Alaska Retirement Management Board

Agenda
February 10-11, 2011

Thursday, February 10, 2011			
I.	9:00 am	Call to Order Introduction of New Trustees	
II.		Roll Call	
III.		Public Meeting Notice	
IV.		Approval of Agenda	
V.		Public/Member Participation, Communications, and Appearances (Three Minute Limit)	
VI.		Approval of Minutes: September 23-24, 2010 December 2-3, 2010	September 23-24, 2010 ARMB Meeting Minutes
VII.	9:15	Reports 1. Chair Report 2. Committee Reports Audit Committee, *Martin Pihl, Chair* 3. Director's Report A. Membership Statistics/Buck Invoices B. Legislative Update *Patrick Shier, Director, Div of Retirement & Benefits* 4. Treasury Division Report *Jerry Burnett, Deputy Commissioner, Dept of Revenue* 5. CIO Report, *Gary Bader, Chief Investment Officer*	
	9:40-10:00	6. Fund Financial Report *Pamela Leary, State Comptroller, DOR, Treasury* *Teresa Kesey, Chief Financial Officer, DRB*	Fund Financials-CashFlow
	10:00-10:30	7. Advent Capital Management *Ed Jonson and Paul Latronica*	Advent Presentation
	10:30	BREAK - 10 Minutes	
	10:40-11:10	8. Timberland investment Resources LLC *Tom Johnson and Mark Seaman*	Timberland Investment Presentation
	11:15-11:45	9. Hancock Timber Resource Group *Tom Sarno and Corbitt Simmons*	Hancock Presentation
	11:45-1:15	LUNCH - 11:45 - 1:15 pm	
	1:15-1:45	10. RCM SRI *Melody McDonald and Peter Goetz*	RCM SRI Presentation
	1:50-2:00	11. MicroCap Investment Manager Search *Gary Bader, Chief Investment Officer* *Michael O'Leary, Callan Associates, Inc.*	
	2:00-2:30	A. DePrince, Race & Zollo, Inc. *Victor Zollo and Greg Ramsby*	DePrinceRaceZollo Presentation
	2:35-3:05	B. Lord Abbett *Kristin Harper and Tom O'Halloran*	Lord Abbett Presentation

	3:05-3:15 3:15-3:45	*BREAK - 10 Minutes* C. Board Discussion Action: Selection of MicroCap Manager	Action - Micro Cap
	3:45-4:15	12. Reconsideration: Resolution 2010-29 Relating to PERS/TRS Experience Analysis and Assumption Change Recommendations Action: Resolution 2011-01 *Pat Shier, Director, Division of Retirement & Benefits*	Action-Res 2011-01
		End of Meeting Day - Recess	
		Friday, February 11, 2011	
	9:00 am	Call to Order	
	9:00-11:00	13. Capital Market Assumptions *Michael O'Leary, Callan Associates, Inc.*	2011 Capital Markets January
	11:00-11:15	*BREAK - 15 Minutes*	
	11:15-12:00	14. Active/Passive Discussion A. Efficient Market Hypothesis *Gary Bader, Chief Investment Officer* B. Historical Active Management Premiums by Class and Style *Michael O'Leary, Callan Associates, Inc.* C. ARMB Equity Manager Premiums *Gary Bader, Chief Investment Officer*	Active versus Passive Efficient Market Hypothesis Callan active_passiveJanuary2011 Active versus Passive Comparison Slides
	12:00-1:15	*LUNCH*	
	1:15-1:45	15. IFS Report Action Items A.1.b#1 – TIPS and REIT Performance Reporting A.1.b#6 – Report Inception Dates for IMAs A.1.b#7 – Performance Reporting for IMAs A.1.b#8 – Real Estate IRRs A.1.b#11 – Real Estate Percentage Allocations	IFS Action Items
	1:50-2:20	16. Investment Actions A. IAC Action B. Use of Futures *Gary Bader, Chief Investment Officer*	Investment Actions
VIII.		Unfinished Business 1. Disclosure Report, *Judy Hall, Liaison Officer* 2. Meeting Schedule, *Judy Hall, Liaison Officer* 3. Legal Report, *Rob Johnson, Legal Counsel*	Disclosures012611 2011 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.)

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
MEETING

Location of Meeting
Anchorage Marriott Hotel
820 W. 7th Avenue
Anchorage, Alaska

MINUTES OF
December 2-3, 2010

Thursday, December 2, 2010

CALL TO ORDER

VICE CHAIR SAM TRIVETTE called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:00 a.m.

ROLL CALL

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

ARMB Board Members Present
Gail Schubert, *Chair* (Dec. 3)
Sam Trivette, *Vice Chair*
Gayle Harbo, *Secretary*
Kristin Erchinger
Commissioner Patrick Galvin (Dec. 2)
Commissioner Annette Kreitzer
Martin Pihl
Tom Richards
Mike Williams

ARMB Board Members Absent
Gail Schubert on Dec. 2 and Commissioner Galvin on Dec. 3

Investment Advisory Council Members Present
Dr. William Jennings

Department of Revenue Staff Present
Jerry Burnett, Deputy Commissioner

Gary M. Bader, Chief Investment Officer
Pamela Leary, State Comptroller
Bob Mitchell, Senior Investment Officer
Ryan Bigelow, State Investment Officer
Zach Hanna, State Investment Officer
Scott Jones, Assistant State Comptroller
Judy Hall, Board Liaison Officer

Department of Administration Staff Present
Kevin Brooks, Deputy Commissioner
Patrick Shier, Director, Division of Retirement and Benefits

Consultants, Invited Participants, and Others Present
Robert Johnson, ARMB legal counsel
Michael O'Leary, Callan Associates, Inc.
Gary Robertson, Callan Associates, Inc.
Michael Hayhurst, KPMG
Corrine Fiedler, KPMG
Steven Harding, Independent Fiduciary Services
Barbra Byington, Independent Fiduciary Services
John Reinsberg, Lazard Asset Management
Tony Dote, Lazard Asset Management
Blair Thomas, TCW Energy Group
Claudia Schloss, TCW Energy Group
Glenn Carlson, Brandes Investment Partners
Juan Benito, Brandes Investment Partners
Lynn Blake, State Street Global Advisors
Eric Brandhorst, State Street Global Advisors
Neil Tremblay, State Street Global Advisors
John Alcantra, NEA Alaska
Peggy Wilcox, APEA/AFT
Jack Kreinheder, Office of Management & Budget *(by telephone)*

PUBLIC MEETING NOTICE

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

APPROVAL OF AGENDA

The report of the Special Committee on Actuarial Issues was moved to Friday afternoon to follow #19 - Actuarial Valuation Assumption Changes.

MS. HARBO moved to approve the agenda. COMMISSIONER KREITZER seconded the motion. The agenda was approved as amended.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

COMMISSIONER KREITZER said December 6 would be her last day as commissioner, and she wished to recognize Deputy Commissioner Rachael Petro for all her work on behalf of the ARM Board.

MARTIN CROWLEY spoke by teleconference and asked how he could find out the current return on the State Street Institutional Treasury Money Market Fund, which he invested in through the State of Alaska Supplemental Benefit System (SBS) and Deferred Compensation Plan. MR. BADER gave him phone numbers to call him or Ryan Bigelow directly.

APPROVAL OF MINUTES

MS. HARBO moved to approve the minutes of the August 16, 2010 meeting as presented. MS. ERCHINGER seconded the motion. The motion passed without objection.

ELECTION OF OFFICERS

MS. HARBO moved to nominate Gail Schubert as chair. MR. PIHL seconded. There were no other nominations, and Ms. Schubert was elected chair for one year by unanimous consent.

MS. HARBO moved to nominate Sam Trivette as vice chair. MR. PIHL seconded. There were no other nominations, and Mr. Trivette was elected vice chair by unanimous consent.

MR. WILLIAMS moved to nominate Gayle Harbo as secretary. MR. RICHARDS seconded. There were no other nominations, and Ms. Harbo was elected board secretary for another year by unanimous consent.

REPORTS

1. Chair Report - None.

2. Committee Reports

2(a). Audit Committee

Committee chair MARTIN PIHL reported on the committee's December 1 meeting, at which KPMG provided the final audit results for both the Treasury Division and the Division of Retirement and Benefits. He said KPMG was scheduled to give a report to the full board at this meeting. The committee also received a report from Mr. Shier on progress in the employer audit program. *[The minutes of the December 1, 2010 committee meeting are on file at the ARMB office.]*

3. Retirement & Benefits Division Report

3(a). Membership Statistics

The quarterly and cumulative reports of membership statistics for the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) were included in the meeting packet.

VICE CHAIR TRIVETTE asked if the next cumulative report could include a column for the number of actives in PERS and TRS. MR. SHIER said he could do that.

MS. HARBO had a question about how to reconcile the number of defined contribution plan people who terminated as reported in the September report with the number in the June report. She added that it looked like the turnover was about 38%, and she wondered if that was accurate.

MR. SHIER said he would work on reconciling those numbers.

MS. HARBO requested additional information on the dollar amount withdrawn by employees who have terminated over the last four years. MR. SHIER said that a PERS employee who terminated after two years would take 25% of the employer contribution with them, and the remaining 75% of the employer contribution would stay in the defined contribution plan fund for that employer.

MR. PIHL mentioned that the Board requested the membership statistics during a transition period to the new defined contribution plans, and he questioned if that information was still useful or needed four years later.

COMMISSIONER KREITZER said it was a good idea for the Board to re-examine the information it wanted to see, because it takes staff time to collect the data and prepare the reports, and maybe there were other things trustees would be more interested in seeing now.

MS. HARBO said it should be one of the points the Board talks about at a work session. She said Ms. Erchinger raised the point at the Audit Committee meeting about the cost to employers when people terminate, and it illustrates the point that it is important to have the information to make sure the retirement systems are working for the members.

3(b). Buck Consulting Invoices

The regular report of invoices from Buck Consultants was included in the meeting packet.

4. Treasury Division Report

Department of Revenue Deputy Commissioner JERRY BURNETT said he was asked to comment on an article run by the *Associated Press* that the State of Alaska was going to have a $5.0 billion annual budget surplus this year and next year. He said he spoke to the reporter at *AP*, and there was a correction in the paper. The State of Alaska has a general fund projected surplus this year, and a reporter mistakenly took that to be a budgetary surplus. The budgetary surplus is in the tens of millions of dollars this year, or possibly hundreds of millions of dollars, but not in the billions of dollars.

5. Chief Investment Officer Report

Chief Investment Officer GARY BADER referred to the written report in the packet. The first two items were correspondence from two labor organizations regarding the management practices of specific companies and asking the ARMB to take some action. He said it has long been the practice of the Board to not get involved in issues of economically targeted investing or to take social or political points of view. He recommended taking no action.

VICE CHAIR TRIVETTE suggested that staff provide the trustees with copies of the correspondence by regular mail, and anyone who wished to comment further could do so. He felt that it would relieve staff from a fiduciary standpoint. MR. BADER indicated he would follow that up.

MR. BADER reviewed a list of rebalancings and transfers that staff completed since the last board meeting. He also recommended removing Crestline Investors from the watch list, where they had been placed a year ago because of an acquisition that potentially could have diverted their attention from managing the ARMB's portfolio.

<u>MS. HARBO moved that the ARMB remove Crestline Investors from the manager watch list</u>. <u>MS. ERCHINGER seconded the motion</u>. The motion passed unanimously.

MS. HARBO asked about removing the REIT fund from the watch list. MR. BADER said staff performs a three-part quantitative test on portfolios on the watch list, and the REIT fund does not meet the criteria for removal from the watch list yet.

MR. BADER said staff was recommending that Mariner Investment Group be placed on the watch list for ownership changes. He asked Mr. O'Leary, the Board's general consultant, to provide his perspective.

MR. O'LEARY gave the particulars of the Japanese firm that was acquiring Mariner. He said the founders and current shareholders of Mariner would continue to have a significant equity interest and were covered by lengthy employment contracts. Jim McKee, who heads up Callan's hedge fund research, did an on-site visit and also met with a representative of the acquiring firm. Any ownership change is a source of potential concern, and Callan is concerned about the incentives for the next generation at Mariner, who are not immediate beneficiaries of this transaction. Callan was told it was a high priority for Mariner to develop and implement incentives that will keep the next generation interested. He said that placing Mariner on the watch list was an appropriate action so staff and Callan can monitor if that is what actually happens.

MR. RICHARDS moved to place Mariner Investment Group on the watch list [for an ownership change]. MS. HARBO seconded.
The motion passed unanimously.

MR. BADER informed the Board of a possible grant of mineral rights on Louisiana property in the farmland portfolio managed by UBS. He said the ARMB is acquiring substantial land across the nation through its timberland program and farmland program. Frequently, there are opportunities to achieve a higher and better use of the property through things like mineral rights and wind power generation.

MR. BADER reported on a change in the investment contract for the J.P. Morgan Strategic Property Fund to raise fees by two basis points, representing approximately $35,000 a quarter. He said it was not something that staff was pleased about, but he recommended proceeding with the investment and looking for alternatives.

MS. HARBO moved that the ARMB approve amending the contract for the J.P. Morgan Strategic Property Fund, as described by staff. MR. WILLIAMS seconded. The motion carried unanimously.

MR. O'LEARY brought the Board up to date on a far-reaching and extensive investigation by the SEC (Securities and Exchange Commission) and the FBI into whether some money managers gained access to insider information regarding financial developments at various companies and then acted upon that information to benefit those for whom they invested and themselves. The ARMB's apparent exposure is very small. He said Callan was monitoring the situation closely, as was the ARMB staff, and they would keep the Board posted of any developments.

MR. PIHL asked if the Board could take up the KPMG Audit Report next because it dealt with the prior fiscal year, followed by the Financial Reports that dealt with the current fiscal year. No one objected, and the agenda was amended.

6. KPMG Report of 2010 Audit Results

MIKE HAYHURST, managing partner in the Anchorage office of KPMG LLP, introduced CORRINE FIEDLER, a senior manager in Anchorage and also engagement manager on the subject audits. They presented the fiscal year 2010 audit results for the State of Alaska Department of Administration - Division of Retirement and Benefits (DRB), and the

Department of Revenue - Treasury Division. *[KPMG had a series of slides that contained the main points of the presentation, which are on file at the ARMB office.]*

MR. HAYHURST covered the responsibilities of the divisions, the Audit Committee, and of KPMG in the audit process. He stated that in the two years he has been working on the account, at each Audit Committee meeting he and the engagement manager have taken numerous questions from committee members about procedures that either KPMG or internal audit perform. His opinion was that the Audit Committee is appropriately discharging its duties and responsibilities in that regard.

MR. HAYHURST said there were no significant changes to the audit plan that was set out at the beginning, and there were no pending matters that hang over the issuance of the audit opinion. He reported that at the end of the FY2010 audit KPMG issued unqualified (or "clean") opinions on all the financial statements. Those financial statements included:

Treasury Division

- Invested Assets of the Retirement Systems
- Treasury Division Invested Assets Under the Investment Authority of the Commissioner of Revenue

Division of Retirement and Benefits

- Public Employees' Retirement System
- Teachers' Retirement System
- Judicial Retirement System
- National Guard and Naval Militia Retirement System
- Supplemental Benefit System
- Deferred Compensation Plan

VICE CHAIR TRIVETTE sought and received confirmation that the KPMG audit did not audit the dental/audio/visual, long-term care, or life insurance programs.

MR. HAYHURST reported one adjustment related to the financial statements, which was a recurring adjustment. The financial statements do not reflect the market value adjustments for the alternative investments, which report their financial information lagged one quarter. KPMG received the updated valuations by the end of the audit and assessed whether the information would make a material difference on the financial statements if they were updated to reflect the updated valuations. While one item reached KPMG's listing scope, it was clearly inconsequential when compared to the $8.0 billion PERS fund balance and $4.0 billion TRS fund balance. However, KPMG accumulates those numbers to determine if something is consequential. Through communications, there were no other qualitative matters that came up that would cause KPMG to believe that something quantitatively material should be reflected in the financial statements.

MR. HAYHURST stated there were no deficiencies identified in internal controls that they would consider to be material weaknesses or significant deficiencies in internal controls. Every audit requires looking at the potential for fraud, and he characterized the DRB and Treasury as being environments at the lower end of the fraud scale. However, KPMG looked at the potential for fraud related to contributions, as well as in management override of controls, primarily in journal entries and post-closing entries. They also examined significant estimates and judgments where management bias could come into play, specifically the actuarial amounts of the unfunded and funded status of the retirement plans on the DRB side, and the evaluation of securities on the Treasury side. No matters came to light that caused an issue in the audit.

MR. HAYHURST reviewed a list of other required communications. He reported that regarding other documents that contain the audited financial statements KPMG expected to get a copy of the CAFRs (Comprehensive Annual Financial Reports) for PERS and TRS before those are issued in draft form so they could read them and complete the necessary procedures.

Responding to VICE CHAIR TRIVETTE's question about getting notification regarding the outcome of the audit procedures on the CAFRs, MR. HAYHURST said KPMG would notify staff of any comments and could also send an email to the chair of the Audit Committee.

MR. HAYHURST related that KPMG did not encounter any significant difficulties during the audit, they had the full cooperation of staff, and there were no disagreements with management on accounting or auditing matters. KPMG was not aware of staff consulting with other accountants to get advice on the audit procedures or the conclusions. There were no alternative accounting treatments discussed with management in the current year, and no new standards issued that had a material impact on the financials. He confirmed that KPMG was an independent firm and acted independently in performing their audit.

MR. PIHL mentioned that the Audit Committee at its October meeting had objected to the legal fees connected to the Mercer case being included in the administration costs line. He was pleased to see those legal fees listed on a separate line in the final financial statements, and that regular legal fees actually decreased from $20 million the previous year to $14 million in FY10.

VICE CHAIR TRIVETTE said he attended some of the Audit Committee meetings, and he thanked the people from KPMG for their work.

7. Fund Financial Report With Cash Flow Update

State Comptroller PAMELA LEARY presented the financial report for the first quarter of fiscal year 2011. Total assets increased 9.1% for the quarter, and 7.5% was due to investment income increases. Total assets were $17.7 billion at September 30, 2010. She said the latest numbers available on the website show another 3.8% increase for the month of October to bring total assets to $18.4 billion.

MS. LEARY reported that the asset class allocations for all the systems were within the target bands, with fixed income being on the low side. She also briefly reviewed the investment returns for the various asset classes.

MR. SHIER reviewed the Division of Retirement and Benefits supplemental financial report as of September 30, 2010.

VICE CHAIR TRIVETTE called a break from 10:04 a.m. to 10:14 a.m.

8. Independent Fiduciary Services Report

MR. BADER reviewed the background to the ARMB contracting for an evaluation of the performance measurement team and the board policies that is done every four years. He introduced STEVEN HARDING and BARBRA BYINGTON with Independent Fiduciary Services (IFS) to present the findings of their firm's evaluation. *[A copy of the Independent Fiduciary Services report is on file. A verbatim transcript of the entire meeting may be reviewed for more details and is also on file at the ARMB office.]*

MR. HARDING gave a brief overview of the firm, noting that IFS conducted an operational review of the ARMB's predecessor, the Alaska State Pension Investment Board, seven or eight years ago.
He also mentioned the team members that conducted the current review of the ARMB. He said the scope of work covered four task areas: (1) investment performance calculations and methodology; (2) investment performance reporting; (3) investment performance benchmarks; and (4) investment policies.

(1) Investment performance calculations and methodology:

MR. HARDING stated that IFS found that the ARMB's consultants, Callan Associates and the Townsend Group, were using appropriate methodology to calculate the investment performance. IFS spot-checked the quarterly performance reporting for the March 31, 2010 quarter and reviewed four external managers and the in-house fixed income portfolio. They found that the reporting was being done properly and accurately. Callan accurately calculated performance on a quarterly basis, and also on a linked basis where they looked at one-, three-, five-, and ten-year time periods. The same was true for Townsend.

(2) Investment performance reporting to the Board:

MS. BYINGTON said the performance reports the Board receives are high quality and in line with best practices for public pension funds. IFS found Callan's detailed performance report to staff to be quite thorough, and the executive summary and the in-person performance overview to be very helpful. She said the IFS report included a list of exhibits that they felt should be included in quarterly performance reports, and their comments on whether Callan was fulfilling the requirements for each exhibit. In general, they found Callan was doing that. Callan also provides a separate annual report on the private equity program, in addition to including time-weighted performance for private equity in the quarterly reports. IFS wanted to see some additional items in the annual report on private equity, depending on how much detail the Board wished to get. One item was an internal rate of return (IRR) for the entire private equity program, besides the IRRs for the two main oversight managers, Abbott and Pathway. The overall IRR becomes more important as the internally managed portfolio of private equity grows over time. The second item to possibly add would be the IRRs for the various strategies within the private equity program.

MS. BYINGTON stated that the defined benefit performance report should include the internally managed REIT (real estate investment trust) portfolio and the TIPS (treasury inflation protected securities) portfolio in the investment manager returns exhibits, and there should be an additional investment summary page for the TIPS portfolio. She said it was important to treat all the internally managed portfolios the same as an externally managed portfolio in terms of monitoring and reporting. Also, reporting for the farmland and timberland programs, which are both quite small, could be enhanced. ARMB staff has expressed the desire to work with Callan to improve what is currently very basic performance reporting.

MS. BYINGTON said Townsend does the performance reports for real estate, and those contain the appropriate information, in general. IFS felt the real estate reports could be improved with some supplemental information, such as the internal rates of return (in addition to the time-weighted return) for the individually managed accounts.

(3) Investment performance benchmarks:
MS. BYINGTON first reviewed the characteristics of a good performance benchmark. She said that overall the appropriate benchmarks were being used for the ARMB investments, and IFS had only some minor recommendations. The most important was to establish the policy benchmark for the total fund in a policy document. The managers also have strategic benchmarks or style-based benchmarks; after discussions with staff, IFS had a few recommendations to either add an additional benchmark or change a benchmark.

The public portion of the real estate portfolio (REITs) was part of the real estate benchmark, but it was not rolled up into the real asset composite benchmark, and IFS thought it should be done on a corresponding basis. Regarding the defined contribution plan, IFS recommended a more appropriate benchmark for the RCM Socially Responsible Equity Fund, perhaps in addition to the current S&P 500 Index benchmark. Lastly, there was no policy to specifically deal with the energy investments, and energy also was not identified as part of the real assets benchmark.

(4) Investment policies:
MS. BYINGTON stated that ARMB, unlike some other public pension funds, does not have a total fund investment policy statement. Instead, ARMB has a series of investment policies, primarily for various asset classes, but also for some subasset classes, plus the

rebalancing policy and the watch list policy. IFS suggested having an additional total fund policy statement that would include things like the total fund investment objectives, the actuarial rate of return, the Board's risk tolerance, the roles and responsibilities of the various parties, and the liquidity needs of the pension funds. IFS also recommended instituting an annual review of each policy to check if any changes were warranted.

MR. O'LEARY commented that the Board has adopted policy documents for individual segments of the portfolio, but he thought it was a good suggestion to document everything together with the underlying detail.

MS. BYINGTON next went through the individual asset class policies and any recommendations IFS had for each. One suggestion was that the broad policy for the public equities asset class could be narrowed, and then have separate guidelines for each subasset class within public equities. Unlike equities, the ARMB's fixed income has separate policy statements for each of the strategies. IFS recommended looking at adopting specific guidelines for each fixed income manager. Further, IFS felt it was important to treat the internally managed portfolios the same as externally managed portfolios; for example, having a separate policy that spelled out how to manage the TIPS portfolio and how it should be monitored and evaluated for performance. IFS also recommended having separate guidelines for managing the internally managed REIT portfolio. Another recommendation was to talk to Townsend about setting a policy for the appropriate amount of leverage in the value-added and non-core commingled funds in the real estate portfolio.

MS. ERCHINGER asked if IFS considered the magnitude of internally managed funds in its study and whether there should be a policy to guide the size of internally managed funds versus externally managed. MS. BYINGTON replied that they did not look at that as part of the current review because they were looking at specific policies. She suggested it was something to address potentially in a total fund policy statement, where the Board could decide which strategies it would want to manage internally versus externally.

MS. ERCHINGER noted that IFS recommended that the Board consider setting leverage limits by strategy type in real estate. She asked if IFS also had a recommendation about setting a leverage limit for the real estate portfolio as a whole.

MS. BYINGTON said it was a good point. IFS understood that the Board's philosophy has been quite conservative over the years in terms of real estate, which is why the bulk of the portfolio has been in separate accounts that have not really used leverage at all. She said if the Board did add a leverage limit for the core or the non-core, it would make sense to roll that up and have a total leverage policy for the entire real estate program.

MS. BYINGTON stated that the timberland policy was very brief, and it would be good to build out that policy to follow the model of the ARMB's other private assets. The farmland policy was very thorough, and IFS suggested only minor clarifications, such as what could be invested outside the U.S. The private equity policy was also very comprehensive, and the recommendations were minor. One was to include some language in the policy to indicate the Board's awareness of the risks associated with the private equity asset class. International private equity has a 35% limit, and the Board might want to set a range in policy to allow more flexibility in that area, rather than just ratcheting up the limit from time to time.

MS. BYINGTON said the absolute return policy was generally very comprehensive. Recommendations included creating separate guidelines for each fund of fund manager that were tailored specifically to a manager's strategy and mandate.

VICE CHAIR TRIVETTE asked if IFS had a model guideline for a fund of fund manager. MS. BYINGTON said she was sure she could get one for ARMB.

IFS had several recommendations for the ARMB's rebalancing policy. First was to revisit the rebalancing ranges that have been in place for a while and consider whether to have wider or narrower bands, depending on the Board's risk tolerance and its willingness to delegate more decisions to staff.

MR. O'LEARY explained that a unique challenge confronting the ARMB staff is the extensive use of asset class pools to provide the multiple plans with the desired overall diversification. Each plan has a unique cash flow, and rebalancing is a substantial effort, administratively. He asked if IFS was aware of other systems that are confronted with that type of issue that staff could speak with and get some useful, specific insights.

MR. HARDING mentioned that New York City had a similar structure with five or six pension board associated with the overall fund management, but he did not know what they were doing currently.

MS. BYINGTON spoke of a firm that marketed a very technical and quantitative rebalancing program and software.

MR. O'LEARY said a unique aspect for ARMB that had a potential impact on liquidity was the extensive use of real assets and not knowing the true current value of those to be able to determine whether the asset allocation was in balance or not. Even once staff knew the answer to that, they might not be able to do anything about it. MS. BYINGTON assured him that IFS was not saying that ARMB was doing anything wrong; they were just suggesting revisiting the rebalancing ranges to see if the Board wanted to do anything differently.

MS. BYINGTON said the last policy IFS looked at was the manager watch list policy, and they had a couple of recommendations. She said staff has told them that they felt the quantitative criteria needed to be adjusted to account for passive and index managers, and IFS agreed with them on that point. They thought a few areas of the policy could be clearer, such as exactly how a manager gets on the watch list and if anything needs to happen once they are on the list, such as meetings, additional due diligence, or reporting requirements.

ARMB legal counsel ROB JOHNSON commented that one problem with guidelines and procedures for watch lists is that, to the extent they are formalized, it starts to implicitly be a part of the manager contract about what has to be done to terminate a manager. He asked IFS if they had run into a situation of walking the fine line between a review mechanism and still wanting to keep the maximum flexibility in terms of a termination decision.

MS. BYINGTON responded that the watch list does not have to spell out that a manager can only stay on the list for 12 months and then either be terminated or taken off the list. The current watch list sort of rates managers as meeting expectations, exceeding expectations, or being below expectations. The current policy is silent on some areas where other funds require that a manager that hits certain criteria must come in and have a meeting, but that does not necessarily lead to terminating them. Another issue is that a manager could stay on the watch list forever with no action being taken, and there should be a record of why the Board chooses to keep that manager.

MS. ERCHINGER pointed out that the simple addition of a column to the watch list to indicate when the Board discussed a manager and why the manager was being kept on the list would probably take care of IFS's recommendation.

Regarding liquidity affecting various recommendations, MR. PIHL asked if the funded status entered into how IFS looked at things and the recommendations they made. MS. BYINGTON said no, that IFS was not tasked with looking at asset allocation. MR. HARDING added that there was a corollary between the funded status and meeting cash flow needs, and perhaps ARMB could talk to funds with a similar funded status to find out how they meet liquidity needs.

VICE CHAIR TRIVETTE thanked the people from IFS for their detailed report, saying he was glad to finally get the results after the long delay in awarding the contract. He noted that Mr. Bader had said staff would be evaluating all the recommendations in the report and bringing suggestions to the Board systematically over time. His idea was to refer the report to a committee that could come back to the Board with a formal recommendation.

MS. ERCHINGER said the IFS report had great recommendations, but it was positive to see how few of the recommendations pointed out deficiencies in the current ARMB policies and guidelines. She thought it meant that IFS recognized the great work that was already being done and the input the Board was getting from its existing consultants.

9. Private Equity Evaluation

GARY ROBERTSON, Senior Vice President of Callan Associates, Inc., presented his annual review and performance analysis of the ARMB private equity portfolio. *[A copy of the slide presentation is on file at the ARMB office, and a verbatim transcript is available to read the details.]* He said at last year's report things were in the depths, but fiscal year 2010 was a nice uplift, although the market is nowhere near the high water mark.

MR. ROBERTSON quickly reviewed how private equity works, as well as how the money flows from the ARMB to the general partnerships to the companies and then back to the ARMB in the profitable stage of partnerships over time. He traced the history of the ARMB's private equity program from its start in 1998 with a 3% allocation that was raised to 6% in 2001 and then to 7% in 2006. The ARMB initiated an in-house private equity portfolio in 2007.

MR. ROBERTSON presented a summary of the funded status of the private equity program. The private equity target rose by $123 million in the fiscal year because the total retirement fund assets increased. Abbott Capital Management represented 50% of the portfolio, Pathway Capital Management represented about 45%, and Blum and the in-house constituted the remaining 5%. The net asset values of the managers increased over the 12 months, except for Blum, which went down a bit largely due to liquidation and distribution in the closed-end fund. Overall, the private equity portfolio increased about $220 million, bringing the allocation to 9.6% of the total fund, which was above the 7% target but within the range.

MR. O'LEARY clarified that the increase in the portfolio in the year came from a combination of gains and the addition of capital.

MR. ROBERTSON presented an historical graph of private equity market conditions from 1996 to 2010 to illustrate at what point in the business cycle the ARMB managers were making commitments. He said that investments made during the dips in the market tend to produce higher returns than commitments made during the peaks, which reflect on the long-term performance. Abbott started in 1998 and drew capital right at the peak, meaning they had a headwind due to timing. Pathway was hired in 2001, a very beneficial time to put money in, and with the leverage boom then and also a buyout boom, there was no J-curve whatsoever. The Board hired Blum in 2005 and, like Abbott, they invested right into peak pricing. The in-house program started in 2007 and so very little capital in the first few investments was at the high prices.

MR. ROBERTSON stated that the growth and profits of companies declined in the recession. There has been some tenuous profits recovery, but everyone acknowledges that it is largely from cost cutting and not so much from growth. That is the missing piece going forward. Private equity has been very slow over this time, as far as activity and cash flows. The capital markets have seized up. When the general markets catch a cold, private equity gets the flu, and that was evident in last year's numbers. Things have picked up a little but not a lot, and the ARMB's commitments have contracted.

The good news is that private equity values bottomed in the first quarter of 2009, and the subsequent four quarters have averaged about a 5% increase. That has lagged the public markets because of the mark-to-market accounting used to value portfolio companies. The debt markets are what has slowed down private equity activity the most, and also pricing to some degree. The bank loans are just not there, and for buyouts specifically, which are probably close to 80% of the market, borrowing is what keeps the engine running. Because of the cyclical decline, now should be a relatively good time to put capital into companies. Prices are not overheated now but not cheap either; they are pretty much at what people think are fair values. Callan is cautiously optimistic because, like for other asset classes, this is a new environment and there is a lot going on that could make the markets go up or go down. Private equity is a leveraged equity, and that is how it will behave in the future.

MR. RICHARDS had a question about what the report meant by "The availability of senior bank loan financing will need to increase substantially before private equity activity can accelerate."

MR. ROBERTSON explained the capital structure of a buyout that usually involves around 50% in bank loans, and that banks are nervous because they made a lot of bad leveraged buyout loans right at the peak of the market.

MR. O'LEARY added his perspective that deals were being done in 2007 and 2008 that had no right to be done, because money was cheap and available. Now lenders are requiring more equity cushion from the companies and more stringent covenants associated with their debt. A good buyout firm or private equity investment will succeed by having less leverage and being a business that is soundly structured and well-managed. Bank loan financing is a big part of leveraged buyouts but it is trivial with regard to venture capital, which is less than a quarter of the marketplace.

MR. ROBERTSON said he agreed with Mr. O'Leary's prudency comments, but having a little more private equity activity would not be bad for the ARMB because the portfolio would be getting a lot more money back.

MR. PIHL asked what role the new banking regulations would play for private equity financing in the future. MR. ROBERTSON replied that the Dodd-Frank bank reform bill has no prohibition regarding the banks' ability to lend. MR. O'LEARY added that what will be significant is investment banks getting rid of their proprietary trading because of the legislation, and it will be difficult for banks to have a piece of the private equity action for their own account.

MR. ROBERTSON showed a chart of private equity industry returns by strategy over various time periods. He noted that one year ago the one-year return for all private equity was -25%, and in 2010 the one-year return was 21%. Of note was the 3% to 4% spread in return of private equity over public equity over time, except for the one-year period. He said he had calculated the time-weighted return in various time periods (versus the internal rate of return), and the spread between private equity and public equity was more like 6%.

MR. O'LEARY commented that if public equities returned 10%, a reasonable, minimum expectation would be to get a net return of 13% from private equity, and hopefully closer to 15%.

MR. ROBERTSON next reviewed the ARMB's total portfolio performance for the 12 months ended June 30, 2010. Commitments totaled $2.8 billion, an increase of $121 million. Paid-in capital went up a little more than the commitments, meaning the uncalled capital waiting to be invested in companies went down slightly. Investment activity was slow in FY10 and commitment activity was slow. Distributions in the year picked up to $143 million.

Total partnerships in the portfolio were 226, up 11 from last year -- a low number compared to 25 new partnerships in the year before. The portfolio was 71% paid-in, up from 69%. Net cash flow was $17 million, down from $100 million last year, so cash flows are changing quite a bit, especially on the distribution side. The portfolio had unrealized appreciation of 19%, and last year had 25% unrealized appreciation, so the portfolio has seen a nice recovery.

MR. BADER told the Board that money that is committed to private equity but not called is invested in the rest of the portfolio. When a manager notifies that they want some of the money that the ARMB has committed, staff sells stocks or bonds to satisfy that call and tries to work towards rebalancing.

MR. ROBERTSON also reviewed the 12-month performance for the Abbott portfolio. Unrealized appreciation was 19%, compared to 25% unrealized depreciation last year, so a nice recovery underway. Abbott's internal rate of return of 8.0% was second quartile compared to funds formed in the same year, but high in the second quartile; they were essentially first quartile overall. Callan added a chart to look at the performance of individual strategies in the Abbott portfolio, per a recommendation in the IFS report.

MR. ROBERTSON reviewed the 12-month performance for the Pathway portfolio. They increased the number of partnerships by six in the year, so more commitments than Abbott, but still a very slow commitment pace for them. Unrealized appreciation was 18%, versus 25% unrealized depreciation last year. Net asset value increased $108 million, or 23%. For the eight years, Pathway's performance was 10.5%, all first quartile, except for special situations.

MR. ROBERTSON highlighted that while it might look like Pathway was doing better than Abbott in certain regards, 10.5% IRR versus 8%, Abbott has made $1.30 for every dollar the ARMB has put in, while Pathway has made $1.24 for every dollar put in. Both firms are doing very well on one measure or the other. Abbott has actually been 30% more profitable to this point, but the portfolio is four years older.

MR. ROBERTSON displayed pie charts of the ARMB private equity diversification first by strategy, and also by industry and geography. He pointed out that Abbott does not do distressed debt but Pathway does, and Pathway does no mezzanine debt, but Abbott does -- a nice complement. The ARMB gets a lot more venture capital exposure from Abbott, and Pathway has a buyouts tilt in their portfolio. By industry, ARMB's biggest exposure is in the tech area (22%), which is a big grouping that includes both hardware and software. The portfolio has great diversification geographically: 30% international and the rest in domestic with no major exposures or over-exposures.

Turning to the in-house private equity portfolio initiated in 2008, MR. ROBERTSON said it was invested in five partnerships. Every fund is in a different strategy -- distressed, buyout, mezzanine, and secondaries -- all areas where the private equity oversight managers are underweight. The unrealized appreciation was 19% on this very new portfolio. The J-curve was exacerbated by the down turn in the general markets and now the portfolio is back to whole, so the timing was good on this portfolio. As new investments are added, there is a good chance the portfolio will re-enter the J-curve. The fundraising market has been slow in the last two years. The most attractive partnerships have been in both the Abbott and Pathway portfolios, and the in-house portfolio has let those opportunities pass because Abbott and Pathway were going to do them.

MR. ROBERTSON stated that the corporate governance portfolio had 14 positions left. There has not been any real clear value added, but it was at a break-even point. The portfolio has behaved like a concentrated small cap portfolio.

In conclusion, MR. ROBERTSON said the oversight managers were invested in very high quality, well-regarded partnerships. The portfolio was currently over its target, but Callan expected that to moderate over time. Because the retirement fund is so large, any changes in the value of the fund can make big changes in the private equity portfolio funding. The companies that came through the recession are strong and efficient, and to the degree there is growth, that should be able to drop back to the bottom line quite handily. There is a fair amount of uncalled capital, so the portfolio should show good progress going forward.

VICE CHAIR TRIVETTE thanked Mr. Robertson for his report and called a lunch break at 11:57 a.m. The meeting came back to order at 1:15 p.m.

10. External Manager Review

MR. BADER filled the Board in on staff's preparation for the annual manager review that took place on October 21, 2010. He said Mr. O'Leary, Dr. Jennings, Mr. Wilson, Ms. Hall and he met to review the responses to the manager questionnaires and to discuss items of general interest.

Certain managers were selected for extended discussion. After discussing some of their organizational changes, the group had no particular recommendations related to RCM, Brandes Investment Partners, Relational Investors, and Capital Guardian International.

[The staff summary of the manager review discussions and other topics has been inserted into these minutes.]

BACKGROUND

In preparation for the annual Manager Review meeting with the Investment Advisory Council (IAC) members and the general consultant (Callan), staff updated and sent the 2010 Manager Questionnaire to all investment managers under contract with the Alaska Retirement Management Board (Board). The questionnaire topics can broadly be classified as: Ownership/Structure, Process, Portfolio Performance and Characteristics, and Other Issues – including the investment process, change in ownership, growth of assets, and legal issues.

Every manager completed a questionnaire, and the responses were provided to the CIO, Callan, and IAC members. After reviewing all questionnaires, the group met to discuss the manager responses and other matters to be brought before the group. Participants in the review were Gary Bader, Chief Investment Officer; Judy Hall, Board Liaison Officer; Michael O'Leary, Callan Associates; and Dr. Bill Jennings and George Wilson, IAC members. The reviewers met in Denver on October 21, 2010.

STATUS:

Certain managers/asset groups were selected for extended discussion:

McKinley Capital Management	Small Cap Pool (Lord Abbett and Luther King)
RCM	Brandes Investment Partners
Mariner Investment Group	Relational Investors
T Rowe Price target date funds/stable value	Cap Guardian International
Eaton Vance	Private Equity
Farmland/Timber/Real Estate Program	

With respect to RCM, Brandes, Relational, and Cap Guardian International, after discussion on organizational structure/changes, benchmarks and performance, the group had no recommendations for further action by staff or consultants.

McKinley Capital manages a large cap growth mandate and an international mandate for the Board, and has been on the Watch List for the past year based on a recommendation from the review meeting in 2009. Mr. O'Leary noted that there were no changes of substance, but the development of the New York operation should be further investigated. Recent performance numbers were reviewed and discussed, along with benchmark comparisons. *Consensus: Staff to meet with McKinley to identify whether there is an edge in international space, with consideration to scaling back mandate; then report to Board.*

Mariner Investment Group has been on the Watch List since April 2008 for underperformance, and would be placed on Watch List now for an ownership change. Mr. Bader observed that the managers always report that everything will remain the same after a merger or acquisition, but over time it always seems that things trail off. He had instructed staff to balance the allocation between absolute return managers. Mr. Bader questioned if it was time to turn the page on this asset class since it has never come close to achieving the goal of a 5% real return. Mr. O'Leary noted that the relative performance is okay, but the stated goal has not been achieved. Mr. Wilson stated he agreed with Mr. Bader's comments regarding organization changes. *Consensus: Evaluate the change of ownership with Mariner, continue watch list placement and equalize the absolute return portfolios.*

The group had an extensive discussion regarding the small cap pool: the assets under management, performance, and the amount invested in passive Russell 2000 indices relative to that actively managed by Jennison, Lord Abbett and Luther King. Mr. Bader noted that the active managers have a growth tilt, but the passive managers had more under management which dominated performance – in rebalancing he would take from passive. The group further discussed the composition of the small cap pool and whether a more balanced approach should be put place. *Consensus: After selection and hiring of microcap managers, revisit small cap pool structure. Nothing with respect to the active managers is a concern.*

T Rowe Price manages the target date funds for SBS, deferred comp and the defined contribution plans. The group had no issues to discuss regarding this mandate, but Mr. O'Leary recommended that staff conduct an annual review of the glide path in relation to its peer group. With respect to the stable value fund managed by T Rowe Price, Mr. Bader stated a potential problem with the Reality Investing optimizer selecting this fund for participants. It could result in a mass movement out of the fund which had negative consequences for remaining participants. *Consensus: staff to conduct an annual review of target funds glide paths. Staff will recommend to Board that the stable value fund be eliminated as a choice for the Reality Investing optimizer.*

Real Estate Program: Mr. O'Leary stated that he recently saw an article that said ARMB was making no new investments in real estate – and that this was incorrect, the real estate managers have lots of uncommitted capital so the Board made no new allocations to the program. Mr. Bader noted that the past couple of years has been a learning experience regarding the difficulties of being in commingled funds. His position going forward will be that there must be a compelling reason to be involved. Mr. O'Leary and Mr. Wilson agreed. Mr. Bader observed that after the annual Real Estate Committee meeting, a trustee had asked why the other assets within the Real Assets allocation were not included in the committee review and staff agreed that a revision of the committee's focus should be considered. *Consensus: Staff will prepare a* *proposal for a Real Assets Committee for Board consideration.*

Timber: Dr. Jennings noted that the timber allocation was slower to go out than planned; Mr. Bader agreed, but said that staff's position was not to prod managers to invest, but to always look for the best deal. Mr. O'Leary stated that volatility in the asset class has increased because of the magnitude of the recession and also new accounting standards tied to the appraisal process.

Farmland: Mr. Bader noted that the program had been carefully designed with certain parameters: a 5% real return, 20% permanent and 80% row crops, and it has worked well. UBS shows underperformance with NCRIEF, but they are doing what the Board asked and are meeting targets. Mr. O'Leary stated a concern with the queue – more managers are not taking separate accounts in order to channel investors into commingled funds. Place in the queue is based on the signed contract each quarter. Mr. Bader said that Brian Webb leaving UBS was of some concern.

Other Topics:
Asset allocation with multiple asset groups: In response to a question from Dr. Jennings relating to real assets, Mr. O'Leary stated that for asset allocation purposes, Callan creates a policy level composite; the policy remains constant for a year. In this composite, energy gets short shrift, as does differentiation between farmland and commercial real estate. Dr. Jennings wondered if something has been lost in the asset allocation discussion by moving to 6 asset class levels. Mr. Bader agreed that this might be the case particularly being constrained in real assets. The large asset classes create simplicity and clarity for the Board, but create rebalancing challenges. Mr. O'Leary noted that the number of major asset categories could remain low, but broadening the bands would provide an increase in operating flexibility to deal with the denominator problem.

Mr. Bader stated that he intended to introduce several "tail risk" and volatility reduction strategies to the Board as educational topics. Mr. Wilson agreed that education for the Board is important. Mr. Bader indicated that he would probably have Citibank and Goldman talk about Libor Floors and Put Collars as a possibility.

Active vs. Passive: Charts were provided illustrating the active vs passive allocation with the large cap and small cap mandates. Mr. O'Leary noted that the definition of active and passive makes a difference as to how it is categorized, i.e., convertible bonds and covered calls.

While realizing that there have been significant manager changes over the past few years, Mr. Wilson noted after payment of management fees, active management of the ARMB equity portfolio had not beaten its passive benchmarks for a number of years. Mr. Bader noted that ARMB staff and the Board are continuing to monitor the appropriate level of passive management and this will be discussed at future board meetings.

Mr. O'Leary noted the persistent move to passive in large cap space and stated a personal preference for active management even in large cap. He advocated a lower weighting for passive in small cap and international. Mr. Bader said the large cap allocation is now 55% passive. *Consensus: Large Cap Passive Target for coming year – 60%; look at Relational and McKinley for trimming.*

Assets Under Management: During the general discussion of certain managers, Dr. Jennings had noted the size disparity of manager mandates within the international allocation. Brandes has $736 million, McKinley, $283 million, SSgA $239 million and Cap Guardian $494 million. Dr. Jennings suggested reducing the positions of McKinley and Lazard and creating a 20-25% index target. The group discussed investment manager assets under management (AUM) from two perspectives: First as a percent of the ARMB's investments, and second from the perspective of ARMB's investments as a percentage of the investment manager's AUM. *Consensus: That the CIO report to the Board with a recommendation for addressing these two issues.*

11. Performance Measurement - September 30, 2010

MICHAEL O'LEARY, Executive Vice President of Callan Associates, Inc., presented the third quarter 2010 investment performance for the retirement funds. *[A copy of the Callan presentation slides is on file at the ARMB office.]* He showed a chart of historical data for the most recent recession and the preceding seven recessions that illustrated that this economic recovery has been slower than other recoveries. Housing is very important to jobs and very important to wealth, and the absence of any real improvement is discouraging. One in 20 homes is in foreclosure. He said one of the great advantages the U.S. has is a highly mobile workforce, but being unable to sell one's home and buy another home in a new area immobilizes the work force. Another element is the timing impact of the cessation of foreclosure proceedings, which does not mean the foreclosures are going away.

MR. O'LEARY mentioned that there were other headlines subsequent to the September quarter end: the impact of QE2 (Quantitative Easing 2 where the Fed is further expanding its balance sheet by buying U.S. Treasuries), the significant spike in commodity prices, concerns about deficit reduction, and renewed concern about the euro. The story in the September quarter was, in large part, a reversal of the June quarter. What happened to the stock market and Treasury yields when QE2 was talked about versus what happened when it was announced is a message to the Board in setting policy to not rely on the headlines to tell it what to do or what to be worried about.

MR. O'LEARY said the 10-year bond was below 2.5% and in less than 30 days rose to 3.01% -- a huge change. This had implications for Callan when developing their capital market projections and what the long-run projection for bonds will be, with interest rates so low but possibly going to rise. He presented a graph of total rates of return for several segments of the bond market for the quarter ended September 30 and for the trailing 12 months and noted that lower-quality bonds generally did better in the year. Many of the areas had negative returns subsequent to quarter end because of the increase in rates.

International bonds had a huge outperformance for the quarter but actually underperformed over the 12-month period. The norm has been for funds across the country to increase their international fixed income allocation, including the ARMB. What a fund's target benchmark is will have an impact on the performance measurement in periods like the September quarter.

MR. O'LEARY also showed a graph comparing the returns of developed international equity and domestic equity over various periods. For the first three quarters of 2010, U.S. stocks did better than developed international stocks, and much of the difference was simply currency.

Another graph from Vanguard showed the spread in stock and bond returns for rolling periods from around 1940 to 2010. For a long time stocks had a meaningful long-term return premium to bonds, and that basically changed when the dot-com bubble burst so that now, with the benefit of hindsight, it looks like bonds were the place to have been invested. Despite the recovery of the markets over the last two years, bonds have continued to do very well. But optimists believe that at some point equities will again return more than bonds over the long term.

MR. O'LEARY stated that returns for direct real estate, as measured by the NCREIF Index, showed further improvement in the quarter. Of concern is that part of the improvement was attributable to a decline in capitalization rates (the lower the cap rates, the higher the value). Income growth has been decent, but there has been a lot of price fluctuation.

MR. O'LEARY presented the actual asset allocation at September 30 compared to strategic target allocations, using the PERS fund as the illustration for all the major retirement systems. The fund was underweight fixed income, slightly underweight in real assets, overweight private equity, basically on target for absolute return and cash equivalents, overweight non-U.S. equity, and essentially at target for domestic equity. The collective overweight to equities helped performance in the recent quarter. Relative to other public funds, the ARMB portfolio has a greater weighting to real assets, and comparatively higher weightings to international stocks and alternative investments. The high weightings to alternatives and real assets affect the investment results because of timing: the portfolio looked better than other funds in 2008 because private equity and real estate were not written down as fast as the general market tanked, and then in 2009 the ARMB portfolio paid the price when private equity and real estate lagged the public markets in their recovery. Private equity was a big detractor to performance in the September quarter, so timing may still be an issue.

MR. O'LEARY mentioned that in the last year or so the Board made two decisions to hopefully reduce the volatility of the total equity exposure. One was to fund a convertible bond manager and include them in the equity pool. The other more recent decision was to start a covered call writing (buy write) program. He said the Board should be disappointed if its domestic equities do not outperform during a declining market environment because that was one of the shorter-term goals behind those decisions.

Looking at the attribution analysis, MR. O'LEARY stated that the ARMB has less in bonds than other public funds and has a more growth-oriented strategy. The equity markets have not done as well as bonds, which is the biggest explanatory factor in the ARMB's relative performance.

MR. O'LEARY stated that the total fixed income performance for the quarter was very good in a relative sense and very respectable for the trailing year. The internal fixed income portfolio was changed to an intermediate treasury portfolio to improve liquidity and reduce embedded equity risk. In flights to quality the relative performance should look good, and he expected the performance to probably trail in normal markets.

MR. BADER raised a point about the in-house bond portfolio that is heavy in Treasuries being measured against the public fund database that is not in Treasuries. He noted also that the convertible bond portfolio, and the buy write portfolio -- which should be safer than the straight equity index portfolio, will be compared against a universe of managers that will largely not be using convertibles and buy write strategies. He asked if staff should be exploring a way to measure the performance against the most appropriate group, because in the aggregate it could look like the ARMB was underperforming when in fact the equities would be a less volatile portfolio.

MR. O'LEARY replied that Callan measures each manager's performance against the most appropriate style group. He offered to help staff in any way to make the results clear to the readers.

