williams	Trustee	DC Option Changes	4/8/10
Bob Mitchell	Investment Officer	Equities Equities	2/22/10 3/26/10
Victor Djajalie	Investment Officer	Equities	3/4/10
Nicholas Orr	Investment Officer	Equities	3/11/10
Steven Verschoor	Investment Officer	Mutual Funds	2/22/10

Alaska Retirement Management Board
2010 Meeting Calendar

February 24	Committee Meetings: Audit
February 25-26 Thursday-Friday Juneau	*Review Capital Market Assumptions *Manager Presentations *Actuarial Audit Report
April 22-23 Thursday-Friday Anchorage	*Adopt Asset Allocation *Performance Measurement – 4th Quarter *Buck Consulting Actuary Report *GRS Actuary Certification *Review Private Equity Annual Plan Abbott Capital Management Pathway Capital Management *Manager Presentations
June 23	Committee Meetings: Audit
June 24-25 Thursday-Friday Anchorage	*Final Actuary Report/Adopt Valuation/Contribution Rates *Performance Measurement – 1st Quarter *Manager Presentations
September 9 (tentative)	Committee Meetings: Real Estate - Salary Review - Budget
September 22	Committee Meetings: Audit
September 23-24 Thursday-Friday Fairbanks	*Audit Results/Assets – KPMG *Approve Budget *Performance Measurement – 2nd Quarter *Real Estate Annual Plan *Real Estate Evaluation – Townsend Group *Manager Presentations
October _____	Education Conference
December 1	Audit Committee
December 2-3 Thursday-Friday Anchorage	Audit Report Performance Measurement – 3rd Quarter Manager Review (Questionnaire) Private Equity Review Economic Round Table *Manager Presentations