MR. O'LEARY noted that the issue of inflows and outflows causing some underperformance for the small cap index funds was discussed extensively at the manager review meeting and covered earlier in the agenda. MR. BADER added that staff intended to come to the Board with a strategy for dealing with rebalancing that did not cost in performance over time.

MR. O'LEARY also briefly reviewed the individual asset class performances for the September quarter and the 12-month period. He then commented on the stable value funds and balanced trust funds in the SBS and Deferred Compensation Plan, as part of Callan's practice of highlighting certain segments of the participant-directed programs in each performance report. He noted the terrific performance of the two stable value options managed by T. Rowe Price. He said stable value is vulnerable to the actions of some participants potentially working to the detriment of other participants when they time changes in interest rates and use stable value as a money market-type fund. The performance rankings for the stable value funds are more influenced by the timing of cash flows to the fund and so are less helpful. T. Rowe Price did a wonderful job of timing the implementation of the SBS stable value fund when interest rates were low. But there was a lot of money invested in higher interest rate environments that is still in stable value, and the fund is benefitting from those earlier investments.

The long-term balanced trust has been a marvelous success, but in terms of pure rate of return, the five-year return for the old Alaska balanced trust is measurably better. That illustrates the difference in stock and bond returns over that five-year period.

In closing, MR. O'LEARY talked about some of the speakers for the Callan Investments Institute, January 31 - February 2, 2011.

12. Lazard Asset Management - Global Equity

TONY DOTE and JOHN REINSBERG of Lazard Asset Management were present to give an update on the global equity portfolio the firm has managed for the Alaska retirement fund since April 1993. The portfolio had a market value of $744 million as of October 31, 2010. *[A copy of Lazard's slide presentation is on file at the ARMB office.]*

MR. REINSBERG first gave a brief organizational update and talked about their concept called Integrated Knowledge on a Global Scale, designed to maximize the local presence of research analysts and portfolio managers so that together they can connect expertise in different parts of the capital structure and try to gain real insight. He also said Lazard's investment process and philosophy have not changed; they still look at companies in a two-part equation to find those that have above-average return profiles that they can get at a lower valuation. Lazard's pattern of return is they tend to participate when markets are going up and to preserve capital while markets are going down.

MR. DOTE referred to a one-page summary that compared the ARMB's former parameters for the global equity portfolio and the revised structure that was instituted October 1, 2010. He said that while Lazard has generated a nice alpha over the index for the Alaska portfolio over 16-1/2 years, it is a different environment now, and everyone is looking for more return to take full advantage of what the capital markets offer. The new structure allows Lazard to allocate more money within the global portfolio to emerging markets, and the all-cap range means they can now include more smaller companies in both U.S. and non-U.S. developed markets. The greater flexibility means the expected return for the global equity portfolio has moved up from 2% over the benchmark to 3% over the benchmark. Lazard intends to maintain the same style of management, and the Board should see the same pattern of results that was seen from them in the past.

MR. O'LEARY asked if the revised benchmark meant the overall volatility in returns would be a bit greater. MR. DOTE said he thought that was true. He added that he characterized the portfolio before the revision as a very low-risk, modest return orientation. Because the new parameters introduce smaller companies and more emerging markets, there is a slightly higher risk allocation. But the trade-off is more expected return with the same pattern of results. MR. REINSBERG said the portfolio would have pretty much the same profile on a risk-adjusted basis. However, in portfolios with the MSCI All Country World Index as a benchmark, whatever happens in emerging markets is one of the big drivers of performance.

MR. RICHARDS asked if Lazard had back-tested the revised strategy, in light of the changing world. MR. DOTE said they back-tested extensively on a number of different options.

MR. O'LEARY explained that Lazard has a very competitive stand-alone emerging markets product, and they have had limited capability to move the allocation to emerging markets up and down -- which has clearly added value. Similarly, but less significant, Lazard has existing capabilities in U.S. mid/small cap and international developed small cap that one can look at to say that they are competitive in those spaces.

MR. DOTE stated that the market forces have fluctuated between emotion and fundamentals in what is a transitional market environment. Both cyclical stocks and emerging market stocks did well again in 2010, led by consumer-related sectors, industrials, telecom and materials. Lazard has had decent stock selection, but their underweight to the cyclical parts of the market, and their stock selection in technology and financials, have hurt them. Lazard is seeing more mergers and acquisitions activity as companies look to provide more exposure within their businesses or have a lot of cash on the balance sheet. The ARMB portfolio was slightly ahead of the index through the end of September, and October was positive but left them slightly behind the index. The portfolio allocation at the end of October was 32% international equities, 37% U.S. equities, 19.5% emerging markets, and about 8.5% small and mid cap U.S. stocks.

MR. DOTE reviewed a graph of the performance for the ARMB portfolio since inception, pointing out the pattern of returns in flat markets, down markets, and rising markets.

MR. REINSBERG talked about the portfolio weightings by sector and by region in the world, noting that it is a diversified portfolio with a lot of holdings. He commented that everyone thinks China is a wonderful place to invest, but maybe not. It is a great place to do business, and the Chinese demand is driving world demand, but that does not mean China offers great investments returns -- so Lazard has been very cautious there since 2007. They are also cautious about the U.S. and have been able to find more opportunity elsewhere, although that may be changing with an uplift on the corporate side of the U.S. landscape. Brazil and South Korea have been very attractive, South Africa seems to be on the upswing, and they find Turkey interesting.

MR. REINSBERG also mentioned the price/earnings and return on equity characteristics of the portfolio compared to the MSCI World Index. He said the world has morphed and he is urging people to forget about thinking of the world in the sense of developed and emerging, and to think about there being a low-growth environment and a higher growth environment, and that there are low-growth markets and higher growth markets. Israel, Singapore, and Hong Kong -- all emerging markets -- are in the developed world. In the current market environment stock selection has become very important.

Lazard believes the arena of lower interest rates may continue for the next year to 18 months, but the era of falling interest rates seems to be coming to an end because it is not sustainable with the level of debt in the world. The level of debt is unsustainably high; deleveraging is working, but it is only working in certain places and is still going to take a very long time. There is a real difference between the winners and losers on the corporate front, and that gap is likely to expand. They expect to continue seeing the great migration of capital from the developed world to the emerging world and back again. For example, the U.S. market has exported capital to China, and it looks like China is exporting its capital and strategically buying resource assets to get that supply.

MR. REINSBERG listed the possible uncertainties and risk: (1) the race to have a soft currency to have greater export competitiveness; (2) the drag of corporate deleveraging on growth and dividends; (3) the sovereign debt crisis and fear of contagion; and (4) China policy decisions. He also referred to bottom-up opportunities and a list of stocks that Lazard believes are very attractive.

MR. REINSBERG stated that valuations in the U.S. are still significantly higher than Europe, and the dividend payout is actually lower. The dividend payout in Japan is the same as the U.S., which Lazard has not seen in the last 20 years, and the valuations are sort of competitive. The valuations and returns in emerging markets, together with the dividend yield, remain very attractive.

MR. REINSBERG explained Lazard's "continuous improvement" process where they hold weekly meetings so portfolio managers can provide feedback to analysts on their recommendations and discuss any changes happening in the portfolio over the previous week. There is also a monthly meeting to review the sectors with all the analysts worldwide; this proved very useful in the European debt crisis that began in January and escalated in May, and they were well prepared for that.

At MR. O'LEARY's request, MR. REINSBERG briefly addressed Lazard's banking status and the impact of financial regulations, both U.S. and European, on the investment business.

13. ARMB Domestic Fixed Income Portfolio

Senior State Investment Officer BOB MITCHELL presented an organization chart for the five-member fixed income team in the Treasury Division. In addition to managing other monies for the State of Alaska, the team manages three mandates for the ARM Board. The largest is the intermediate treasury index mandate at about $1.8 billion that was started in

April this year. Second is the treasury inflation protected securities (TIPS) at about $180 million. The third mandate is a residual portfolio that was formerly known as the broad market fixed income portfolio; it has about $50 million and is composed mostly of less liquid securities that staff has chosen to retain and either let run off or sell over time.

MR. MITCHELL stated that the intermediate treasury portfolio provides liquidity for the broader ARMB portfolio. The TIPS portfolio also receives, on occasion, large cash flows, and so it is also positioned to provide a high level of liquidity. He showed a graph that was presented at the February meeting to show the Board how fixed income liquidity requirements had risen over the decade from 2000 to 2010 as the fixed income portion of the overall asset allocation had declined.

MR. MITCHELL spent some time explaining the current investment approach where the fixed income team is expected to provide a lot of liquidity, meaning the intermediate treasury portfolio does not have a large portion in non-treasury securities. They position the portfolio at various points along the yield curve so it can outperform in a broad range of scenarios. Staff relies heavily on analytics to assist in identifying a set of broad scenarios to manage the portfolio against. They do not rely as much on analytics for the TIPS portfolio, where the securities are not as liquid as nominal treasury securities, but instead take smaller tilts versus the index and look at mean reversion along the TIPS yield curve to outperform over time. In addition to the primary strategy, staff has the ability to invest up to 10% of the treasury portfolio in a diversified mix of non-treasury securities, which is consistent with the liquidity mandate.

MR. MITCHELL listed the risks of the investment approach: (1) that staff does not identify a broad enough set of scenarios to manage the treasury portfolio against, and the future is more extreme than they identified; (2) that the risk premia for non-treasury securities may increase, causing the portion of the portfolio not invested in treasuries to underperform in the treasury portfolio, or changing the relationship between TIPS and nominal treasuries in the TIPS portfolio; and (3) that actual changes in inflation may not be the same as inflation expectations.

MR. MITCHELL stated that over the three years of the TIPS portfolio they have included small positions in non-government guaranteed securities for short periods of time, such as late 2008 and early 2009.

MR. MITCHELL presented graphs and charts showing the makeup and characteristics of the intermediate treasury portfolio. He stressed that the non-treasury part of the treasury portfolio is broadly diversified by sector and even within sectors. It is early days yet in terms of looking at performance, since the treasury portfolio only started in April. A similar slide for the TIPS portfolio also included information about the cost to performance in the months that have the most significant cash flows.

Turning to the future prospects for fixed income, MR. MITCHELL said he echoed earlier comments from Mr. O'Leary and Lazard that made the case for lower expected returns from fixed income going forward, and also rising risks. He cited Callan's work that has shown there is a high correlation between the yield of a fixed income index at any time and its subsequent performance. Falling yields resulted in strong fixed income returns for the year that exceeded Callan's 10-year forecast. Rates rose in November however, indicating that fixed income is less compelling than it was at the beginning of this year.

Another graph showed the gross debt/GDP for advanced economies compared to emerging economies from 2006 and projected to 2015, indicating in rough terms the ability to repay the debt issued. The message is that developed country fundamentals are deteriorating. A lot of debt has been issued that will be maturing in 2010 and 2011, and developed nations will have to issue new debt to pay that debt off; further, debt will need to be issued to pay for fiscal deficits that are being incurred in those developed countries. A question is whether the markets will be in the mood to refinance the debt when it comes due. Germany is considered the strongest country in the core of Europe, and it recently did two auctions that did not go well -- and maybe that is the canary in the coal mine. If the demand for buying the securities is not there, then the real yield will have to go up to entice investors to come to the market. That is another risk factor to consider when looking at the fixed income markets.

MR. WILLIAMS asked if staff was mapping the liquidity needs as more and more Tier I employees retire over the next five to ten years. MR. BADER responded that the materials from Buck Consultants show that the peak level of investment in the defined benefit program is still more than 15 years out. Staff is not ignoring the need to have liquidity, and he will be presenting in February a risk package the Board approved for modeling the portfolios that takes liquidity into account. Liquidity is not limited to fixed income and is also taken from public equities, although that option is generally more expensive. But during the meltdown, the spreads on fixed income were very severe, so that is the reason for the intermediate treasury mandate, and staff is keeping an eye on it.

MR. BADER noted that an action item on the second day of the agenda will deal with amending the U.S. intermediate treasury guidelines, and he asked Mr. Mitchell to briefly explain that. The requests were to lift the 5% restriction on securities that are not full faith and credit and to eliminate a coupon-paying requirement.

MR. MITCHELL explained that having managed the intermediate treasury portfolio for six months staff has noticed a couple of aspects of the investment guidelines that do not materially add to the intent of the portfolio to provide liquidity, and instead create some portfolio management issues. One is that the guidelines are silent on what cash is, and staff would like it explicitly stated that cash is included in the minimum 90% of the portfolio that must be invested in treasuries. The coupon-paying restriction means that staff cannot buy T-bills, for example, if staff wants to have a cash component in the portfolio. Currently, there is a 5% limit on what is considered non-government guaranteed securities. Staff believes they could better serve the ARMB if there was one 10% pool to watch, rather than having to manage two 5% portfolios.

MS. ERCHINGER asked if the Board's current allocation to fixed income made sense in light of the market today, when it seems that interest rates may soon start to rise, which would have a big impact. She said the ARMB is not in the business of market timing, but now is an unusual situation.

MR. MITCHELL emphasized that market timing is dangerous because the ARMB would have to be right more than wrong and also have the policy strength to not change horses midstream. For those reasons he defaulted toward not market timing. There are serious benefits to diversification between bonds and equity type instruments. If one were to reduce fixed income, it would be reducing diversification.

MR. MITCHELL said one of the benefits of the bond market is the ability to apply math to it, unlike the equity market. With yields at about 1%, and assuming they were to go to zero all along the yield curve tomorrow, the intermediate treasury portfolio would get a capital gain of about 8%, even though the earnings would be zero. If that 8% were amortized over a 10-year period, that would be 80 basis points a year; that is the upside but not actually the best scenario. The best scenario would be for rates to stay where they are or maybe gradually go up. The portfolio would still face the headwinds of the capital losses as yields go up and prices go down. As Mr. O'Leary said, the best hope for having strong fixed income returns over time is for that to happen sooner rather than later so the ARMB can enjoy the benefits of the higher yield for a long period of time. Lastly, when rates are lower, the diversification benefit of fixed income is also lower because there is more of a cap on how much bonds can rally in a stressful environment. For example, there was a period of about six quarters during the market meltdown where fixed income returned 21%. That is impossible now.

MR. MITCHELL and MR. O'LEARY discussed with MR. PIHL what could happen to the fixed income portfolio if rates start to climb.

14. Financial Reform Review

ROB JOHNSON, ARMB legal counsel, made a presentation on the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law July 21, 2010. He said a lot is not known about the Act because its structure will be fleshed out in the form of rulings, regulations, and probably even case law. It is the implementation of this huge piece of legislation that will be the difficult issue. There are requirements in the Act that studies be done before regulations and rules are promulgated. *[The slides for this presentation are on file at the ARMB office, along with a verbatim transcript of the presentation for more details.]*

MR. JOHNSON stated that no one is telling us specifically how this Act is going to come into play. Right now, large congregations of lawyers -- representing insurance companies, banks, and intellectual capital institutions -- are working together to figure out how to propose structuring the rules to implement the laws in a way that best benefits their clients. Some provisions of the Act are not scheduled to take effect for years after the rules and regulations are implemented, and there are numerous lawsuits challenging certain statutes that have to work their way through the system.

MR. JOHNSON said the Act was triggered by the financial crisis that everyone has been dealing with. He cited some books he found helpful on the subjects of "too big to fail" and on the lack of prudence and diligence at the highest levels that led to the subprime mortgage crisis. He said it is probably wise that institutions like the ARMB maintain its own due diligence efforts in looking carefully through its investment products and the like. The Board also has to maintain an element of diligence itself in the sense of reality, an example being Mr. Mitchell's description of the prospects for bond investments going forward. These prudent actions, rather than legislation, are probably the ARMB's best protection. Notwithstanding that, the Dodd-Frank Act was enacted to correct regulatory neglect and to clarify regulatory gaps, and it provides a great deal more authority by state regulators than existed beforehand.

MR. JOHNSON reviewed the stated purposes of the Act:

- Create an independent Bureau of Consumer Financial Protection within the Federal Reserve.
- Establish new federal government power to wind down large, failing financial institutions.
- Establish a 10-member Financial Stability Oversight Council to oversee systemic risk, strengthen the regulation of financial holding companies, and abolish the Office of Thrift Supervision.
- Place new limits on the amount of money a bank can invest in hedge funds and private equity funds within the Volcker Rule.
- Impose new capital and leverage requirements to discourage financial institutions from excessive risk-taking.
- Establish strict oversight of over-the-counter derivatives market.
- Establish stricter oversight of credit rating agencies, securitization reform, and expand SEC enforcement powers.
- Establish mortgage protections requiring a lender to ensure that its borrower can repay a loan.
- Establish other intended reforms.

MR. JOHNSON addressed the probable impacts on the Alaska retirement fund investments:

- Banks will divest of their investment arms and create affiliates.
- May be an effect on some existing deals as the law starts to firm up.

- Key persons in particular partnerships and various deals may change.
- Staff will have to pay greater attention to the details as they work through limited partnership agreements.
- Greater SEC disclosure requirements.
- Uncertainty about the timing and meaning of the law.
- Will be a greater emphasis on arbitrating disputes, whereas ARMB legal counsel has always advised the ARMB to avoid arbitration and keep matters in the Juneau Superior Court.
- Proxy proactivity will require more attention, as proxy statements become more regulated by the government.

MR. JOHNSON stated that the Dodd-Frank Act was divided into 16 titles, and he briefly reviewed a list of the general subject areas. He also pointed out the many existing federal agencies and instrumentalities and the types of actions mandated for them under the Act. He mentioned that the Volcker Rule amends the Bank Holding Act with a new provision prohibiting a banking entity from engaging in proprietary trading or holding an ownership interest in a hedge fund or private equity fund. The provisions are subject to study and rule-making and a future effective date, and the prohibitions are subject to definitions, ten specific exceptions, and a sweeping exception that leaves it up to the SEC and other agencies to decide what should be an exception. For example, a "banking entity" is a defined term. He found it interesting that Lazard, in their earlier presentation to the Board, clearly stated that they were not a bank but an intellectual information institution -- which he would say falls outside the definition of a banking entity. It will all take time to sort out; the rules respecting the proxy provision are being challenged as inappropriate because it violates the constitutional mandate that the legislature enact statutes and delegates too much to the executive branch.

MR. JOHNSON briefly reviewed the ten subtitles of Title IX - Investor Protections and Improvements to Regulations of Securities. He had included an appendix that had comments from Morgan Stanley about the unintended consequences of the margin requirements. He zeroed in on the proxy provisions as an area of interest and explained some of those.

MR. PIHL asked if the Dodd-Frank Act regulations would apply to a foreign-owned bank. When MR. JOHNSON said no, that he thought that was one of the exceptions to the Volcker Act, MR. PIHL mused that the result could be that banks all become foreign-owned.

MR. O'LEARY observed that people are acting on the expectations of the law. One effect has been a record number of hedge fund start-ups where people had previously been proprietary traders at investment banking firms. A significant dollar amount of some investment banks' balance sheets was invested in deals that they invested in, and they know that they will not be able to do that in the future to the same degree. That will have significant business implications for those firms. Also, there will be great opportunities to access some very high quality people who previously worked as a profitable entity within an organization.

MR. JOHNSON said another consequence may be that banks get back to the business of lending, such as was mentioned in the private equity presentation earlier, and pay greater attention to due diligence so the country does not face the prospects of another subprime crisis.

VICE CHAIR TRIVETTE thanked Mr. Johnson for his presentation. He remarked that he had dozens of questions while reviewing the written material from legal counsel, but he realized that it did not warrant spending any time on because the rules and regulations for the Act were so far away from being created.

VICE CHAIR TRIVETTE mentioned that the Board was losing two of its members this week, and he wanted to thank Commissioner Kreitzer and Commissioner Galvin for their service and dedication to the Alaska Retirement Management Board. He said Commissioner Galvin also brought a unique perspective because of his service on the Alaska Permanent Fund Corporation Board of Trustees.

Trustees and staff gave a standing ovation to the two departing Board trustees.

COMMISSIONER GALVIN said he appreciated the opportunity to serve on the Board and that it was a great experience to see what goes on on the benefit side, along with the investment side. He said the experiment that is this Board, in terms of merging the investment side and the benefit side, was going along quite well. He thought it was an important role to balance those two things, and the Board had an opportunity to continue looking for ways to marry those two concepts. Struggling with those responsibilities would be an ongoing challenge, and the Study Group has already been at work in that regard. He urged his fellow trustees to continue viewing the ARMB as an experiment, because they had the opportunity to reinvent the Board as it moved forward.

RECESS FOR THE DAY

VICE CHAIR TRIVETTE recessed the meeting for the day at 4:51 p.m.

Friday, December 3, 2010

CALL BACK TO ORDER

CHAIR SCHUBERT called the meeting back to order at 9:04 a.m. She apologized for missing the first day so she could attend the Alaska Federation of Natives meeting. She said she was a strong supporter of Governor Parnell and stayed later to hear him speak, and he had some really good things to say.

REPORTS (Continued)

15. TCW Energy Fund Report

BLAIR THOMAS and CLAUDIA SCHLOSS of TWC Energy and Infrastructure Group (EIG) gave a report on Energy Fund XV. MS. SCHLOSS said the ARMB had invested in Fund X and Fund XIV, and Fund XV was up for the Board's approval to recommit. *[A copy of TCW's slides is on file at the ARMB office.]*

MR. THOMAS provided details on the ARMB's $80 million commitment to Energy Fund X and the $100 million commitment to Energy Fund XIV. He then explained that Fund XIV is a little stronger than Fund X because EIG's defensive style means they tend to do better in choppier markets -- and so the performance has been outstanding in light of what has happened in the markets since 2007. The market remains very good for the type of investing that they do.

MR. THOMAS highlighted five characteristics that EIG believes distinguish them from others in the marketplace:

- Their 28-year track record as an institutional investor in the energy sector and having invested over $11 billion over that time period.
- The technical capability of the professionals in the group, which is important because they are investing in hard assets that are also illiquid assets with an average life of just over six years.
- They have the most global platform of any of the institutional investors in energy; 45% of EIG's investment activity over the last three years has been outside the United States, and that continues to grow. Such geographic diversification lowers the risk profile of the fund.
- Their target market is energy broadly defined, all the way from the well head to the point where electricity is sold. EIG employs subsector diversification to dampen the volatility inherent in the energy sector.
- Their focus on preservation of capital. They have both a debt component and an equity component to almost every investment they make, providing a strong current yield in the portfolio plus an equity kicker.

MR. THOMAS explained the math behind their defaulted investments over 28 years to illustrate that if every "mistake" in their history were put into a single portfolio and invested in, an investor would get their capital back and a 7% rate of return. He said EIG's style has delivered a consistency of returns that none of their competitors can match. While people tend to undervalue risk in raging bull markets, risk has been re-injected back into the equation in the last couple of years, and suddenly risk-adjusted returns matter again. That is where EIG Energy shines.

MR. THOMAS also talked about EIG's style being conducive to producing a strong cash flow for investors and how that was borne out in Fund XIV that closed in December 2007 and that has made a distribution every quarter since then, even through the worst financial crisis in some time.

MR. THOMAS spoke briefly about Energy Fund XV that was launched in February and is a clone of Fund XIV. EIG has had a lot of success with it so far, having invested $195 million already and having a robust pipeline of transactions. He said energy is a sector that institutional investors around the world are looking to increase exposure to because it is both hard assets and has an inflation element to it.

Responding to MR. O'LEARY's inquiry, MR. THOMAS stated that TCW is going through some challenges right now that he thought were largely related to generational succession. He said TCW is getting back to a marketable securities firm (stocks and bonds). The two large alternative products at TCW -- the energy group and the buyout mezzanine group -- both did consensual spinouts in the last year, with TCW maintaining a residual economic interest in the businesses. TCW Energy and Infrastructure Group is operationally independent, and every person on the team stayed with the team.

At MR. RICHARD's request, MR. THOMAS explained the purpose of opening up 15 different funds, why there are only two of the funds still active, X and XIV, and the purpose for currently raising capital for the next follow-on fund. He stressed that there is no competition among the funds, and all 52 people in the firm are focused on Fund XV. He added that they have resisted any pressure over the years to expand the business into other opportunities like infrastructure and resources, etc. because they believe they are a niche investor and they want to continue their singular focus where they have a great track record. TCW EIG is large enough to be relevant to the big energy companies that they work with, but they are not so large that they become the market.

CHAIR SCHUBERT thanked the TCW Energy Group representatives for the presentation.

16. Brandes Investment Partners - DCR and DB Mandates

GLENN CARLSON and JUAN BENITO joined the meeting to present a report on the two international equity portfolios that Brandes manages for the State of Alaska defined benefit plan and the defined contribution plan. *[A copy of the Brandes slide presentation is on file at the ARMB office.]*

MR. BENITO showed a slide of the performance for the larger and older fund for the defined benefit plan, saying the long-term performance has been good, but recent returns have not been stellar, barely breaking even with the benchmark last year. The portfolio for the defined contribution plan was transferred from a mutual fund to a collective investment trust a year ago and has a shorter history. The collective investment trust has the advantages of providing daily pricing and lower management fees for the participants.

MR. CARLSON presented a graph of the composite international portfolio return since 1993, noting there have been times when Brandes has done very well and periods when they have done poorly. MR. BENITO added that a Brandes Institute study of all types of equity managers showed that there have been no long-term outperformers that have not underperformed in the short term.

MR. CARLSON described what Brandes is optimistic about. The portfolios are at a substantial discount relative to the index on a price-to-book-value ratio, a substantial discount on a P/E ratio and price-to-cash flow ratio, and a substantial premium in terms of dividend yield. That does not indicate that Brandes will outperform or not, but it puts the odds in their favor to a certain extent. They are not buying companies that are under great stress; they are buying businesses that have very strong balance sheets and strong competitive positions, and they are getting them at very attractive prices.

MR. CARLSON explained the key overweights in the portfolios: diversified telecommunication services, pharmaceuticals, and individual businesses in Japan that are trading at prices not seen for 30 years. He said a Morgan Stanley Japanese strategist wrote an interesting piece on a cyclically adjusted P/E ratio, which is looking at the P/Es smoothed out over a long period of time and adjusted for inflation as a truer estimate of what sustainable earnings are for businesses and as a guide for when to invest or when not to invest.

MR. CARLSON mentioned that the portfolios have been tracking the benchmarks pretty closely, even though they are weighted very differently than the benchmark. The issue is that for a number of years the correlations got very high (some suggest a 60-year high), meaning all the markets have been behaving the same. If people are worried about cataclysmic events all the time, they are going to buy and sell based upon the news, and it does not matter what stocks are in the portfolio. But the world is starting to settle down, and Brandes believes they will start to see less correlation going forward and a greater spread from the benchmark.

MR. BENITO briefly reviewed the Brandes investment philosophy centered around value investing, and how most of the partners are analysts -- because if analysts get the valuations right on how much companies are worth, good things will happen to the portfolio. He also stated that the firm was employee-owned and remaining stable even through the difficult markets. He noted that many of their products had been closed for as long as ten years, but they reopened some products when private clients withdrew money during the market decline and created a little capacity.

MR. BADER informed the Board that Ryan Bigelow of the ARMB investment staff worked very hard with Brandes to get greater transparency and lower fees in the international equity portfolio, which was a substantial accomplishment. He wanted to recognize Mr. Bigelow for his efforts in what Brandes described as a very smooth transition process to the collective investment trust for the defined contribution plan participants.

MR. BENITO stated that a small difference in the ARMB's performance over the index adds up over time. He added that the Board has made good decisions in putting money into the international equity portfolio in the [market cycle] valleys and taking money out at the peaks. Add to that what Brandes has done, and the result is that net contribution to the portfolio is $77 million, but the portfolio is worth $871 million.

MR. BENITO briefly reviewed the sector exposure in the portfolio, saying that telecommunications, information technology, and health care are large overweights, and materials, industrials, and utilities are very large underweights. He noted that materials and commodities are at the peak or in a bubble, and Brandes is not going to find cheap companies there. Conversely, they are finding telecommunications and information technology opportunities in Japan.

MR. O'LEARY asked about the emerging markets exposure in the portfolio, which was once north of 20% but is currently at 7%. He also wondered if Brandes restricted capacity in developed market types of accounts for use for those who want to focus on emerging markets.

MR. CARLSON replied that Brandes does not restrict at all exposure to their larger portfolios into emerging markets based upon a desire to retain capacity for the stand-alone emerging markets portfolio. They believe their emerging markets stand-alone portfolio has quite limited capacity, and the reason why they want to limit the capacity is to give them the opportunity, when it presents itself, to be in their large cap products. It turns out in their emerging markets offering for the last few years they have not found great value in the large cap space in emerging markets. Where they find opportunities in the stand-alone emerging market product is the small and mid cap space, and that is where they have been for quite some time. That, in itself, restricts capacity.

Regarding what Brandes thinks about non-index exposure, MR. CARLSON stated that if there are opportunities, and the ARMB will allow them to go there, they have been willing to go up to 20% outside the EAFE in emerging markets exposure. Brandes was close to 20% in emerging markets in the late 1990s and early 2000s because other people hated it then, which presented good opportunities for Brandes. He acknowledged that the ARMB does not restrict them to developed markets.

MR. BENITO stated that the only restriction is self-imposed for the product at large, which is no higher than 30% in emerging markets if the opportunities are there. Right now they are at 7% because the opportunities are not there.

MR. TRIVETTE requested the research on the concept of cyclically adjusted P/E ratio that Mr. Carlson mentioned. MR. CARLSON indicated he would forward it to Mr. Bader.

CHAIR SCHUBERT thanked the gentlemen for their presentation and then called a scheduled break from 10:07 a.m. to 10:23 a.m.

17. State Street Global Advisors (all mandates)

NEIL TREMBLAY, the relationship manager for State Street Global Advisors, introduced LYNN BLAKE and ERIC BRANDHORST of the Global Structured Products Group at State Street. He said Ms. Blake would be taking over from Paul Brakke as head of the group when he retired at the end of the year. *[A copy of the State Street presentation slides and backup material is on file at the ARMB office.]*

MR. TREMBLAY gave a quick overview of the firm, saying the State Street Corporation did a restructuring yesterday that focused on three areas: (1) a substantial investment in technology between 2011 and 2014 to increase efficiency and reduce costs; (2) looking at their facilities worldwide to determine which centers can best support their internal and external functions; and (3) reduce the workforce by roughly 5%, or 1,400 people, through 2011. State Street Global Advisors (SSgA) will experience a staff reduction of about 3%, or 65 people, throughout the year. There has been no change in the groups servicing the Alaska accounts, and they do not anticipate any changes in the portfolio management groups. The strategic plans for SSgA have been unaffected by the restructuring; they will continue to hire across the board to support their initiatives.

MR. TREMBLAY described the four key initiatives of SSgA:

- Continue to support both the passive and active investment options or processes, and that will include acquisitions (SSgA recently acquired the Bank of Ireland's investment management business).
- Focus on expanding the defined contribution business to provide not only investment options but also participant education and participant communication materials to assist clients, and to research participant behavior.
- Exchange traded funds.
- Cash - they are one of the largest cash management organizations in the world, and they see opportunity there.

MR. TREMBLAY reviewed their global footprint and investment platform, and assets under management.

He also reported that SSgA manages $3.1 billion of retirement assets for the State of Alaska; about $2.7 billion is defined benefit plan assets and roughly $438 million is defined contribution plan assets. The retirement assets are managed in eight different strategies, all of them passive strategies. As a risk control measure, SSgA also has a mandate to be the backup for the State's internally managed fixed income assets if anything were to happen to the fixed income group.

MR. TREMBLAY reported that SSgA manages non-retirement assets totaling $3.5 billion for various state agencies and the University of Alaska. For the total combined retirement and non-retirement assets of $6.832 billion that SSgA manages for the State of Alaska, the average investment management fee is 2.62 basis points.

MR. TREMBLAY presented the performance for the six separate account index funds in the defined benefit and defined contribution plans. He said each strategy performed within expectations, with the exception of the Russell 2000 Growth Strategy, which underperformed in a window between February 2009 and February 2010. That was primarily due to the assets falling from roughly $87 million down to $37 million and then down to between $6 million and $13 million during that timeframe. The average tracking error to the benchmark index had been positive four basis points up until February 2009, but in the next year the average monthly tracking error was roughly minus 16 basis points. Since then, the assets have come back up to about $100 million, and tracking has been virtually spot on. The biggest issue when assets are low is that SSgA has to try to replicate the index but without owning all the securities within the Russell 2000 Growth Index. After March 2009 the market took off, and there was a penalty for not owning all the securities in the index.

MR. TREMBLAY explained that from time to time SSgA runs into circumstances where cash flows adversely affect the portfolios. They have talked to ARMB staff about the potential of using futures for cash equitization within the portfolio, which would help reduce the cash drag and also the drag associated with receivables in the portfolios themselves -- meaning they could more closely track the benchmark.

MR. TRIVETTE asked about the ups and downs of using futures. MS. BLAKE said SSgA uses exchange-traded futures (ETFs), which are very liquid and cost-effective. And, for the most part, they track the underlying index pretty closely. It is a very effective way to raise cash but still maintain the equity exposure until the cash moves out of the portfolio. She emphasized that they would never use leverage, but ETFs have 100% exposure against a chosen index, and they would want that exposure if the markets are moving up.

MR. BADER informed the Board that staff would probably bring an action item on the ability to use futures in transactions at the next meeting.

MR. TREMBLAY presented the performance for the eight index funds in the defined contribution plans, noting that all the strategies are performing within expectations. He added that the REIT Index strategy has a bit more tracking error than most because SSgA typically has to hold more cash than they would like in order to fund the daily participant cash flows in and out of the fund, and there are no futures to cover REITs.

MR. TREMBLAY reported that the two strategies for the non-retirement assets were tracking according to expectations with no real issues. The same was true for the University of Alaska assets. He joked that if it is an exciting presentation when talking about passive management, then there is a problem -- and they like to keep it as boring as possible.

MS. BLAKE, as the incoming head of the Global Structured Products Group, spent some time talking about the group, the structure, what strategies they manage, how they are managing the strategies, the infrastructure in place to support relationships and operations, and the risk controls used. MR. BRANDHORST explained the research they are doing with regard to traditional beta strategies and alternative beta strategies. MS. BLAKE and MR. BRANDHORST took questions from MR. O'LEARY and MR. BADER and others throughout this presentation. *[For details on this part of the SSgA presentation, please refer to the verbatim transcript on file at the ARMB office.]*

MR. BADER mentioned that he had difficulty reconciling the growth in assets under management over the past few years with SSgA's decrease in staff, because his observation is that it has impacted the client. He said he told this directly to Jay Hooley, State Street Corporation's president and CEO, but he wanted to convey the message that their being able to provide the same level of service was something of continuing concern to people who have to deal with staff.

MS. BLAKE responded that the layoffs and decrease in staff that impacted SSgA have been very focused in areas where they are not growing or are overstaffed. Her team has not had any impact due to layoffs over the last three years; in fact, they continue to hire new portfolio managers. She could not comment on the overall corporation, but she thought those layoffs were also focused on certain areas where there is overstaffing.

MR. TRIVETTE said he echoed Mr. Bader's comment and thought the firm's expectation of getting another $90 billion in assets for them to keep track of this year was mind-boggling. He said the Board gets rebalancing reports from Mr. Bader at every meeting about money being transferred around, and most of it is going through State Street. They might have the best computers in the world, but the business is still human-being intensive. His concern was if State Street could continue to do that without adding significantly more people.

MS. BLAKE stated that in addition to the two portfolio managers hired recently, there are three open portfolio manager positions that have been budgeted in the expenses. So the growth in staff for the Global Structured Products Group is, to a large degree, because they have grown so significantly as an investment strategy. But coinciding with that, they continue to develop efficiencies and automate where they can. A lot of the growth in assets comes from participant cash flow into existing commingled funds, which does not create any additional work to manage those assets, at least on the portfolio management side. As a firm with $750 billion under management and very large cash flows, a lot of what they have to focus on is minimizing operating risk.

At the end of MR. BRANDHORST's discussion of alternative beta strategies, MR. O'LEARY reiterated one of the important points about the Board owning the decision to invest in a particular strategy. He also said that policy risk is maybe the biggest risk: can the Board maintain a policy when it does not seem to be working? He cited the predecessor board that had a value tilt in the policy for many years, and during a period when value was not rewarded the board had the opportunity to take that tilt off right before the bubble burst and right before value produced the excess returns.

At 12:00 p.m., CHAIR SCHUBERT thanked the people from SSgA for their presentation and recessed the meeting for the scheduled lunch break. She called the meeting back to order at 1:19 p.m.

18. Investment Actions

18(a). Absolute Return Rebalance

MR. BADER reviewed the staff report in the packet *[on file]*. He added that it was the consensus at the Manager Review meeting in October that there should be a rebalancing of the absolute return managers. Staff was requesting to increase the amount of money to Global Asset Management and Prisma Capital Partners and to reduce Mariner Investment Group and Crestline Investors, which should bring them all closer to balance and improve the risk characteristics of the absolute return portfolio.

<u>MS. HARBO moved that the Alaska Retirement Management Board direct staff to rebalance the absolute return portfolio as described</u>. <u>Second by MR. TRIVETTE</u>. The motion carried unanimously.

18(b). State Street Global Advisors Fixed Income Backup Contract

MR. BADER reviewed the staff report in the packet *[on file]*, and the recommendation to add the TIPS portfolio and the intermediate treasury portfolio to the contract for SSgA to run the fixed income portfolios in the event that internal staff could not do so.

<u>MR. PIHL moved that the Alaska Retirement Management board approve an amendment to the original agreement with State Street Global Advisors as backup fixed income portfolio manager, reflecting the changing fixed income mandates managed by staff</u>. <u>MR. RICHARDS seconded</u>. The motion passed unanimously.

18(c). Mondrian Contract Amendment

MR. BADER reviewed the staff report in the packet *[on file]* regarding expanding Mondrian's current mandate of managing a developed markets international fixed income portfolio to use a blended benchmark of 70% Citigroup World Government Bond Index and 30% JP Morgan Government Bond Index-Emerging Markets Broad Diversified Index so they can include local currency emerging market debt, and to alter the existing constraints on country exposures to be consistent with managing a portfolio to this blended index. Staff was also asking for authorization to initiate the registration process to allow for direct investment into the necessary set of countries for which the ARMB has not registered and to allow Mondrian to invest in the firm's commingled emerging market debt commingled vehicle until such time as the ARMB is registered in the necessary countries to effect this strategy on a separate account basis.

<u>MR. RICHARDS moved that the ARMB approve staff's request to amend the Mondrian contract as described</u>. <u>MS. HARBO seconded</u>. The motion carried unanimously.

18(d). Real Estate Committee

MR. BADER reviewed the staff report in the packet *[on file]* and the recommendation to rename the committee and have it review all investment strategies within the real assets asset class (timber, farmland, energy, TIPS, and real estate). He said staff would come back to the Board and the committee with revised guidelines and other details to accompany such a change.

<u>MR. TRIVETTE moved that the ARMB approve renaming the Real Estate Committee to the Real Assets Committee and include a review of all investment strategies within the real assets asset class</u>. <u>Seconded by MS. HARBO</u>. The motion passed unanimously.

18(e). Energy Fund Allocation

MR. BADER reviewed the staff report in the packet *[on file]* and the recommendation to invest in Energy and Infrastructure Group Energy Fund XV. He noted that the ARMB has invested in two previous funds and has had double-digit internal rates of return to date.

<u>MR. WILLIAMS moved that the Alaska Retirement Management Board commit $50 million to EIG Energy Fund XV, subject to the satisfactory completion of due diligence and negotiation</u>. <u>MR. PIHL seconded</u>.

DR. JENNINGS expressed support for energy as an important asset category for the ARMB portfolio, and said the retirement fund has had good experience with the manager. He recommended that the Real Assets Committee think about a specific target for a private energy allocation. A non-profit he works with has a small allocation of 2%, separate from other real assets and separate from private equity. In setting any such target, he encouraged thinking about the importance of energy to the state, as well as about the energy investments in the existing private equity portfolio. If the Board decided it wanted a separate target for energy, he suggested manager diversification as it built out the allocation. Further, a separate suballocation should probably have a plan on how to get to whatever target was set, basically a smaller version of the private equity plan.

MR. TRIVETTE asked if the consultant or advisor had any problem with what TCW Energy discussed in their presentation. MR. O'LEARY said no, that TCW's had been a very cordial change in structure, that TCW had a deep interest in seeing the Energy and Infrastructure Group be successful, and the principals had a great incentive to continue making investments that will be as profitable.

Further responding to MR. TRIVETTE, MR. BADER said that the first investment with TCW was $80 million and the second was $100 million. In consultation with Mr. Hanna, they both agreed that $50 million was an appropriate target for Fund XV so it did not expand the actual money invested in this asset category by too great an amount.

The motion passed unanimously.

18(f). U.S. Intermediate Treasury Guidelines - Resolution 2010-19

MR. BADER reviewed the staff report in the packet *[on file]*. MR. MITCHELL had also covered the reasons for the two recommended changes to the investment guidelines in his earlier report on fixed income: (1) to remove the 5% restriction on securities that are not full faith and credit obligations of the U.S. government; and (2) remove the requirement that a U.S. government or treasury security be a coupon-paying security.

<u>MR. TRIVETTE moved that the Alaska Retirement Management Board adopt Resolution 2010-19 approving changes in the Intermediate U.S. Treasury Fixed Income Guidelines, as indicated in the redlined version provided in the meeting packet</u>. <u>MS. HARBO seconded</u>. The motion passed unanimously.

18(g). Rebalancing - Resolution 2010-20

MR. BADER reviewed the staff report in the packet *[on file]*, wherein staff requested the authority for the chief investment officer to rebalance the portfolio within the bands that the Board has approved for the asset allocation. He explained that a strict read of the existing rebalancing policy indicates that the CIO should only rebalance when an asset class is out of balance. That can be inconvenient because some managers are only open for transactions at the beginning or end of the month. The second point is that staff would prefer to be proactive and not let asset classes get out of balance. Third, staff believes there is a possibility, if given the authority, that they would lower the current actual allocation to fixed income in the current interest rate environment and that the retirement fund would be far better off in other fixed income or other asset classes.

<u>MR. TRIVETTE moved that the Alaska Retirement Management Board adopt Resolution 2010-20, modifying the existing rebalancing policy</u>. <u>Seconded by MS. HARBO</u>.

MR. RICHARDS inquired about tightening up the last sentence of the resolution to say the CIO would advise the Board at the next regularly scheduled meeting of changes pertaining to this resolution. MR. TRIVETTE suggested adding something along the lines of ..."the CIO will advise the Board of the rebalancing." MR. RICHARDS said he was fine with that. MS. HARBO, as the second to the motion, had no objection to the proposed amendment.

CHAIR SCHUBERT said the second to last sentence would read, "The CIO will advise the Board of the rebalancing at its next regularly scheduled meeting."

The motion carried unanimously.

18(h). Delegation of Authority - Resolution 2010-21

MR. BADER reviewed the staff report in the packet *[on file]* requesting authority to remove the 25% limit on the chief investment officer's ability to invest or divest from an existing investment manager. He said this has not been a problem in the past, but one thing staff has in mind is allocating more money to Advent Securities, the convertible bond manager, where the initial allocation was not very large. Staff believes the ARMB can get a higher yield and better diversification of the portfolio.

MR. PIHL observed that the resolution specifically used the CIO's name instead of the position, so he wondered if the resolution would continue after Mr. Bader retired.

MR. BADER indicated that staff could strike the name reference.

<u>MR. PIHL moved that the ARM Board adopt Resolution 2010-21, modifying the authority of the CIO to invest or divest from an existing investment manager</u>. <u>MR. RICHARDS seconded</u>. The motion carried unanimously.

19(a). Actuarial Valuation Assumption Changes

[A packet of memoranda and resolutions prepared by the Department of Administration, Division of Retirement and Benefits, was distributed to trustees ahead of time, and is on file at the ARMB office.]

COMMISSIONER KREITZER said the first item was informational. The commissioner of the Department of Administration sets the employer contribution rate for the Judicial Retirement System (JRS). The FY12 employer contribution rate has been set at 29.79%, which is the normal cost rate for FY12, with the understanding that the Department of Administration is going to ask for a direct appropriation for the past service rate cost of about $2.3 million for FY12.

COMMISSIONER KREITZER said the Department of Administration consulted with the Department of Law, and Law's opinion has morphed a bit so that they want the Board to adopt the valuation assumptions, as well as the actuarial experience analysis for JRS, but not the contribution rate.

COMMISSIONER KREITZER moved adoption of Resolution 2010-22, relating to the actuarial experience analysis for the Judicial Retirement System. MS. HARBO seconded.

When MR. TRIVETTE questioned if the Board had that authority, MR. JOHNSON said Law's was a reasonable reading of the statutes, and he suggested going forward with the proposed action item as recommended. He added that there is a distinction between setting the contribution rates, which the commissioner does, and the Board's authority to accept the actuarial assumptions in the report.

The motion passed unanimously.

MR. PIHL mentioned legislation to change the rate setting responsibility for JRS from the commissioner to the ARMB. COMMISSIONER KREITZER said the department kept looking for an opportunity to attempt that but they have not found a vehicle to make that change yet.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board adopt assumptions to future actuarial valuations based on the actuarial experience analysis as of June 30, 2008 prepared by Buck Consultants for the Judicial Retirement System, as set out in Resolution 2010-23. MS. HARBO seconded. The motion passed unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board accept the roll-forward actuarial valuation report prepared by Buck Consultants for the National Guard and Naval Militia Retirement System as of June 30, 2009 in order to set the actuarially determined contribution rates, as set out in Resolution 2010-24. MS. HARBO seconded. The motion carried unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board set the fiscal year 2012 National Guard and Naval Militia Retirement System annual actuarially determined contribution amount consistent with its fiduciary duty, as set out in Resolution 2010-25. Seconded by MS. HARBO. The motion passed unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board accept the actuarial experience analysis as of June 30, 2008 prepared by Buck Consultants for the National Guard and Naval Militia Retirement System in order to adopt assumptions for future actuarial valuations, as set out in Resolution 2010-26. Seconded by MS. HARBO.

There was a brief discussion about the NGNMRS experience analysis as of June 30, 2008 being used for the FY13 contribution calculation, and if that should be spelled out in Resolution 2010-26. DEPUTY COMMISSIONER BROOKS said that was a good suggestion for the following resolution, 2010-27.

The motion passed unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board approve and adopt assumption changes contained in the National Guard and Naval Militia Retirement System actuarial experience study prepared by Buck Consultants for use beginning with the June 30, 2010 NGNMRS actuarial valuation report, for the purpose of establishing the FY13 contribution amount, as set out in Resolution 2010-27. MS. HARBO seconded. The motion passed unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board accept the actuarial experience analysis as of June 30, 2009 prepared by Buck Consultants for the Public Employees' and Teachers' Defined Contribution Retirement System in order to adopt assumptions for future actuarial valuations, as set forth in Resolution 2010-28. MS. HARBO seconded. The motion carried unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board adopt the actuarial valuation assumptions for the Public Employees' and Teachers' Defined Contribution Retirement Systems based on the actuarial experience analysis as of June 30, 2009 prepared by Buck Consultants, as set out in Resolution 2010-29. MS. HARBO seconded.

COMMISSIONER KREITZER noted that Resolution 2010-31 to follow would have two recommended changes to the assumptions adopted in Resolution 2010-29: a 4.88% real rate of return expectation and a 3.12% inflation rate.

MS. ERCHINGER said it was her understanding that the Study Group agreed to recommend that the Board accept Buck's recommendation to move towards the unisex assumptions because there is no material difference in how males and females should be treated for termination, retirement, and turnover. But the Study Group asked that Buck be prepared to share with the second actuary, Gabriel Roeder Smith & Company (GRS), the data they used to come up with their recommendation. GRS appeared to disagree that the use of unisex assumptions was an industry standard.

MS. ERCHINGER stated that there was no consensus between Buck and GRS as to the retiree health care assumption. Buck explained to the Study Group why they did not want to change the health care assumption, despite there being five years in a row of persistent health care gains. Buck reasoned that the trend rates they were using for retiree health care costs were very low compared to national norms and other Alaska plans and that it was appropriate to continue using those same assumptions. The Study Group agreed with Buck to continue with those until there was compelling information one way or another.

MS. ERCHINGER added that Buck and GRS also did not agree on the assumption for withdrawal of contributions at retirement, where Buck was using a 10% assumption for

TRS. Buck felt there were few numbers to go by, and they were confident in their assumption. The Study Group agreed to continue with Buck's current assumption.

MR. TRIVETTE remarked that he preferred to have had the minutes of the November 18-19 Study Group meeting so he could refer to them and so people who were not there could read what went on. He added that part of the discussion also took place at the September 23-24 meeting; the trustees did not have those minutes either, but he would have liked to have read those before the Board made any final decisions.

COMMISSIONER KREITZER stated that Trustee Erchinger did a fabulous job of summarizing the Study Group's recommendations. She added that the Division of Retirement and Benefits was tasked with bringing the recommendation to the Board. She noted that Resolution 2010-29 was for the PERS and TRS defined contribution plan actuarial valuation assumptions [and another resolution was for the defined benefit plans].

A discussion ensued about whether the PERS and TRS assumptions should be the same for the defined contribution plans and the defined benefit plans or separate. *[For details please refer to the verbatim transcript of the meeting, pages 348-362.]*

CHAIR SCHUBERT summarized the discussion and read into the record an amended last paragraph of Resolution 2010-29, as follows: "NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the recommendations for assumption changes contained in the defined contribution actuarial experience analysis for the Public Employees' Retirement System and Teachers' Retirement System prepared by Buck Consultants be approved and adopted for use beginning with the June 30, 2010 PERS and TRS DCR actuarial valuation report."

COMMISSIONER KREITZER, as maker of the original motion, and MS. HARBO, as the second, had no objection. The motion, as amended, passed unanimously.

<u>COMMISSIONER KREITZER moved that the Alaska Retirement Management Board adopt Resolution 2010-30, to approve and adopt the Public Employees' Retirement System and the Teachers' Retirement System actuarial experience analysis as of June 30, 2009 prepared by Buck Consultants</u>. <u>MS. HARBO seconded</u>.

MR. TRIVETTE voiced skepticism about the words "approve and adopt," saying that he thought it was more accurate to say the Board was accepting the experience analysis report.

COMMISSIONER KREITZER suggested amending the "Now Therefore" clause of Resolution 2010-30 to strike the last two words ("and adopted") and end it after the words "be approved."

There was no objection, and the motion passed unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board adopt assumptions for future actuarial valuations based on the actuarial experience analysis for the period July 1, 2005 to June 30, 2009 prepared by Buck Consultants for the Public Employees' and Teachers' Retirement Systems, including a Board-requested modification of Section II A (Economic Assumptions - Investment Return or Interest Rate) and Section II B (Economic Assumptions - Inflation) as set out in the attached Resolution 2010-31 and as follows:

Section II A. 4.88% real rate of return expectation

Section II B. 3.12% inflation rate

The result of which will be a net rate of return expectation of 8.0%. MS. HARBO seconded.

MR. PIHL stated that he totally supported this action, that it was a step in the right direction.

MS. ERCHINGER asked if the resolution meant that Buck Consultants would go back and rerun the June 30, 2010 valuation report using the new assumptions. MR. SHIER stated that the June 30, 2010 report would be used for the FY13 rate setting, but Buck had not even shown the Division a draft yet.

CHAIR SCHUBERT suggested amending the last paragraph of Resolution 2010-31 to reflect the adoption that was not captured in Resolution 2010-30, as follows: "NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD that the recommendations for assumption changes contained in the Public Employees' Retirement System and Teachers' Retirement System actuarial experience analysis as of June 30, 2009 prepared by Buck Consultants be approved and adopted for use beginning with the June 30, 2010 PERS and TRS actuarial valuation report, except that Section II A (Economic Assumptions - Investment Return or Interest Rate) and Section II B (Economic Assumptions - Inflation) are modified as follows:

Section II A. 4.88% real rate of return expectation

Section II B. 3.12% inflation rate

The result of which will be a net rate of return expectation of 8.0%.

MR. PIHL stated that the word "net" should not be in the last line. CHAIR SCHUBERT asked if the maker and the second on the motion objected: they did not.

The motion, as amended, passed unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board adopt Resolution 2010-32 relating to the FY12 employer contribution rate for the Public Employees' Retirement System. MS. HARBO seconded. The motion carried unanimously.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board adopt Resolution 2010-33 relating to the FY12 employer contribution rate for the Teachers' Retirement System. MS. HARBO seconded. The motion carried unanimously.

MS. ERCHINGER asked that the record reflect that the Board was changing the contribution rates adopted at the June meeting. MR. SHIER said David Teal of the Legislative Audit Division had testified at the April Board meeting about the complexity of calculating the Senate Bill 125 State contribution. The actuary concurred that it would be more straightforward to simply state the DCR contribution as a percent of total payroll, the normal cost, and add that into the total rate. At the April meeting, Buck presented the actuarial contribution rate for the PERS defined benefit plan at 30.76%. The DCR normal cost as a percent of total payroll was 2.73%. Added together, the total was 33.49%. Buck presented the actuarial contribution rate for the TRS defined benefit plan at 42.61%. The DCR contribution normal cost to TRS as a percent of total payroll was 2.94%. Added together, the result was 45.55%.

MR. SHIER said he would have a follow-up in writing at the next meeting on Buck and GRS and adoption of the unisex assumptions.

There was an at-ease from 2:54 p.m. to 3:04 p.m. while staff assembled the slides needed for the next presentation.

MS. ERCHINGER moved reconsideration of Resolution 2010-29. MS. HARBO seconded.

MS. ERCHINGER said she wanted to make sure everyone was on the same page and to get additional input from the Departments of Revenue and Administration, specifically about the benefits of using the same investment assumption and inflation assumption [for the DB and DCR plans]. Her intent was to bring this back at the next meeting.

COMMISSIONER KREITZER said she appreciated the reconsideration because her department did not see any models at the work session about what that would look like in the defined contribution plan, and she wanted to come back to the Board with that information.

The motion passed unanimously.

MS. ERCHINGER moved to table Resolution 2010-29 until the next meeting. MR. TRIVETTE seconded. The motion carried unanimously.

19(b). Report of Trustee Study Group on Actuarial Issues

[Please refer to the verbatim transcript, pages 373-405, for details of this report and the discussion that followed.]

MR. PIHL, Chair of the Trustee Study Group that met November 18-19 to address long-range unfunded liability issues and related actuarial assumptions, said the group had requested several charts and analysis from Buck Consultants and the Division of Retirement and Benefits, some of which he had received and some that were still forthcoming.

MR. PIHL spent some time summarizing what the Study Group tackled during the two days:

- The problem of the retirement systems' unfunded liability shared among the State (as sponsor), the Administration, the municipalities, and the legislators who negotiated the plan.
- The State's responsibility to pay a portion of the unfunded liability.
- The Supreme Court decisions.
- A 20-year history of investment returns, employer contribution rates, and State assistance.
- The legislation dealing with the employer contributions on defined contribution plans and defined benefit plans.
- That the size of the unfunded liability was aggravated by the 2008-2009 market crash.
- Legislative intent in structuring the plan to stop the snowballing of the unfunded liability and to amortize it over time.

MR. PIHL reviewed three schedules he had requested and received *[on file at the ARMB office]*, one of which he used to illustrate that extending payments out over a longer period of time was going to cost the State a lot more in the end.

MS. ERCHINGER stated that she supported a solution to the problem that was a partnership between the municipalities and the State, because the unfunded liability is a big bill to pay and there are no winners in this situation. The current path is not affordable for the State in 15 years, but she wanted to make sure the municipalities did not get stuck with higher contribution rates than the current 22%.

MR. PIHL remarked that the Study Group agenda had a fact-finding part and a second part to look at various scenarios and solutions. The question on the second part was whether some of the solutions, like the use of pension obligation bonds, were really within the purview of the Board.

COMMISSIONER KREITZER stated that the Study Group was a very good effort to bridge the gaps between the Legislature, the ARMB, and the Governor's Office in looking at solutions proposed by various agencies and individuals and trying to inch toward a recommendation of where to go from here.

MS. ERCHINGER said there were extreme sides of the argument on both ends, and then a lot of people fell somewhere in the middle. A primary question was whether this Board should do anything, do nothing, or do something in the middle. Extending the amortization period for paying off the unfunded liability was one thing talked about, and the scenarios varied there, as did people's reactions to the number of years over which to amortize. What did not get discussed was the cost over time for the various amortization scenarios. The Study Group reached consensus on amending the inflation assumption and earnings assumption, which was a significant accomplishment. The Group also talked about whether the Board would be willing to consider levelized annual payments.

MR. RICHARDS thanked Mr. Pihl and Ms. Erchinger for an excellent summary of the major points from the two-day work session. He pointed out that the other people at the table are the PERS and TRS retirees, who are quite concerned about the unfunded liability. The Board must not forget that it is here to make sure there is secure retirement for the people who have worked very hard for their employers and their students. He said he felt like the Board was in a bit of a negotiation with the State, and that if the Board makes some changes in the next one or two months, the Legislature is going to come back and say it was a nice try but they want the Board to move a little bit more. He recalled some discussion from the Office of Management & Budget and the Commissioner's Office -- but nothing written in ink -- about $500 million, and he thought that was a step in the right direction. He appreciated the State and the Legislature working together to say that they understood that the unfunded liability is a problem. The liability was talked about as a soft liability, but he regarded it as a hard liability that needs to be taken care so the State can stay in business and people can be secure in their jobs knowing their retirement is going to be there. He said there needs to be somebody from the Legislature who can come to the table with something to offer so everyone can make progress. He agreed with Commissioner Kreitzer's earlier comment that there was good dialogue from all sides.

MR. BROOKS gave his perspective on the subject, as someone who was around when Senate Bill 125 was debated and passed in the Legislature. A key point, which Mr. Pihl has brought up, is whether there was a commitment of a 78/22 split of the $6.9 billion of unfunded liability that existed at a specific date, or if it was (coincidently) the 22% employer rate that was set that all employers would pay. The Legislature did not put a 25-year sunset on that rate. It will take another action by the Legislature to change that rate from 12.56% [for TRS] and 22% [for PERS]. The rate will either stay 22% forever, or there will be pressure to change it up or down, which is the Legislature's prerogative to do, but they are going to become an active player in the discussion at some point.

MR. TRIVETTE said the Study Group was a productive work session, the first this Board has had since it was constituted in October 2005. He suggested holding the next session as a committee of the whole because the unfunded liability is a big issue that should involve all trustees.

MR. PIHL indicated that having shepherded the Trustee Study Group through its two-day work session, he wished to step down as the chair of the group and let someone else take over. CHAIR SCHUBERT said she would take it under advisement and thanked Mr. Pihl for doing excellent work in leading the effort on what is a super-complicated issue.

UNFINISHED BUSINESS

1. Calendar/Action Items: No action items.

2. Disclosure Reports

MS. HALL stated that the disclosure memo listing financial disclosures submitted since the last meeting was included in the packet, and there was nothing unusual to report to the Board.

3. Legal Report: Nothing to report.

NEW BUSINESS - None.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD - None.

PUBLIC/MEMBER COMMENTS

JOHN ALCANTRA, government relations director for the National Education Association of Alaska, said he was present to monitor actions for almost 13,000 members of NEA Alaska. He thought that if the members could be at this meeting, they would be amazed at the skill and intellect at the table, not just of the nine Board members but of the staff at the Department of Revenue and the Department of Administration and others who serve the ARMB. NEA members would be fascinated by the big money managers and the amount of money under management and seeing the work that gets done. He mentioned that State Street Global Advisors' management fee of 2.62 basis points on over $6.5 billion in assets that they manage for the State is a fee that a defined contribution participant could never come close to getting elsewhere for money management.

MR. ALCANTRA said his initial reaction to the Board changing the earnings assumption rate to 8.0% was negative because of the impact on the unfunded liability. But he thought he would let Buck Consultants finalize it out before he got too irate, because maybe the change in the inflation assumption will make it where the unfunded liability will not grow as much as he initially worried it would when the Board passed Resolution 2010-31.

MR. ALCANTRA thanked Commissioner Kreitzer and Commissioner Galvin, who had spent a lot of time and effort working on the ARMB, and he welcomed the new commissioners Hultberg and Butcher when they arrive at the February meeting.

INVESTMENT ADVISORY COUNCIL COMMENTS - None.

TRUSTEE COMMENTS

MS. HARBO thanked Mr. Pihl for his work on the Trustee Study Group, saying she thought the group did a lot of good work in what was a very engaging meeting, and the work will continue. She thanked Commissioner Kreitzer for her work on the Board and said she would miss her.

COMMISSIONER KREITZER said it had been a delight to work with everyone, and she remarked that she was at times the more blunt of the two commissioners on the Board and she appreciated people's patience with her in that regard. She said that she and Commissioner Galvin, when they were first appointed to the Board, had talked about ensuring that the Departments of Administration and Revenue worked better together because they had heard there were some underlying issues. She was pleased with how that worked out and hoped that the other trustees recognized that the departments are working together in the best interest of the State and for those who benefit from the ARM Board's work.

MS. ERCHINGER said that as the relatively new trustee she wanted to thank Mr. Pihl for his amazing history and wealth of information on the Board, and she has learned so much from everyone, but especially from him. She said Mr. Pihl did a tremendous amount of upfront work for the two-day Trustee Study Group meeting, plus he facilitated a huge agenda and made it through all the topics. She encouraged him to continue pushing the Board on the issue because there was a lot of ground still to cover. She said what she liked most about the Study Group was the dialogue, where people felt comfortable exchanging ideas they might have strong feelings about, and where they came away learning a lot from each other.

MS. ERCHINGER thanked Commissioner Kreitzer and Commissioner Galvin and said she would miss them. She said that as an employer the experience she has had working with the two departments in her 20 years at the City of Seward has not been better than it has been under their leadership.

MR. TRIVETTE also mentioned how well the Study Group session went and that it would be easier to review all that transpired once the minutes were available. He thanked Mr. Pihl for his work as chair of the Study Group and said he looked forward to seeing the additional information that Mr. Pihl had requested.

MR. RICHARDS thanked Commissioner Kreitzer and Commissioner Galvin for their work on the Board and for the State as a whole.

MR. PIHL said, regarding the Study Group, that perhaps the Board should look at modifying its charter because he felt the Board was dealing with a problem that was outside its scope, and it was unable to meet its obligation of funding the benefits for the employees of which the trustees are the fiduciaries. He also expressed his appreciation to the departing commissioners and said he would miss them.

CHAIR SCHUBERT said it had been a delight getting to know Commissioner Kreitzer and Commissioner Galvin, and she thought their leadership to their respective staffs was important in ensuring that the two departments worked well together and things functioned as smoothly as they have. She wished them well in their next endeavors. She also thanked Mr. Pihl for taking on the difficult task of leading the Trustee Study Group and doing such an excellent job of it.

FUTURE AGENDA ITEMS - None.

ADJOURNMENT

There being no objection and no further business to come before the board, the meeting was adjourned at 4:22 p.m. on December 3, 2010, on a motion made by MS. HARBO and seconded by MR. RICHARDS.

Chair of the Board of Trustees
Alaska Retirement Management Board

ATTEST:

Corporate Secretary

Note: Accu-Type Depositions recorded the meeting and prepared a written transcript, and Confidential Office Services prepared the summary minutes. For in-depth discussion and more presentation details, please refer to the recording or transcript of the meeting and the presentation materials on file at the ARMB office.

Confidential Office Services
Karen Pearce Brown
Juneau, Alaska

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT

As of November 30, 2010

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Five Months Ending November 30, 2010

	Beginning Invested Assets	Investment Income (1)	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (2)
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 5,382,478,973	$ 517,135,255	$ (55,420,131)	$ 5,844,194,097	8.58%	9.66%
Retirement Health Care Trust	3,833,176,873	386,856,241	439,293,905	4,659,327,019	21.55%	9.55%
Total Defined Benefit Plans	9,215,655,846	903,991,496	383,873,774	10,503,521,116	13.97%	9.61%
Defined Contribution Plans:						
Participant Directed Retirement	96,173,414	13,362,195	18,094,656	127,630,265	32.71%	12.70%
Health Reimbursement Arrangement	30,144,861	3,041,770	6,006,888	39,193,519	30.02%	9.18%
Retiree Medical Plan	7,853,893	785,605	1,027,398	9,666,896	23.08%	9.39%
Defined Benefit Occupational Death and Disability:						
Public Employees	3,242,936	324,634	475,399	4,042,969	24.67%	9.33%
Police and Firefighters	1,107,713	111,942	226,913	1,446,568	30.59%	9.17%
Total Defined Contribution Plans	138,522,817	17,626,146	25,831,254	181,980,217	31.37%	11.64%
Total PERS	**9,354,178,663**	**921,617,642**	**409,705,028**	**10,685,501,333**	14.23%	9.64%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	2,714,697,061	260,402,002	(15,160,051)	2,959,939,012	9.03%	9.62%
Retirement Health Care Trust	1,268,139,257	123,786,780	96,992,819	1,488,918,856	17.41%	9.40%
Total Defined Benefit Plans	3,982,836,318	384,188,782	81,832,768	4,448,857,868	11.70%	9.55%
Defined Contribution Plans:						
Participant Directed Retirement	45,347,535	6,027,825	4,962,644	56,338,004	24.24%	12.60%
Health Reimbursement Arrangement	10,387,897	1,018,173	1,389,178	12,795,248	23.17%	9.19%
Retiree Medical Plan	3,502,267	343,165	345,386	4,190,818	19.66%	9.34%
Defined Benefit Occupational Death and Disability	1,448,887	141,732	132,345	1,722,964	18.92%	9.35%
Total Defined Contribution Plans	60,686,586	7,530,895	6,829,553	75,047,034	23.66%	11.75%
Total TRS	**4,043,522,904**	**391,719,677**	**88,662,321**	**4,523,904,902**	11.88%	9.58%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	95,058,020	9,167,487	(1,371,048)	102,854,459	8.20%	9.71%
Defined Benefit Retirement Health Care Trust	16,979,122	1,637,505	40,090	18,656,717	9.88%	9.63%
Total JRS	**112,037,142**	**10,804,992**	**(1,330,958)**	**121,511,176**	8.46%	9.70%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	29,496,764	2,261,584	381,397	32,139,745	8.96%	7.62%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,189,938,833	179,609,003	6,020,629	2,375,568,465	8.48%	8.19%
Deferred Compensation Plan	502,804,941	45,847,481	2,360,638	551,013,060	9.59%	9.10%
Total All Funds	**$ 16,231,979,247**	**$ 1,551,860,379**	**$ 505,799,055**	**$ 18,289,638,681**	**12.68%**	**9.41%**

Notes:
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses
(2) Income divided by beginning assets plus half of net contributions/(withdrawals)

ALASKA RETIREMENT MANAGEMENT BOARD

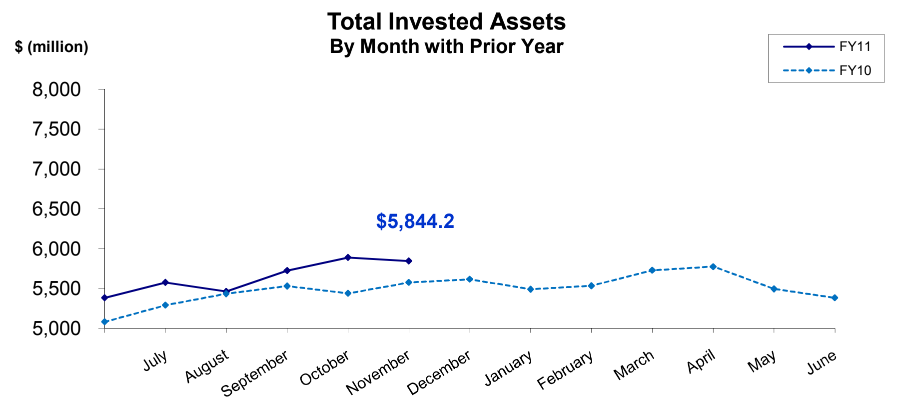
Schedule of Investment Income and Changes in Invested Assets by Fund

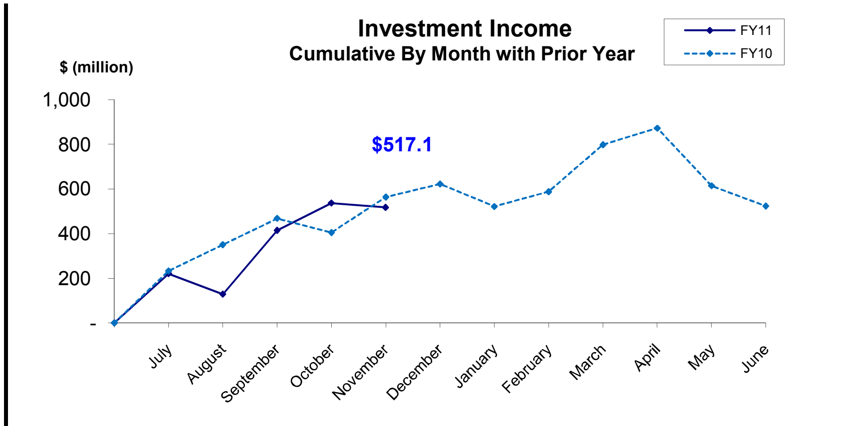
For the Month Ended November 30, 2010

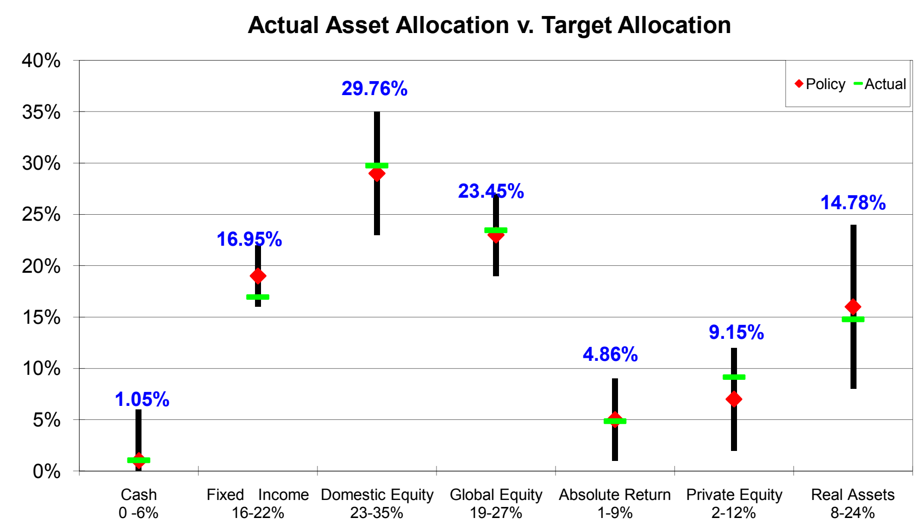
	Beginning Invested Assets	Investment Income (1)	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (2)
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 5,889,525,730	$ (19,904,603)	$ (25,427,030)	$ 5,844,194,097	-0.78%	-0.34%
Retirement Health Care Trust	4,683,094,830	(17,147,467)	(6,620,344)	4,659,327,019	-0.51%	-0.37%
Total Defined Benefit Plans	10,572,620,560	(37,052,070)	(32,047,374)	10,503,521,116	-0.66%	-0.35%
Defined Contribution Plans:						
Participant Directed Retirement	125,884,279	(1,950,022)	3,696,008	127,630,265	1.37%	-1.53%
Health Reimbursement Arrangement	38,138,184	(230,335)	1,285,670	39,193,519	2.69%	-0.59%
Retiree Medical Plan	9,527,922	(57,887)	196,861	9,666,896	1.44%	-0.60%
Defined Benefit Occupational Death and Disability:						
Public Employees	3,967,192	(24,072)	99,849	4,042,969	1.87%	-0.60%
Police and Firefighters	1,412,719	(8,518)	42,367	1,446,568	2.34%	-0.59%
Total Defined Contribution Plans	178,930,296	(2,270,834)	5,320,755	181,980,217	1.68%	-1.25%
Total PERS	**10,751,550,856**	**(39,322,904)**	**(26,726,619)**	**10,685,501,333**	-0.62%	-0.37%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	2,991,806,243	(10,068,554)	(21,798,677)	2,959,939,012	-1.08%	-0.34%
Retirement Health Care Trust	1,500,340,117	(5,477,395)	(5,943,866)	1,488,918,856	-0.77%	-0.37%
Total Defined Benefit Plans	4,492,146,360	(15,545,949)	(27,742,543)	4,448,857,868	-0.97%	-0.35%
Defined Contribution Plans:						
Participant Directed Retirement	54,834,615	(848,403)	2,351,792	56,338,004	2.67%	-1.51%
Health Reimbursement Arrangement	12,405,259	(74,868)	464,857	12,795,248	3.05%	-0.59%
Retiree Medical Plan	4,113,676	(24,961)	102,103	4,190,818	1.84%	-0.60%
Defined Benefit Occupational Death and Disability	1,691,184	(10,264)	42,044	1,722,964	1.84%	-0.60%
Total Defined Contribution Plans	73,044,734	(958,496)	2,960,796	75,047,034	2.67%	-1.29%
Total TRS	**4,565,191,094**	**(16,504,445)**	**(24,781,747)**	**4,523,904,902**	-0.91%	-0.36%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	103,636,101	(350,003)	(431,639)	102,854,459	-0.76%	-0.34%
Defined Benefit Retirement Health Care Trust	18,739,089	(68,271)	(14,101)	18,656,717	-0.44%	-0.36%
Total JRS	**122,375,190**	**(418,274)**	**(445,740)**	**121,511,176**	-0.71%	-0.34%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	32,528,925	(258,650)	(130,530)	32,139,745	-1.21%	-0.80%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,386,468,944	(10,366,935)	(533,544)	2,375,568,465	-0.46%	-0.43%
Deferred Compensation Plan	552,343,064	(1,385,248)	55,244	551,013,060	-0.24%	-0.25%
Total All Funds	**$ 18,410,458,073**	**$ (68,256,456)**	**$ (52,562,936)**	**$ 18,289,638,681**	**-0.66%**	**-0.37%**

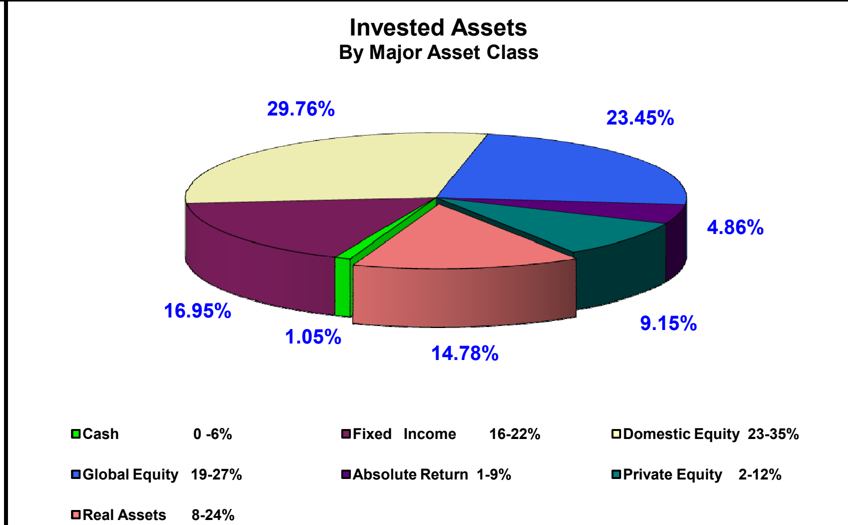
Notes:
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses
(2) Income divided by beginning assets plus half of net contributions/(withdrawals)

PUBLIC EMPLOYEES' RETIREMENT TRUST FUND
As of November 30, 2010

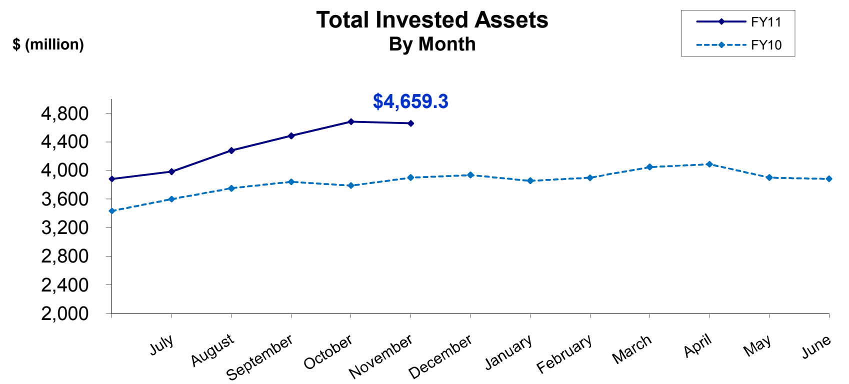


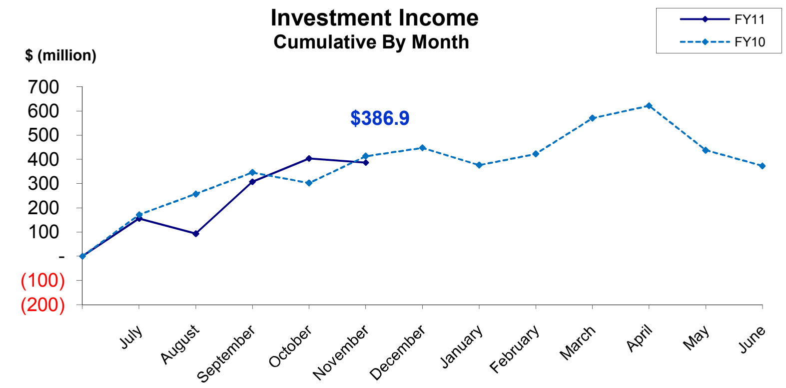


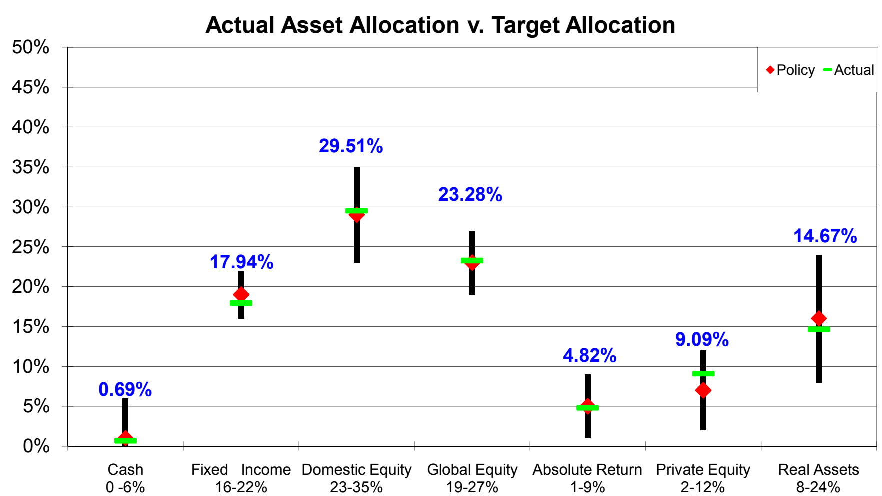


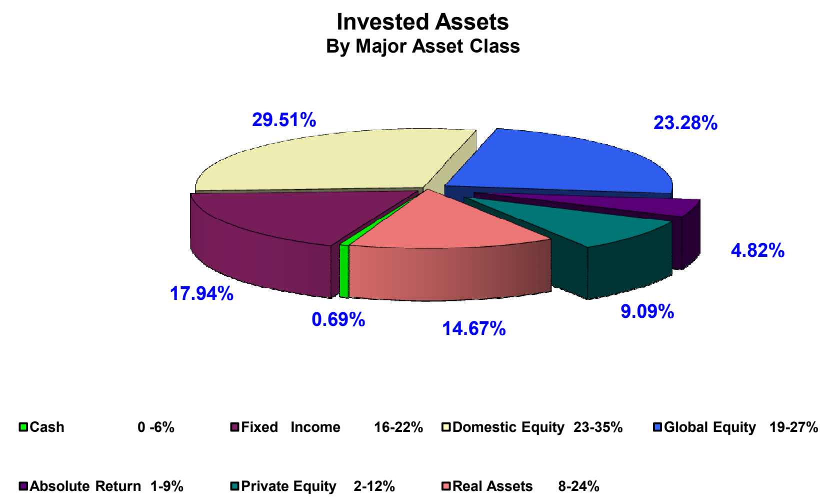


PUBLIC EMPLOYEES' RETIREE HEALTH CARE TRUST FUND
As of November 30, 2010

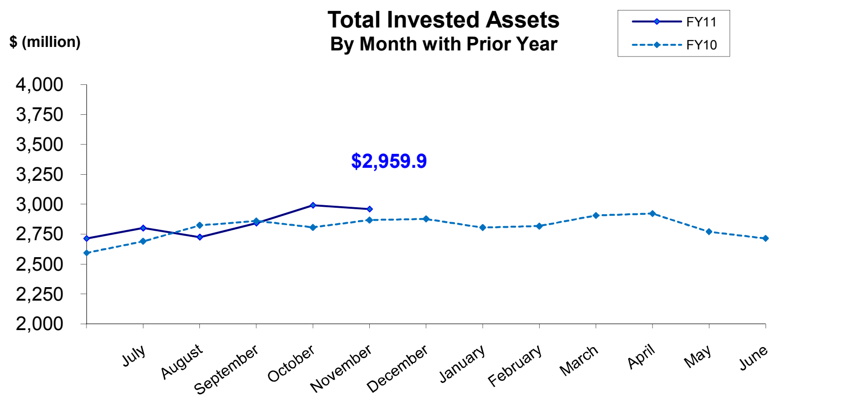


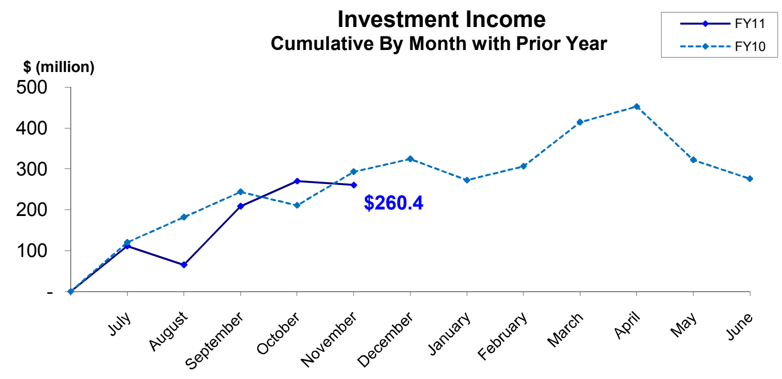


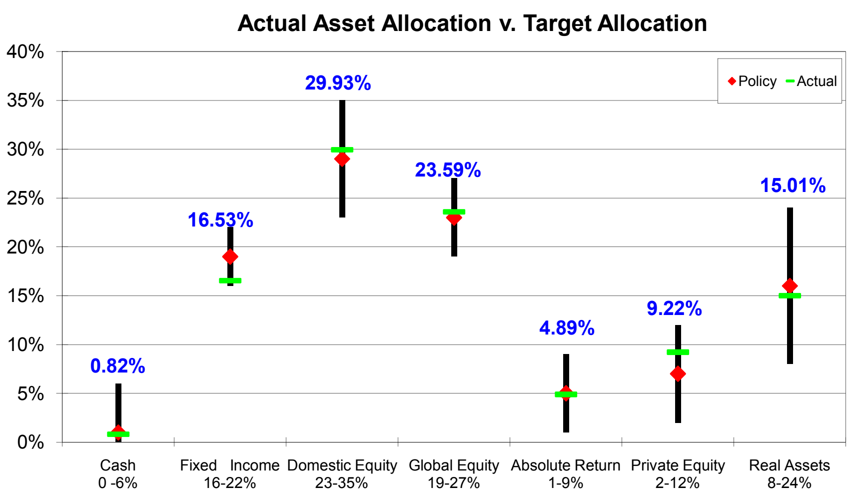


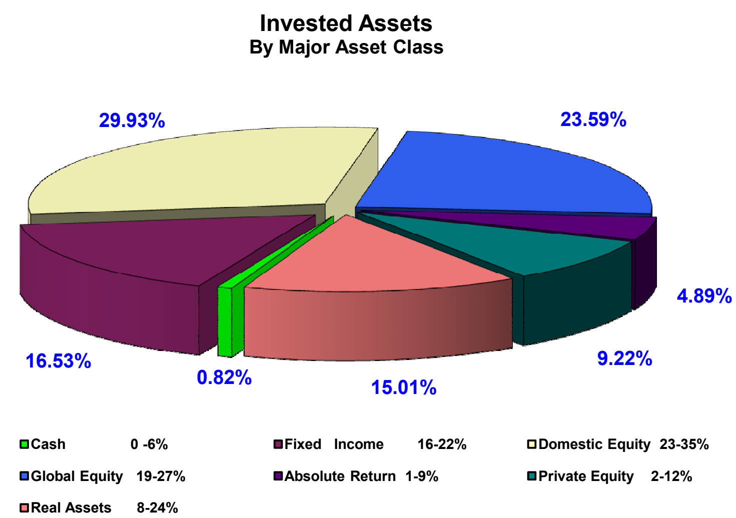


TEACHERS' RETIREMENT TRUST FUND
As of November 30, 2010

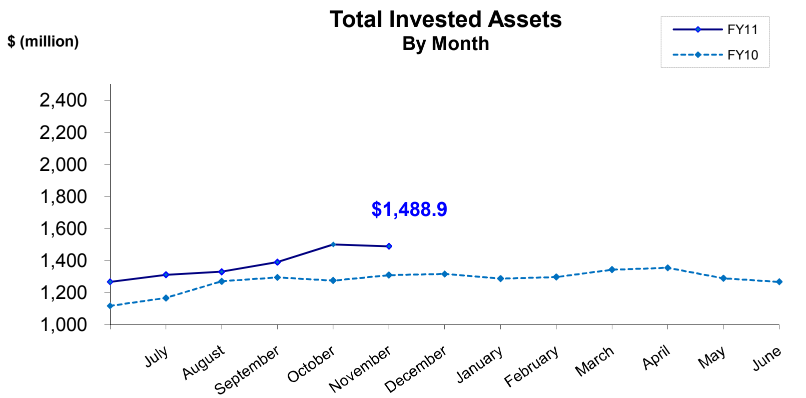


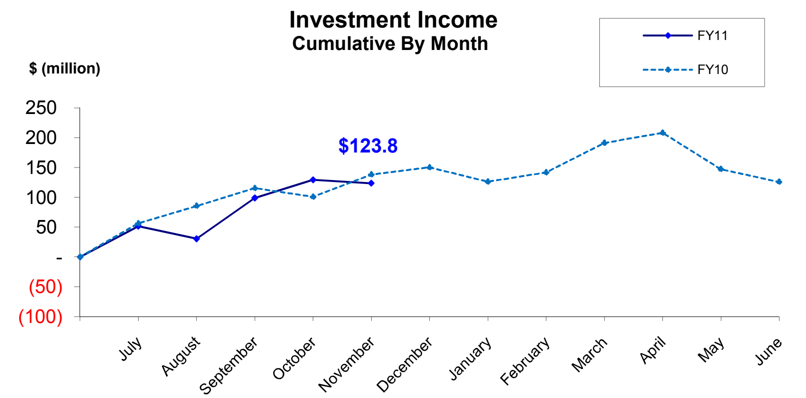


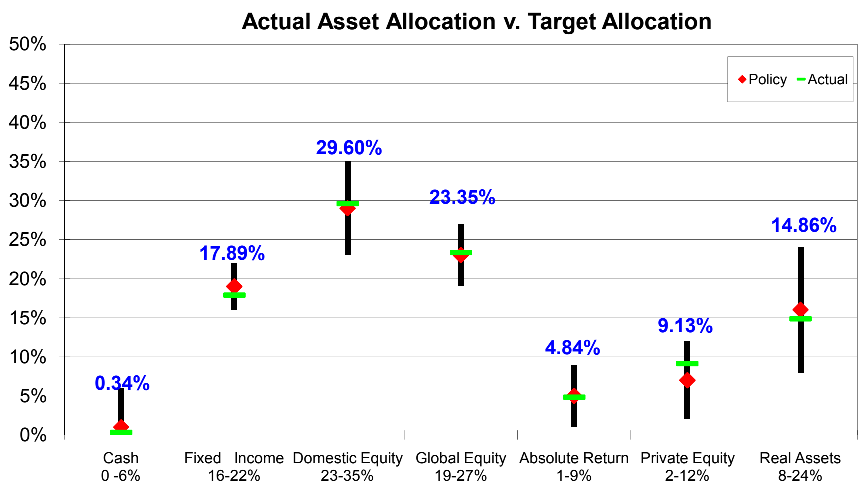


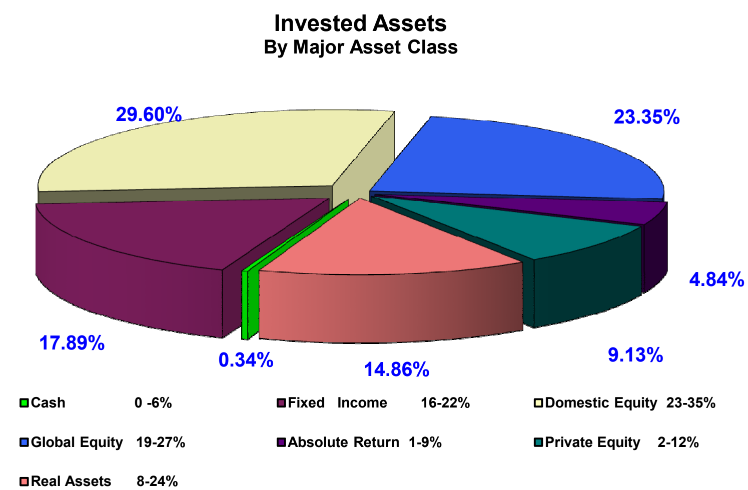


TEACHERS' RETIREE HEALTH CARE TRUST FUND
As of November 30, 2010

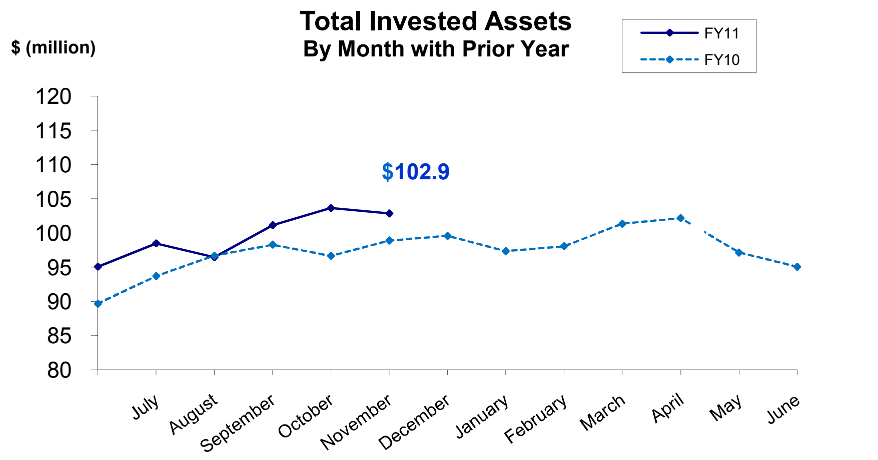


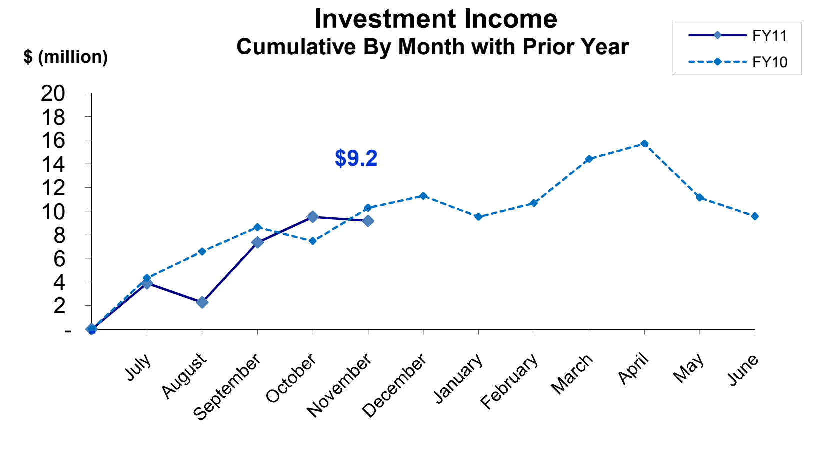


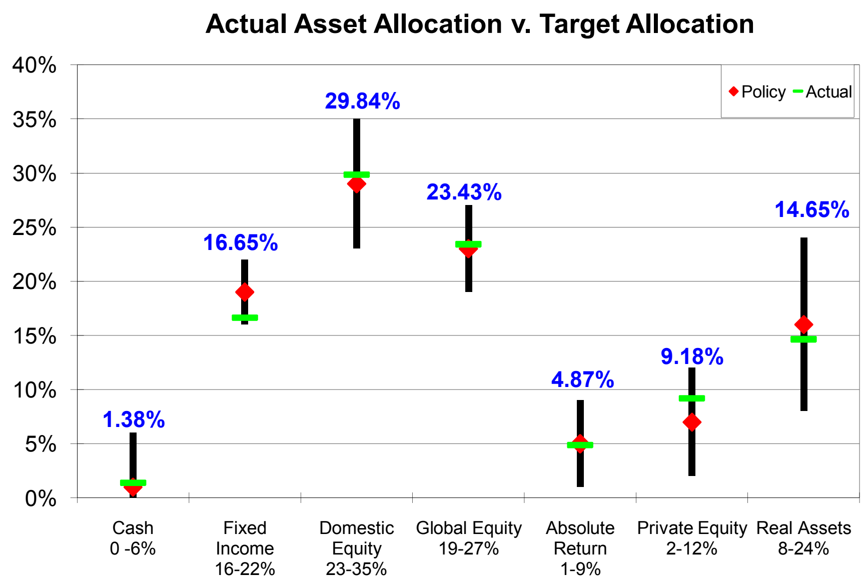


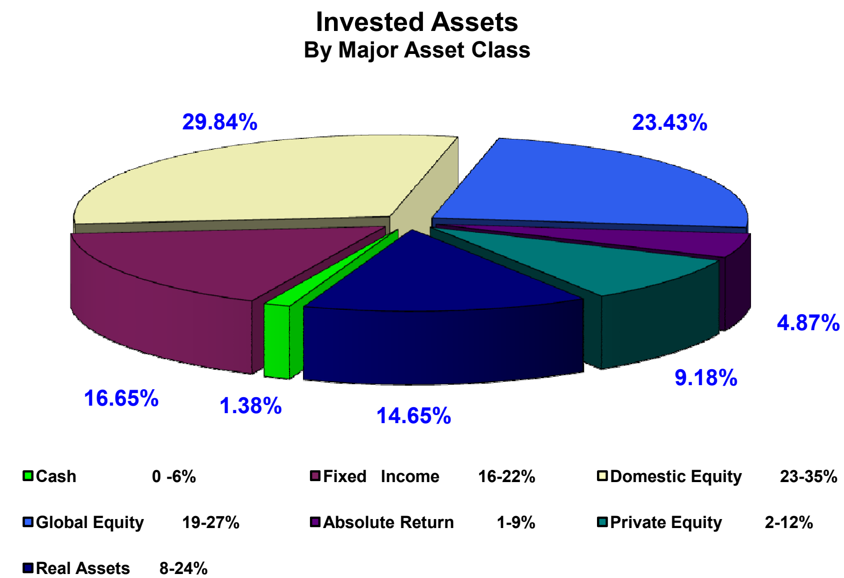


JUDICIAL RETIREMENT TRUST FUND
As of November 30, 2010

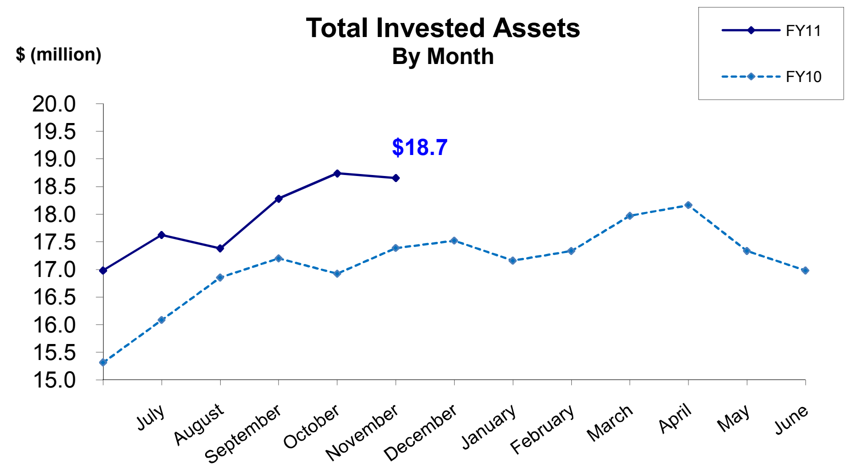


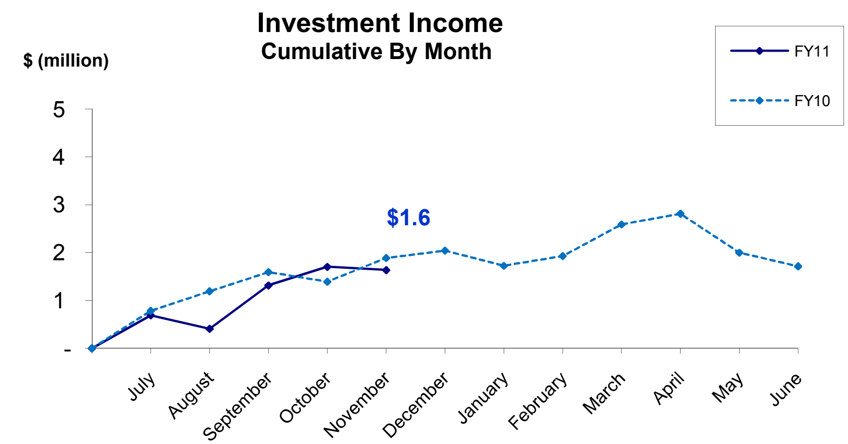


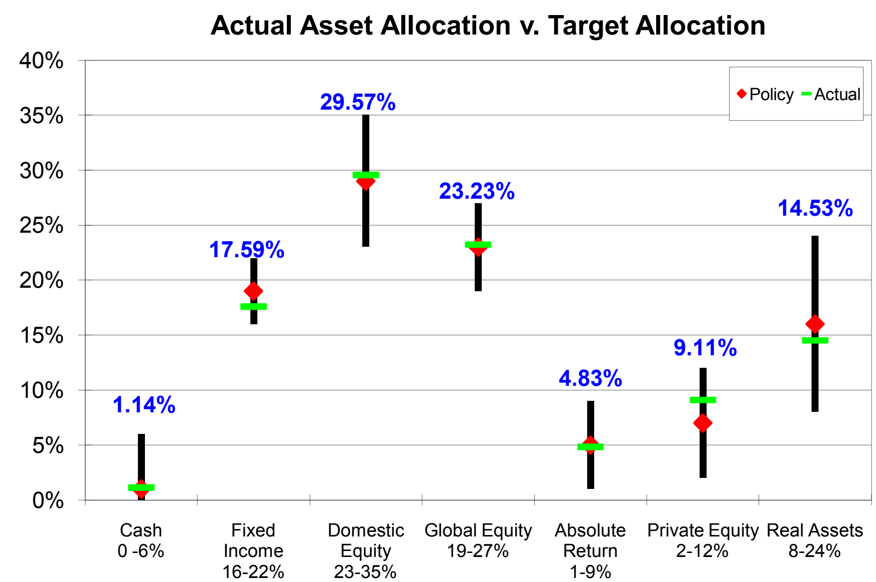


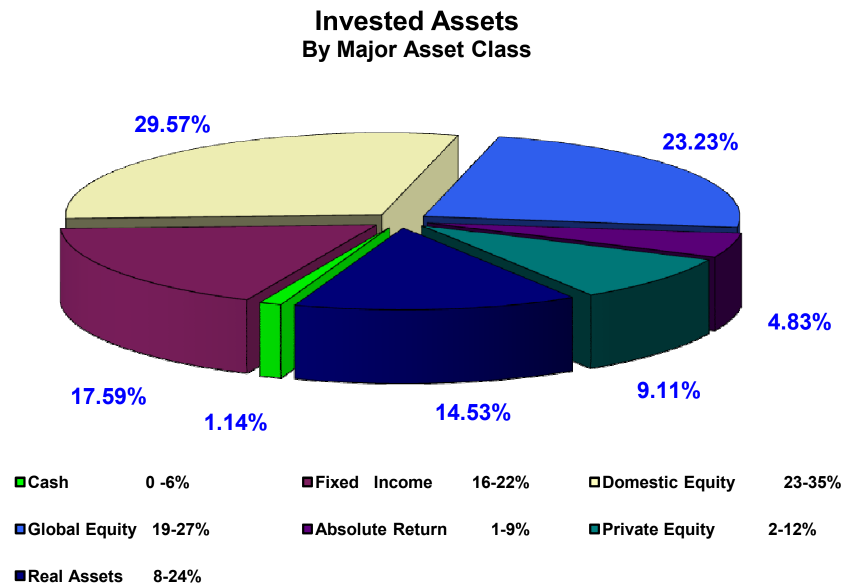


JUDICIAL RETIREE HEALTH CARE TRUST FUND
As of November 30, 2010

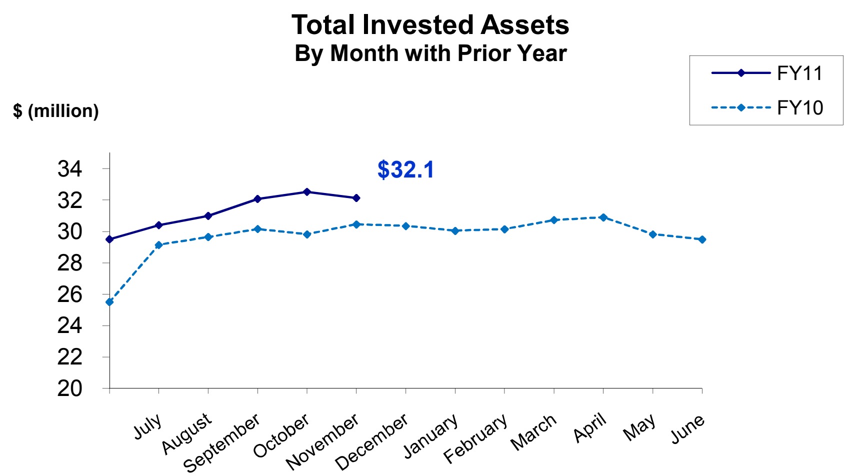


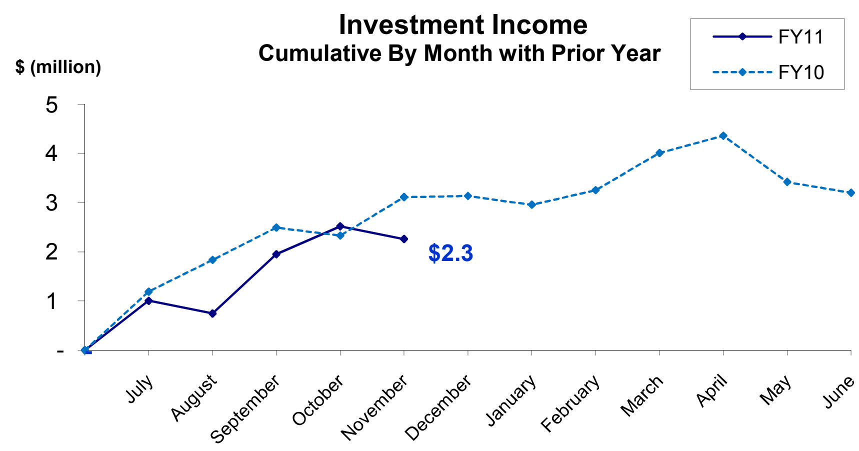


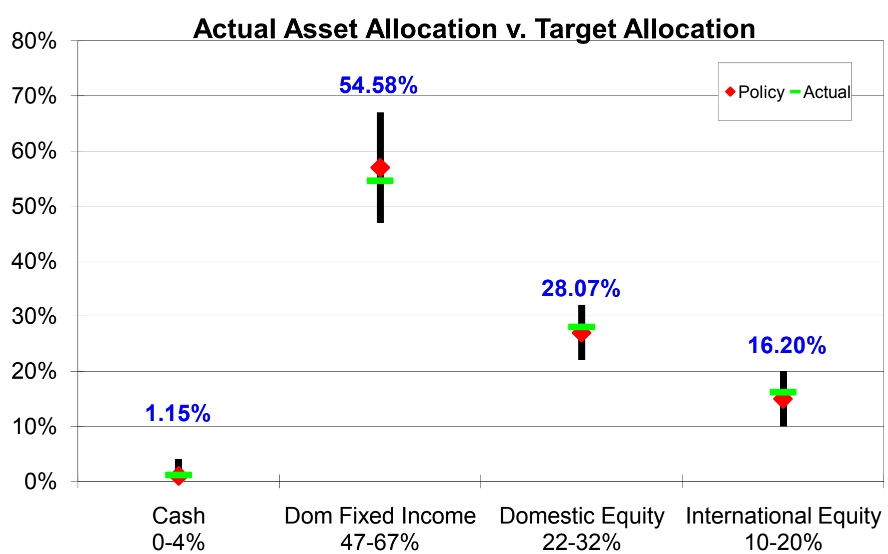


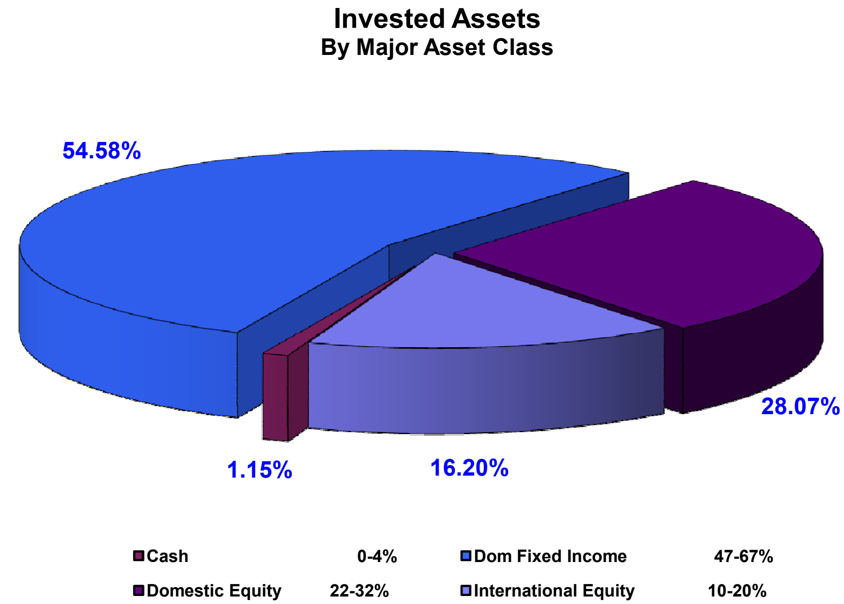


MILITARY RETIREMENT TRUST FUND
As of November 30, 2010









ALASKA RETIREMENT MANAGEMENT BOARD
Reporting of Funds by Manager

All Non-Participant Directed Plans

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended November 30, 2010

AY		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Cash					
70	**Short-Term Fixed Income Pool**	$ 129,934,602	$ 52,910	$ (1,243,807)	$ 128,743,705	-0.92%
	Total Cash	129,934,602	52,910	(1,243,807)	128,743,705	-0.92%
	Fixed Income					
1A	**US Treasury Fixed Income**	1,622,031,919	(14,216,311)	169,369,803	1,777,185,411	9.57%
77	**Internal Fixed Income Investment Pool**	356,922,661	650,636	(305,218,427)	52,354,870	-85.33%
	International Fixed Income Pool					
63	Mondrian Investment Partners	258,846,557	(20,893,052)	60,000,000	297,953,505	15.11%
	High Yield Pool					
9N	Rogge Global Partners Inc	143,086,025	985,021	(144,071,046)	-	-100.00%
9P	MacKay Shields, LLC	241,354,616	(4,129,908)	144,071,046	381,295,754	57.98%
	Total High Yield	384,440,641	(3,144,887)	-	381,295,754	-0.82%
	Emerging Debt Pool					
5M	Lazard Emerging Income	125,338,119	(770,331)	-	124,567,788	-0.61%
	Total Fixed Income	2,747,579,897	(38,373,945)	(75,848,624)	2,633,357,328	-4.16%

(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 November 30, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Domestic Equities					
	Small Cap Pool					
	Passively Managed					
4N	SSgA Russell 2000 Growth	**91,245,845**	**3,974,505**	**-**	**95,220,350**	**4.36%**
4P	SSgA Russell 2000 Value	**422,305,053**	**10,732,684**	**-**	**433,037,737**	**2.54%**
	Total Passive	**513,550,898**	**14,707,189**	**-**	**528,258,087**	**2.86%**
	Actively Managed					
4D	Turner Investment Partners	**-**	**-**	**-**	**-**	
4F	Luther King Capital Management	**102,122,028**	**6,133,739**	**-**	**108,255,767**	**6.01%**
4G	Jennison Associates, LLC	**134,912,778**	**5,621,238**	**-**	**140,534,016**	**4.17%**
6A	SSgA Futures Small Cap	**4,826,335**	**300,599**	**-**	**5,126,934**	**6.23%**
4H	Lord Abbett & Co.	**147,427,255**	**7,153,854**	**-**	**154,581,109**	**4.85%**
	Total Active	**389,288,396**	**19,209,430**	**-**	**408,497,826**	**4.93%**
	Total Small Cap	**902,839,294**	**33,916,619**	**-**	**936,755,913**	**3.76%**
	Large Cap Pool					
	Passively Managed					
4L	SSgA Russell 1000 Growth	**472,664,904**	**5,491,988**	**-**	**478,156,892**	**1.16%**
4M	SSgA Russell 1000 Value	**1,072,589,842**	**(5,604,473)**	**-**	**1,066,985,369**	**-0.52%**
4R	SSgA Russell 200	**341,851,260**	**(1,034,810)**	**-**	**340,816,450**	**-0.30%**
	Total Passive	**1,887,106,006**	**(1,147,295)**	**-**	**1,885,958,711**	**-0.06%**
	Actively Managed					
39	Cap Guardian Trust Co	**10,107**	**-**	**-**	**10,107**	**0.00%**
47	Lazard Freres	**312,856,932**	**56,839**	**-**	**312,913,771**	**0.02%**
48	McKinley Capital Mgmt.	**358,047,876**	**7,225,053**	**-**	**365,272,929**	**2.02%**
4U	Barrow, Haney, Mewhinney & Strauss	**124,149,934**	**457,436**	**-**	**124,607,370**	**0.37%**
4V	Quantitative Management Assoc.	**121,558,933**	**(1,004,753)**	**-**	**120,554,180**	**-0.83%**
38	RCM	**396,524,938**	**6,980,595**	**-**	**403,505,533**	**1.76%**
6B	SSgA Futures large cap	**5,990,871**	**472**	**-**	**5,991,343**	**0.01%**
4J	Relational Investors, LLC	**277,460,160**	**(559,517)**	**(490,869)**	**276,409,774**	**-0.38%**
	Total Active	**1,596,599,751**	**13,156,125**	**(490,869)**	**1,609,265,007**	**0.79%**
	Total Large Cap	**3,483,705,757**	**12,008,830**	**(490,869)**	**3,495,223,718**	**0.33%**

(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 November 30, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Convertible Bond Pool					
52	Advent Capital	**73,993,770**	**(104,212)**	**-**	**73,889,558**	**-0.14%**
	Total Convertible Bond Pool	**73,993,770**	**(104,212)**	**-**	**73,889,558**	**-0.14%**
	Total Domestic Equity	**4,460,538,821**	**45,821,237**	**(490,869)**	**4,505,869,189**	**1.02%**
	Global Equities Ex US					
	Small Cap Pool					
5B	Mondrian Investment Partners	**104,495,391**	**(3,176,372)**	**-**	**101,319,019**	**-3.04%**
5D	Schroder Investment Management	**109,237,314**	**(2,735,642)**	**-**	**106,501,672**	**-2.50%**
	Total Small Cap	**213,732,705**	**(5,912,014)**	**-**	**207,820,691**	**-2.77%**
	Large Cap Pool					
65	Brandes Investment Partners	**872,335,786**	**(54,954,177)**	**-**	**817,381,609**	**-6.30%**
58	Lazard Freres	**431,728,924**	**(20,205,743)**	**-**	**411,523,181**	**-4.68%**
67	Cap Guardian Trust Co	**587,429,486**	**(14,396,612)**	**-**	**573,032,874**	**-2.45%**
68	State Street Global Advisors	**288,341,049**	**(10,502,818)**	**-**	**277,838,231**	**-3.64%**
6D	SSgA Futures International	**118,500**	**47**	**-**	**118,547**	**0.04%**
69	McKinley Capital Management	**345,513,638**	**(7,536,885)**	**-**	**337,976,753**	**-2.18%**
	Total Large Cap	**2,525,467,383**	**(107,596,188)**	**-**	**2,417,871,195**	**-4.26%**
	Emerging Markets Equity Pool A [1]					
6P	Lazard Asset Management	**295,312,723**	**(8,877,414)**	**-**	**286,435,309**	**-3.01%**
6Q	Eaton Vance	**218,476,303**	**(6,446,382)**	**-**	**212,029,921**	**-2.95%**
62	The Capital Group Inc.	**435,567,222**	**(9,333,583)**	**-**	**426,233,639**	**-2.14%**
	Total Emerging Markets Pool A	**949,356,248**	**(24,657,379)**	**-**	**924,698,869**	**-2.60%**
	Total Global Equities	**3,688,556,336**	**(138,165,581)**	**-**	**3,550,390,755**	**-3.75%**
	Private Equity Pool					
7Z	Merit Capital Partners	**1,469,388**	**-**	**-**	**1,469,388**	**0.00%**
98	Pathway Capital Management LLC	**605,084,960**	**32,826,123**	**3,193,579**	**641,104,662**	**5.95%**
85	Abbott Capital	**623,412,023**	**31,252,018**	**(1,640,333)**	**653,023,708**	**4.75%**
8A	Blum Capital Partners-Strategic	**20,038,352**	**648,514**	**-**	**20,686,866**	**3.24%**
8P	Lexington Partners	**11,142,134**	**2,237,606**	**(521,675)**	**12,858,065**	**15.40%**
8Q	Onex Partnership III	**6,040,625**	**(47,694)**	**1,969,292**	**7,962,223**	**31.81%**
8W	Warburg Pincus X	**16,116,442**	**985,379**	**630,000**	**17,731,821**	**10.02%**
8X	Angelo, Gordon & Co.	**28,595,190**	**-**	**-**	**28,595,190**	**0.00%**
	Total Private Equity	**1,311,899,114**	**67,901,946**	**3,630,863**	**1,383,431,923**	**5.45%**

(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 November 30, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Absolute Return Pool [2]					
8M	Global Asset Management (USA) Inc.	**117,545,868**	**1,139,053**	**-**	**118,684,921**	**0.97%**
8N	Prisma Capital Partners	**117,936,034**	**2,074,489**	**-**	**120,010,523**	**1.76%**
9D	Mariner Investment Group, Inc.	**243,378,325**	**2,172,400**	**-**	**245,550,725**	**0.89%**
9E	Cadogan Management LLC	**12,655,193**	**61,039**	**-**	**12,716,232**	**0.48%**
9F	Crestline Investors, Inc.	**235,910,342**	**2,367,664**	**-**	**238,278,006**	**1.00%**
	Total Absolute Return Investments	**727,425,762**	**7,814,645**	**-**	**735,240,407**	**1.07%**
	Real Assets					
	Farmland Pool A					
9B	UBS Agrivest, LLC	**314,227,606**	**2,312,585**	**191,223**	**316,731,414**	**0.80%**
9G	Hancock Agricultural Investment Group	**180,152,702**	**1,849,031**	**6,508,000**	**188,509,733**	**4.64%**
	Total Farmland Pool A	**494,380,308**	**4,161,616**	**6,699,223**	**505,241,147**	**2.20%**
	Farmland Water Pool					
8Y	Hancock Water PPTY	**6,842,170**	**85,120**	**-**	**6,927,290**	**1.24%**
8Z	UBS Argivest, LLC	**15,980,372**	**114,226**	**-**	**16,094,598**	**0.71%**
	Total Farmland Water Pool	**22,822,542**	**199,346**	**-**	**23,021,888**	**0.87%**
	Timber Pool A					
9Q	Timberland INVT Resource LLC	**111,949,665**	**(645,988)**	**-**	**111,303,677**	**-0.58%**
9S	Hancock Natural Resourse Group	**46,382,306**	**961,558**	**-**	**47,343,864**	**2.07%**
	Total Timber Pool A	**158,331,971**	**315,570**	**-**	**158,647,541**	**0.20%**
	Energy Pool A					
9A	TCW Energy Fund XD	**22,180,909**	**31,328**	**-**	**22,212,237**	**0.14%**
9Z	TCW Energy Fund XIV-A	**67,224,071**	**468,925**	**771,737**	**68,464,733**	**1.85%**
	Total Energy Pool A	**89,404,980**	**500,253**	**771,737**	**90,676,970**	**1.42%**
	REIT Pool					
9H	REIT Holdings	**145,703,954**	**(2,818,829)**	**-**	**142,885,125**	**-1.93%**
	Treasury Inflation Proof Securities					
6N	TIPS Internally Managed Account	**188,416,669**	**(3,329,899)**	**-**	**185,086,770**	**-1.77%**

(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 November 30, 2010

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Real Estate					
	Core Commingled Accounts					
7A	JP Morgan	**152,095,876**	**2,214,925**	**-**	**154,310,801**	**1.46%**
7B	UBS Trumbull Property Fund	**62,602,843**	**-**	**-**	**62,602,843**	**0.00%**
	Total Core Commingled	**214,698,719**	**2,214,925**	**-**	**216,913,644**	**1.03%**
	Core Separate Accounts					
7D	Cornerstone Real Estate Advisers Inc.	**148,663,585**	**74**	**(342,008)**	**148,321,651**	**-0.23%**
7E	LaSalle Investment Management	**165,363,005**	**18**	**(787,497)**	**164,575,526**	**-0.48%**
7F	Sentinel Separate Account	**90,236,945**	**-**	**(377,069)**	**89,859,876**	**-0.42%**
7G	UBS Realty	**217,510,413**	**(105)**	**(1,151,304)**	**216,359,004**	**-0.53%**
	Total Core Separate	**621,773,948**	**(13)**	**(2,657,878)**	**619,116,057**	**-0.43%**
	Non-Core Commingled Accounts					
7J	Lowe Hospitality Partners	**3,304,544**	**-**	**-**	**3,304,544**	**0.00%**
7N	ING Clarion Development Ventures II	**19,380,791**	**-**	**-**	**19,380,791**	**0.00%**
7P	Lehman Brothers Real Estate Partners II	**75,058,308**	**-**	**-**	**75,058,308**	**0.00%**
7Q	Rothschild Five Arrows Realty Securities IV	**46,760,862**	**(7)**	**(423,214)**	**46,337,641**	**-0.91%**
7R	Tishman Speyer Real Estate Venture VI	**37,172,899**	**(30)**	**2,580,131**	**39,753,000**	**6.94%**
7X	Tishman Speyer Real Estate Venture VII	**3,052,419**	**7**	**6,662,100**	**9,714,526**	**218.26%**
7S	Rothschild Five Arrows Realty SecuritiesV	**7,351,062**	**-**	**2,187,902**	**9,538,964**	**29.76%**
7V	ING Clarion Development Ventures III	**9,157,642**	**-**	**-**	**9,157,642**	**0.00%**
7W	Lehman Brothers Real estate Partners III	**10,948,191**	**-**	**-**	**10,948,191**	**0.00%**
8R	BlackRock Diamond Property Fund	**17,864,980**	**-**	**-**	**17,864,980**	**0.00%**
8S	Colony Investors VIII, L.P.	**24,241,450**	**-**	**-**	**24,241,450**	**0.00%**
8U	LaSalle Medical Office Fund II	**14,995,081**	**-**	**-**	**14,995,081**	**0.00%**
8V	Cornerstone Apartment Venture III	**20,171,319**	**-**	**-**	**20,171,319**	**0.00%**
	Total Non-Core Commingled	**289,459,548**	**(30)**	**11,006,919**	**300,466,437**	**3.80%**
	Total Real Estate	**1,125,932,215**	**2,214,882**	**8,349,041**	**1,136,496,138**	**0.94%**
	Total Real Assets	**2,224,992,639**	**1,242,940**	**15,820,001**	**2,242,055,579**	**0.77%**
	Totals	**$ 15,290,927,171**	**$ (53,705,848)**	**$ (58,132,436)**	**$ 15,179,088,887**	**-0.73%**

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.

ALASKA RETIREMENT MANAGEMENT BOARD

Participant Directed Plans

Supplemental Annuity Plan
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
November 30, 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	$	7,126,196	$	2,247	$	(296,671)	$	-	$	6,831,772
Participant Options [2]										
T. Rowe Price										
Stable Value Fund		289,438,681		803,621		(1,652,363)		(1,451,533)		287,138,406
Small-Cap Stock Fund		61,951,480		2,795,804		(46,165)		4,529,237		69,230,356
Alaska Balanced Fund		1,054,777,001		(4,447,786)		(1,923,776)		(1,337,165)		1,047,068,274
Long Term Balanced Fund		287,026,424		(1,329,231)		2,799,688		(998,666)		287,498,215
Target 2010 Fund		28,259,661		4,614		(365,123)		(2,114,287)		25,784,865
AK Target Date 2010 Trust		3,467,717		(26,930)		13,124		1,385,060		4,838,971
AK Target Date 2015 Trust		81,700,659		(379,267)		(216,252)		366,636		81,471,776
AK Target Date 2020 Trust		29,438,297		(137,849)		61,386		206,729		29,568,563
AK Target Date 2025 Trust		12,573,468		(77,742)		170,971		455,105		13,121,802
AK Target Date 2030 Trust		2,643,137		(16,173)		111,023		107,111		2,845,098
AK Target Date 2035 Trust		3,295,931		(20,511)		123,152		90,886		3,489,458
AK Target Date 2040 Trust		3,077,130		(17,629)		131,383		(15,486)		3,175,398
AK Target Date 2045 Trust		2,037,003		(14,662)		148,390		72,558		2,243,289
AK Target Date 2050 Trust		1,975,639		(16,515)		148,872		224,586		2,332,582
AK Target Date 2055 Trust		1,373,227		(8,774)		50,797		27,751		1,443,001
Total Investments with T. Rowe Price		1,863,035,455		(2,889,030)		(444,893)		1,548,522		1,861,250,054
State Street Global Advisors										
State Street Treasury Money Market Fund - Inst.		13,923,767		71		(416,386)		(593,913)		12,913,539
S&P 500 Stock Index Fund Series A		212,505,580		14,959		412,350		2,149,415		215,082,304
Russell 3000 Index		7,728,488		34,951		45,828		926,617		8,735,884
US Real Estate Investment Trust Index		19,307,500		(392,538)		88,295		(348,103)		18,655,154
World Equity Ex-US Index		12,150,229		(463,952)		49,510		(197,452)		11,538,335
Long US Treasury Bond Index		11,458,591		(163,262)		15,884		(3,157,167)		8,154,046
US Treasury Inflation Protected Securities Index		15,069,717		(266,208)		(48,393)		(73,474)		14,681,642
World Government Bond Ex-US Index		4,526,791		(273,853)		17,830		(590,236)		3,680,532
Global Balanced Fund		51,583,498		(1,102,282)		(162,056)		239,330		50,558,490
Total Investments with SSGA		348,254,161		(2,612,114)		2,862		(1,644,983)		343,999,926
Barclays Global Advisors										
Government Bond Fund		49,330,920		(393,068)		(91,373)		(792,973)		48,053,506
Intermediate Bond Fund		14,540,530		(85,493)		61,847		60,763		14,577,647
Total Investments with Barclays Global Investors		63,871,450		(478,561)		(29,526)		(732,210)		62,631,153
Brandes Institutional										
International Equity Fund Fee		77,768,946		(4,682,069)		206,522		(1,161,084)		72,132,315
RCM										
Sustainable Opportunities Fund		26,412,736		292,592		28,162		1,989,755		28,723,245
Total Externally Managed Funds		2,379,342,748		(10,369,182)		(236,873)		-		2,368,736,693
Total All Funds	$	2,386,468,944	$	(10,366,935)	$	(533,544)	$	-	$	2,375,568,465

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

Supplemental Annuity Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
November 30, 2010
$ (Thousands)

	July	August	September	October	November
Invested Assets (At Fair Value)					
Investments with Treasury Division					
Cash and cash equivalents	$ 8,600	$ 7,237	$ 7,565	$ 7,126	$ 6,832
Investments with T. Rowe Price					
Stable Value Fund	283,711	286,962	292,402	289,439	287,138
Small-Cap Stock Fund	56,604	50,508	56,772	61,951	69,230
Alaska Balanced Fund	1,021,978	1,009,446	1,040,934	1,054,777	1,047,068
Long Term Balanced Fund	260,317	257,593	275,366	287,026	287,498
Target 2010 Fund	29,828	29,818	28,935	28,260	25,785
AK Target Date 2010 Trust	2,391	2,495	3,236	3,468	4,839
AK Target Date 2015 Trust	76,971	74,720	79,853	81,701	81,472
AK Target Date 2020 Trust	26,587	25,728	28,036	29,438	29,569
AK Target Date 2025 Trust	11,206	11,053	12,152	12,573	13,122
AK Target Date 2030 Trust	2,157	2,138	2,438	2,643	2,845
AK Target Date 2035 Trust	2,754	2,776	3,113	3,296	3,489
AK Target Date 2040 Trust	2,430	2,363	2,755	3,077	3,175
AK Target Date 2045 Trust	1,291	1,415	1,829	2,037	2,243
AK Target Date 2050 Trust	1,264	1,371	1,674	1,976	2,333
AK Target Date 2055 Trust	627	847	1,028	1,373	1,443
Investments with State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	14,076	13,812	13,926	13,924	12,914
S&P 500 Stock Index Fund Series A	200,659	191,347	205,473	212,506	215,082
Russell 3000 Index	6,703	6,272	6,945	7,728	8,736
US Real Estate Investment Trust Index	18,422	17,661	18,779	19,307	18,655
World Equity Ex-US Index	9,524	9,289	10,142	12,150	11,538
Long US Treasury Bond Index	12,373	15,914	13,157	11,459	8,154
US Treasury Inflation Protected Securities Index	13,401	13,788	14,030	15,070	14,682
World Govt Bond Ex	3,248	3,697	3,923	4,527	3,681
Global Balanced Fund	48,362	47,446	50,190	51,583	50,558
Investments with Barclays Global Investors					
Government Bond Fund	47,268	49,121	50,177	49,331	48,054
Intermediate Bond Fund	14,065	14,660	14,391	14,541	14,578
Investments with Brandes Investment Partners					
International Equity Fund Fee	72,916	69,081	74,715	77,769	72,132
Investments with RCM					
Sustainable Opportunities Fund	24,096	22,721	24,644	26,413	28,723
Total Invested Assets	**$ 2,273,829**	**$ 2,241,276**	**$ 2,338,580**	**$ 2,386,469**	**$ 2,375,568**
Change in Invested Assets					
Beginning Assets	$ 2,189,939	$ 2,273,829	$ 2,241,276	$ 2,338,580	$ 2,386,469
Investment Earnings	83,974	(33,295)	93,734	45,562	(10,367)
Net Contributions (Withdrawals)	(84)	742	3,570	2,327	(534)
Ending Invested Assets	**$ 2,273,829**	**$ 2,241,276**	**$ 2,338,580**	**$ 2,386,469**	**$ 2,375,568**

Deferred Compensation Plan
Schedule of Invested Assets and Changes in Invested Assets
for the Month Ended
November 30, 2010

Participant Options	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
T. Rowe Price					
Interest Income Fund	$ 164,845,723	$ 490,863	$ (1,110,642)	$ (742,285)	$ 163,483,659
Small Cap Stock Fund	58,724,301	2,578,729	(113,274)	850,396	62,040,152
Long Term Balanced Fund	31,521,094	(139,820)	245,940	(123,010)	31,504,204
Alaska Balanced Trust	4,104,855	(16,778)	43,773	(50,044)	4,081,806
AK Target Date 2010 Trust	1,327,555	(2,584)	7,656	(156,926)	1,175,701
AK Target Date 2015 Trust	1,993,461	(12,617)	66,432	209,546	2,256,822
AK Target Date 2020 Trust	1,633,414	(6,711)	71,061	85,320	1,783,084
AK Target Date 2025 Trust	961,150	(6,409)	44,357	(15,029)	984,069
AK Target Date 2030 Trust	459,400	(2,351)	26,970	198	484,217
AK Target Date 2035 Trust	605,182	(3,048)	19,337	(14,698)	606,773
AK Target Date 2040 Trust	343,117	(51)	23,378	(143,523)	222,921
AK Target Date 2045 Trust	112,783	(692)	7,527	5,206	124,824
AK Target Date 2050 Trust	108,948	(3,049)	4,509	143,787	254,195
AK Target Date 2055 Trust	759,663	(4,176)	1,269	11,882	768,638
Total Investments with T. Rowe Price	267,500,646	2,871,306	(661,707)	60,820	269,771,065
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	5,937,274	30	(21,665)	(127,333)	5,788,306
Russell 3000 Index	2,749,974	5,130	52,760	669,265	3,477,129
US Real Estate Investment Trust Index	6,187,838	(130,240)	67,894	(71,206)	6,054,286
World Equity Ex-US Index	4,375,089	(181,959)	51,364	122,732	4,367,226
Long US Treasury Bond Index	2,492,600	(35,740)	31,114	(557,718)	1,930,256
US Treasury Inflation Protected Securities Index	6,596,247	(114,523)	148,881	298,436	6,929,041
World Government Bond Ex-US Index	1,711,161	(86,310)	14,919	(440,071)	1,199,699
Global Balanced Fund	36,794,031	(777,721)	75,961	(33,081)	36,059,190
Total Investments with SSGA	66,844,214	(1,321,333)	421,228	(138,976)	65,805,133
Barclays Global Investors					
S&P 500 Index Fund	114,042,156	8,635	187,124	1,073,206	115,311,121
Government/Credit Bond Fund	32,198,604	(254,464)	(86,776)	(611,065)	31,246,299
Intermediate Bond Fund	17,647,420	(102,921)	42,216	(273,847)	17,312,868
Total Investments with Barclays Global Investors	163,888,180	(348,750)	142,564	188,294	163,870,288
Brandes Institutional					
International Equity Fund Fee	45,070,671	(2,687,291)	52,002	(734,858)	41,700,524
RCM					
Sustainable Core Opportunities Fund	9,039,353	100,820	101,157	624,720	9,866,050
Total All Funds	$ 552,343,064	$ (1,385,248)	$ 55,244	$ -	$ 551,013,060

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
November 30, 2010
$ (Thousands)

	July	August	September	October	November
Invested Assets (at fair value)					
Investments with T. Rowe Price					
Interest Income Fund					
Cash and cash equivalents	$ 9,218	$ 10,797	$ 12,555	$ 10,292	$ 8,520
Synthetic Investment Contracts	152,713	153,492	153,428	154,554	154,963
Small Cap Stock Fund	54,781	50,185	55,467	58,724	62,041
Long Term Balanced Fund	29,257	28,917	30,533	31,522	31,504
Alaska Balanced Trust	3,426	3,701	3,988	4,105	4,082
AK Target Date 2010 Trust	1,274	1,082	1,273	1,328	1,176
AK Target Date 2015 Trust	1,383	1,387	1,725	1,993	2,257
AK Target Date 2020 Trust	1,332	1,161	1,330	1,633	1,783
AK Target Date 2025 Trust	649	705	861	961	984
AK Target Date 2030 Trust	405	413	435	459	484
AK Target Date 2035 Trust	478	458	505	605	607
AK Target Date 2040 Trust	164	175	301	343	223
AK Target Date 2045 Trust	90	94	104	113	125
AK Target Date 2050 Trust	92	93	102	109	254
AK Target Date 2055 Trust	666	645	690	760	769
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst	5,460	5,641	5,983	5,937	5,788
Russell 3000 Index	2,201	2,077	2,496	2,750	3,477
US Real Estate Investment Trust Index	5,748	5,217	5,747	6,188	6,054
World Equity Ex-US Index	3,597	3,523	3,848	4,375	4,367
Long US Treasury Bond Index	2,901	3,528	2,616	2,493	1,930
US Treasury Inflation Protected Securities Inde:	5,826	6,109	6,148	6,596	6,929
World Government Bond Ex-US Index	1,157	1,350	1,391	1,711	1,200
Global Balanced Fund	34,105	33,789	35,812	36,794	36,059
Investments with Barclays Global Investors					
S&P 500 Index Fund	107,770	102,540	110,500	114,042	115,311
Government/Credit Bond Fund	31,515	32,352	32,485	32,199	31,246
Intermediate Bond Fund	17,567	17,954	17,747	17,647	17,313
Investments with Brandes Institutional					
International Equity Fund Fee	41,695	40,357	43,536	45,071	41,701
Investments with RCM					
Sustainable Opportunities Fund	8,064	7,699	8,497	9,039	9,866
Total Invested Assets	**$ 523,534**	**$ 515,441**	**$ 540,103**	**$ 552,343**	**$ 551,013**
Change in Invested Assets					
Beginning Assets	$ 502,805	$ 523,534	$ 515,441	$ 540,102	$ 552,343
Investment Earnings	20,548	(10,281)	24,972	11,995	(1,385)
Net Contributions (Withdrawals)	181	2,188	(310)	246	55
Ending Invested Assets	**$ 523,534**	**$ 515,441**	**$ 540,103**	**$ 552,343**	**$ 551,013**

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

Defined Contribution Retirement - Participant Directed PERS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
November 30, 2010

	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
Interim Transit Account					
Treasury Division (1)					
Cash and Cash Equivalents	$ 653,412	$ 336	$ (305,572)	$ -	$ 348,176
Participant Options (2)					
T. Rowe Price					
Alaska Money Market	4,746,612	939	101,758	(108,089)	4,741,220
Small-Cap Stock Fund	1,338,575	60,850	41,803	30,223	1,471,451
Long Term Balanced Fund	8,863,566	(39,544)	142,692	(201,994)	8,764,720
Alaska Balanced Fund	207,083	(885)	5,119	13	211,330
AK Target Date 2010 Trust	147,488	(766)	16,920	(3,755)	159,887
AK Target Date 2015 Trust	678,779	(4,021)	70,294	(235)	744,817
AK Target Date 2020 Trust	1,056,571	(6,600)	114,948	(2,245)	1,162,674
AK Target Date 2025 Trust	1,344,587	(9,971)	148,574	30,356	1,513,546
AK Target Date 2030 Trust	1,493,224	(10,205)	163,625	-	1,646,644
AK Target Date 2035 Trust	1,544,911	(11,243)	187,054	28,630	1,749,352
AK Target Date 2040 Trust	2,663,057	(17,688)	227,677	8,409	2,881,455
AK Target Date 2045 Trust	2,301,256	(16,378)	295,673	(3,961)	2,576,590
AK Target Date 2050 Trust	2,627,235	(18,441)	310,045	(662)	2,918,177
AK Target Date 2055 Trust	685,091	(4,909)	93,862	8	774,052
Total Investments with T. Rowe Price	29,698,035	(78,862)	1,920,044	(223,302)	31,315,915
State Street Global Advisors					
Money Market	182,687	1	7,105	1,009	190,802
S&P 500 Stock Index Fund Series A	26,696,525	(1,703)	594,094	(7,445)	27,281,471
Russell 3000 Index	173,031	673	8,115	9,947	191,766
US Real Estate Investment Trust Index	234,859	(6,346)	8,871	70,851	308,235
World Equity Ex-US Index	181,688	(8,549)	182	13,275	186,596
Long US Treasury Bond Index	188,358	(2,163)	3,109	(48,703)	140,601
US Treasury Inflation Protected Sec Index	154,399	(2,694)	4,864	301	156,870
World Government Bond Ex-US Index	70,888	(4,769)	2,026	4,555	72,700
Global Balanced Fund	2,875,744	(61,520)	57,609	(23,151)	2,848,682
Total Investments with SSGA	30,758,179	(87,070)	685,975	20,639	31,377,723
Barclays					
Government Bond Fund	4,015,549	(32,092)	72,228	53,589	4,109,274
Intermediate Bond Fund	240,446	(1,406)	7,317	(1,633)	244,724
Total Investments with Barclays Global Investors	4,255,995	(33,498)	79,545	51,956	4,353,998
Brandes Institutional					
International Equity Fund Fee	33,172,948	(2,060,850)	711,470	204,998	32,028,566
RCM					
Sustainable Opportunities Fund	27,345,710	309,922	604,546	(54,291)	28,205,887
Total Externally Managed Funds	125,230,867	(1,950,358)	4,001,580	-	127,282,089
Total All Funds	$ 125,884,279	$ (1,950,022)	$ 3,696,008	$ -	$ 127,630,265

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

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
November 30, 2010
$ (Thousands)

	July	August	September	October	November
Invested Assets (At Fair Value)					
Investments with Treasury Division					
Cash and cash equivalents	$ 438	$ 315	$ 585	$ 651	$ 346
Investments with T. Rowe Price					
Alaska Money Market	4,138	4,327	4,476	4,747	4,741
Small-Cap Stock Fund	1,150	1,099	1,257	1,339	1,471
Long Term Balanced Fund	7,602	7,684	8,362	8,864	8,765
Alaska Balanced Fund	172	180	194	207	211
AK Target Date 2010 Trust	102	111	129	147	160
AK Target Date 2015 Trust	454	494	592	679	745
AK Target Date 2020 Trust	709	768	913	1,057	1,163
AK Target Date 2025 Trust	927	978	1,177	1,345	1,514
AK Target Date 2030 Trust	1,002	1,075	1,310	1,493	1,647
AK Target Date 2035 Trust	1,012	1,087	1,333	1,545	1,749
AK Target Date 2040 Trust	1,812	1,933	2,343	2,663	2,881
AK Target Date 2045 Trust	1,454	1,589	1,976	2,301	2,577
AK Target Date 2050 Trust	1,639	1,810	2,255	2,627	2,918
AK Target Date 2055 Trust	384	459	586	685	774
Investments with State Street Global Advisors					
Money Market	173	152	177	183	191
S&P 500 Stock Index Fund Series A	22,958	22,495	25,145	26,697	27,281
Russell 3000 Index	140	139	155	173	192
US Real Estate Investment Trust Index	174	223	266	235	308
World Equity Ex-US Index	167	170	188	182	187
Long US Treasury Bond Index	162	217	155	188	141
US Treasury Inflation Protected Sec Index	106	111	144	154	157
World Government Bond Ex-US Index	103	61	70	71	73
Global Balanced Fund	2,485	2,489	2,730	2,876	2,849
Investments with Barclays					
Government Bond Fund	3,668	3,759	3,881	4,016	4,109
Intermediate Bond Fund	215	212	220	240	245
Investments with Brandes Investment Partners					
International Equity Fund Fee	29,365	28,544	31,352	33,173	32,029
Investments with RCM					
Sustainable Opportunities Fund	23,131	22,556	25,444	27,346	28,206
Total Invested Assets	**$ 105,842**	**$ 105,040**	**$ 117,415**	**$ 125,884**	**$ 127,630**
Change in Invested Assets					
Beginning Assets	$ 96,173	$ 105,842	$ 105,040	$ 117,415	$ 125,884
Investment Earnings	6,556	(3,919)	8,321	4,355	(1,950)
Net Contributions (Withdrawals)	3,113	3,117	4,054	4,114	3,696
Ending Invested Assets	**$ 105,842**	**$ 105,040**	**$ 117,415**	**$ 125,884**	**$ 127,630**

Defined Contribution Retirement - Participant Directed TRS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
November 30, 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	$ 59,067	$ 142	$ 134,902	$ -	$ 194,111
Participant Options [2]					
T. Rowe Price					
Alaska Money Market	1,943,167	385	60,515	(62,457)	1,941,610
Small-Cap Stock Fund	552,377	24,283	10,009	(1,113)	585,556
Long Term Balanced Fund	4,383,685	(19,420)	96,042	(166,962)	4,293,345
Alaska Balanced Fund	61,097	(267)	1,762	(158)	62,434
AK Target Date 2010 Trust	101,217	(537)	9,783	-	110,463
AK Target Date 2015 Trust	326,181	(2,062)	29,870	12,022	366,011
AK Target Date 2020 Trust	444,628	(3,097)	55,779	-	497,310
AK Target Date 2025 Trust	514,043	(3,638)	70,069	-	580,474
AK Target Date 2030 Trust	506,490	(3,685)	71,807	-	574,612
AK Target Date 2035 Trust	914,570	(6,990)	130,443	(2,208)	1,035,815
AK Target Date 2040 Trust	1,097,533	(7,371)	100,962	-	1,191,124
AK Target Date 2045 Trust	1,857,558	(13,740)	244,168	(1,010)	2,086,976
AK Target Date 2050 Trust	2,205,433	(16,403)	321,936	(13,184)	2,497,782
AK Target Date 2055 Trust	50,945	(468)	12,788	-	63,265
Total Investments with T. Rowe Price	14,958,924	(53,010)	1,215,933	(235,070)	15,886,777
State Street Global Advisors					
Money Market	12,046	-	732	19,303	32,081
S&P 500 Stock Index Fund Series A	11,039,847	(1,467)	278,627	(1,577)	11,315,430
Russell 3000 Index	61,995	326	2,129	918	65,368
US Real Estate Investment Trust Index	44,386	(1,343)	3,251	17,818	64,112
World Equity Ex-US Index	35,630	(1,487)	2,263	(773)	35,633
Long US Treasury Bond Index	11,211	(142)	616	-	11,685
US Treasury Inflation Protected Sec Index	76,497	(1,201)	1,680	(237)	76,739
World Government Bond Ex-US Index	1,697	(109)	33	-	1,621
Global Balanced Fund	1,650,269	(35,731)	35,268	(1,859)	1,647,947
Total Investments with SSGA	12,933,578	(41,154)	324,599	33,593	13,250,616
Barclays					
Government Bond Fund	1,659,809	(13,233)	39,172	49,008	1,734,756
Intermediate Bond Fund	58,961	(376)	842	35	59,462
Total Investments with Barclays Global Investors	1,718,770	(13,609)	40,014	49,043	1,794,218
Brandes Institutional					
International Equity Fund Fee	13,931,426	(869,106)	349,317	97,163	13,508,800
RCM					
Sustainable Opportunities Fund	11,232,850	128,334	287,027	55,271	11,703,482
Total Externally Managed Funds	54,775,548	(848,545)	2,216,890	-	56,143,893
Total All Funds	$ 54,834,615	$ (848,403)	$ 2,351,792	$ -	$ 56,338,004

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

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
November 30, 2010
$ (Thousands)

	July	August	September	October	November
Invested Assets (At Fair Value)					
Investments with Treasury Division					
Cash and cash equivalents	$ 76	$ 56	141	59	195
Investments with T. Rowe Price					
Alaska Money Market	1,829	1,821	1,875	1,943	1,942
Small-Cap Stock Fund	486	441	502	552	586
Long Term Balanced Fund	3,937	3,874	4,165	4,384	4,293
Alaska Balanced Fund	61	56	58	61	62
AK Target Date 2010 Trust	79	78	87	101	110
AK Target Date 2015 Trust	307	284	316	326	366
AK Target Date 2020 Trust	339	316	374	445	497
AK Target Date 2025 Trust	397	378	433	514	580
AK Target Date 2030 Trust	422	390	434	506	575
AK Target Date 2035 Trust	713	677	783	915	1,036
AK Target Date 2040 Trust	865	830	948	1,098	1,191
AK Target Date 2045 Trust	1,448	1,390	1,595	1,858	2,087
AK Target Date 2050 Trust	1,673	1,611	1,856	2,205	2,498
AK Target Date 2055 Trust	30	29	37	51	63
Investments with State Street Global Advisors					
Money Market	12	12	12	12	32
S&P 500 Stock Index Fund Series A	10,055	9,523	10,426	11,040	11,315
Russell 3000 Index	48	48	58	62	65
US Real Estate Investment Trust Index	42	44	41	44	64
World Equity Ex-US Index	22	23	30	36	36
Long US Treasury Bond Index	10	11	11	11	12
US Treasury Inflation Protected Sec Index	80	73	73	76	77
World Government Bond Ex-US Index	2	2	2	2	2
Global Balanced Fund	1,518	1,478	1,582	1,650	1,648
Investments with Barclays					
Government Bond Fund	1,622	1,616	1,619	1,660	1,735
Intermediate Bond Fund	38	38	39	59	59
Investments with Brandes Investment Partners					
International Equity Fund Fee	13,066	12,298	13,214	13,932	13,509
Investments with RCM					
Sustainable Opportunities Fund	10,094	9,514	10,465	11,233	11,703
Total Invested Assets	**$ 49,271**	**$ 46,911**	**$ 51,175**	**$ 54,835**	**$ 56,338**
Change in Invested Assets					
Beginning Assets	$ 45,348	$ 49,271	$ 46,911	$ 51,175	$ 54,835
Investment Earnings	3,071	(1,764)	3,690	1,880	(848)
Net Contributions (Withdrawals)	852	(596)	575	1,780	2,351
Ending Invested Assets	**$ 49,271**	**$ 46,911**	**$ 51,175**	**$ 54,835**	**$ 56,338**

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT
(Supplement to the Treasury Division Report)

As of November 30, 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 Five Months Ending November 30, 2010

		Contributions				Expenditures				Net
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	Contributions/ (Withdrawals)
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		116,302,838	65,187,270	8,458	181,498,566	(216,374,142)	(4,987,103)	(15,557,453)	(236,918,698)	(55,420,132)
Retirement Health Care Trust		111,867,961	100,653,901	446,357,772	658,879,634	(130,178,118)	-	(89,407,611)	(219,585,729)	439,293,905
Total Defined Benefit Plans		228,170,799	165,841,171	446,366,230	840,378,200	(346,552,260)	(4,987,103)	(104,965,064)	(456,504,427)	383,873,773
Defined Contribution Plans:										
Participant Directed Retirement		22,421,780	-	-	22,421,780	-	(3,670,332)	(656,793)	(4,327,125)	18,094,655
Health Reimbursement Arrangement	(a)	6,006,888	-	-	6,006,888	-	-	-	-	6,006,888
Retiree Medical Plan	(a)	1,027,398	-	-	1,027,398	-	-	-	-	1,027,398
Occupational Death and Disability:	(a)									
Public Employees		475,399	-	-	475,399	-	-	-	-	475,399
Police and Firefighters		226,914	-	-	226,914	-	-	-	-	226,914
Total Defined Contribution Plans		30,158,379	-	-	30,158,379	-	(3,670,332)	(656,793)	(4,327,125)	25,831,254
Total PERS		**258,329,178**	**165,841,171**	**446,366,230**	**870,536,579**	**(346,552,260)**	**(8,657,435)**	**(105,621,857)**	**(460,831,552)**	**409,705,027**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		25,863,335	109,343,380	6,935	135,213,650	(143,150,494)	(1,290,599)	(5,932,608)	(150,373,701)	(15,160,051)
Retirement Health Care Trust		26,488,509	81,506,878	54,951,849	162,947,236	(54,180,679)	-	(11,773,737)	(65,954,416)	96,992,820
Total Defined Benefit Plans		52,351,844	190,850,258	54,958,784	298,160,886	(197,331,173)	(1,290,599)	(17,706,345)	(216,328,117)	81,832,769
Defined Contribution Plans:										
Participant Directed Retirement		6,876,303	-	-	6,876,303	-	(1,702,173)	(211,483)	(1,913,656)	4,962,647
Health Reimbursement Arrangement	(a)	1,389,178	-	-	1,389,178	-	-	-	-	1,389,178
Retiree Medical Plan	(a)	345,385	-	-	345,385	-	-	-	-	345,385
Occupational Death and Disability:	(a)	132,345	-	-	132,345	-	-	-	-	132,345
Total Defined Contribution Plans		8,743,211	-	-	8,743,211	-	(1,702,173)	(211,483)	(1,913,656)	6,829,555
Total TRS		**61,095,055**	**190,850,258**	**54,958,784**	**306,904,097**	**(197,331,173)**	**(2,992,772)**	**(17,917,828)**	**(218,241,773)**	**88,662,324**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		1,807,398	727,183	3	2,534,584	(3,733,749)	-	(171,883)	(3,905,632)	(1,371,048)
Defined Benefit Retirement Health Care Trust		471,730	61,754	3,028	536,512	(485,431)	-	(10,991)	(496,422)	40,090
Total JRS		**2,279,128**	**788,937**	**3,031**	**3,071,096**	**(4,219,180)**	**-**	**(182,874)**	**(4,402,054)**	**(1,330,958)**
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	965,375	-	-	965,375	(514,378)	-	(69,601)	(583,979)	381,396
Other Participant Directed Plans										
Supplemental Annuity Plan		63,649,685	-	-	63,649,685	-	(56,128,201)	(1,500,855)	(57,629,056)	6,020,629
Deferred Compensation Plan		17,445,025	-	-	17,445,025	-	(14,625,104)	(459,285)	(15,084,389)	2,360,636
Total All Funds		**403,763,446**	**357,480,366**	**501,328,045**	**1,262,571,857**	**(548,616,991)**	**(82,403,512)**	**(125,752,300)**	**(756,772,803)**	**505,799,054**

(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 November 30, 2010

		Contributions				Expenditures				Net
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	**Contributions/ (Withdrawals)**
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		22,459,192	-	5,685	22,464,877	(43,719,930)	(836,119)	(3,335,858)	(47,891,907)	(25,427,030)
Retirement Health Care Trust		18,828,159	-	191,705	19,019,864	(24,961,777)	-	(678,431)	(25,640,208)	(6,620,344)
Total Defined Benefit Plans		41,287,351	-	197,390	41,484,741	(68,681,707)	(836,119)	(4,014,289)	(73,532,115)	(32,047,374)
Defined Contribution Plans:										
Participant Directed Retirement		4,494,800	-	-	4,494,800	-	(770,642)	(28,150)	(798,792)	3,696,008
Health Reimbursement Arrangement	(a)	1,285,670	-	-	1,285,670	-	-	-	-	1,285,670
Retiree Medical Plan	(a)	196,861	-	-	196,861	-	-	-	-	196,861
Occupational Death and Disability:	(a)									
Public Employees		99,849	-	-	99,849	-	-	-	-	99,849
Police and Firefighters		42,367	-	-	42,367	-	-	-	-	42,367
Total Defined Contribution Plans		6,119,547	-	-	6,119,547	-	(770,642)	(28,150)	(798,792)	5,320,755
Total PERS		**47,406,898**	**-**	**197,390**	**47,604,288**	**(68,681,707)**	**(1,606,761)**	**(4,042,439)**	**(74,330,907)**	**(26,726,619)**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		8,114,415	-	1,341	8,115,756	(28,498,007)	(179,715)	(1,236,711)	(29,914,433)	(21,798,677)
Retirement Health Care Trust		5,041,252	-	77,127	5,118,379	(10,797,601)	-	(264,644)	(11,062,245)	(5,943,866)
Total Defined Benefit Plans		13,155,667	-	78,468	13,234,135	(39,295,608)	(179,715)	(1,501,355)	(40,976,678)	(27,742,543)
Defined Contribution Plans:										
Participant Directed Retirement		2,408,170	-	-	2,408,170	-	(49,269)	(7,109)	(56,378)	2,351,792
Health Reimbursement Arrangement	(a)	464,857	-	-	464,857	-	-	-	-	464,857
Retiree Medical Plan	(a)	102,103	-	-	102,103	-	-	-	-	102,103
Occupational Death and Disability:	(a)	42,044	-	-	42,044	-	-	-	-	42,044
Total Defined Contribution Plans		3,017,174	-	-	3,017,174	-	(49,269)	(7,109)	(56,378)	2,960,796
Total TRS		**16,172,841**	**-**	**78,468**	**16,251,309**	**(39,295,608)**	**(228,984)**	**(1,508,464)**	**(41,033,056)**	**(24,781,747)**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		358,237	-	-	358,237	(753,669)	-	(36,207)	(789,876)	(431,639)
Defined Benefit Retirement Health Care Trust		77,163	-	620	77,783	(89,747)	-	(2,137)	(91,884)	(14,101)
Total JRS		**435,400**	**-**	**620**	**436,020**	**(843,416)**	**-**	**(38,344)**	**(881,760)**	**(445,740)**
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	-	-	-	-	(115,081)	-	(15,449)	(130,530)	(130,530)
Other Participant Directed Plans										
Supplemental Annuity Plan		11,967,589	-	-	11,967,589	-	(12,272,611)	(228,522)	(12,501,133)	(533,544)
Deferred Compensation Plan		4,658,367	-	-	4,658,367	-	(4,525,065)	(78,058)	(4,603,123)	55,244
Total All Funds		**80,641,095**	**-**	**276,478**	**80,917,573**	**(108,935,812)**	**(18,633,421)**	**(5,911,276)**	**(133,480,509)**	**(52,562,936)**

(a) Employer only contributions.

ADVENT
CAPITAL MANAGEMENT, LLC

Alaska Retirement Management Board

February 10, 2011

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Table of Contacts

I. Advent Overview

Advent Adds Value

- **Advent manages approximately $6 billion** in long-only, alternative and closed-end mutual fund strategies.
  - Advent has raised over $2.5 billion since the start of 2008.
- **Advent has 56 employees including 25 investment professionals** in New York and London.
- **Advent has significant experience in the global convertible and high yield markets** with portfolio managers averaging over 25 years of experience.
- **Advent has a unique 360° view of the capital markets** by globally managing both long-only and hedge fund strategies – evaluating all parts of the capital structure. Additionally, our product diversity creates stability for the firm.
- **Advent has achieved superior returns across all products since 1995** through our disciplined investment process of selecting attractive credits with favorable fundamentals.
- **Advent utilizes a dynamic bottom-up, fundamental approach to security selection. Our proprietary cash flow model** identifies changes in company fundamentals before they are reflected in reported earnings or security price movements.
- **Advent is a tier one institutional account globally**, which commands access to company managements, outside research and new issue allocations.
- **As a fiduciary, Advent places the interest of our clients first**. Advent's client base includes some of the world's largest public and corporate pension plans, foundations, endowments, insurance companies and high net worth individuals.

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Phoenix Convertible Income Strategy – Portfolio Management Team

Tracy Maitland – President, CIO, Co-Portfolio Manager

- Serves as the Chief Investment Officer of Advent Capital Management, overseeing all investment activities of the firm
- Prior to founding Advent, was a Director in the Convertible Securities Department at Merrill Lynch. His experience spans trading, sales, origination and portfolio management of convertible securities
- 28 years of experience in convertibles
- Co-Portfolio Manager of the Phoenix Strategy since its inception in 1996

F. Barry Nelson, CFA – Senior Vice President, Co-Portfolio Manager

- 38 years of investment experience including managing convertibles, equity and fixed income portfolios
- Developed Advent's cash flow-based research process
- Prior to Advent, Mr. Nelson was Lead Manager of Value Line Convertible Fund and Value Line Multinational Fund, and Research Director of Value Line Convertibles Survey
- Co-Portfolio Manager of the Phoenix Strategy since its inception in 1996

Paul Latronica – Managing Director, Associate Portfolio Manager

- 17 years of investment experience including manager of operations and head of trading
- Developed a proprietary trading platform creating a listed market for OTC trades
- 10 years involvement in the Phoenix Strategy

Supported by an experienced Investment Team, Investment Committee and Risk Management Committee

- Investment team of 25 professionals including 11 research analysts
- Investment Committee consists of Tracy Maitland, CIO, Barry Nelson, Portfolio Manager, Odell Lambroza, Portfolio Manager, David Hulme, Portfolio Manager
- Risk Management Committee consists of Ed Johnson, COO, Lingjia Zhang, Risk Analyst, Drew Hanson, Director or Research

II. Convertible Dynamics

Convertible Dynamics

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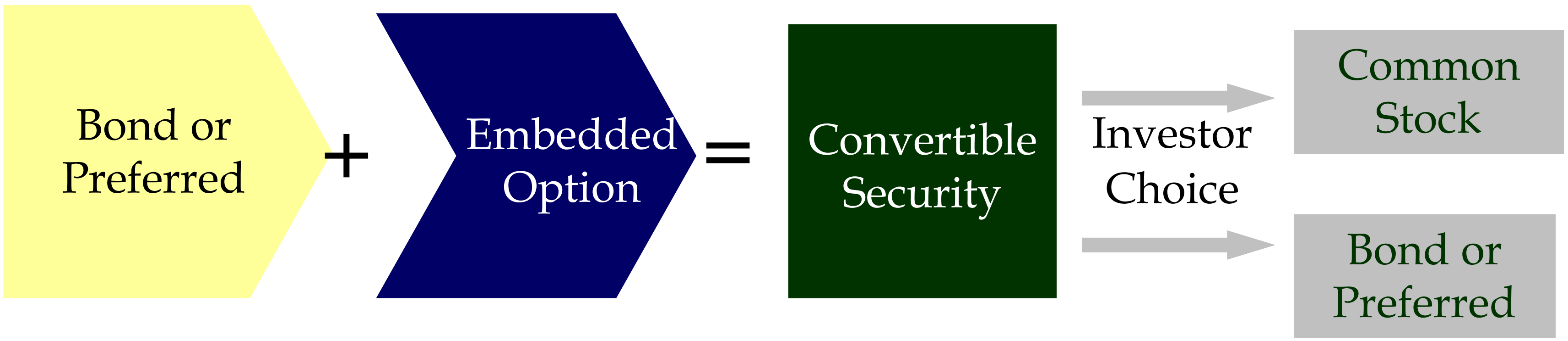
- Convertible Bonds provide equity-like returns with much less risk than outright ownership of common stocks.
- Convertible bonds participate in appreciation of the issuing company's stock because convertibles provide the right to convert into a fixed number of the company's common shares.
- Convertible bonds pay interest and repay principal at maturity; hence, the investor is protected on the downside if the underlying stock fails to perform.

Definition of a Convertible

- A convertible security is a corporate bond or preferred stock with an embedded option that allows the holder to convert the bond or preferred stock into a fixed number of common shares of the issuing company.
- Like other corporate bonds and preferred stocks, convertible securities pay a fixed rate and convertible bonds have a maturity date.
- Convertibles have the added feature of allowing the holder to convert the security into common stock.

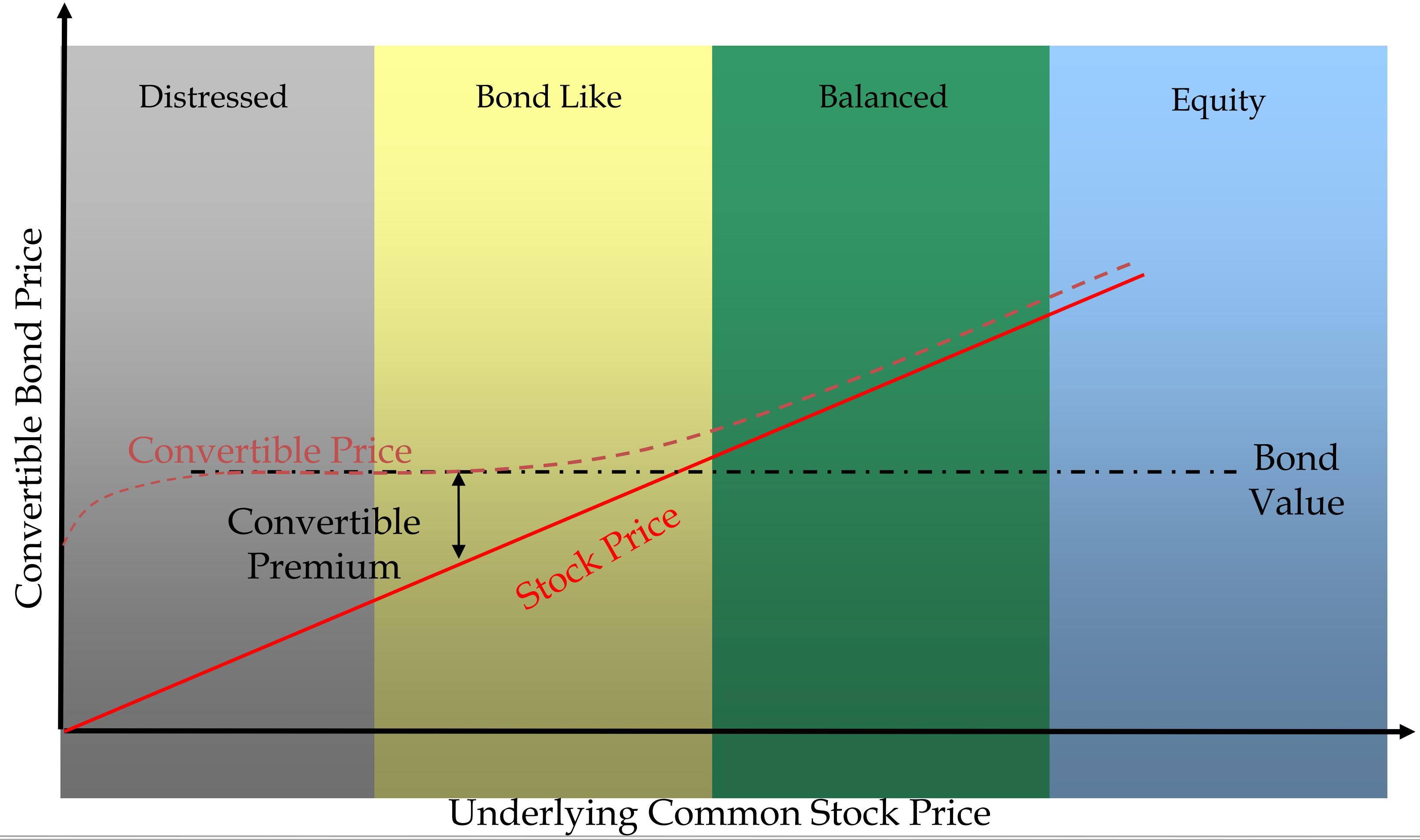


Basic Characteristics of Stock, Bonds & Convertibles

The only bond-like strategy that offers growth

	Stocks	Bonds	Convertibles
Return	Higher	Lower	Higher
Risk	Higher	Lower	Lower

Convertible Price Dynamics



III. 2010 Account Review

Phoenix Convertible Income Strategy Investment Philosophy

- Seek **income and capital gains** by investing in undervalued income convertibles which trade much like "straight" bonds, no more than 20% above investment value.

Investment Strategy

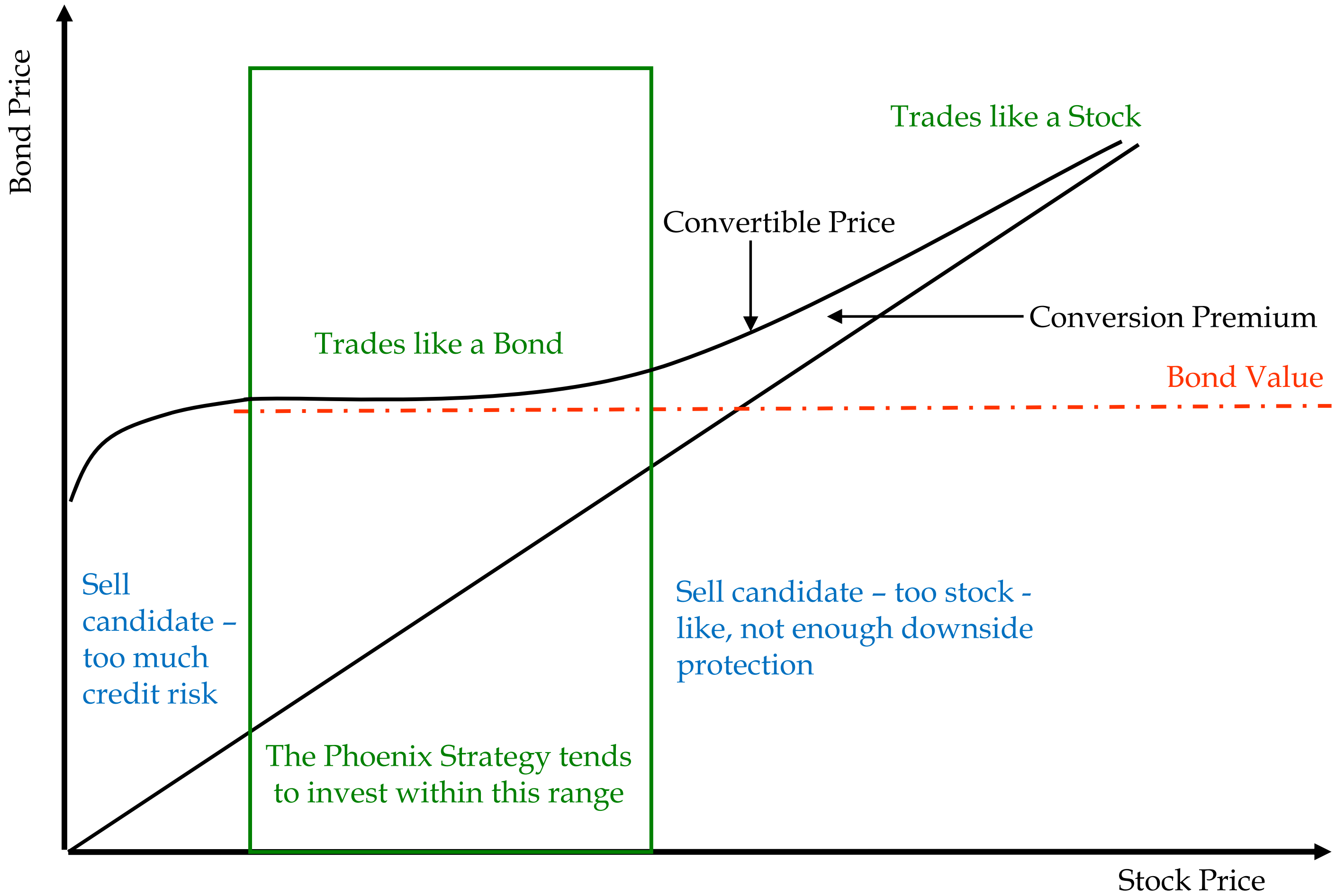
- Invest in convertible securities that **trade close to bond value**—thus implying cheap, out-of-the-money options and less downside risk than the overall convertible market.

- **Employ a growth and income strategy, with a value profile**, investing in companies and sectors that are temporarily out-of-favor due to short-term or extraordinary circumstances but have attractive valuations and provide growth opportunities.

- **Utilize bottom-up fundamental credit analysis** to identify undervalued income convertibles that provide positive asymmetry—participating in the equity upside while remaining protected on the downside.

- **Exploit market inefficiencies** in an overlooked segment of the convertible market providing equity-like returns with bond-like risk.

Income Convertible Price Dynamics



Value Added Strategy

- **Ahead of all benchmarks with positive returns for 13 out of 14 years and no defaults.**

- **Led by the same co-portfolio managers** since inception.

- **Our unique credit focus enhances returns and limits downside risk** by gauging probabilities of upgrades, downgrades, early redemption and corporate event risk. We detect weakness before those who take an equity approach. Due to our fundamental, bottom-up research approach, the Phoenix strategy has **never suffered a default**.

- **Take advantage of income convertibles that often "fall between the cracks"** having been sold by equity portfolio managers, but not yet identified by fixed-income investors.

- **Focus on income convertibles that typically trade at a discount to par** and appreciate in response to rising stock prices as the market recognizes stable-to-improving company fundamentals.

Average Portfolio Characteristics

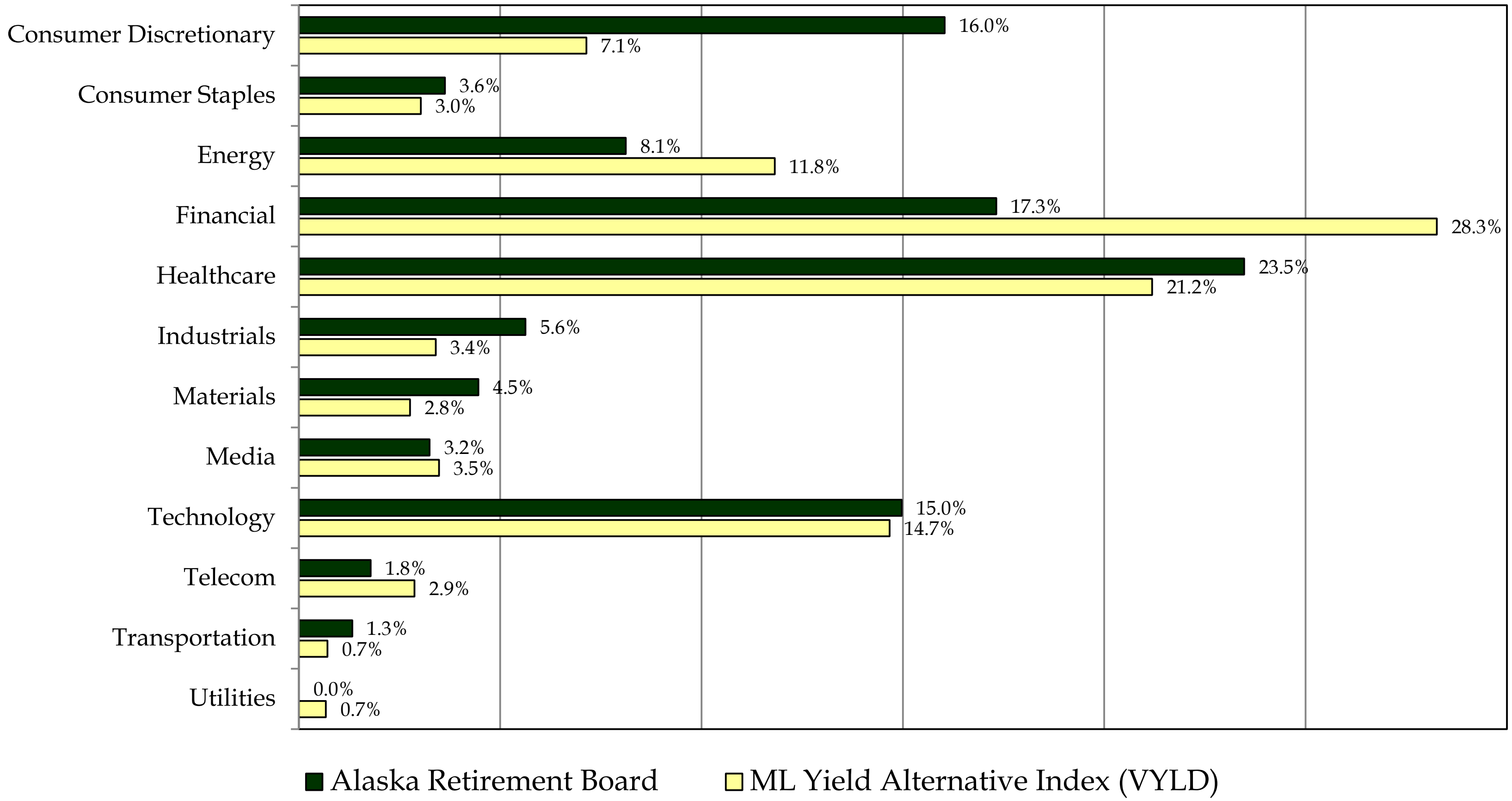
As of December 31, 2010

	Quality[1]	Years to Maturity/Put	Current Yield	Yield to Maturity/Put	Delta	Conversion Premium	Investment Value Premium
Alaska Retirement Board	**BB+**	**3.0**	**3.2%**	**1.8%**	**34.6%**	**58.0%**	**16.6%**
ML Yield Alternatives (VYLD)	BB+	7.0	3.4%	3.5%	17.0%	111.0%	7.9%
ML All Traditional (V0A0)	BB+	7.6	2.9%	0.1%	48.0%	58.4%	46.7%

[1]Average credit quality is calculated using the same methodology as Merrill Lynch. A score is assigned to average of Moody's/S&P rating for each security, then a weighted average is calculated, excluding non rated issues, then score is re-mapped to S&P rating scale.

Phoenix Sector Diversification

As of December 31, 2010



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Ten Largest Holdings

As of December 31, 2010

Issuer	Credit Rating	Sector
Hologic	BB+	Healthcare
Bank of America	BB+	Financial
Medtronic	AA-	Healthcare
Gilead Sciences	A-	Healthcare
Wells Fargo	A-	Financial
Ford Motor Company	CCC+	Consumer Discretionary
Life Technologies	BBB	Healthcare
Boston Properties	A-	Financial
Sirius XM Satellite	BB-	Media
Alcatel-Lucent	CCC	Technology

2010 Account Review

Account Performance

Month End Date	Portfolio Returns Gross	Benchmark (VYLD) Returns
Q1 2010	4.64	4.71
Q2 2010	-3.43	-2.58
Q3 2010	7.36	6.76
Q4 2010	5.47	3.75
2010	14.42	12.99
Inception to Date[1] (Gross)	16.40	14.99
Inception to Date[1] (Net)	15.74	14.99

Inception date is October 28, 2009 Inception to date performance is annualized.

ADVENT CAPITAL MANAGEMENT, LLC

Advent Phoenix Convertible Income Composite
Risk/Return Characteristics

As of December 31, 2010

	YTD 2010	3 Year Ann.	5 Year Ann.	10 Year Ann.	Since Inception Ann.[1]	Standard Deviation Since Incep.[1]	Sharpe Ratio Since Incep.[1]
Phoenix Institutional Composite (Gross)	**14.90**	**7.20**	**7.11**	**9.53**	**9.54**	**8.72**	**0.74**
Phoenix Institutional Composite (Net)[2]	**14.22**	**6.57**	**6.44**	**8.67**	**8.25**	**8.72**	**0.59**
ML Yield Alternatives Index (VYLD)	12.99	6.12	5.61	6.20	N/A	N/A	N/A
ML All Traditional Convertible Index (V0A0)	16.53	4.74	6.17	5.29	7.52	13.93	0.32
Barclays Capital US Aggregate Index	6.56	5.90	5.80	5.83	6.18	3.65	0.85
S&P 500 Index	15.06	-2.85	2.29	1.41	6.00	16.70	0.18
Russell 2000 Index	26.86	2.22	4.47	6.33	7.43	21.44	0.20

Advent claims compliance with the Global Investment Performance Standards (GIPS®) and the Phoenix Convertible Income Institutional Composite has received a performance examination for the period 10/18/96-09/30/10. [1]Inception of the Phoenix Convertible Income Strategy was October 18, 1996. [2]The Phoenix Institutional fees vary. Please see full disclosure notes at the end of this section. Past performance is not a guarantee of future results

ADVENT CAPITAL MANAGEMENT, LLC

Phoenix Strategy: Capturing Market Upside, Protecting on the Downside

Annual Returns:

Date	Phoenix Composite (Gross)	S&P 500	Market (S&P 500) Capture: Phoenix Composite (Gross)
2010	14.90%	15.07%	98.9%
2009	35.39%	26.45%	133.8 %
2008	-20.82%	-36.99%	56.3 %
2007	3.05%	5.49%	55.6 %
2006	11.06%	15.79%	70.0 %
2005	3.31%	4.91%	67.4 %
2004	4.91%	10.86%	45.2 %
2003	30.09%	28.69%	104.9 %
2002	5.44%	-22.10%	-24.6 %
2001	18.59%	-11.88%	-156.5 %
2000	8.17%	-9.09%	-89.9 %
1999	11.55%	21.03%	54.9 %
1998	5.86%	28.57%	20.5 %
1997	12.89%	33.38%	38.6 %

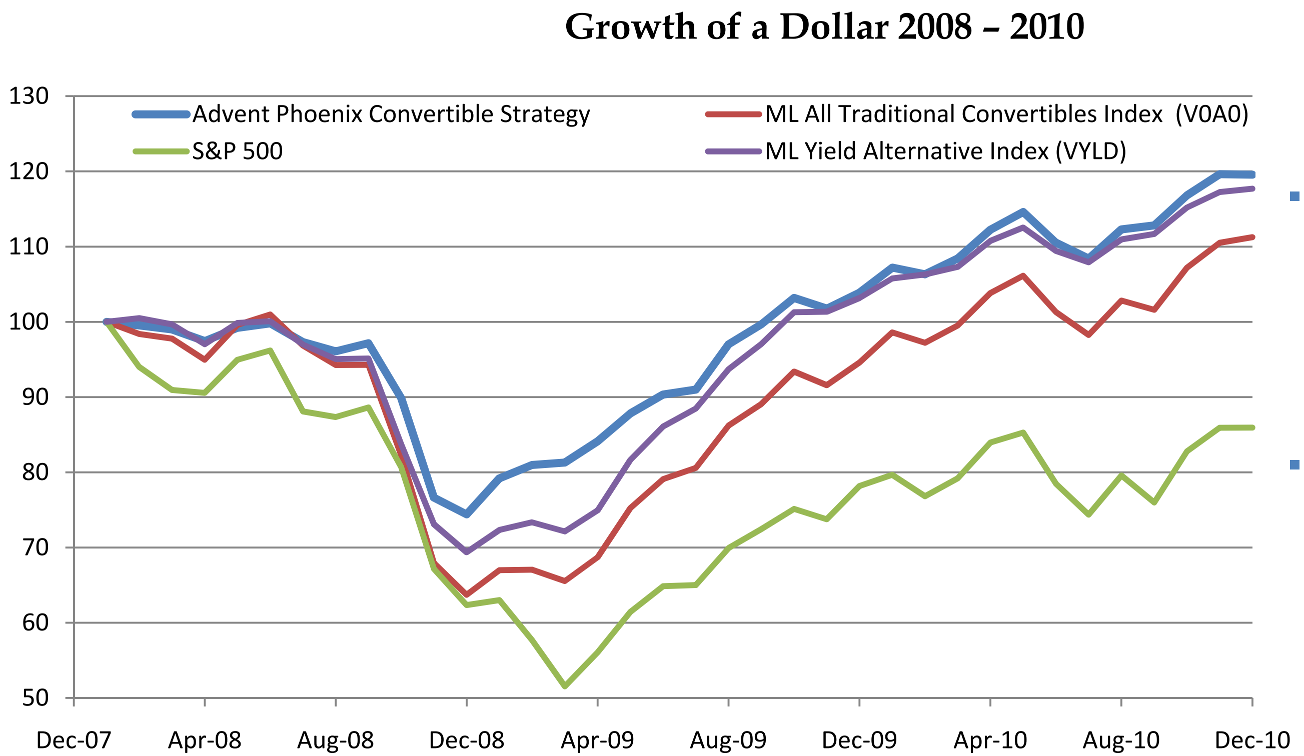
Summary:

	Phoenix	S&P
Sum of Up Yr Returns	133.01%	190.24%
Sum of Down Yr Returns	11.38%	-80.06%
Market Upside Capture	**70%**	
Market Downside Capture	**-14%**	

Advent's Phoenix Strategy , which invests in bond-like convertibles that trade 20% from bond floor, participates in 70% of the upside and protects significantly on the downside. **In fact, Phoenix provided positive returns in most years when the S&P was down**, illustrated by the negative downside capture (-14%).

**Note: December 1996 to December 2010 – Advent Phoenix Composite Gross Returns and S&P 500. Past Performance is not a guarantee of future results. Please see Composite disclosures at the end of this section.*

The Phoenix Strategy Rebounded Quickly From the 2008 Lows



- Convertibles lost less than equities during the 2008-09 bear market, and recovered more quickly during the rebound.
- The Phoenix emphasis on downside protection paid off in a quick recovery from the 2008 setback

ADVENT CAPITAL MANAGEMENT, LLC

Phoenix Institutional Composite Monthly Performance

	Monthly Returns (Gross of Fees)												YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Gross
2010	-0.84%	1.99%	3.52%	2.12%	-3.58%	-1.92%	3.60%	0.46%	3.55%	2.41%	-0.05%	3.02%	14.90%
2009	2.26%	0.41%	3.46%	4.41%	2.85%	0.71%	6.59%	2.72%	3.51%	-1.38%	2.10%	3.19%	35.39%
2008	-0.47%	-0.55%	-1.56%	1.82%	0.59%	-2.50%	-1.30%	1.12%	-7.53%	-14.77%	-2.90%	6.42%	-20.82%
2007	1.04%	0.53%	-0.16%	0.94%	1.26%	-0.41%	-1.25%	-0.23%	2.21%	1.38%	-1.41%	-0.82%	3.05%
2006	2.27%	0.75%	1.62%	0.18%	-0.71%	-0.07%	0.51%	1.35%	1.27%	1.21%	1.34%	0.85%	11.06%
2005	-0.89%	0.10%	-1.99%	-1.58%	1.17%	1.51%	1.84%	0.93%	0.87%	-0.32%	1.04%	0.66%	3.31%
2004	2.64%	-0.16%	0.44%	-0.85%	-1.11%	0.81%	-2.60%	1.23%	0.02%	1.12%	1.80%	1.58%	4.91%
2003	3.09%	1.20%	1.97%	4.58%	4.36%	1.26%	-0.10%	0.48%	1.68%	3.43%	2.35%	2.41%	30.09%
2002	2.14%	-0.32%	3.37%	0.96%	-0.64%	-6.11%	-3.99%	1.78%	-0.63%	3.84%	4.86%	0.60%	5.44%
2001	8.97%	-1.84%	-1.64%	5.82%	2.18%	-0.93%	-0.57%	1.12%	-4.29%	4.44%	3.95%	0.72%	18.59%
2000	-2.03%	0.89%	3.69%	-0.29%	1.02%	1.44%	0.76%	2.64%	-0.85%	0.26%	-2.81%	3.38%	8.17%
1999	3.03%	-1.64%	0.81%	2.11%	0.16%	0.73%	2.90%	-0.91%	-0.02%	1.19%	0.60%	2.13%	11.55%
1998	1.47%	1.73%	1.16%	1.68%	-0.27%	0.26%	-1.15%	-5.77%	0.69%	1.73%	2.60%	1.86%	5.86%
1997	1.47%	0.51%	-1.50%	0.54%	2.73%	3.12%	3.93%	0.79%	1.40%	-0.98%	0.01%	0.31%	12.88%
1996	-	-	-	-	-	-	-	-	-	0.21%[1]	1.39%	0.34%	1.94%

Advent Capital claims compliance with the Global Investment Performance Standards (GIPS®) and the Phoenix Convertible Income Institutional Composite has received a performance examination for the period 10/18/96-09/30/2010. Inception of the Phoenix Convertible Income Strategy was October 18, 1996. Please see full disclosure notes at the end of this section.

Phoenix Convertible Income Institutional Composite Disclosures

Composite Characteristics:

1) Advent's Phoenix Institutional Composite consists of the following:

- Inception of the Phoenix Institutional Composite is October 18, 1996 and the creation of the composite was September 2006.
- From inception to August 31, 2001, the Phoenix Composite performance represents that of the ACM Phoenix Convertible Income Fund, a limited partnership managed since October 18, 1996. The fund is comprised of accredited investors but cannot participate in Rule 144a securities. The ACM Phoenix Convertible Income Fund is no longer inclusive in the Phoenix Convertible Institutional Composite as of August 31, 2001.
- The composite was redefined as an Institutional composite with inception of the first managed account in the strategy on September 1, 2001.
- No leverage or derivatives are used in the strategy.
- All accounts included in the composite invest in convertible securities that trade near their bond floors and provide positive asymmetry.

(2) The following is the criteria for inclusion in the Advent Phoenix Institutional Composite:

- All new accounts are included at the start of the measurement period following the date the portfolio begins being managed. Performance periods are on a quarterly basis, ending 3/31, 6/30, 9/30, 12/31 each year.
- Portfolios that are terminated will be excluded from the Composite after the last full performance period the portfolio was under management.
- All accounts must have an initial account value of at least $5,000,000.
- The Composite will include only those portfolios which meet its investment objective.
- The Composite will be composed of all accounts that meet the criteria to invest in Rule 144A securities.

(3) The following pertains to performance results:

- All performance is presented in U.S. Dollars.
- Annual returns for the Phoenix Convertible Income Institutional Composite are presented both gross of fees and net of actual management fees paid by the Advent accounts but not expenses paid by the clients. The Phoenix Institutional advertised fee schedule is 1% on the first 25 million, 0.80% on the next 25 million, 0.65% on the next 50 million and 0.55% over 100 million. The ACM Phoenix Convertible Income Fund, LP charges 1.5% management fee. Fees may be subject to negotiation where special circumstances warrant. The management fees are described in Part II of Advent's ADV form.

(4) Benchmark Information:

- The composite is benchmarked to the Merrill Lynch Yield Alternatives index. The inception of the benchmark is January 1, 1999. The benchmark is defined as convertibles securities with deltas less than 40%. We use the Merrill Lynch All Convertible Index excluding Mandatories as a secondary benchmark since it incorporates the entire track record of the composite.
- Past performance is not necessarily indicative of future results.

Calculation Methodology:

Advent calculates an asset-weighted return using the aggregate method. This method aggregates market values and cash flows for all accounts and treats the composite as if it were one account. The dispersion measure is the asset-weighted standard deviation for accounts in the composite for the entire year.

Other Disclosures:

Advent Capital Management, LLC has been verified for the periods September 1995- September 2010 by Beacon Verification Services, LLC. A copy of the verification report is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.

ADVENT Capital Management, LLC

Annual Performance Attribution

Year Ending December 31, 2010

	Alaska Retirement Board			ML Yield Alternative Index			EXCESS		
	Weight	Return	Contribution	Weight	Return	Contribution	Weight	Return	Contribution
	100.0	**14.41**	**14.41**	**100.0**	**12.99**	**12.99**	**0.0**	**1.42**	**1.42**
Consumer Discretionary	10.2	24.83	2.22	6.5	15.14	0.98	3.7	9.69	1.25
Consumer Staples	3.5	8.92	0.32	2.6	11.76	0.33	0.9	(2.84)	(0.01)
Energy	9.2	12.11	0.92	13.8	6.62	0.80	(4.7)	5.49	0.12
Financial	16.0	19.61	3.13	26.5	15.68	4.13	(10.6)	3.93	(1.01)
Healthcare	23.0	7.46	1.69	19.1	7.13	1.43	3.9	0.33	0.26
Industrials	7.3	10.37	0.75	3.7	10.90	0.39	3.6	(0.53)	0.36
Materials	5.2	13.02	0.63	2.6	18.18	0.50	2.5	(5.16)	0.13
Media	2.9	27.36	0.82	3.7	21.38	0.81	(0.7)	5.98	0.01
Technology	18.5	18.31	3.29	16.8	16.58	2.78	1.7	1.73	0.51
Telecom	1.4	9.05	0.11	2.7	16.45	0.47	(1.2)	(7.40)	(0.36)
Transportation	1.6	29.58	0.52	1.3	20.02	0.30	0.3	9.56	0.22
Utilities	--	--	0.00	0.6	12.56	0.07	(0.6)	--	(0.07)
Cash	1.2	0.01	0.00	--	--	0.00	1.2	--	0.00

Top Performers	Bottom Performers
ADC TELECOM	GILEAD SCIENCES
KEY PFD	CARNIVAL CORP
MILLIPORE	BECKMAN COULTER

Summary of Contributions to Returns

Positive Contributors:

- **The Consumer Discretionary sector was the largest contributor to relative outperformance in 2010.** We were overweight the sector based on the impact the improving economy would have on consumer spending. Our security selection in names such as Arvin Meritor, Ford and Group 1 Automotive specifically benefitted from a recovery in the auto industry. Saks, Sotheby's and MGM Mirage were also large contributors in the sector. Our overweight position combined with the 24.83% return achieved, added 125 bps of performance vs. the benchmark.

- **Technology was second largest sector in the last 12 months and made the second biggest contribution to performance.** The lack of IT spending over the past two years left many corporations with pent up demand for technology upgrades. Additionally, the strength in corporate balance sheets gave IT managers the confidence to continue long delayed infrastructure projects. Alcatel Lucent and ADC Telecomm were the largest contributors in the sector.

- **Our overweights in both Healthcare and Industrials were also positive contributors to performance.** Within Healthcare, Millipore and Hologic, both event driven trades, were top performers. AGCO and Trinity Industries led the Industrials sector.

ADVENT CAPITAL MANAGEMENT, LLC

Summary of Contributions to Returns

Positive Contributors:

- The ADC Telecom convertible bond was the largest contributor to performance in the 12 months ending December 31, 2010, contributing 0.51 bps and returning 68.96%. ADC was acquired by Tyco Electronics which triggered a change of control put, allowing us to sell the security back to the company at a par value of 100. The position has been added to the portfolio earlier in the year at an average cost of 72.

- The Key Corp convertible preferred provided the second largest return, 0.48 bps, as our 1.2% position surged 44.04% as the continued improvement in credit markets led to more favorable sentiment for regional banks. We continue to hold the position.

- The third largest contribution was from the convertible bond of Millipore Corp, a Healthcare company which was the acquisition target of Merck KGA. Our 0.43% average position returned 23.57% over the year and continued 42 bps to our return. The position was eventually sold as the deal approached its final closing date.

Summary of Contributions to Returns

Negative Contributors:

- **Although our security selection in the Financial sector exceeded the return of the index, our significant underweight in the sector (16.0% vs. 26.5%) resulted in 101 bps of relative underperformance vs. the index**. We continue to like Financials based on overall improving economic trends coupled with a low rate interest environment, however we have focused on investments that have a strong total return profile as demonstrated by our 393 bps outperformance of our holdings (19.61% vs. 15.68%).

- On a security level, the **losses were comparatively minor**. Our 0.63% average position in Carnival Corp. declined as the company called the security prior to its maturity, contributing to a -9.74% loss from the bond and a 14 bps loss for the portfolio. The position was closed prior to the final call date.

- Our average 0.41% position in Gilead sciences cost us 16 bps. The bonds lost -9.16% when the common stock came under pressure based on weak macro trends for pharmaceuticals companies in response to US healthcare reform as well as European austerity measures. We continue to hold the position since the company remains a strong cash generator and still has the leading franchise for HIV treatment worldwide. Additionally Gilead has a strong pipeline with an anticipated rollout of next generation HIV treatments during the course of 2011.

Significant Purchase Decisions

- Added a 1.9% position in Ford convertible preferred after the company announced it would reinstate the dividend on the preferred and pay all dividends in arrears.

- Added a position in Seadrill, a Norwegian deep water driller, when the company came under pressure following the BP oil spill and drilling moratorium in the Gulf of Mexico despite the fact that the company did not operate in the area.

- Increased positions in both Bank of America and Wells Fargo convertible preferred. Banks stood to benefit in an improving economic environment and the convertible securities continued to trade at a discount to similar straight issues.

- Added to our position in International Game Technology on weakness as the bonds fell into the Phoenix discipline after the company announced several order delays.

Significant Sale Decisions

- Reduced exposure to longer dated Transocean debt in the height of the Gulf of Mexico oil spill, replacing it with shorter dated bonds which offered greater value and additional downside protection.

- Sold position in Beckman Coulter after the company reported a major earnings miss in the third quarter. The convertible suffered a fraction of the loss experienced by the equity, however the decline in the stock left the convertible with a high conversion premium and therefore little equity sensitivity.

- Sold position in AmeriCredit after GMAC announced its intentions to acquire the company. The security had a change of control put at par.

- Sold position in GMX Resources, the oil and gas E&P company, after the company revealed that it had significantly lowered its reserve levels during its second quarter earnings update. Lower reserves greatly reduced future earnings potential and cash flow generation, which led us to sell our position in full.

- Sold positions in Allegheny Technologies, American Airlines, Old Republic Insurance, Cameron International and Fifth Third Bank, as strong performance in the underlying equities moved the convertibles outside of our investment discipline (more than 30% above investment value).

IV. 2011 Outlook

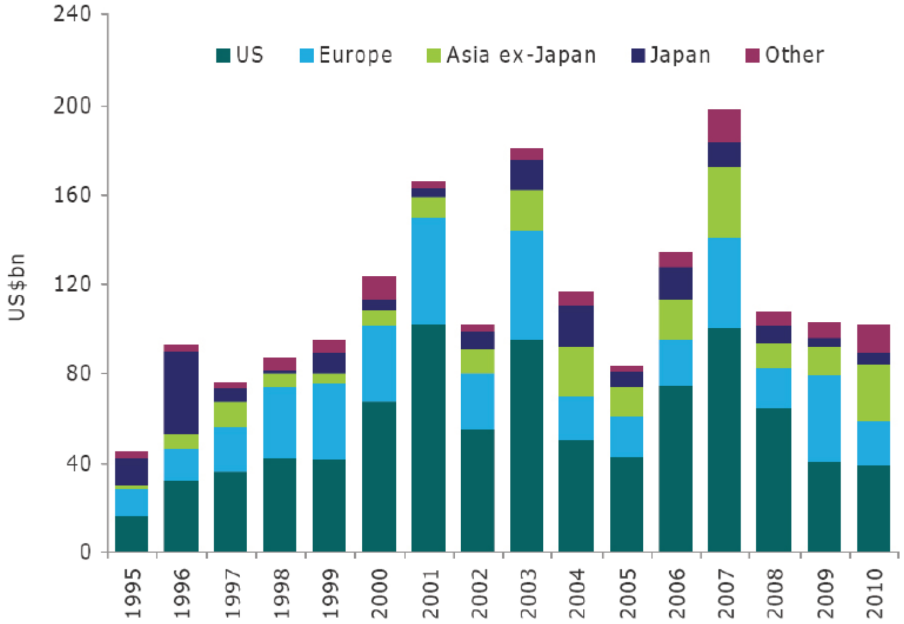
Market Outlook

- Continued economic improvement and higher, but still subdued, inflation should result in modestly higher government bond yields from historically low levels.
- Equity markets should continue to benefit from the global economic rebound and rising corporate profitability, although at a more normalized pace of ~10% in 2011.
- Convertibles are well positioned for 2011, as they should benefit from higher equity prices and a further tightening in credit spreads brought on by the continued improvement in corporate balance sheets. In addition, a shift in fund flows from credit-oriented to equity-oriented investments should also support convertible valuations.
- Technicals remain supportive of the asset class as the convertible market is now evenly split between outright and hedge fund investors.
- Convertible new issuance may get a boost in 2011 from the normalization of interest rates off their lows and the expected rally in equities, as convertibles become a more attractive choice of financing for corporations than equity or straight bond issuance. Further, higher M&A activity has traditionally led to increased issuance of convertible securities.
- Risks include continued uncertainty in the Eurozone, inflationary pressures in several emerging market countries and concerns related to the US budget deficit all which will likely cause intermittent volatility in 2011, but will also present buying opportunities.

2011 Outlook

Convertible Issuance Should Continue to Increase

Global Convertible Issuance

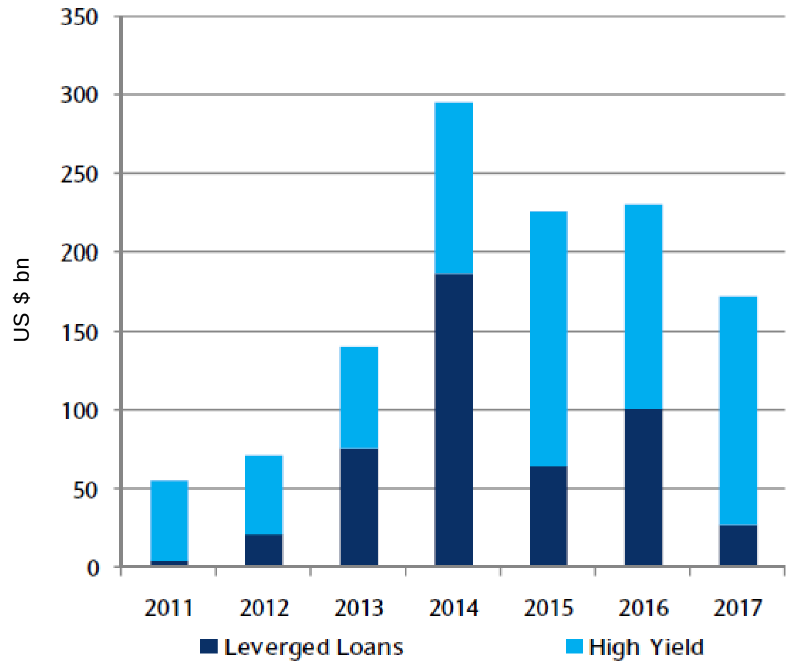


Data source: UBS

- The global convertible market is now \$582 billion[1]
- There was \$101 bn of new issuance in 2010[1].
- Over 25% of new issuance came from Asia.

[1] *Source: UBS/MACE Convertible Research*

HY and Loans Maturing



- The continuation of equity rally, rising interest rates and increased M&A activity should be catalysts for high convertible issuance.
- Maturing high yield bonds and loans will also likely be a source of convertible new issuance.

Near Term Investment Strategy

- We continue to see value in convertible securities. Convertibles on average remain modestly undervalued, however, there are many individual securities that still trade significantly cheap to their theoretical value.

- We remain constructive on the economic outlook for 2011, given the low cost of funding and improved outlook for future growth. We have increased our exposure to the Consumer Discretionary sector which stands to benefit from the continued strength in the economy. Heading into 2011, we have maintained our allocation to Healthcare which is comprised of strong companies with strong free cash flow.

- Although we remain optimistic, we cannot ignore the possibility that the recovery we have seen during 2010 can fall off track. We continue to focus on avoiding losses, with an emphasis on convertibles with relatively short maturities/puts that minimize downside risk, should the underlying equities fail to appreciate.

- In this current low rate environment our portfolio offers a combination of yield and equity sensitivity which maintains the potential for equity like returns while taking much less risk than outright ownership of stocks.

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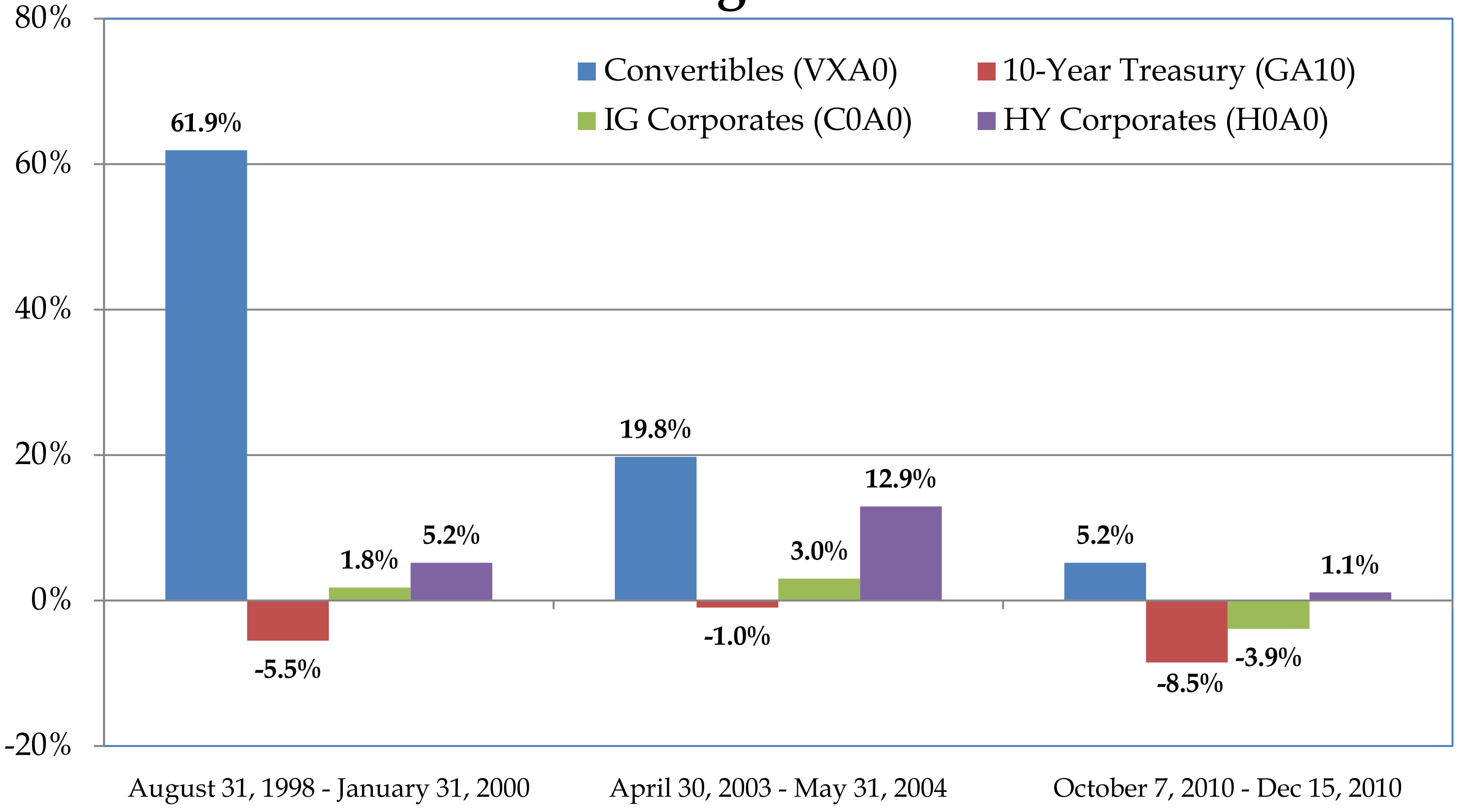
CAPITAL MANAGEMENT, LLC

Convertibles Outperform Other Fixed Income Investments in Periods of Rising Interest Rates



Rise in 10-Year Treasury Yield	1.70%	0.81%	1.14%

TIMBERLAND INVESTMENT RESOURCES LLC

growing value for our clients every day

Alaska Retirement Management Board
(ARMB)

Notice of Caution Regarding Forward looking Statements

This performance review contains various estimates and assumptions concerning projected and forecasted financial facts, conditions and performance. These estimates and assumptions are based on our current expectations and are subject to a number of risks and uncertainties. Actual facts, conditions and performance may differ materially from those reflected or contemplated herein. In addition, this performance review may contain statements that constitute "forward-looking statements" within the meaning of federal securities laws containing words such as "estimate," "expect," "project" and "forecast." No representation or warranty is made as to future performance or investment returns or any forward-looking statements regarding such performance or investment returns.

Agenda

Timberland Investment Resources

Photo:5-Year-Old Loblolly Pine Plantation, Tickanetley Property, Georgia

Overview of TIR

- Established in 2003
- Manage timberland portfolios valued at over $750 million
- Senior management averages over 25 years of experience acquiring, managing and selling timberland (acquired more than 2.2 million acres - 164 transactions - worth over $2 billion)
- Privately owned to align financial interests with clients
- Horizontally integrated across core functions – acquisitions, asset management, decision support and dispositions are all in house (employ our own investment foresters and staff internal economic research, biometric research and real estate optimization capabilities)
- Highly disciplined investment process that leverages experience, skills and proprietary tools
- Utilize value oriented investment approach distinguished by a comprehensive and highly intensive due diligence process (historically have acquired *just* 11 percent of all opportunities analyzed)

Management

Experienced Across All Timberland Investment Disciplines

Team	Role	Years Experience	Years w/ TIR	Years w/ Team Members	Earlier Career
Mark Seaman*	Chief Executive Officer	32	7	12	Chief Investment Officer of Wachovia Timberland Investments
Gary Allred*	Director of Acquisitions	31	7	12	Investment Forester of Wachovia Timberland Investments and Chief Forester of TimberVest
Tom Johnson*	Director of Client Services	22	7	10	Regional Manager of Wachovia Institutional Investments and Senior Consultant of PricewaterhouseCoopers
Kevin Colin*	Chief Financial Officer	24	7	11	Partner and Financial Officer of Lend Lease Capital Partners
Chris Curth	Director of Real Estate	37	6	6	Senior Managing Director of Landauer Associates
Hong Fu (PhD)*	Director of Economic Research	15	7	7	Senior Investment Analyst of Global Forest Partners
Steve Smith	Director of Forest Management	33	3	3	Regional Manager of Potlatch Corporation

** Founding member of the firm*

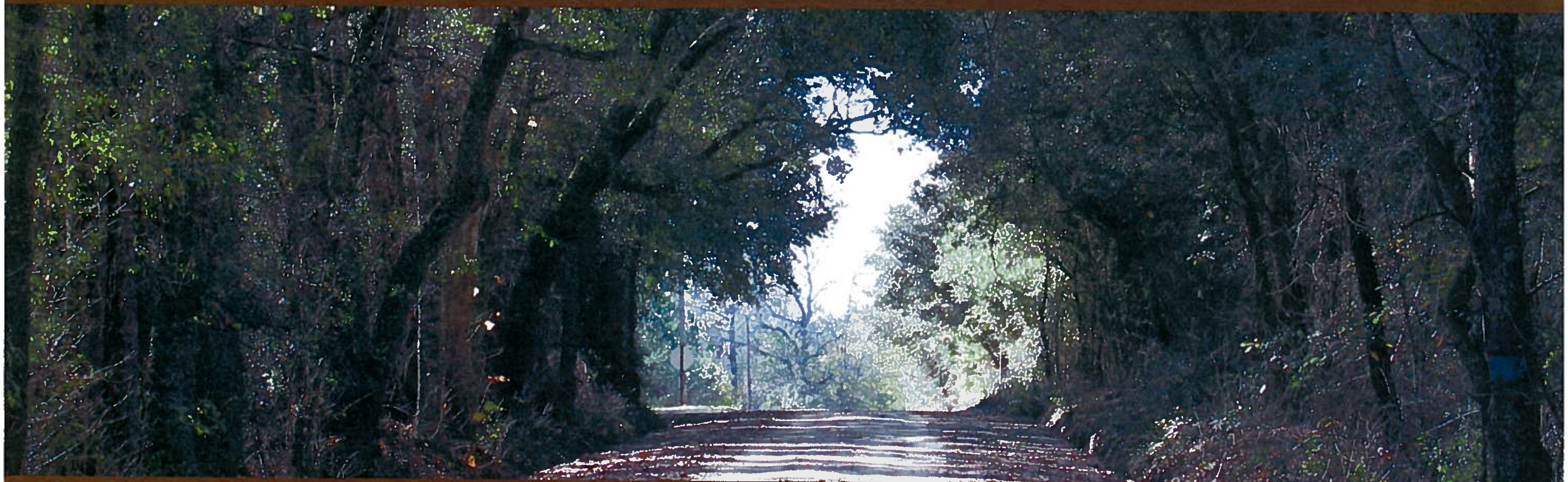
ARMB Timberland Investments

Investment Goals and Objectives

Photo: 9-Year-Old Loblolly Pine Stand, Tickanetley Property, Georgia

Mountainside Timberland Investments

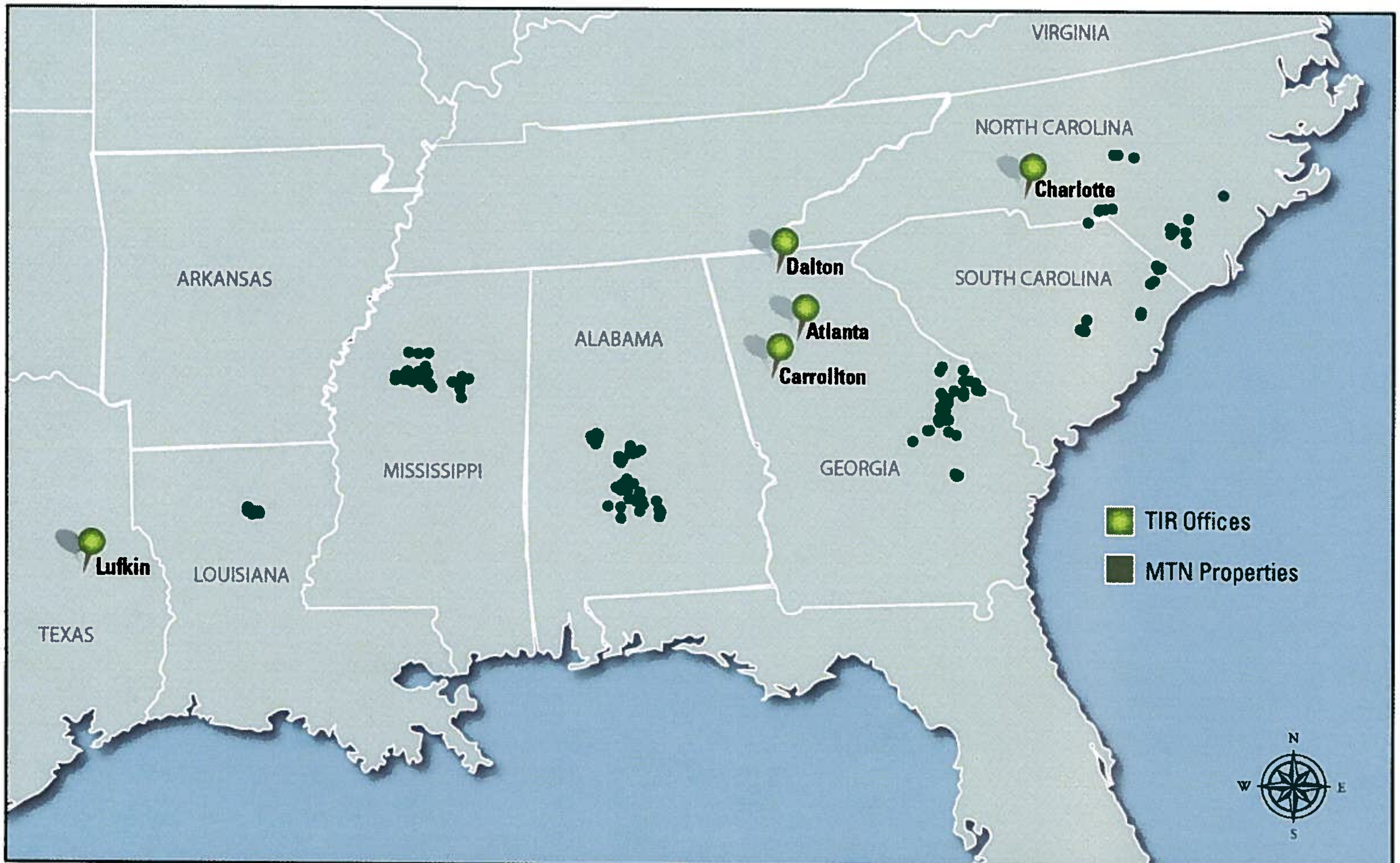
- ARMB provided TIR an original timberland investment mandate in 2008 to place $100 million in a diversified portfolio
- Mountainside Timber, LLC ("Mountainside") was formed with the following investment goals and objectives:
  - Diversification
    - *Species*
    - *Product type*
    - *Age Class*
    - *Geography (Timber and Land Markets)*
  - Long Term Return Objective
    - *5% Real*
  - Benchmarks:
    - *Absolute: 5% Real*
    - *Relative: NCREIF Timberland Index*
- The following pages describe the acquisition process and investment made to date



Mountainside
Acquisitions and Holdings

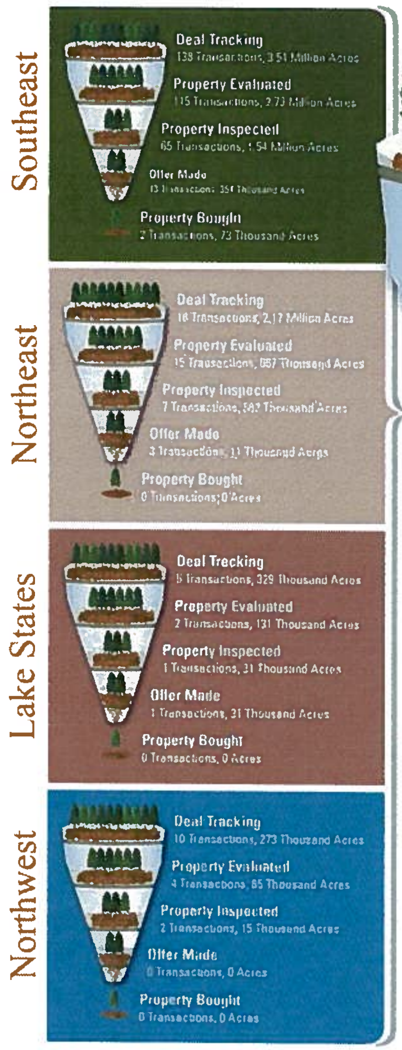
Photo: Live Oaks, Tickanetley Property, Georgia

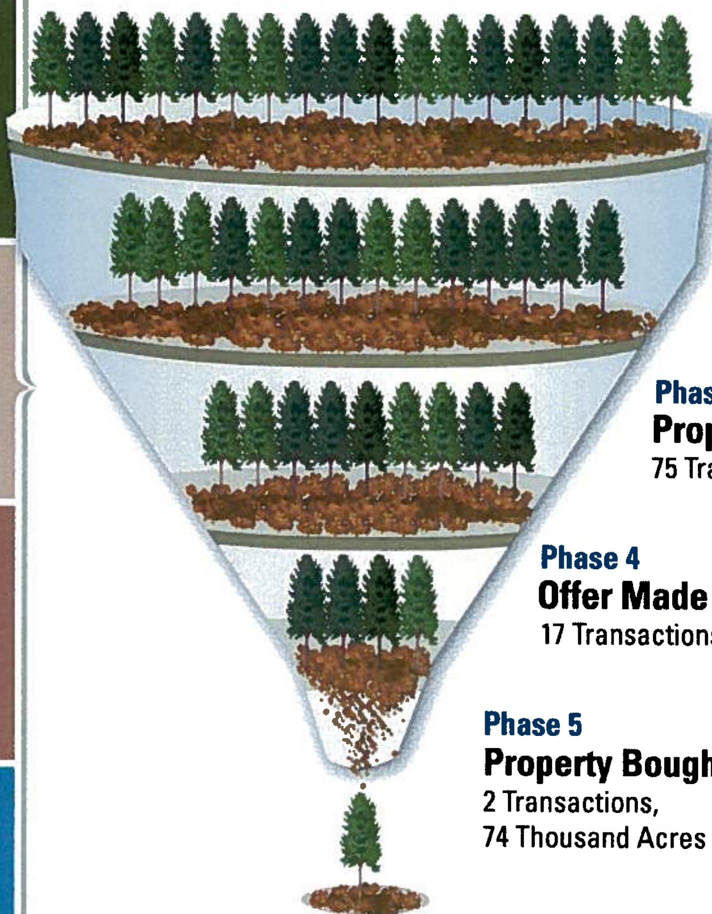
Mountainside Holdings



73,928 Acres in 30 Counties (222 tracts)

Mountainside Acquisition History





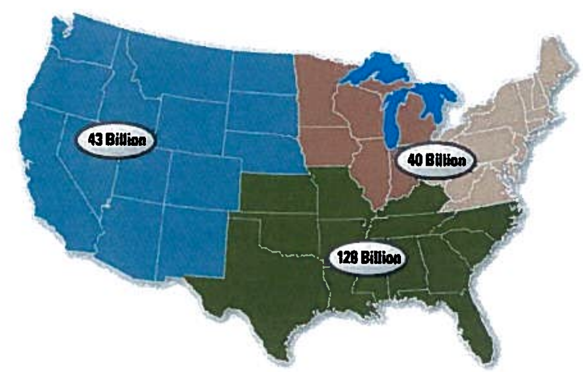
Phase 1
Deal Tracking
171 Transactions, 6.29 Million Acres

Phase 2
Property Evaluated
136 Transactions, 3.67 Million Acres

Phase 3
Property Inspected
75 Transactions, 2.17 Million Acres

Phase 4
Offer Made
17 Transactions, 396 Thousand Acres

Phase 5
Property Bought
2 Transactions,
74 Thousand Acres



Mountainside Acquisitions

Opportunistic Acquisitions

- Over $100 million invested; searching for $25 million diversifying transaction

Property	State(s)	Purchase Price	# Acres	$ / Acre	Year	Projected IRR*	Investment Theme
Transaction 1	Georgia, Alabama	$40.2 million	28,065	$1,434	2008	9.90%	Publicly traded Timber REIT that needed liquidity.
Transaction 2	Alabama, South Carolina, North Carolina, Mississippi, Louisiana	$67.2 million	45,863	$1,466	2009	10.03%	Institutional investor that required liquidity to service debt.
Total		**$107.4 million**	**73,928**	**$1,453**			

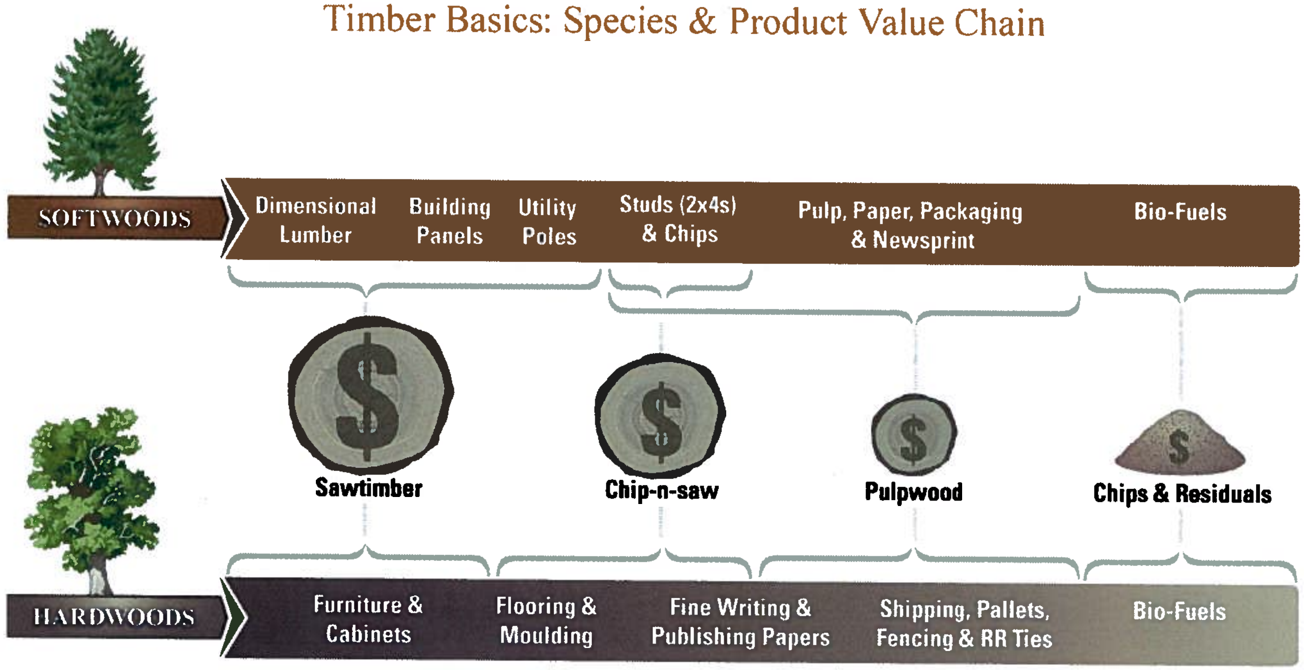
*Note: Net of fees and expenses

Timber Fundamentals

Photo: Mature Sawtimber Stand, Woodall Property, Mississippi

Timber Basics

Timber Basics: Species & Product Value Chain

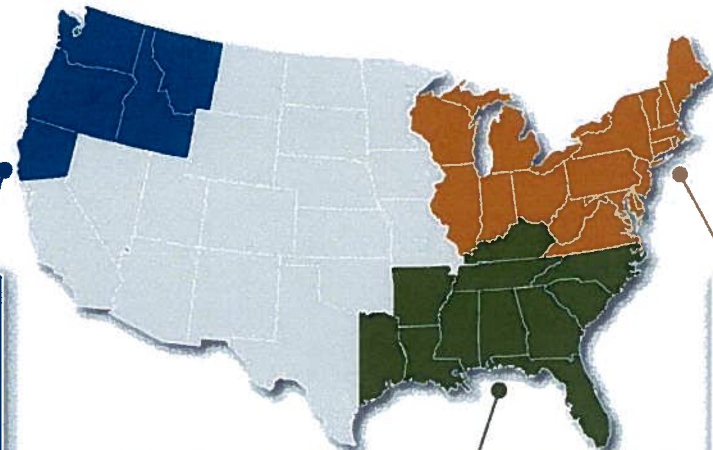


Common Terms

Hardwood	A tree that flowers and bears fruit. Examples are maple, oak, apple, cherry and hickory.
Softwood	A tree that bears cones. Often, but does not necessarily, have needle like leaves. Examples are pines and firs.
Sawtimber	A log that is large enough to be sawn into lumber in a mill.
Chip-n-saw	A mid-size log that can be sawn to produce studs (2x4s) as well as chips for paper, packaging, newsprint and bio-fuels.
Pulpwood	A log that is too small to effectively be sawn into lumber. Typically chipped or flaked into small pieces.
Bioenergy	Wood based energy products include direct-fired for heat and electricity; co-generation with coal; wood fuel pellets and cellulosic ethanol.

Timber Basics

Timber Basics: Primary Product Mix by Region



Pacific Northwest

Softwood Sawlogs (45 to 90+ years)

- Sawn into lumber
- Peeled for plywood
- Mill residuals become furnish for paper and panels or bioenergy uses
- Whole logs exported to Asia

Softwood Pulpwood (30 to 44 years; <6in. diameter)

- Chips for paper and reconstituted wood panels or bioenergy uses

South

Softwood Sawlogs (25 to 35 years; >12in. diameter)

- Sawn into lumber
- Peeled for plywood
- Mill residuals become chips for paper and panels or bioenergy uses
- Utility Poles

Softwood Chip-n-saw (18 to 24 years; 8 to 12in. diameter)

- Studs (2x4s)
- Chips for paper and reconstituted wood panels or bioenergy uses

Softwood Pulpwood (12 to 17 years; <8in. diameter)

- Chips for paper and reconstituted wood panels or bioenergy uses

Low Quality Hardwoods (50 to 100+ years)

- Chips for paper and reconstituted wood panels or bioenergy uses
- Firewood and charcoal
- Pellets

Northeast & Lake States

Quality Hardwood Sawlogs (50 to 100+ years)

- Appearance grade lumber for furniture and flooring

Low Quality Hardwood (50 to 100+ years)

- Chips for paper and reconstituted wood panels or bioenergy uses
- Firewood and charcoal
- Pellets

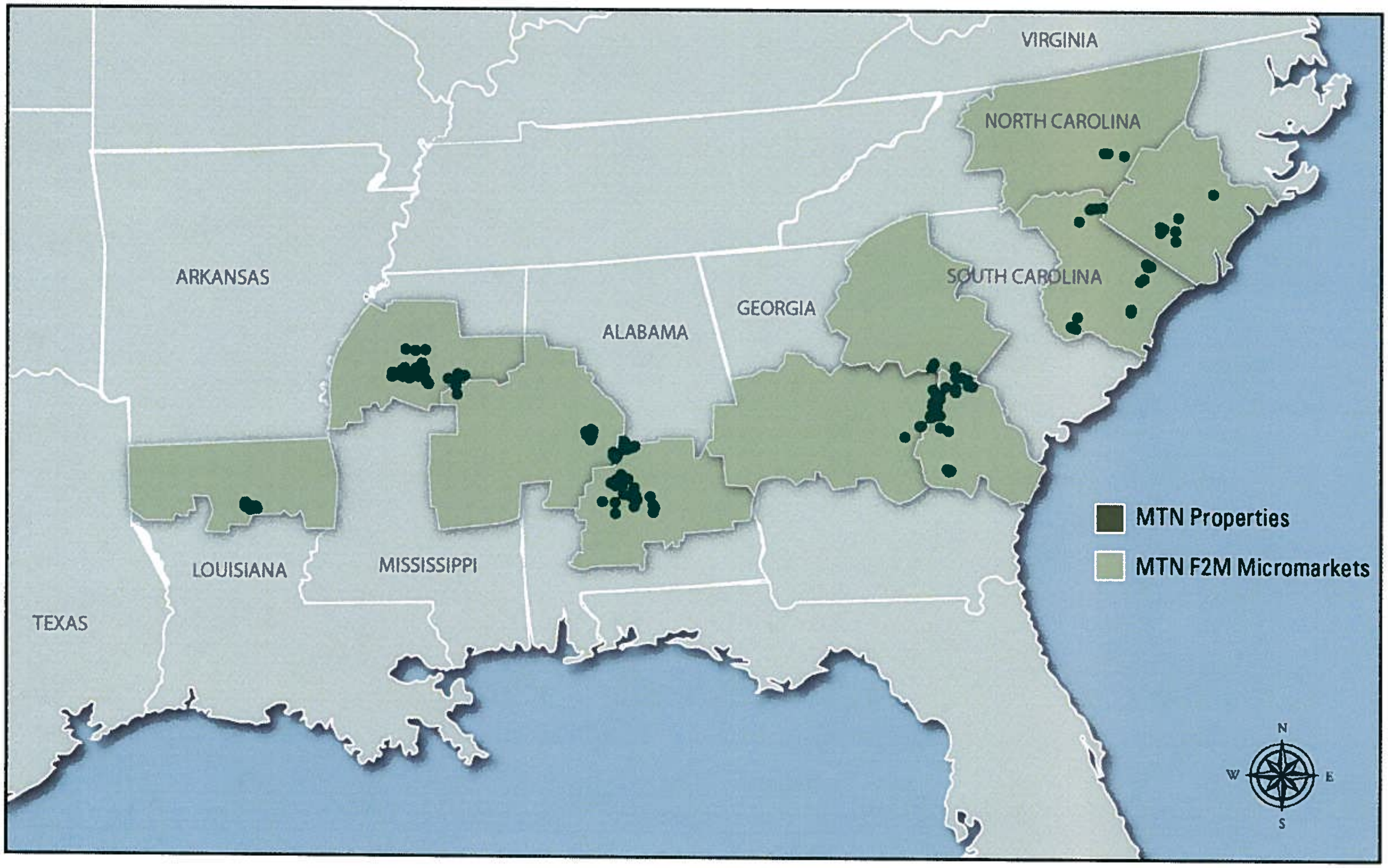
Mountainside

Timberland Diversification

Photo: Sorted and Graded Logs, Tickanetley Property, Georgia

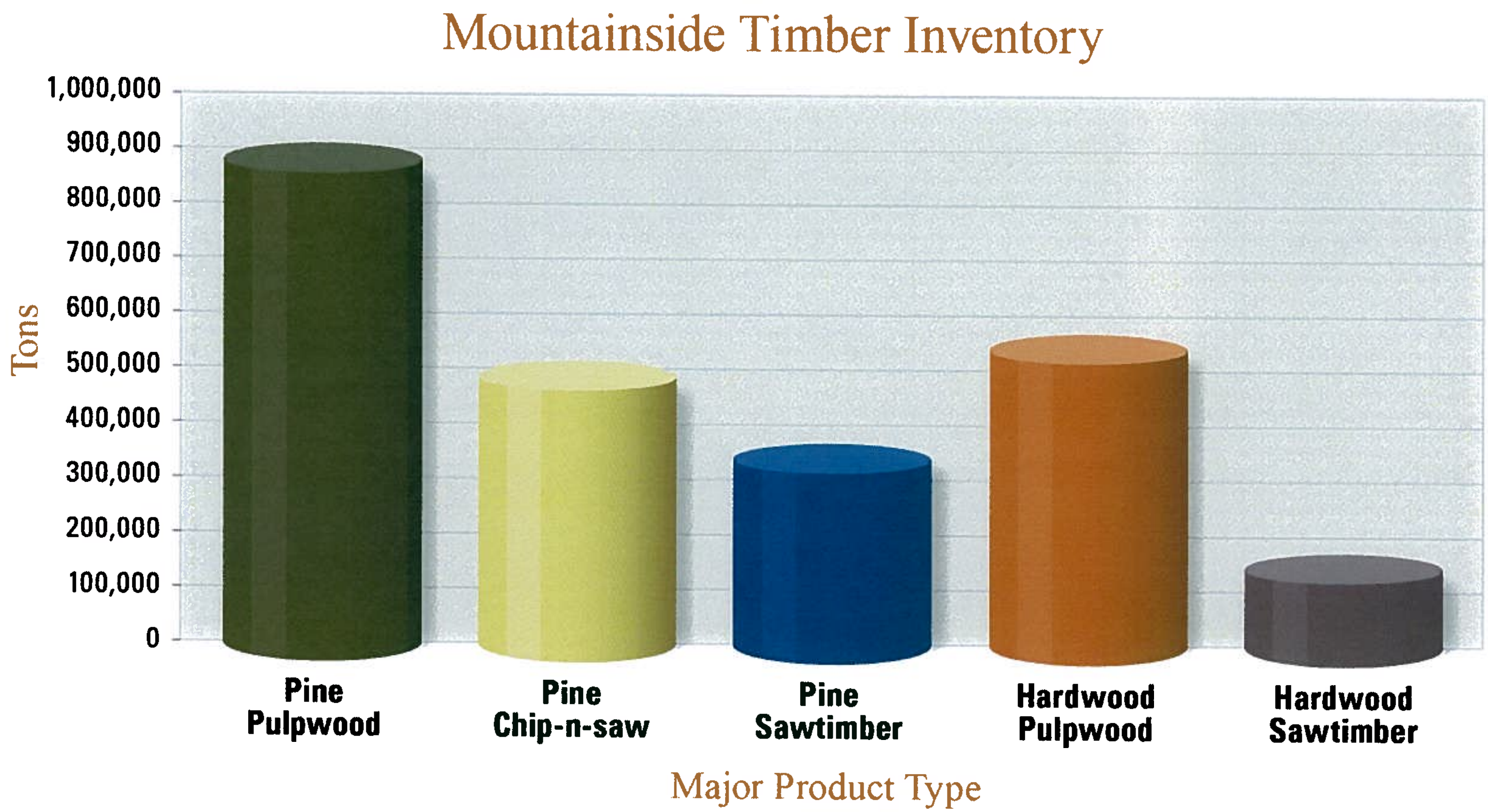
Timberland Diversification – Geographical and Market

Mountainside properties span 10 separate timber markets across the South



Timber Diversification – Species, Age and Product Class

Exposure to all 5 key timber products, various age classes and species



Note: For reference, a typical truckload of logs is 25 tons.

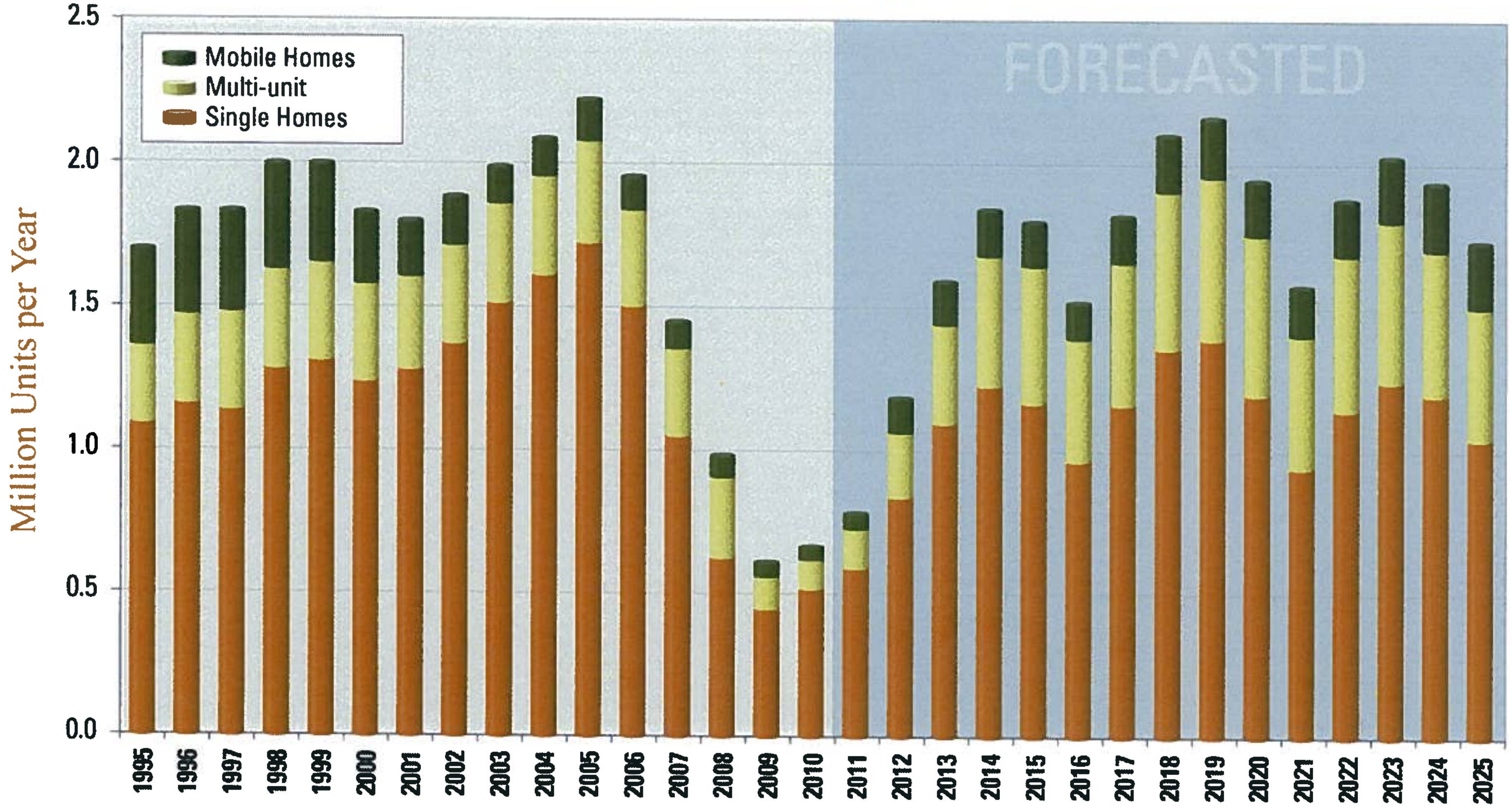
Timber and Economic Projections

Photo: Stump from Freshly Cut 12-Year-Old Loblolly Pine, Sassafras Property, South Carolina

Housing Starts

Roughly 30% of sawtimber demand goes into new home construction. The return of the U.S. housing market will help support sawtimber demand.

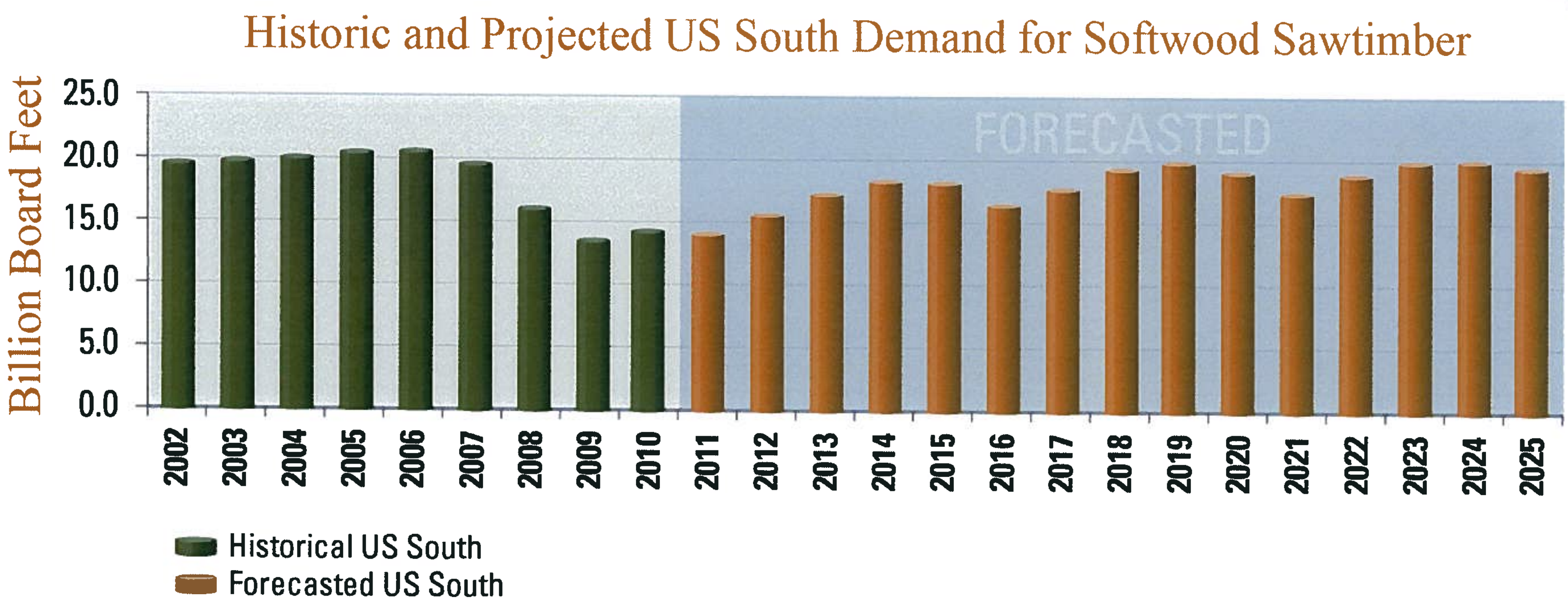
Historic and Projected Housing Starts



Source: Resource Information Systems Inc. or RISI

North American Softwood Sawlog Demand

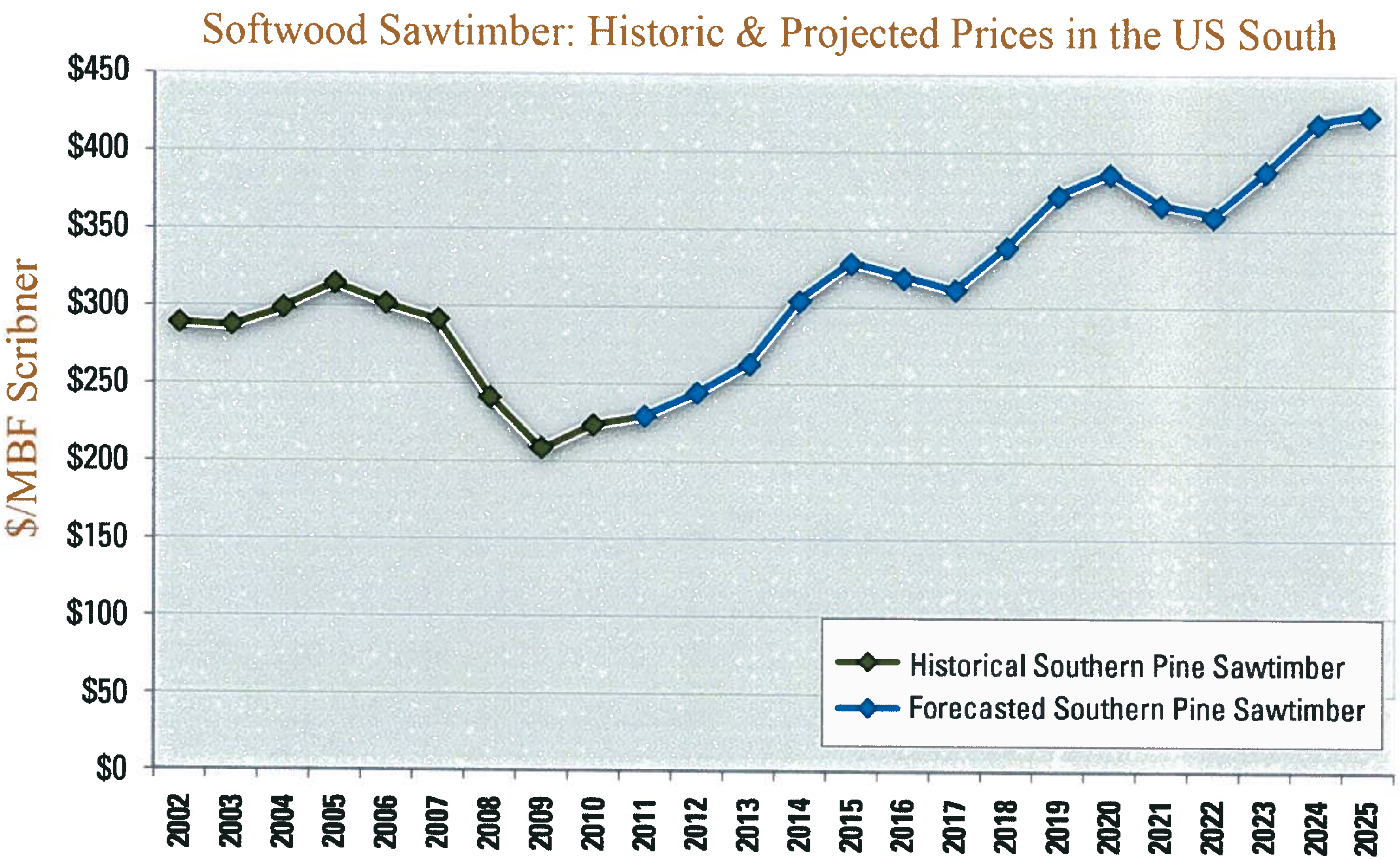
Sawtimber consumption is expected to recover from its 2009 bottom, but it will take several years before wood demand matches that of the early 2000's.



Source: RISI

Softwood Sawtimber Prices

As the economy and housing markets recover, sawtimber prices will follow. The recovery is gradual, but RISI expects a full return to peak prices by 2014.



Source: RISI

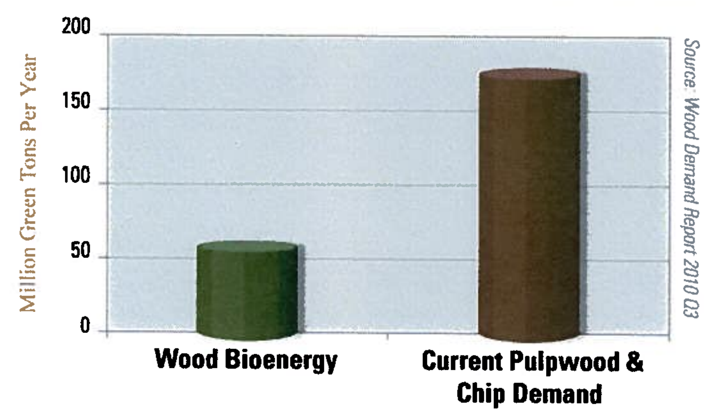
Wood Bioenergy

Wood bioenergy will supplement pulpwood demand in the South

- 24 states plus the District of Columbia have binding Renewable Energy Portfolio (RPS) goals in place; another 5 states have nonbinding renewable energy targets.
- Total announcements for wood bioenergy facilities in the U.S. since 2007 total 84 million green tons of wood consumption per year.[1]
  - *For comparison, modern pulp mills can consume more than 1 million tons of wood per year*
- Built or announced Southeast wood energy facilities total 58 million green tons.[2]
  - For comparison, current pulpwood and residual chip demand in the South is about 172 million green tons per year
  - While it is estimated that only about one-half of the projects will be realized, that will still have a measurable impact on select wood markets

Green Circle Pellet Plant in Cottondale, Florida

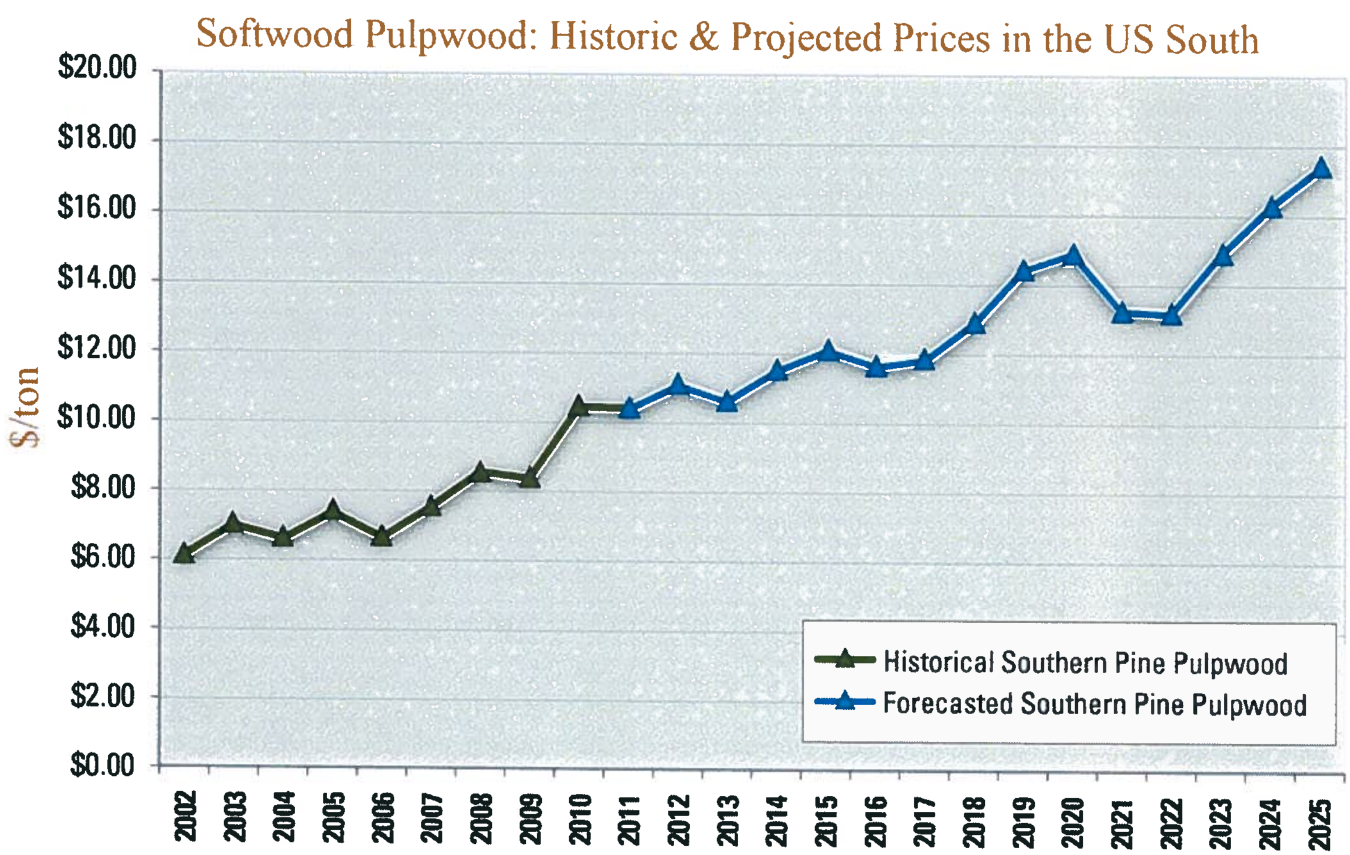
Potential Consumption of Wood for Current and Announced Bioenergy Projects in the U.S. South vs. Current Pulpwood & Chip Demand



[1] *Wood Biomass Market Report, Oct. 2010*
[2] *Wood Demand Report, 2010 Q4*

Pulpwood Prices

Pulpwood prices held up well over the recent recession, and are expected to stay strong as the economic recovery supports growing demand for bioenergy as well as paper and reconstituted wood products – such as OSB.

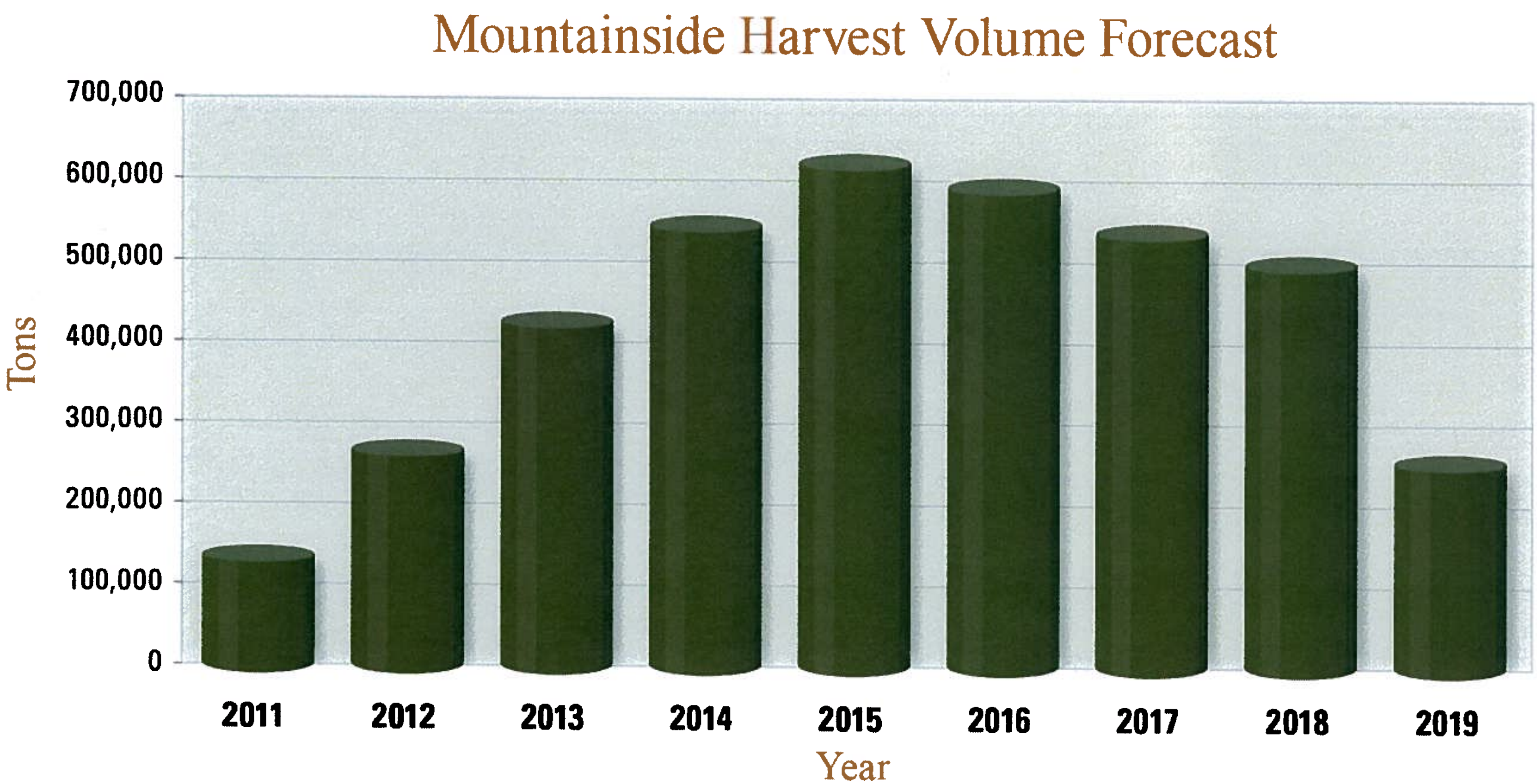


Source: RISI

Mountainside Timber Harvest Forecast

Photo: Wildlife Food Plot, Cheaha Property, Alabama

Timber Harvest Forecast



Note: For reference, a typical truckload of logs is 25 tons.

Performance

Photo: Woods Road in Maturing Loblolly Pine Plantation, Tickanetley Property, Georgia

Mountainside – Performance Results

Time Period	ARMB Investment Benchmark (9/30/2010)	NCREIF (9/30/2010)	Mountainside Annualized Gross Return (9/30/2010)
1 year	5% Real (Estimated at 6.17%)	-3.93%	-6%
Since Inception* (2 years)	5% Real (Estimated at 5.47%)	-0.77%	4.15%

*Note: Inception is 4Q '08

Performance results do not reflect the deduction of investment advisory or performance fees. Performance results, net of fees, for the 1 Year and Since Inception periods were -6.78% & 3.26%, respectively.

Forest road framed by mature and pre-merchantable pine stands in North Carolina

2 year old loblolly pine plantation in Emmanuel County, Georgia

Looking Forward

Photo: First Thinned Loblolly Pine Stand, Cheaha Property, Alabama

Looking Forward

We are well positioned and will continue to execute

- Acquisitions have positioned us in attractive timber and land markets
- We are diligently working to find the final appropriate transaction(s) that will add value to the Mountainside portfolio
- We will continue to make a commitment to the resources needed to execute our management plans

Biographies

Photo: Longleaf Pine Seedling, Sassafras Property, North Carolina

Mark T. Seaman, *President and Chief Investment Officer*

Mark directs all business and investment strategy and operations for TIR and also serves as the firm's chief investment officer, directing portfolio strategy and management. He has more than 30 years of senior management experience in the timberland investment arena and he founded TIR in 2003. Mark was previously executive managing director of Wachovia's timberland investment business. During his tenure with Wachovia, he grew the company's timberland assets under management from $60 million to almost $1.4 billion and directed all phases of its timberland investment business. His responsibilities entailed developing and managing the company's core investment strategy, which entailed establishing its investment discipline and building its portfolio management, accounting, reporting, compliance, marketing, sales and product development functions.

In addition to helping to launch and expand two, highly successful timberland investment management organizations (TIMOs), Mark also has been directly involved in the development of more than 15 separate account and 6 commingled fund programs on behalf of numerous institutional investment clients. These efforts have included directing more than 150 acquisitions encompassing more than 1.85 million acres in 12 states and managing more than 180 dispositions involving more than $400 million in assets. Because of his success in this regard, Mark is widely recognized among TIMO senior executives for his disciplined investment approach and his capacity to make and manage investments that are supportive of clients' unique risk and return objectives.

Mark is a graduate of Virginia Polytechnic Institute and State University where he received a BS degree in forest management. He also is a Registered Forester, a Certified Forester and a member of Society of American Foresters.

seaman@tirllc.com | **404-848-2000**

Tom E. Johnson, *Managing Director, Client Relationship Management*

Tom is responsible for all client relationship management and he directs the firm's domestic and international business development efforts. He was a founding member of TIR and plays key roles in shaping its strategic direction and overseeing the implementation of its core investment strategy on behalf of clients. This includes participating in all buy-hold-sell decisions and establishing operational parameters and priorities for the management of the company's business and portfolios.

Tom began his career at Wachovia where he spent ten years managing significant client relationships in the institutional investment and corporate trust markets. In that capacity, he served as the bank's West Coast territory manager, which entailed directing all business development and client relationship management activities in support of its retirement and charitable fund clients. Prior to joining Wachovia, Tom was a principal consultant at PricewaterhouseCoopers Management Consulting. In that role, he was an industry advisor to global investment management firms, managing major projects that influenced the implementation of clients' business operations and marketing functions.

In addition to his years of experience in the institutional investment arena, Tom is a forester who grew up in a saw-milling family in North Carolina. This background gives him a unique perspective on the timberland asset class - enabling him to provide valuable counsel to TIR with regard to the firm's strategic direction and to consistently reflect and represent the needs and interests of its clients.

Tom is a graduate of Appalachian State University where he earned a BSBA in finance. He earned his MBA and MS in forest resources, with honors, at the University of Georgia and is a member of the Phi Kappa Phi honor society. He is a member of the Advisory Committee for the University of Georgia's Center for Forest Business. He also holds the designation of Chartered Alternative Investment Analyst (CAIA^{SM}) and is on the CAIA Real Assets Committee.

johnson@tirllc.com | **404-848-2000**

Alaska Retirement Management Board

Timberland Portfolio Review

February 10, 2011

Thomas Sarno
Senior Portfolio Manager

Corbitt Simmons
Senior Portfolio Analyst

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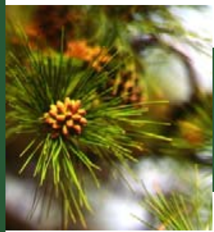
www.hancocktimber.com



Contents

I. Hancock Timber Resource Group

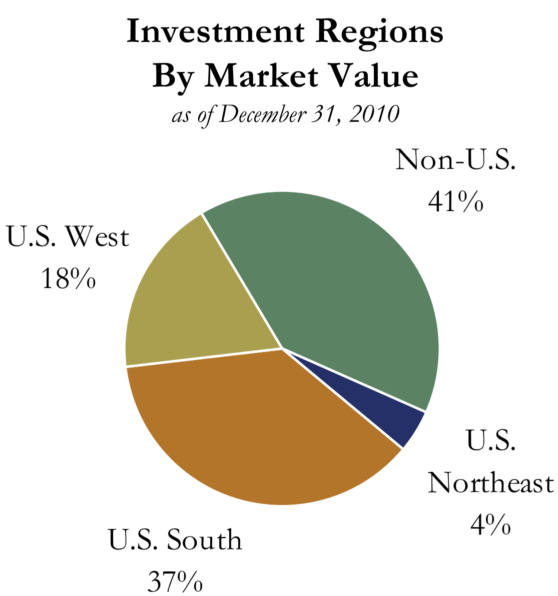
Firm Overview

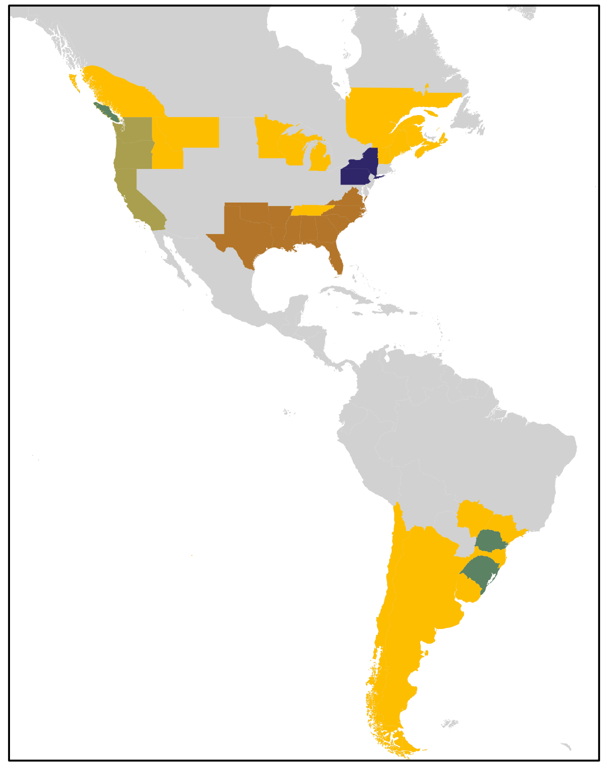
- Founded in 1985, independent subsidiary of Manulife Financial Corp.
- As of December 31, 2010, HTRG global portfolio: US$8.9 billion / 5.2 million acres (2.1 million hectares)
  - Investments in US South, West, and North; Canada, Australia, New Zealand and Brazil
- Recent HTRG Acquisitions
  - 2009 total US$140.8 million (82,551 acres)
  - 2010 total US$538.3 million (506,808 acres)
- 318 investors

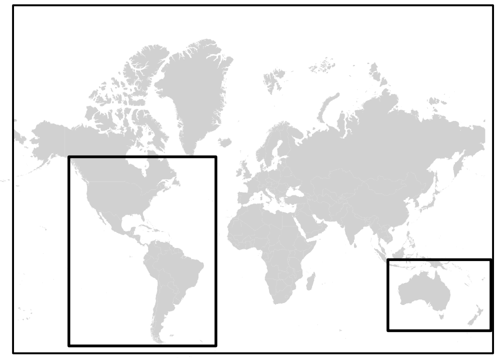
HTRG Composite Before-Fee Performance as of 12/31/2010	
1 Year	8.3%
3 Year	-0.4%
5 Year	6.4%
10 Year	8.2%
20 Year	11.5%
Since Inception (1985)	13.2%

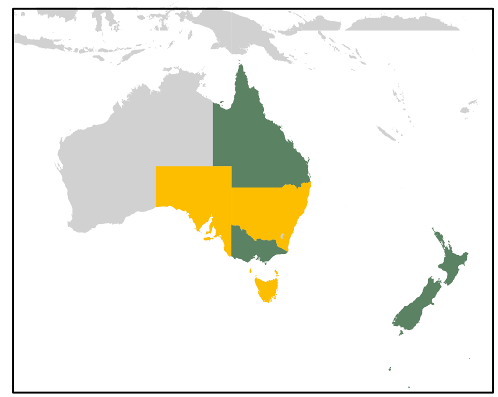
I. Hancock Timber Resource Group

Current and Targeted Investment Regions









Targeted investment regions

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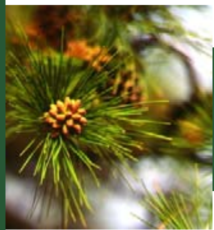

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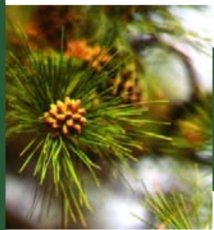


II. Portfolio Overview

Investment Strategy

Total Return

- **Provide Current Income**
- **Preserve Investment Capital**
- **Realize Profit from Long-Term Appreciation**

- Objective: To achieve long-term capital appreciation and moderate cash income through an actively managed, diversified timber portfolio

- Performance Guidelines:
  - The portfolio will seek to produce a minimum 5% net real total rate of return over rolling five-year periods

- Portfolio Diversification:
  - Timberland asset investments inside the United States
  - Portfolio should be diversified by geography, tree species/product and maturity/merchantability

II. Portfolio Overview
Portfolio Activity

- **Timberland Investment Advisory and Management Agreement**
  - Signed on May 1, 2008
  - Capital commitment of $100.0 million
  - Salmon Timberland LLC was organized on April 9, 2009
  - Salmon Timberland II LLC was organized on January 11, 2010

- **Tallapoosa property acquisition (Salmon Timberland LLC)**
  - June 12, 2009 contribution date
  - $40.0 million contribution
  - 100% equity interest

- **Fishhawk property acquisition (Salmon Timberland LLC)**
  - December 11, 2009 contribution date
  - $11.6 million contribution
  - 100% equity interest

- **Elk River property acquisition (Salmon Timberland II LLC)**
  - February 2011
  - Estimated total contribution $25.6 million
  - 100% equity interest

II. Portfolio Overview

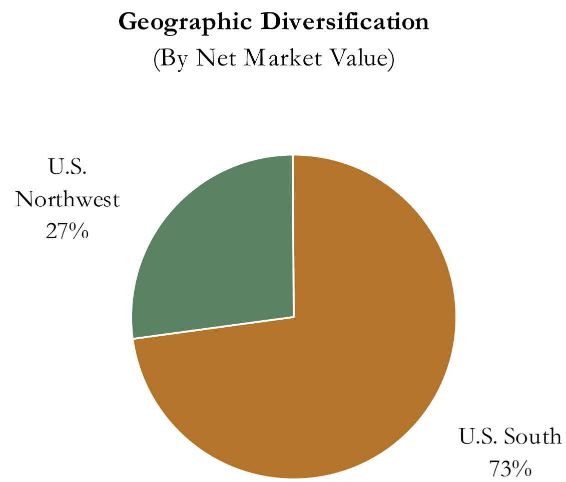
Capital Summary as of December 31, 2010

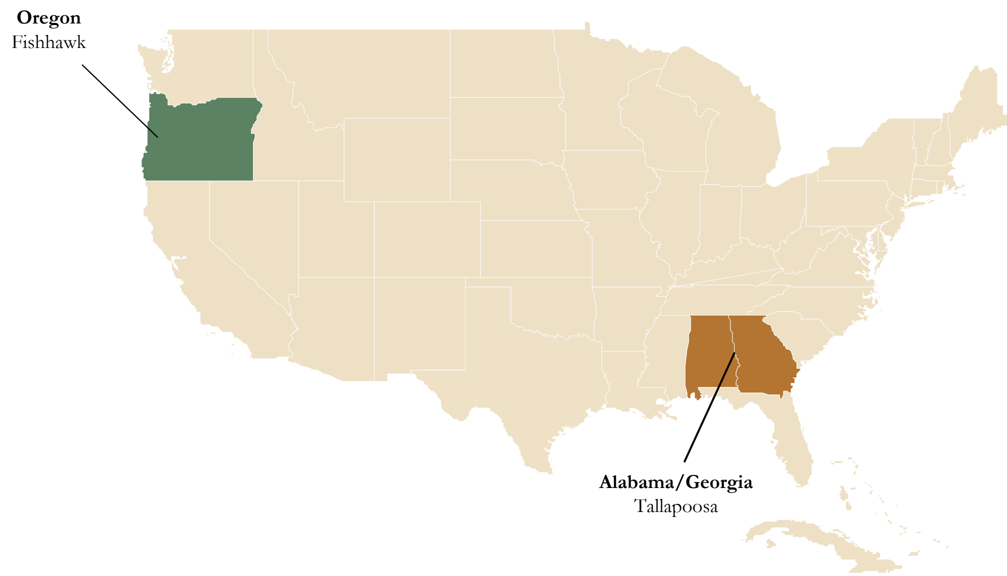
Salmon Timberland LLC	
Inception	April 2009
Term	Open
Committed Capital	$100.0 million
Contributed Capital	$51.6 million
Distributions Since Inception	$4.0 million
Net Asset Value	$47.0 million

II. Portfolio Overview

Geographic Diversification as of December 31, 2010

Region	Investment	State	Inception	Ownership Interest	Area (acres)	Net Market Value (US$ million)
U.S. Northwest	Fishhawk	OR	Dec-09	100%	4,067	12.7
U.S. South	Tallapoosa	AL/GA	Jun-09	100%	22,142	33.9
Total					26,209	46.6





II. Portfolio Overview

Historical Performance as of December 31, 2010

Salmon Timberland LLC (After-fee)

Time-Weighted Rates of Return	
Fiscal Year-to-Date (non-annualized)	
Income	-1.2%
Appreciation	2.6%
Total	1.3%
Annualized Total Return	
1 year	-0.4%
3 year	n/a
5 year	n/a
7 year	n/a
Since-Inception	-0.8%
Dollar-Weighted Internal Rates of Return	
Nominal	-2.5%
Real	-4.0%

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II. Portfolio Overview

Appraisal Summary

Salmon Timberland LLC (USD millions)	**Ownership Interest**	**Acquisition Value**[1]	**Net Land Sales**[2]	**2010 Appraisal**[3]	**Change**[4] **($)**	**Change**[4] **(%)**
Fishhawk	100%	11.4	0.0	12.7	1.3	11%
Tallapoosa	100%	38.6	3.9	34.6	0.0	0%
Total		**50.0**	**3.9**	**47.3**	**1.2**	**2%**

[1] Acquisition Value		
	Fishhawk	12/15/2009
	Tallapoosa	6/16/2009
[2] Since acquisition		
[3] Appraisal dates:	Fishhawk	9/30/2010
	Tallapoosa	3/31/2010
[4] Includes land sales		

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II. Portfolio Overview

Disposition History as of December 31, 2010

Salmon Timberland LLC (since inception in 2009)						
Property	**# Dispositions**	**Acres**	**Gross Revenue ($ millions)**	**Allocated Market Value ($ millions)**	**Gross Revenue/Acre**	**Premium on Allocated Market value**
Fishhawk	0	0	$0.0	$0.0	$0	0%
Tallapoosa	5	2,314	$4.0	$2.6	$1,707	50%
Total	**5**	**2,314**	**$4.0**	**$2.6**	**$1,707**	**50%**

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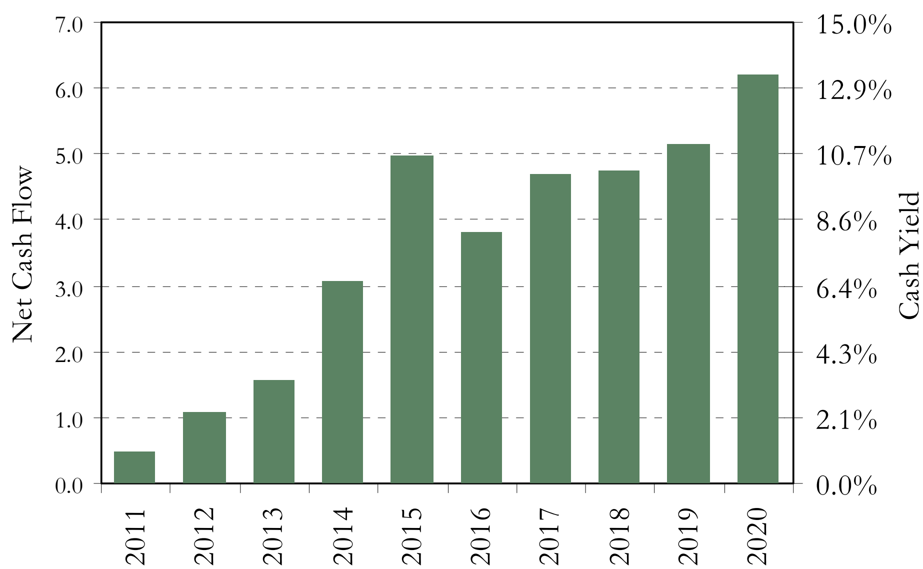
II. Portfolio Overview

Projected Performance as of December 31, 2010

Salmon Timberland LLC		
Projected IRR[1]	Nominal[2]	10.0%
	Real	6.8%
Average Projected Real Cash Yield[1]	Years 1-5	4.8%
	Years 6-10	10.6%

Projected Net Cash Flow

(real, before fee, USD millions)



[1] Projected cash flows at 12/31/2010 market value, before fee

[2] Annual inflation rate assumption: 3.0%

NOTE: Based on 2011 draft long-term plans

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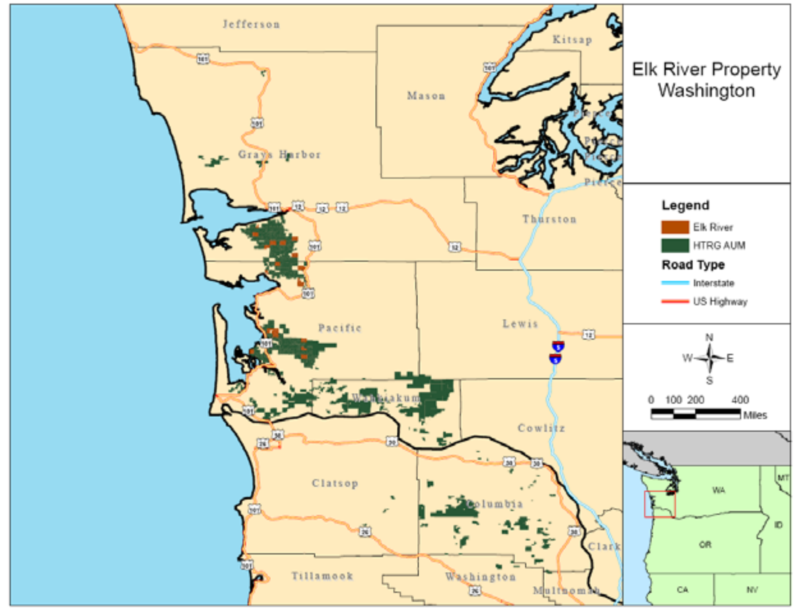
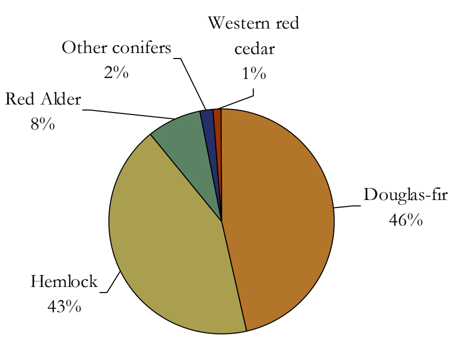
II. Portfolio Overview

Acquisition Profile – Elk River

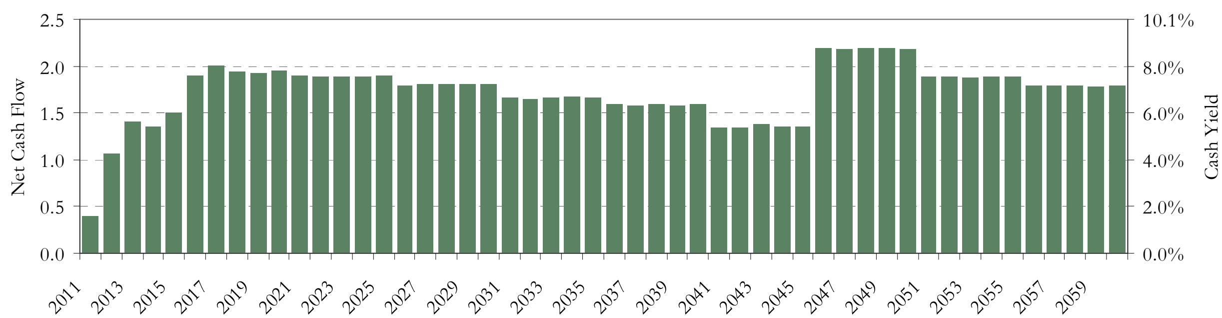
- Seller: Weyerhaeuser
- Closing: February 3, 2011
- Location: Southwest Coastal Washington
- Total Transaction: $196.2 million
  - –Alaska (Elk River): $25.6 million
- Total Size: 81,098 acres
  - –Alaska (Elk River): 10,659 acres
- Ownership: 100% fee
- Key Species: Douglas-fir, Western Hemlock, Western red cedar
- Markets: Domestic and export sawlogs & pulpwood; projected export volume: 33%
- Projected IRR: 6.7% Real / 9.9% Nominal



Timber Inventory by Value



Projected Net Cash Flow
(real, before-fee, USD millions)



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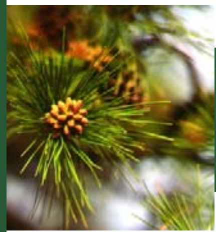


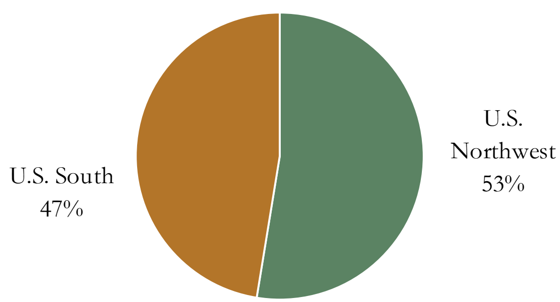
II. Portfolio Overview

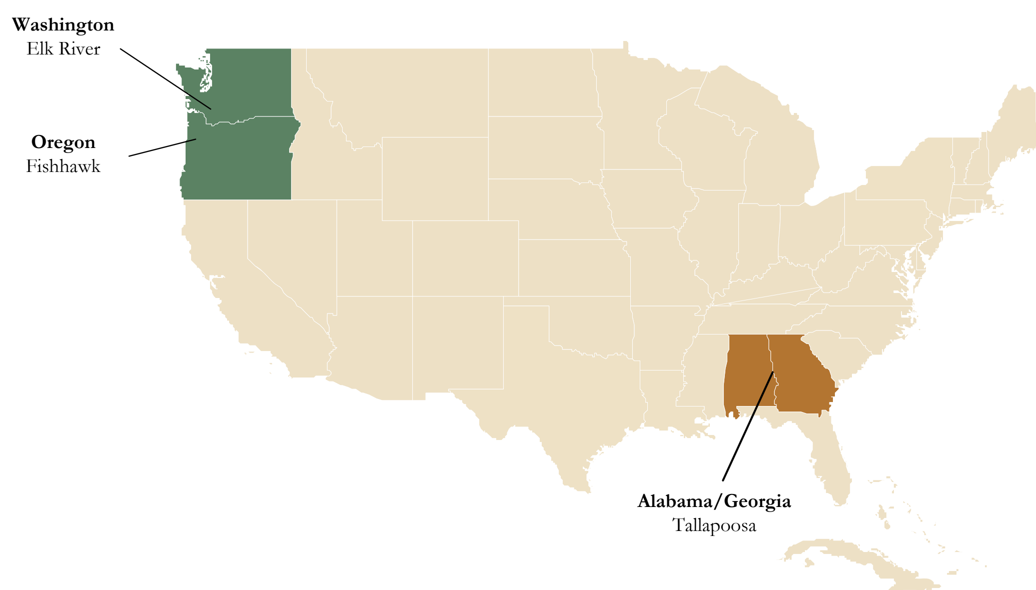
Geographic Diversification Including Elk River

Region	Investment	State	Inception	Ownership Interest	Area (acres)	Net Market Value (USD million)
U.S. Northwest	Elk River	WA	Feb-10	100%	10,659	24.9
	Fishhawk	OR	Dec-09	100%	4,067	12.7
	Sub-Total				14,726	37.6
U.S. South	Tallapoosa	AL/GA	Jun-09	100%	22,142	33.9
Total					51,594	71.5

Geographic Diversification

(By Net Market Value)





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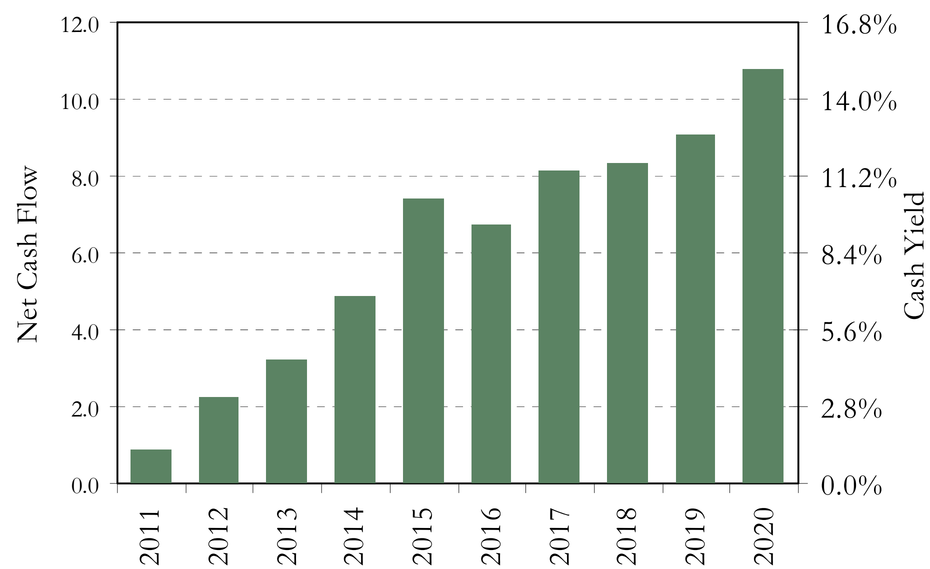
II. Portfolio Overview

Projected Performance Including Elk River

Combined ARMB Timberland Portfolio		
Projected IRR[1]	Nominal[2]	9.9%
	Real	6.8%
Average Projected Real Cash Yield[1]	Years 1-5	5.2%
	Years 6-10	12.1%

Projected Net Cash Flow

(real, before fee, USD millions)



[1] Projected cash flows at 12/31/2010 market value, before fee

[2] Annual inflation rate assumption: 3.0%

NOTE: Based on 2011 draft long-term plans

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Contents

III. Market Outlook
Summary

- Timber markets in the US have been in a deep cyclical trough since 2007 due to weakness in markets for lumber, panels, and other manufactured wood products.
- Timberland markets in most geographies were strong through 2008, as buyers were looking through the cyclical trough in timber prices and using compressed rates to discount expected cash flows.
- The global financial meltdown during 2008/2009 sharply reduced the value of (and increased the expected return from) most assets.
- Timberland property markets softened and appraised values of most US timberland properties fell at year-end 2009, attributable in most part to softer timber prices and increasing discount rates.
- In general, year-end 2010 domestic appraisals were flat to 2009 indicating that values have bottomed.
- Rates of return for existing timberland investments were below average for 2010.
- New acquisitions accomplished at current market pricing will not be exposed to the below average reported performance expected in the near term.
- Positive fundamentals - strong investor demand for real assets and robust timber markets - should support timberland investment performance over the mid to long term.

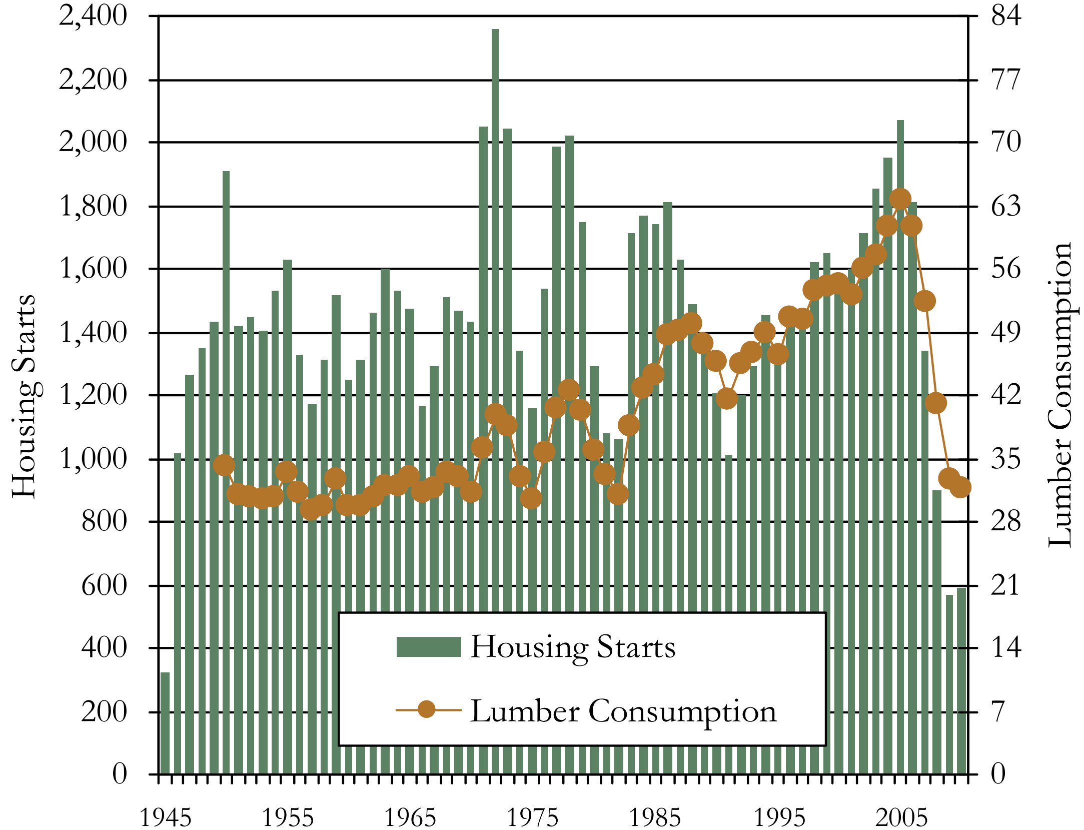
III. Market Outlook

US Lumber Consumption at Historic Lows

Construction of new housing in US at lowest level since 1940s

- US housing starts are down by more than 75 percent from the most recent 2005 peak. Starts during 2009 were at the lowest level since the 1940s with only slight improvement in 2010.
- Lumber consumption in the US has declined by more than 40 percent since 2005. The proportional decline in lumber consumption has been less than the decline housing starts due to smaller proportional drops in other sources of lumber demand.

Annual US Housing Starts (1000 units) and Lumber Consumption (BBF)



Source: HTRG Research

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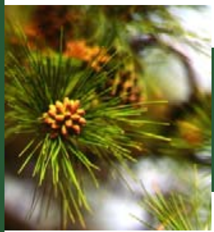


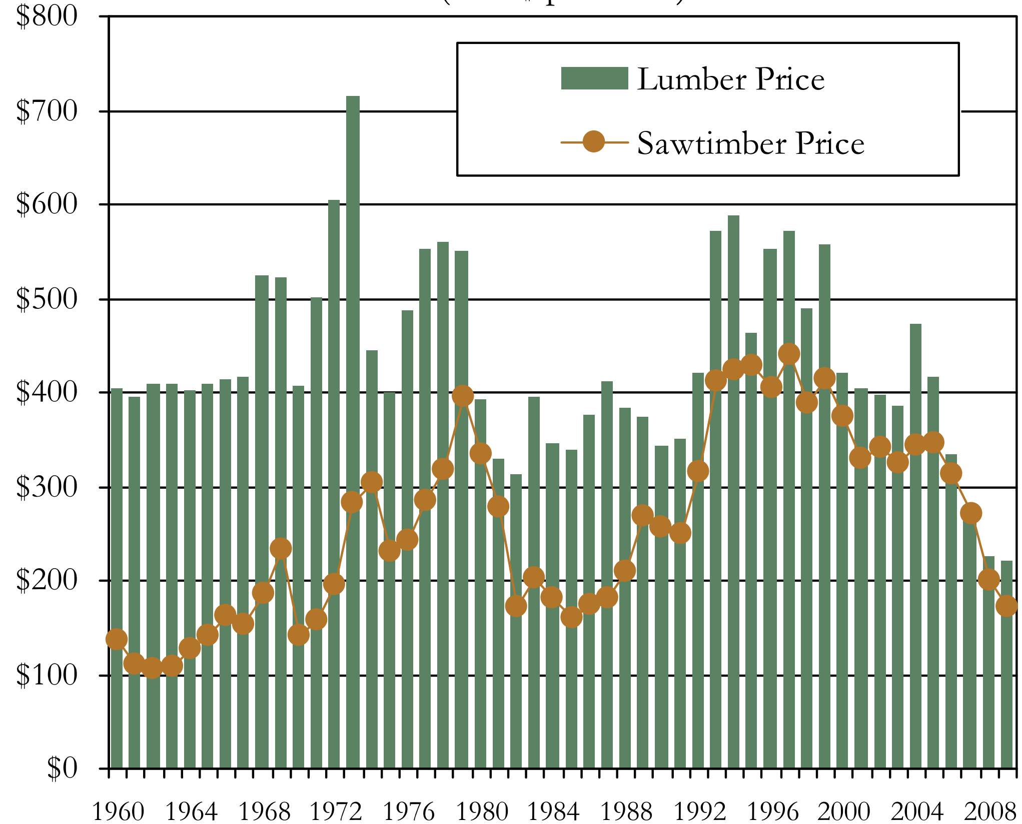
III. Market Outlook

US Timber Markets in a Deep Cyclical Trough

Weak lumber markets have pulled down sawtimber prices

- Lumber markets have softened with declines in US housing construction and reductions in other sources of lumber demand. In real terms lumber prices during 2009 were at historically low levels.
- Real sawtimber stumpage prices in the US have fallen by nearly 50 percent since 2005.

US Lumber Prices and US Sawtimber Stumpage Prices
(2009$ per MBF)



Source: HTRG Research

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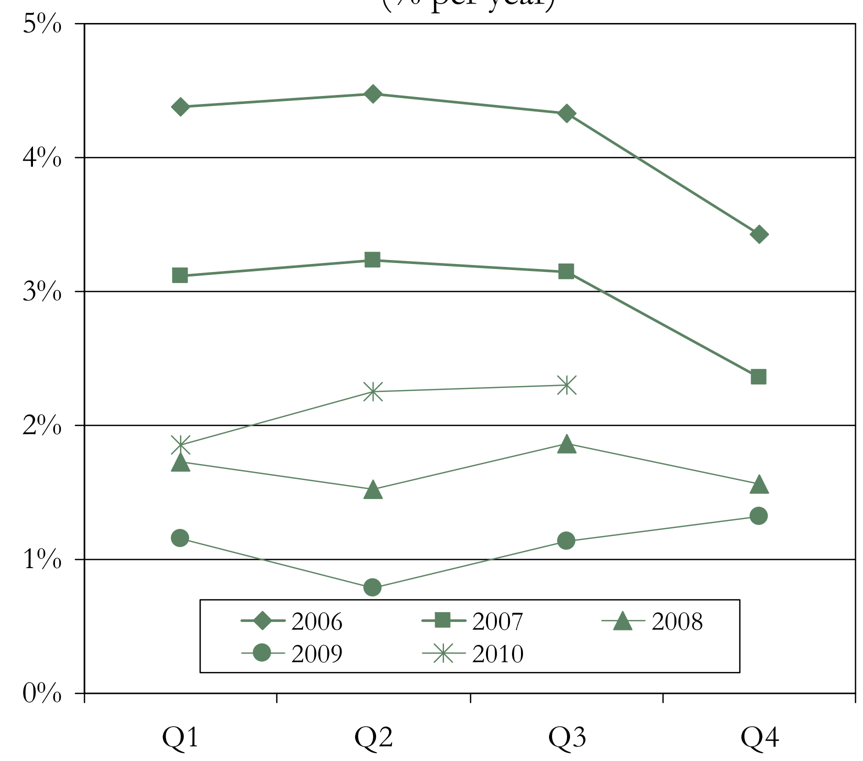
III. Market Outlook

Cash Yields for US Timberland Historically Low

Low timber prices and harvest deferrals have depressed cash yields for timberland properties

- 2009's annual cash yield was the lowest ever reported for the NCREIF Timberland Index at 1.1 percent. This is substantially below average levels of about 4 percent that persisted over most of the past decade.
- Approximately half of the reduction is due to market conditions (lower timber prices and higher timberland property values) and half is due to harvest reductions.
- Cash yields during 2010 were boosted by a short-term spike in timber prices that continues to persist in the PNW.

US Timberland Annualized Operating Cash Yields
(% per year)



Sources: NCREIF Timberland Property Index and HTRG Research

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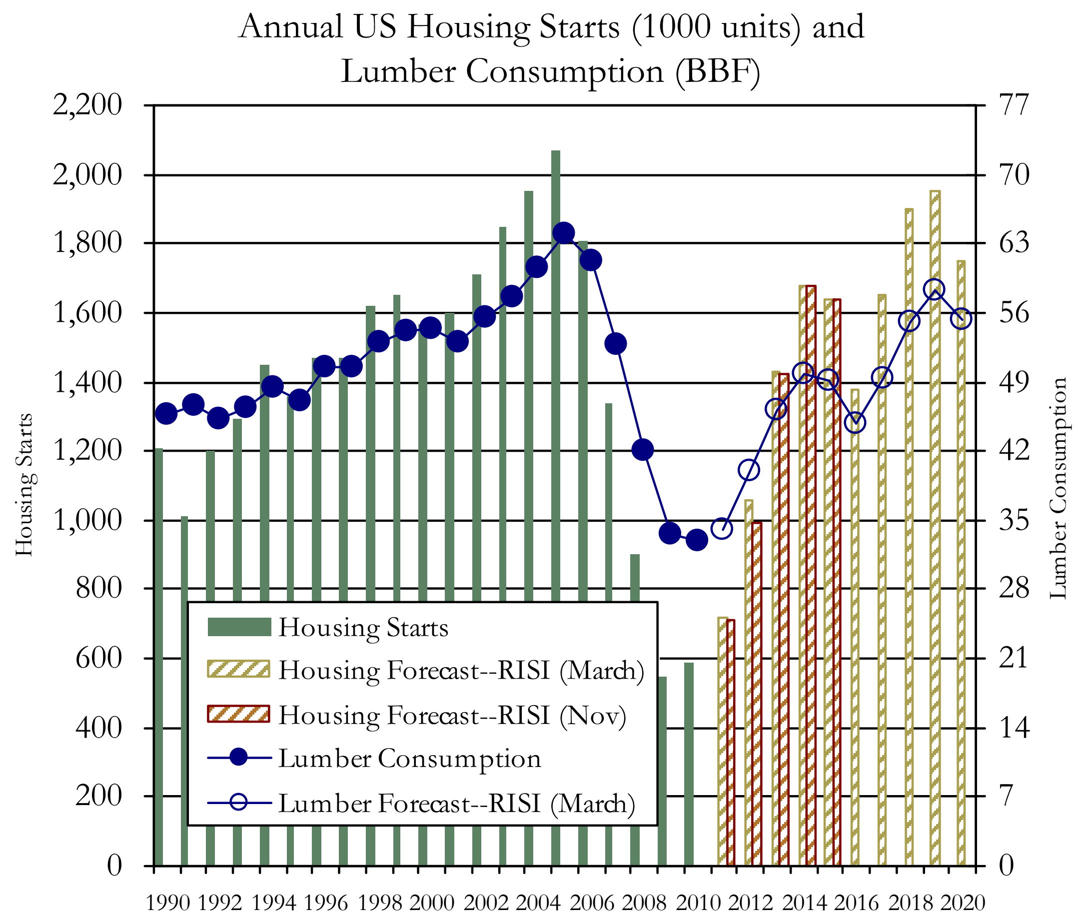
III. Market Outlook

US Housing Starts Appear to have Bottomed

Recovery of US housing sector will lead a rebound in US lumber and timber markets

- Lumber demand should begin to rebound during 2012 with a recovery in new home construction. The timing and magnitude of any housing sector rebound will depend on factors such as employment growth, mortgage rates and credit availability, and the inventory of unsold homes.
- Underlying demographics suggest that US lumber consumption could return to levels near the 2005 peak in coming decades.



Sources: RISI (March 2010 and July 2010)

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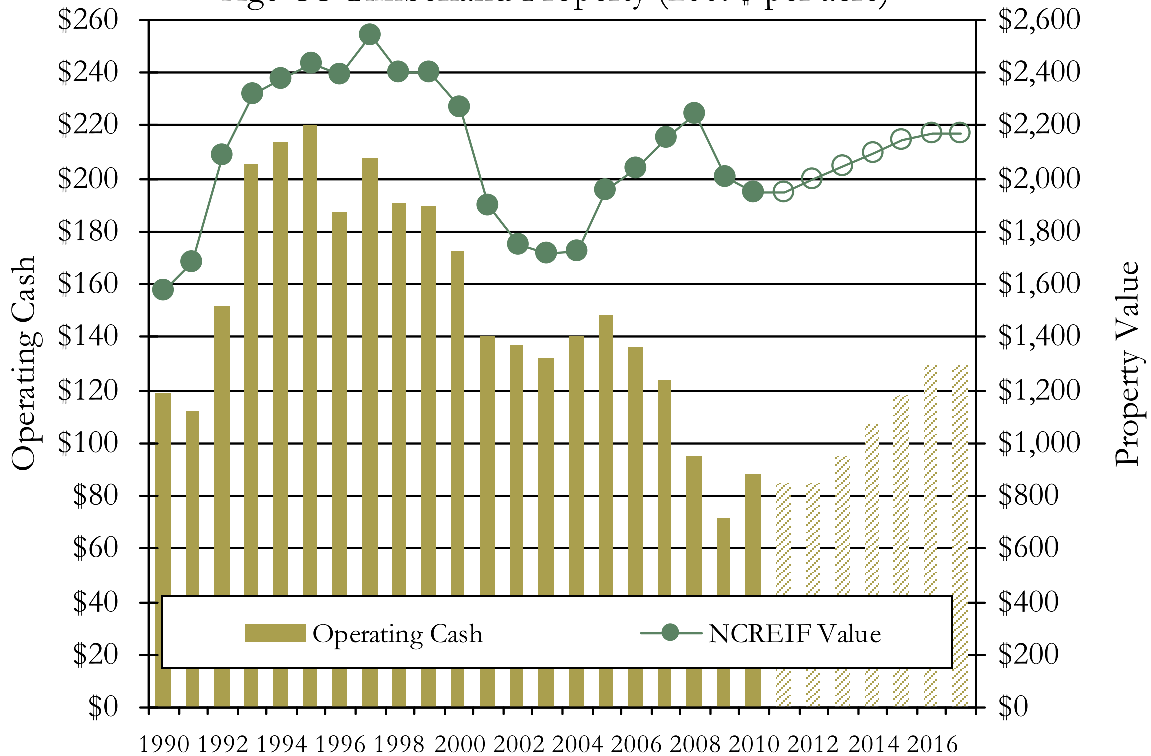
III. Market Outlook

US Timberland Property Markets Have Softened But Are Expected To Rebound

Rising discount rates and weakening timber markets have pulled down timberland property values in the near term. Lower discount rates and stronger timber markets will lift future timberland values.

- US timberland property values have fallen since 2008 due to expanding discount rates and low operating cash flows.
- Cash flows are expected to begin to increase in 2013, and rise to levels near averages experienced during the 2000 to 2005 period.
- Appraised value of US timberland properties, which have fallen by about 15 percent over the past two years, are expected to rise modestly as real IRRs compress a bit back to about 6 percent.

Operating Cash and Value for Prototypical All Age US Timberland Property (2009$ per acre)



Sources: NCRIEF and HTRG Research. Methodology detailed in "Explaining Timberland Values in the United States," *Journal of Forestry*, December 2004.

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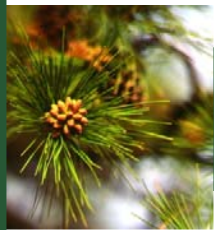

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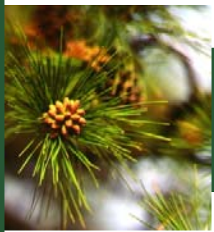


IV. Appendix

Property Profile as of December 31, 2010 - Tallapoosa

Summary

- **Location:** Alabama and Georgia
- **Acquisition Date:** June, 2009
- **Acquisition Value:** $38.6 million
- **Current Appraised Value:** $34.6 million
- **Ownership:** Real estate
- **Land Tenure:** Fee
- **Current Area:** 22,142 acres
- **Timber Type:** Loblolly pine plantations
- **Markets:** Domestic sawtimber and pulpwood

2010 Operations/Market Highlights

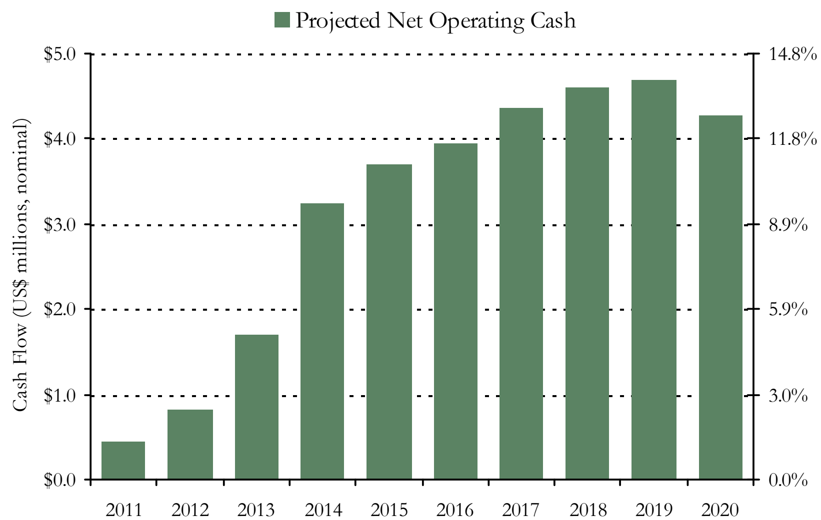
- Timber prices remained weak for solidwood, while pulpwood prices were above expectations
- Opportunistic timber sales realized stumpage prices above budget; resulting operational cash flow ended the calendar year above budget
- Real estate market remained depressed throughout the year resulting in lower than expected net cash from land sales
- Completed three small land sales totaling 135 acres for $337,000; 50% premium over appraised value

Property Returns

	Nominal	Real
IRR – Since Inception[1]	-4.2%	-5.6%
IRR – Projected[2]	9.5%	6.3%

[1] After fee, assumes exit at Hypothetical Liquidation Value (net asset value less estimated closing costs), as of 12/31/10

[2] IRR of projected cash flows on 12/31/10 market value, before fee; nominal IRR assumes 3.0% annual inflation



Notes:
Cash yield represents total net cash over 12/31/10 market value
Cash flows are based on 2011 draft long-term plans

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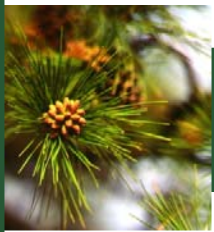


IV. Appendix

Property Profile as of December 31, 2010 - Fishhawk

Summary

- **Location:** Oregon
- **Acquisition Date:** December 2009
- **Acquisition Value:** $11.4 million
- **Current Appraised Value:** $12.7 million
- **Ownership:** Real estate
- **Land Tenure:** Fee
- **Current Area:** 4,067 acres
- **Timber Type:** Douglas-fir, Hemlock, Red Alder
- **Markets:** Domestic sawtimber and pulpwood, export logs

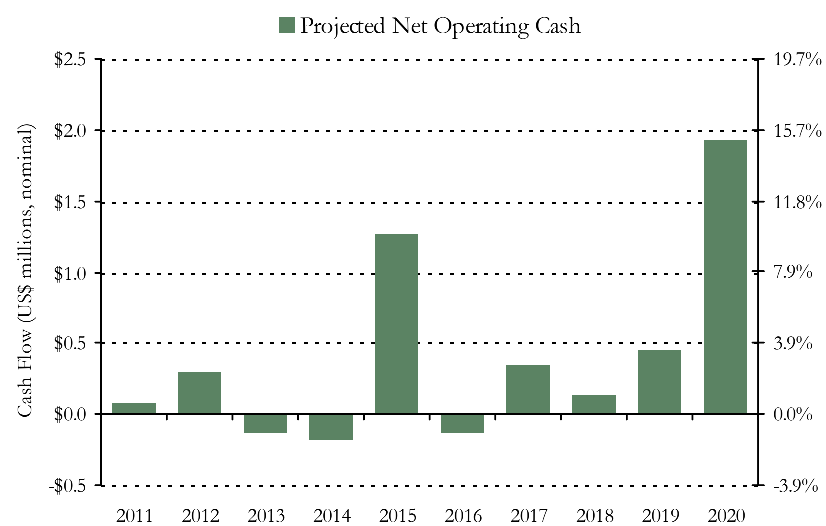
2010 Operations/Market Highlights

- First appraisal completed in September 2010 resulted in an 11.2% gain in value
- Successful transition to HFM property management
- No harvesting conducted on the property during the year
- Implementation of HFM log export strategy for the Pacific Northwest region

Property Returns

	Nominal	Real
IRR – Since Inception[1]	4.6%	3.4%
IRR – Projected[2]	10.9%	7.7%

[1] After fee, assumes exit at Hypothetical Liquidation Value (net asset value less estimated closing costs), as of 12/31/10
[2] IRR of projected cash flows on 12/31/10 market value, before fee; nominal IRR assumes 3.0% annual inflation



Notes:
Cash yield represents total net cash over 12/31/10 market value
Cash flows are based on 2011 draft long-term plans

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IV. Appendix
Biographies

Thomas Sarno, Senior Portfolio Manager

Tom is responsible for account management and portfolio development for both individually managed accounts and pooled investment vehicles. In this role, he evaluates portfolio performance, acquisition and disposition opportunities, develops and implements investment strategies, and manages client relationships. Tom has served in the capacities of General Manager, Southern Division as well as Mid Atlantic Region Manager for Hancock Forest Management. In those roles, he was responsible for the leadership and direction of a team of professionals who provide acquisition and disposition services to Hancock Timber Resource Group clients, forest management, timber marketing, asset management, stewardship direction and fiduciary oversight for HTRG assets in the US South and Northeast. Prior to joining the firm in 2004, Tom was a Procurement Manager for International Paper's Pensacola paper mill and McDavid sawmill enterprise. He has served as Forest Operations Manager as well as Forest Analyst for Champion International Corporation. Tom earned a Bachelor of Science, with honors, in Forest Resources and Conservation from the University of Florida.

Corbitt Simmons, Senior Portfolio Analyst

Corbitt is responsible for analyzing timberland investments, conducting HTRG's annual relative valuation process, reviewing potential acquisitions for portfolio suitability, drafting portfolio adjustment recommendations, and monitoring overall economic and industry specific factors affecting the timberland asset class. Prior to joining HTRG, Corbitt was the Senior Planning Analyst of Hancock Forest Management – Southern Division. His main responsibilities included long-term management planning and asset optimization, acquisition and disposition valuation, timber market analysis, and operational benefit/cost analysis. Corbitt holds a B.S. in Forest Management from North Carolina State University and an MBA from the University of North Carolina at Charlotte.

IV. Appendix
Notes and Disclosures

Hancock Timber Resource Group is a division of Hancock Natural Resource Group, Inc., a registered investment adviser and wholly owned subsidiary of Manulife Financial Corporation.

Projected Performance

Projected performance figures are based on a model containing certain assumptions, including but not limited to assumptions as to growth rates, harvest levels, timber prices, production costs and liquidity. They should not be construed as guarantees of future returns, nor should they be interpreted as implications of future profitability. Potential for profit as well as for loss exists. The impact of future economic, market and weather factors may adversely affect model results. Performance objectives and projections are based on information available to us at this time and are not meant to be interpreted as guarantees or commitments to future results. The economic outlook is developed by HTRG's economic and asset class professionals. Our outlook is based on the information available to us at this time and our analysis of same. While we are confident in our projections, one should not interpret them as a guarantee of performance.

Before Fees Performance

Performance figures do not reflect the deduction of investment advisory fees. The client's return will be reduced by advisory fees and any other expenses it may incur in the management of its investment advisory account. Investment advisory fees of Hancock Natural Resource Group are described in Part II of Advisors Form ADV.

Effect of Advisory Fees Over 10-Year Period

If, for example, the gross total annualized return of a $10 million investment over a 10-year period were 8% real (net of inflation), deducting an annual investment management fee of 95 basis points on the invested capital over a 10-year period would produce a total value of $20.5 million after fees, versus $21.6 million before fees.

Alaska Retirement Management Board

February 10, 2011

informed RCM

Prepared for:

Gail Schubert, Chair

Sam Trivette, Vice-Chair

Members of the Board

Gary Bader
Chief Investment Officer

Michael J. O'Leary
Executive Vice President
Callan Associates

♦

Presented By:

Peter A. Goetz, CFA
Director
Senior Portfolio Manager

Melody L. McDonald, CIMA
Managing Director
Relationship Manager

PETER A. GOETZ, CFA
DIRECTOR
SENIOR PORTFOLIO MANAGER
joined RCM in 1999. Peter is a Senior Portfolio Manager on the U.S. Large Cap Equity Portfolio Management Team. Prior to joining RCM, Peter worked at Jurika & Voyles, where he was Vice President and Portfolio Manager for three years. There, he managed equity and balanced institutional accounts, and co-managed the firm's core equity value + growth and balanced no-load mutual funds. Previously, Peter worked as a Vice President and Senior Portfolio Manager at Bank of America Private Asset Management in Newport Beach, CA, where he managed assets for non-profit organizations, corporations, and high-net-worth individuals. He received a BA in Economics from the University of California, Irvine and an MBA from the University of Southern California. Peter is a member of the CFA Society of San Francisco and CFAI.

MELODY L. MCDONALD, CIMA
MANAGING DIRECTOR
RELATIONSHIP MANAGER
joined RCM in 1986 and has over 25 years investment experience. Melody established RCM's first client service, marketing and consultant relations department and headed it through 1994. From 1994 to the present, she has been the Relationship Manager responsible for a number of the firm's corporate, public and endowment & foundation clients. Prior to joining RCM, Melody joined Wells Fargo Bank in 1976 as a credit analyst and later as an AVP and Corporate Lending Officer. In 1984, Melody went to Harvard Business School, from which she graduated as Class Marshall in June, 1986. While at Harvard, she spent her summer working for Goldman Sachs and Company in San Francisco and New York. Melody joined RCM in 1986 and became a Partner in 1988. Melody was awarded the CIMA designation (Certified Investment Management Analyst) at the Wharton School of the University of Pennsylvania. She received an MA from the New England Conservatory of Music and a Doctorate of Music from Stanford University. In 2002, Melody was appointed by the President of the United States to serve on the Pension Benefit Guaranty Corporation Advisory Committee. In 2005, her last year, she served as Chairman. Currently, Melody serves on the Investment Committee for the IEEE, the international engineering organization which sets the standards for engineering worldwide, and The Juilliard National Council.

Section One

RCM Overview

A Global Asset Management Company

- Over 470 investment, research and business professionals across the world
- Over 270 investment professionals
- Virtual 24 hour office – structured to promote communication and information flow
- Global investment infrastructure customized to provide highest quality management of fundamental and quantitative information; from research to portfolio management to trading, compliance and client service

Our structure facilitates information travelling faster and more freely

Source: RCM, as of September 30, 2010.

Our Philosophy

We believe that by generating and exploiting an information advantage, we will be able to drive superior and consistent investment results for the benefit of our clients. A philosophy we call RCM informed.

It is a philosophy that we apply to all areas of our company, from investment management to our commitment to engage with clients proactively and dynamically in partnership.

The result is a company with many distinctive features, including:

1. A truly global structure.
2. An emphasis on innovative proprietary research.
3. A boutique culture.

Global Research Headcount

	Consumer	Financial Services	Health Care	Industrials	Technology	Telecom/ Media	Sustainability Research (SR)	Spec. Sits./ Themes	Grassroots^{SM} Research	Total
Europe	4	5	4	9	2	3	3	5	2	37
US	3	2	4	3	5	2	0	0	2	21
Asia Pacific	1	3	1	3	2	1	0	0	1	12
Total	8	10	9	15	9	6	3	5	5	70

As of September 30, 2010

- An average of 13 years of industry experience
- Innovative and proprietary investment tools
- Analysts manage sector and thematic mandates
- Each analyst conducts an average of 100 meetings per year with corporate management
- Research identifies the key drivers of each stock, which frames and focuses the analytical process
- Dedicated sustainability research analysts
- Complemented by Grassroots^{SM} Research

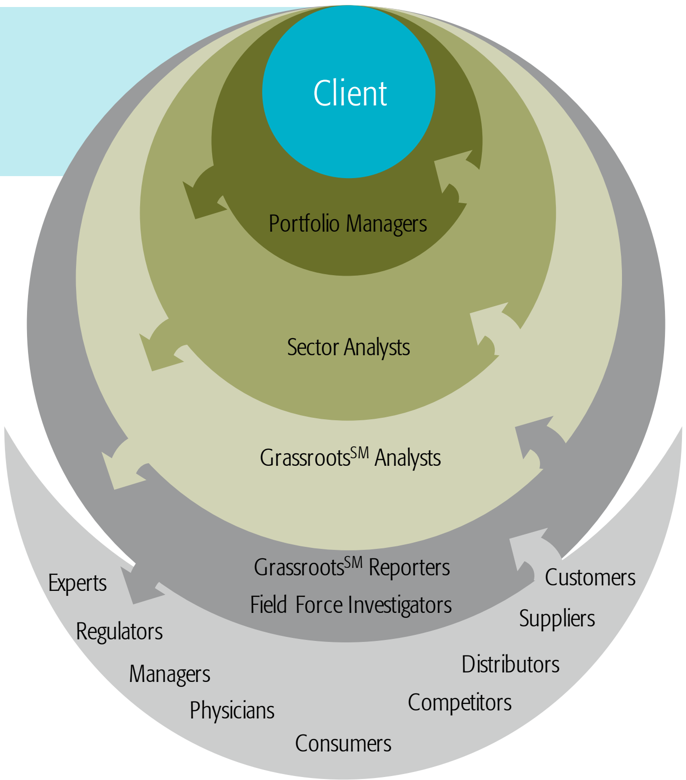
The cornerstone of our investment process – generating information advantage

Grassroots^{SM} Research is a division of RCM. Research data used to generate Grassroots^{SM} Research recommendations is received from reporters and field force investigators who work as independent contracts for broker-dealers. Those broker-dealers supply research to RCM and certain of its affiliates that is paid for by commissions generated by orders executed on behalf of RCM's clients.

Grassroots^{SM} Research

Mission:

Provide RCM investment professionals with timely business insights that help identify inflection points and increase investment conviction



www.grassrootsresearch.com

Methodology:

- Customized to answer specific questions about key stock drivers identified by portfolio managers and analysts

Resources:

- In-house staff of 10
- 67 reporters
- 250+ Field Force investigators
- 50,000+ industry contacts

Results:

- 30+ company/industry studies per month

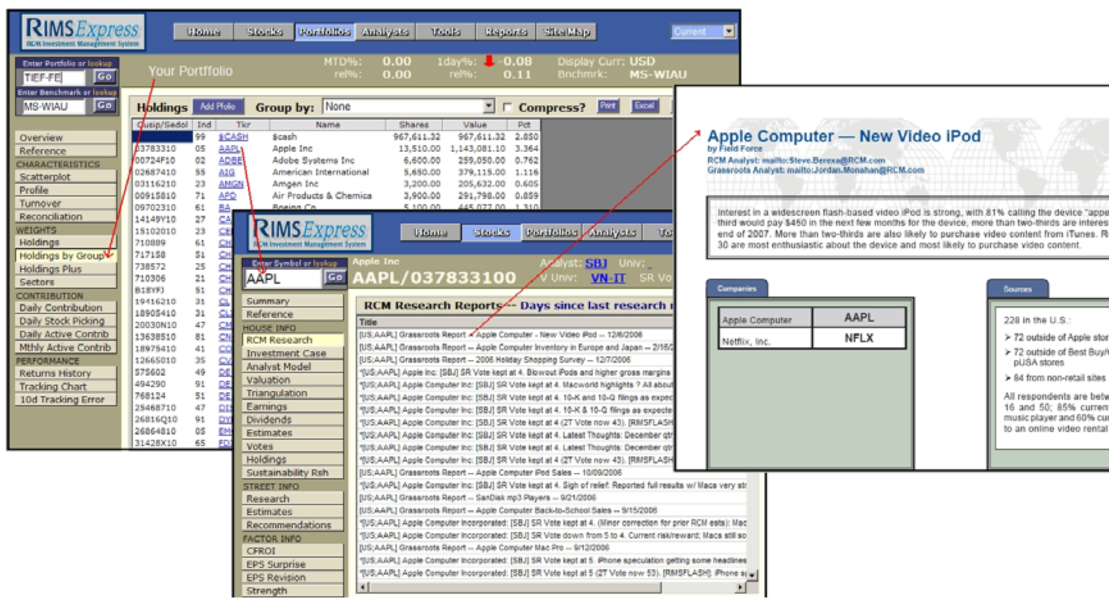
Investment decisions – reality checked

RCM, as of December 31, 2010. Grassroots^{SM} Research is a division of RCM. Research data used to generate Grassroots^{SM} Research recommendations is received from reporters and field force investigators who work as independent contractors for broker-dealers. Those broker-dealers supply research to RCM and certain of its affiliates that is paid for by commissions generated by orders executed on behalf of RCM's clients.

RIMS Express

RCM Investment Management System

- RIMS Express is the primary in-house repository for all equity investment-related information at RCM and serves as the firm's global communication platform
- Over 500 data items on a universe of over 50,000 global companies
    - Earnings and dividends
    - Financial statement fundamentals
    - Quantitative models and daily prices
    - Portfolio positions and portfolio analytics
- In-house analyst research notes and recommendations
- In-house and street earnings estimates compared via Red Flag reports
- Valuation page integrates RCM earnings estimates, valuation parameters, target prices, and risk-adjusted return assessments
- Risk-adjusted returns allow for comparability of stock within or across industries, sectors, and risk categories



RIMS Express is a proprietary analytical database of RCM. Certain financial data represented in the database is supplied by broker-dealers to RCM in connection with brokerage services.

Section Two

RCM Large Cap Core Growth Philosophy & Process

RCM Large Cap Growth Philosophy

Rigorous fundamental analysis of company and industry dynamics facilitates the identification of high quality companies with superior growth rates.

When combined with a disciplined valuation methodology, we believe this approach will generate consistent excess returns over time.

Portfolio Management Team

RCM
Global Chief Investment Officer

Andreas Utermann
21 Years Experience

RCM San Francisco
Chief Investment Officer

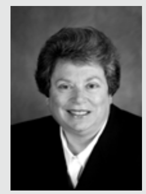
Scott Migliori, CFA
15 Years Experience

PMT Resources

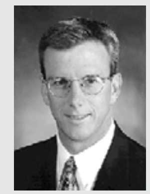
- Sector & Global Portfolios
- Mid Cap Input
- Global Policy Council
- Quantitative Analysts
- Trading
- Product Specialist

Large Cap Core Growth Equity Portfolio Management Team

Raphael Edelman
CIO, Senior Portfolio Manager
26 Years Experience



Joanne Howard, CFA
Senior Portfolio Manager
46 Years Experience



Peter Goetz, CFA
Senior Portfolio Manager
25 Years Experience

Large Cap Core Growth

Dual Research Platform

Global Sector Fundamental Research

Grassroots[SM] Research

Investment Process

Goal: To build a portfolio of high quality growth companies with significant excess return potential.

1 Idea Generation	2 Stock Selection	3 Portfolio Construction	4 Implementation/ Monitoring & Review
▪ Approximately 700 companies ▪ RCM Fundamental Research ▪ Grassroots[SM] Research ▪ International and Mid Cap Teams ▪ Global Policy Council ▪ Street Research ▪ Traders	▪ Culled down to 150 – 200 candidates ▪ Stocks considered for portfolio must meet rigorous **Growth**, **Quality**, and **Valuation** criteria ▪ Identify Catalysts, e.g. new product launch, improving cost structure	▪ Team Managed ▪ Meaningful positions: 1% minimum initial position ▪ Maximum position: 10% ▪ Weightings driven by absolute return potential	▪ Daily meetings with Research Analysts ▪ Team acts quickly if investment case weakens ▪ Weekly review of under-performing stocks ▪ RIMS Express/Northfield

We invest in companies with:

- Superior management
- Solid balance sheets and cash flow
- Sound accounting principles
- Extensive research and development
- Unique market niches/barriers to entry
- Substantial unit growth
- Ongoing new products/services
- Attractive Valuations

Buy and Sell Discipline

Growth

- Sustained earnings growth
- Market leaders / barriers to entry
- Proprietary products / services
- Productive research and development
- Favorable cash flow outlook

Quality

- Integrity of management team and board of directors
- Incentives aligned with investors
- Well capitalized balance sheet
- Sound accounting principles

Valuation

- Valuation relative to:
  - market
  - peer group
  - historical range
  - potential market segment
- Valuation relative to alternative investments – risk adjusted (RIMS Express)

Buy

Growth

- Earnings growth compromised
- Loss of proprietary competitive advantages
- Diminishing barriers to entry

Quality

- Management credibility issues
- Deteriorating balance sheet

Valuation

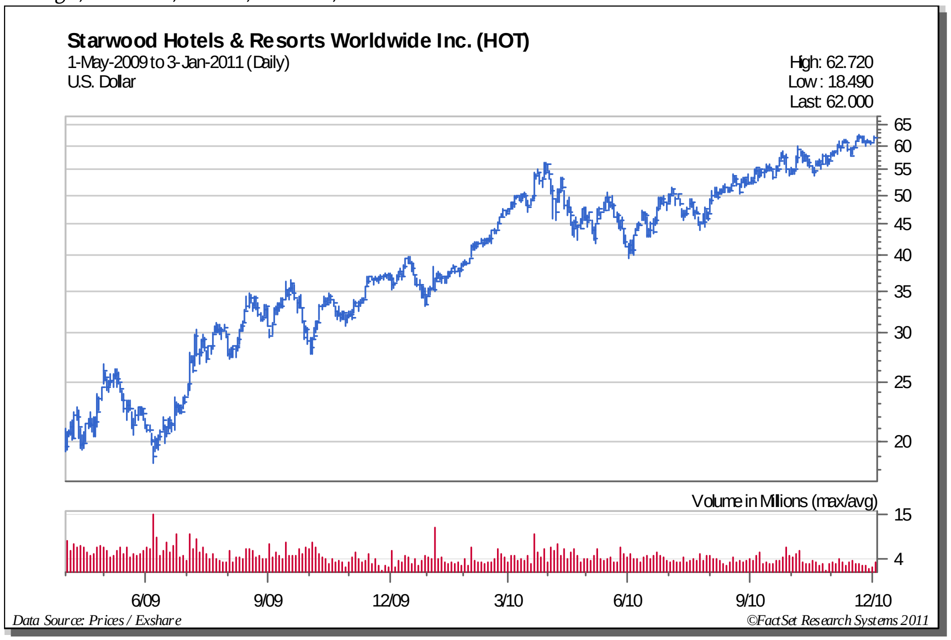
- Historically high absolute and relative valuation
- More attractive alternative investments on risk adjusted basis

Sell

Stock Example: Starwood Hotels & Resorts Worldwide (HOT)

COMPANY DESCRIPTION:

Starwood owns, manages, and franchises luxury and upscale hotels throughout the world. The company also develops and operates vacation interval ownership resorts. Starwood's brands include St. Regis, Sheraton, Westin, W Hotel, and Le Meridien.



JON A. WOLFENBARGER, CFA
DIRECTOR
SENIOR RESEARCH ANALYST, U.S. CONSUMER

joined RCM in 1997. Jon is a member of the Consumer Team. His primary research responsibilities include Food & Drug Retail, Restaurant, Gaming, Lodging, Leisure Product, Toy, Video Game, and Education companies. Prior to joining RCM, and while attending business school, he worked as an Associate in the Investment Banking Division of Merrill Lynch in New York. For three years prior to business school, Jon worked as an Investment Banking Analyst at JP Morgan Chase evaluating merger, equity, and debt transactions. He received his BBA in honors business, with a concentration in finance, from the University of Texas in 1992. Jon earned his MBA from Duke University's Fuqua School of Business.

Investment Case – Key Drivers

We reinitiated positions in Starwood Hotels in Large Cap Growth portfolios during *Q3 – Q4 2009* to get exposure to the global economic recovery and rebound in corporate travel budgets. HOT generates over half of its earnings outside of the U.S.

- **Revenue per available room (RevPAR) stabilization and improvement:** We expected RevPAR growth to improve from declines in mid-2009 to positive growth by 2H 2010. We expect these positive trends will continue in 2011.
- **Industry supply growth slowing to less than 1% starting in 2011:** We believe HOT is well positioned to benefit from tight supply as projects are cut due to weak demand trends.
- **$100 million+ of cost cutting to help boost margins:** A leaner cost structure should improve profitability as lodging demand accelerates.
- **Continued asset sales:** Continued shifts towards management and franchising through the sale of non-core real estate and ancillary businesses should reduce earnings volatility and improve organic growth potential.

Grassroots[SM] Research Input

- **August 2010:** Consistent with the December 2009 study, most companies had increased travel spending year-to-year as their businesses recovered, and sources expected to maintain that level of spending for the rest of the year. Spending on business travel was expected to continue to increase in 2011.
- **December 2009:** Feedback from U.S. corporate travel managers and industry experts indicated while companies maintained lean budgets, corporate travel spending was expected to increase in 2010 compared to 2009.
- **June 2009:** While corporate travel managers and industry experts in the U.S. and Europe indicated spending was still weak, travel budgets for 2010 were expected to be flat. RCM's analyst viewed these findings of flat 2010 budgets as a positive indicator relative to street expectations. This scenario of improving RevPAR from the 2009 lows became part of his thesis as to why HOT should outperform in the next 12-18 months.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of any security presented here.

Grassroots℠ Research* Studies – Large Cap

Technology

- Amazon.com Usage Trends Customer Survey in the U.S.
- Apple iPad in the U.S.
- Apple iPhone in the U.S.
- Consumer Electronics Demand in the U.S.
- Cree's EcoSmart LED Light Bulbs at Home Depot
- Data Center Hosting Trends in the U.S.
- Global Cree Distributor Trends
- Global Demand for Cisco Systems Equipment
- Global LED Lighting Demand and Pricing Check
- Global LED TV Demand and Pricing Check
- Global Mobile Handset Market Check
- Holiday Demand for Consumer Electronics Consumer Survey in Germany
- Microsoft Kinect Motion-Sensor Controller Consumer Survey in the U.S.
- Netflix Online Streaming Quality Customer Survey in the U.S.

Healthcare

- Cancer Radiation Equipment in Brazil and the U.S.
- Cardinal Health's Medical Surgical Products in the U.S.
- Contract Research Organizations in Europe, the U.S. and Japan
- Intuitive Surgical at University of California Medical Facilities
- Multiple Myeloma Treatment Trends in the U.S.

Financials

- Aflac Insurance Products in Japan
- Data Center Buildout Trends in the U.S.

Consumer

- 2010 Holiday Shopping in the U.S.
- 2011 Cruise Booking Trends in Europe
- 2011 Cruise Booking Trends in the U.S. – Parts 1 and 2
- Advertising Trends in the U.S.
- Athletic Apparel and Footwear Trends in China (2 reports)
- DirecTV's NFL Sunday Ticket Usage Trends in the U.S.
- Guess? Inc. in the U.S.
- Massively Multiplayer Online Video Games Consumer Survey in the U.S.
- New Cable TV Programming from Discovery Communications and Hasbro
- Starbucks Customer Survey in the U.S.
- Target's REDcard Launch in the U.S. (2 studies)
- Vehicle Market in Brazil

Macro

- Consumer Sentiment and Spending Trends in Europe

Industrial

- Asia Shipping Trend
- Global Demand for Titanium and Carbon Fiber
- Metal Demand in China
- Monsanto SmartStax Yields in the U.S.

Energy

- Wind Turbine Market in the U.S.

(Studies undertaken during the fourth quarter 2010)

The information provided in this report should not be considered a recommendation to purchase or sell any particular security or strategy.

* Grassroots℠ Research is a division of RCM. Research data used to generate Grassroots℠ Research recommendations is received from reporters and field force investigators who work as independent contractors for broker-dealers. Those broker-dealers supply research to RCM and certain of its affiliates that is paid for by commissions generated by orders executed on behalf of RCM's clients.

Section Three

ARMB Assets Under Management

As of December 31, 2010

Alaska Retirement Management Board - Large Cap Core Growth (Inception: 6/30/95)	$425,846,563
Alaska Retirement Management Board DC Plan – ESG (Inception: 10/30/08)	$80,388,461
Total Assets Under Management	$506,235,024

Section Four

ARMB ESG Portfolio Performance & Attribution

	4th Quarter 2010	Calendar 2010	Calendar 2009	Annualized Since Inception 10/30/08 Through 12/31/10
Alaska Retirement Management Board DC Plan - ESG	12.17	13.66	32.62	16.67
S&P 500 Index	10.76	15.06	26.46	16.24

	4th Quarter 2010	Calendar 2010	Calendar 2009	Annualized Since Inception 6/30/95 Through 12/31/10
Alaska Retirement Management Board - Large Cap Core Growth	12.23	13.37	36.67	8.94
S&P 500 Index	10.76	15.06	26.46	7.47

What Helped?

Sector Weightings:

Overweights that Helped:
- Industrials
- Consumer Discretionary

Underweights that Helped:
- Financials
- Telecommunication Services

Stocks that Helped:
- National Oilwell Varco, Inc.
- FMC Technologies, Inc.
- Starbuck's Corp.

What Hurt?

Sector Weightings:

Overweights that Hurt:
- Technology

Underweights that Hurt:
- Health Care

Stocks that Hurt:
- Cisco Systems, Inc.
- Abbott Laboratories
- PepsiCo, Inc.

Alaska Retirement Management Board – DC Plan ESG Portfolio

What Helped?

Sector Weightings:

Overweights that Helped:

- Industrials
- Consumer Discretionary

Underweights that Helped:

- Financials
- Utilities

Stocks that Helped:

- Starwood Hotels & Resorts
- National Oilwell Varco, Inc.
- Eaton Corp.

What Hurt?

Sector Weightings:

Overweights that Hurt:

- Technology

Underweights that Hurt:

- Telecommunication Services
- Consumer Staples
- Energy

Stocks that Hurt:

- Apple, Inc. (zero allocation)
- Diamond Offshore Drilling Inc.
- Cisco Systems, Inc.

Benchmark: S&P 500 Index

December 31, 2010

Portfolio Value: $80,388,461

General	Portfolio	S&P 500 Index
Number of Stocks	58	500
Cash	0.2%	0.0%
Yield	1.6%	1.9%
Wtd Avg Market Cap (B)	$55.2	$88.7
Wtd Median Market Cap (B)	$25.8	$47.2

Earnings Per Share Growth		
Last 3 Years	5.2%	5.1%
Last 12 Months	30.6	87.7
Next 12 Months	21.6	17.7
Next 3-5 Years	13.1	11.1

Portfolio P/E		
Last 12 Months	17.8x	16.0x
Next 12 Months	14.6	13.6
P/E to Long Term Growth	1.12	1.22

Economic Sector	Portfolio	S&P 500 Index
Technology	22.0%	19.0%
Telecommunication Services	0.0	3.1
Health Care	8.6	10.9
Consumer Staples	7.6	9.4
Consumer Discretionary	13.9	10.8
Financials	14.3	16.6
Industrials	16.0	11.1
Materials	4.0	3.7
Energy	9.7	12.0
Utilities	3.7	3.4
Cash	0.2%	0.0%
Total	**100.0%**	**100.0%**

Top Ten Holdings	Portfolio	S&P 500 Index
1. Google Inc. Class A	3.2%	1.3%
2. Cisco Systems Inc.	2.5	1.0
3. Johnson & Johnson	2.5	1.5
4. International Business Machines Corp.	2.5	1.6
5. FMC Technologies Inc.	2.3	0.1
6. Caterpillar Inc.	2.2	0.5
7. McDonald's Corp.	2.2	0.7
8. Wells Fargo & Co.	2.1	1.4
9. Marathon Oil Corp.	2.1	0.2
10. Eaton Corp.	2.1	0.1
Total	**23.6%**	**8.5%**

	Issue	Pct of Total
TOTAL	Technology	21.99
01	Internet Software & Services	4.21
	Google Inc. Class A	3.19
	Yahoo! Inc.	1.03
02	Software	6.00
	Adobe Systems Inc.	1.26
	Autodesk Inc.	1.01
	Oracle Corp.	2.04
	Salesforce.com Inc.	1.70
05	Computers & Peripherals	6.16
	EMC Corp./Massachusetts	2.07
	Hewlett-Packard Co.	1.63
	International Business Machines Corp.	2.46
07	Semiconductors	3.08
	Intel Corp.	2.08
	Texas Instruments Inc.	1.01
09	Communications Equipment	2.53
	Cisco Systems Inc.	2.53
TOTAL	Health Care	8.58
21	Pharmaceuticals	6.54
	Abbott Laboratories	1.55
	Allergan Inc./United States	1.00
	Johnson & Johnson	2.50
	Merck & Co Inc.	1.50
25	Health Care Equipment & Supplies	1.04
	Becton Dickinson and Co.	1.04
27	Health Care Providers & Services	1.00
	Aetna Inc.	1.00
TOTAL	Consumer Staples	7.60
31	Household & Personal Products	4.52
	Colgate-Palmolive Co.	1.01
	Estee Lauder Cos Inc. (The)	1.41
	Procter & Gamble Co. (The)	2.10
33	Food Beverage & Tobacco	3.08
	Hansen Natural Corp.	1.00
	PepsiCo Inc./NC	2.09
TOTAL	Consumer Discretionary	13.88
41	Retailing	4.18
	Kohl's Corp.	1.01
	Macy's Inc.	1.28
	Target Corp.	1.89
45	Consumer Services & Leisure	8.29
	Hasbro Inc.	2.01
	McDonald's Corp.	2.16
	Starbucks Corp.	2.03
	Starwood Hotels & Resorts Worldwide	2.09
47	Media	1.41
	Time Warner Cable Inc.	1.41
TOTAL	Financials	14.31
51	Banks	5.83
	Comerica Inc.	0.57
	SunTrust Banks Inc.	1.04
	US BanCorp.	2.10
	Wells Fargo & Co.	2.12
53	Diversified Financials	4.31
	American Express Co.	1.03
	Invesco Ltd.	1.23
	T Rowe Price Group Inc.	2.05
55	Insurance	4.17
	Aflac Inc.	2.08
	Travelers Cos Inc. (The)	2.09
TOTAL	Industrials	16.01
61	Capital Goods	14.00
	Caterpillar Inc.	2.20
	Cooper Industries PLC Class	2.07
	Deere & Co.	2.07
	Eaton Corp.	2.11
	Emerson Electric Co.	1.92
	Precision Castparts Corp.	1.64
	Rockwell Automation Inc.	1.99
65	Transportation	2.01
	CSX Corp.	2.01
TOTAL	Materials	4.04
71	Materials	4.04
	Air Products & Chemicals Inc.	1.22
	Allegheny Technologies Inc.	1.36
	Cliffs Natural Resources Inc.	1.46
TOTAL	Energy	9.72
81	Energy	9.72
	FMC Technologies Inc.	2.25
	Hess Corp.	2.10
	Marathon Oil Corp.	2.12
	National Oilwell Varco Inc.	2.10
	Weatherford International Ltd.	1.15
TOTAL	Utilities	3.69
91	Utilities	3.69
	Consolidated Edison Inc.	1.83
	Northeast Utilities	1.86
TOTAL	Miscellaneous	0.18
	Cash	0.18

Section Five

Appendix

	December 2010	4th Quarter 2010	Calendar 2010	Annualized: Three Years Through 12/31/10	Annualized: Five Years Through 12/31/10	Annualized: Seven Years Through 12/31/10	Annualized: Ten Years Through 12/31/10	Annualized Since Inception 6/30/95 Through 12/31/10
Alaska Retirement Management Board DC Plan - ESG	**5.58**	**12.17**	**13.66**	**n/a**	**n/a**	**n/a**	**n/a**	**16.67**
S&P 500 Index	6.68	10.76	15.06	n/a	n/a	n/a	n/a	16.24
Alaska Retirement Management Board - Large Cap Core Growth	**5.55**	**12.23**	**13.37**	**-0.81**	**3.74**	**4.96**	**0.52**	**8.94**
S&P 500 Index	6.68	10.76	15.06	-2.86	2.29	3.85	1.41	7.47

Market Capitalization	Portfolio Percentage	Benchmark Percentage	Stocks
$200B and Above	0.0	7.7	N/A
$100B to $200B	22.6	28.5	Cisco Systems Inc., International Business Machines Corp., Intel Corp., Johnson & Johnson, Merck & Co Inc., Wells Fargo & Co., Oracle Corp., PepsiCo Inc../NC, Procter & Gamble Co. (The), Google Inc. Class A
$50B to $100B	10.7	13.3	Abbott Laboratories, American Express Co., Caterpillar Inc.., US BanCorp., Hewlett-Packard Co., McDonald's Corp.
$20B to $50B	27.9	23.4	Aflac Inc., Allergan Inc./United States, Hess Corp., Colgate-Palmolive Co., CSX Corp., Deere & Co., Target Corp., EMC Corp./Massachusetts, Emerson Electric Co., Marathon Oil Corp., National Oilwell Varco Inc., Starbucks Corp., Travelers Cos Inc. (The), Texas Instruments Inc., Yahoo! Inc., Time Warner Cable Inc.
$10B to $20B	28.8	15.8	Adobe Systems Inc., Aetna Inc., Air Products & Chemicals Inc., Becton Dickinson and Co., Cliffs Natural Resources Inc., Consolidated Edison Inc., Estee Lauder Cos Inc. (The) Class A, Weatherford International Ltd., Eaton Corp., Macy's Inc., FMC Technologies Inc., Starwood Hotels & Resorts Worldwide Inc., Kohl's Corp., Precision Castparts Corp., T Rowe Price Group Inc., Rockwell Automation Inc., SunTrust Banks Inc., Salesforce.com Inc., Invesco Ltd.
$5B to $10B	8.9	8.9	Autodesk Inc., Allegheny Technologies Inc., Comerica Inc., Hasbro Inc., Northeast Utilities, Cooper Industries PLC Class A
Below $5B	1.0	2.4	Hansen Natural Corp.
Cash	0.2	0.1	Cash

Alaska Retirement Management Board - DC Plan ESG Portfolio — Top Ten Overweights and Underweights

Benchmark: S&P 500 Index — As of December 31, 2010

Top Ten Overweights

	Portfolio	S&P 500 Index	Difference
1. FMC Technologies Inc.	2.25%	0.09%	2.16%
2. Cooper Industries PLC Class A	2.07	0.00	2.07
3. Starwood Hotels & Resorts Worldwide Inc.	2.09	0.10	1.99
4. Eaton Corp.	2.11	0.15	1.96
5. Hasbro Inc.	2.01	0.06	1.95
6. T Rowe Price Group Inc.	2.05	0.14	1.91
7. Hess Corp.	2.10	0.20	1.90
8. Rockwell Automation Inc.	1.99	0.09	1.90
9. Marathon Oil Corp.	2.12	0.23	1.89
10. Google Inc. Class A	3.19	1.30	1.89
Total	**21.98%**	**2.36%**	**19.62%**

Top Ten Underweights

	Portfolio	S&P 500 Index	Difference
1. Exxon Mobil Corp.	0.00%	3.23%	-3.23%
2. Apple Inc.	0.00	2.59	-2.59
3. Microsoft Corp.	0.00	1.84	-1.84
4. General Electric Co.	0.00	1.70	-1.70
5. Chevron Corp.	0.00	1.61	-1.61
6. AT&T Inc.	0.00	1.52	-1.52
7. JPMorgan Chase & Co.	0.00	1.45	-1.45
8. Coca-Cola Co. (The)	0.00	1.34	-1.34
9. Pfizer Inc.	0.00	1.23	-1.23
10. Berkshire Hathaway Inc. Class B	0.00	1.21	-1.21
Total	**0.00%**	**17.72%**	**-17.72%**

	Dec. 2010	Sep. 2010	Jun. 2010	Mar. 2010	Dec. 2009	Sep. 2009
MKT VAL	80333	69222	60730	66360	44326	26105
CASH	146	3424	2118	2859	1024	114
CASH PCT	.2	4.9	3.5	4.3	2.3	.4
NON-CASH PCT	99.8	95.1	96.5	95.7	97.7	99.6
(01) Internet Software & Services	4.2	3.1	3.9	3.5	4.7	2.2
(02) Software	6.0	2.4	5.7	5.3	6.8	6.7
(05) Computers & Peripherals	6.2	6.4	4.6	4.4	6.2	5.6
(07) Semiconductors	3.1	3.1	3.9	2.8	4.0	5.6
(09) Communications Equipment	2.5	2.8	2.9	2.8	2.0	2.7
Total Technology	22.0	17.7	20.9	18.7	23.7	22.8
(11) Telecommunication Services			1.5	1.5	1.9	1.8
Total Telecommunication Services			1.5	1.5	1.9	1.8
(21) Pharmaceuticals	6.5	8.5	5.1	7.5	4.0	2.9
(23) Biotechnology			1.0	.7	1.0	2.0
(25) Health Care Equipment & Supplies	1.0	1.0	3.0	3.5	4.5	5.5
(27) Health Care Providers & Services	1.0	1.1	1.3	1.6	1.0	1.4
Total Health Care	8.6	10.5	10.4	13.4	10.5	11.8
(31) Household & Personal Products	4.5	6.5	4.8	6.0	3.8	4.2
(33) Food Beverage & Tobacco	3.1	4.6	3.6	4.0	4.1	3.0
(35) Food & Drug Retailing						2.0
Total Consumer Staples	7.6	11.1	8.5	10.0	8.0	9.2
(41) Retailing	4.2	4.8	4.8	6.1	5.2	5.7

	Dec. 2010	Sep. 2010	Jun. 2010	Mar. 2010	Dec. 2009	Sep. 2009
(45) Consumer Services & Leisure	8.3	7.6	4.0	3.0	2.6	3.8
(47) Media	1.4	1.5	3.0	2.7	2.5	2.6
Total Consumer Discretionary	13.9	13.9	11.8	11.8	10.3	12.1
(51) Banks	5.8	5.8	6.8	5.8	4.1	4.7
(53) Diversified Financials	4.3	5.4	6.2	6.0	8.2	8.6
(55) Insurance	4.2	3.3	3.0	3.0	2.0	1.7
Total Financials	14.3	14.5	16.1	14.8	14.2	15.0
(61) Capital Goods	14.0	11.6	10.9	8.1	8.1	6.1
(65) Transportation	2.0	3.4	3.9	3.0	2.9	3.5
Total Industrials	16.0	15.0	14.7	11.1	11.0	9.5
(71) Materials	4.0	2.8	2.9	3.5	3.3	4.0
Total Materials	4.0	2.8	2.9	3.5	3.3	4.0
(81) Energy	9.7	5.5	6.5	7.9	11.3	10.5
Total Energy	9.7	5.5	6.5	7.9	11.3	10.5
(91) Utilities	3.7	4.0	3.2	3.0	3.4	2.9
Total Utilities	3.7	4.0	3.2	3.0	3.4	2.9

Economic Outlook First Quarter 2011

Factors	Effects on Stock Market Returns: Positive	Neutral	Negative	Recent Observations and One Year Out Expectations
Corporate Profits	●			We anticipate 2010 full year S&P 500 operating earnings per share will be reported in the $84-85 dollar range. Q3 2010 S&P operating earnings per share were reported 37% above their year earlier level, and we believe 2011 full year growth rate close to 15% is attainable. Profit margins are stretched, but business unit labor costs have been falling on a year/year basis since Q1 2009. With the unemployment rate likely to remain unusually high, further labor cost restraint should offset commodity input price pressures. We believe 2011 S&P 500 earnings can reach the $95-96 range.
Pricing/ Inflation	●			Headline CPI inflation was breaking through a 1% year/year growth rate at the end of 2010, while the core CPI inflation rate was approaching 0.5%. Firmer domestic demand and higher commodity prices should make for only a mild lift in inflation toward 1.5% on the headline CPI, and 0.8% on the core. It would take a sharper decline in the dollar, along with a larger surge in commodity prices, to raise inflationary risks given the unemployment rate is only likely to fall to the 8.75-9% range.
Interest Rates	●			The Fed is likely to execute its entire $600 billion program of quantitative easing in 2011, and leave the near zero interest rate policy in place. Their models show too much labor market slack for inflation to shoot through their informal 2% ceiling until well into 2012. Should Treasury bond yields back up too quickly, the Fed may be inclined to extend the average maturities of its purchases in order to curtail pressure on the housing market.
Economic Activity	●			A second round of quantitative easing, the November elections, and a surprising tax compromise all appear to have lifted consumer and business confidence after the mid year deceleration in growth. We believe private payroll growth can average close to 200,000 per month in 2011, and the recent rise in ISM new orders suggests a reacceleration in capital spending as well. Housing and office construction will continue to present a mild headwind, as will state and local government cuts, but we anticipate 3% real GDP growth is achievable.
International		●		The BRICs are likely to continue raising interest rates against inflationary pressures, but we do not expect them to slam on the brakes. China may slow to an 8-9% growth rate, as food inflation can cause political unrest. Japan's economy has stagnated, in part on yen strength, and is likely to enter a recession. German domestic demand has picked up with booming exports, but much of the eurozone and the UK economies are likely to be held back by fiscal retrenchment.
Dollar		●		Emerging markets have been using various capital controls in order to slow the rate of appreciation in their currencies as excess liquidity has chased higher yielding assets. Since capital inflows can lift asset prices above fundamentals, and currency strength can threaten export led growth, capital control measures imply dollar depreciation against EM currencies. However, stronger growth prospects in the US versus Japan, the UK, and most of the eurozone should favor dollar strength. On a trade weighted basis, a 5-10% appreciation of the dollar is likely.
Valuation		●		Assuming our earnings expectations are correct, the forward P/E multiple on the S&P 500 remains very reasonable in the 13-14 times range. While Treasury yields are due to rise in 2011, relative yields still favor equities over bonds, and retail investors have only just begun leaving fixed income mutual funds. In addition, with merger and acquisition activity likely to continue, we may begin to see takeover premiums reflected in valuations as well.
Technical/ Sentiment		●		The August 2010 hint of a second round of quantitative easing initiated a new round of "risk on" portfolio shifts. Survey results, margin lending activity, and low volatility suggest US institutional investors are approaching full equity exposures, but mutual fund inflows and foreign inflows are still just beginning to build momentum. With nominal yields still historically low on fixed income vehicles, investors have few other choices besides equities to achieve their required returns.
Fiscal Policy		●		The midterm elections have shifted the administration into a more pro-business orientation, as demonstrated by the surprisingly favorable tax compromise at year end 2010. The new House majority is likely to use the debt ceiling, which may be hit by early March, to extract spending cuts ($100 billion is the reported target) and to block any further assistance to fiscally strapped states. Long term budget solutions proposed at the end of 2010 do not have much backing, although we expect the fiscal challenges in the UK, Japan, and the eurozone to dominate investor concerns in 2011.

DePrince, Race & Zollo, Inc.

Micro-Cap Value

DePrince, Race & Zollo, Inc.
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(407) 420-9903

DePrince, Race & Zollo, Inc.

- Independently owned
- Style consistency
  - 25 year execution of our value methodology
- Small, focused firm with goal to provide superior performance and service to the institutional marketplace
- Total firm assets: $5.8 Billion
- Conservative asset caps on all investment products
  - Large-Capitalization Value Income
  - Small-Capitalization Value Income
  - Micro-Capitalization Value Income
  - SMID-Capitalization Value Income
  - International Value Income
  - Global Value Income
  - Emerging Markets Equity
- Long-term continuity of team
  - 24 Investment Professionals
  - 14 Administrative Staff

DePrince, Race & Zollo, Inc.

Representative List of Accounts

Catholic Healthcare Partners
Commissioners of the Land Office of the State of Oklahoma
ConAgra Foods, Inc.
Fairfax County
Russell Investment Group
GCIU Supplemental Retirement & Disability Fund
Houston Municipal Employees Pension
Masonic Homes
National Elevator
NCR Pension Trust
Pennsylvania Municipal Retirement System
The Southern Company
SPX Corporation
ThyssenKrupp USA, Inc.
University Hospitals Health System
United Parcel Service
Via Christi Health System

Investment Philosophy

DePrince, Race & Zollo, Inc.

Equity Philosophy

We believe:

- Undervalued stocks with above-average dividend yield and a fundamental catalyst provide the opportunity for superior total return with down market protection

- Bottom-up stock selection is the key component to performance

- Research moves up from company to industry and economy, to confirm improving fundamental prospects

- Funds are moved into stocks which have better risk/reward prospects

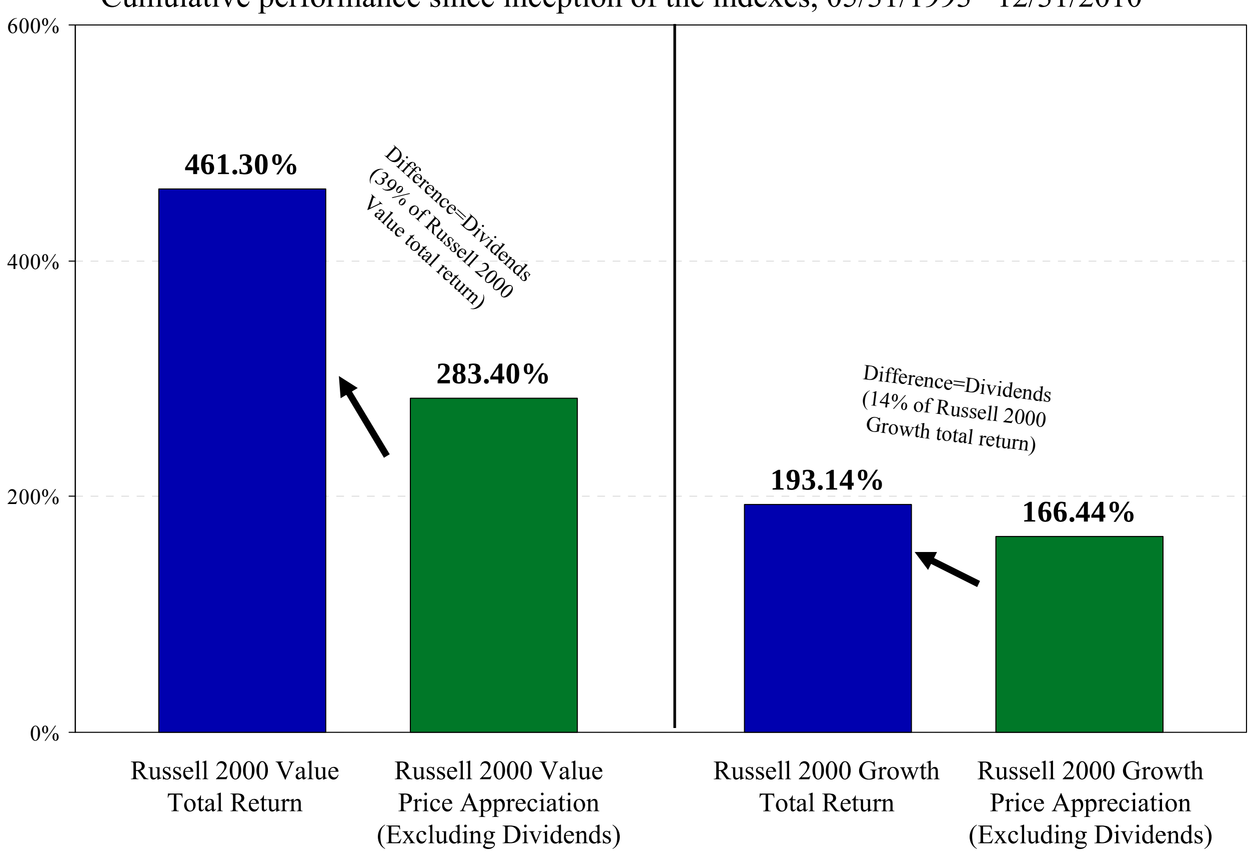
Yield Investing

We believe:

- Dividend yield provides down market protection
- Dividend yield provides a meaningful portion of the market's return
- Prospect of lower absolute returns increases the appeal of higher yielding stocks
- Dividend yield offers concrete evidence of real earnings
  - Provides the most reliable valuation measure

The Difference Dividends Make

Cumulative performance since inception of the indexes, 05/31/1993 –12/31/2010



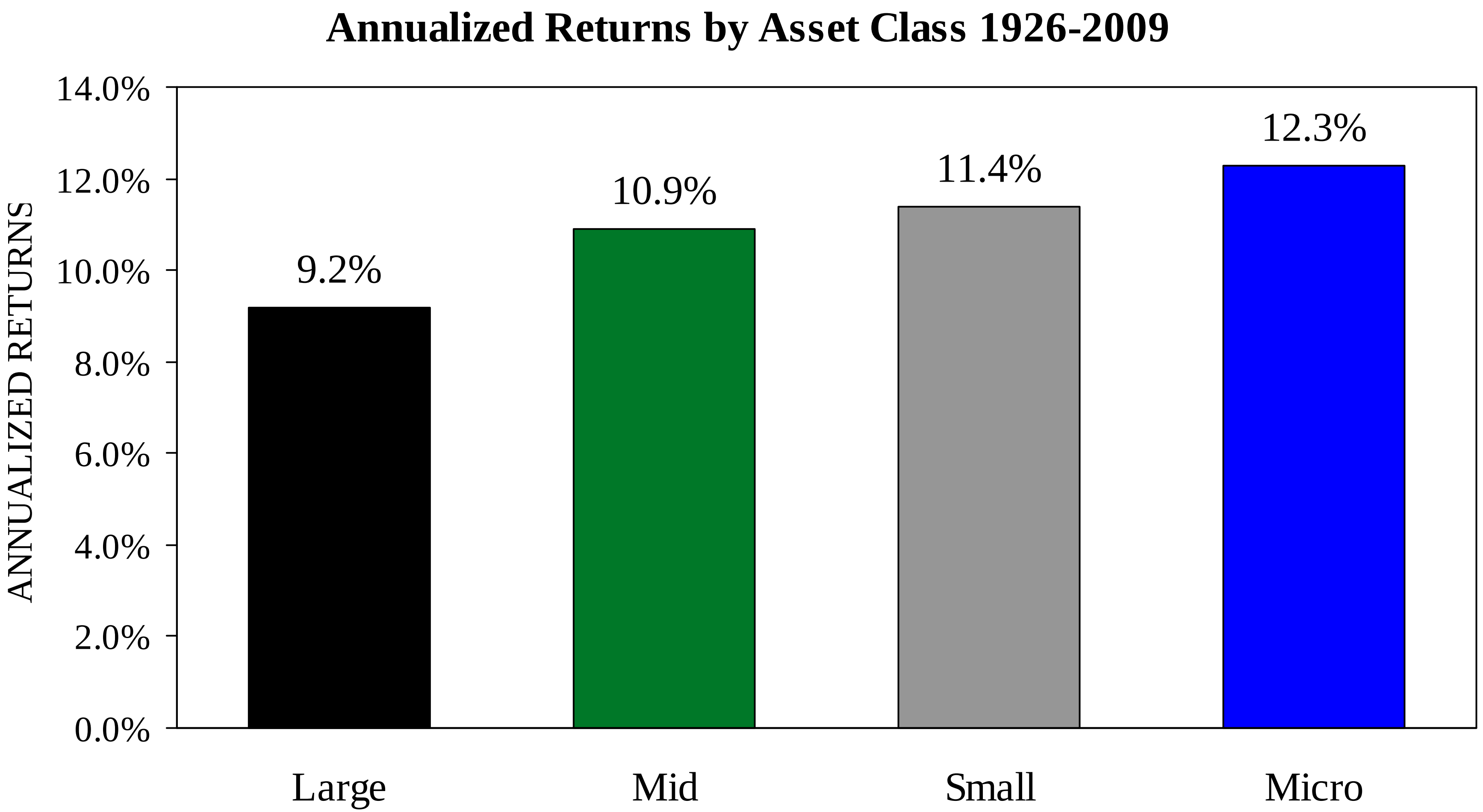
Source: Russell Investments Co.

DePrince, Race & Zollo, Inc.

Down Market Protection
Micro-Cap Value Product
December 31, 2000 – December 31, 2010

Number of Months Russell 2000 Index Generated Negative Returns	**DRZ Cumulative Outperformance in Down Markets**
47 months	**134.09%**

Micro Caps Have Historically Outperformed Over the Long-Term



Source: Center for Research in Security Places (CRSP), The University of Chicago Booth School of Business. CRSP breaks the market into 10 deciles based on market cap, from largest (decile 1) to smallest (decile 10). For this analysis deciles 1-2 were considered Large Cap, deciles 3-5 Mid cap, deciles 6-8 Small cap, and deciles 9-10 Micro cap. Date from 12/31/25-9/30/09.

Buy/Sell Decision

The Buy Decision

Three Equally Balanced Factors

Yield

- Identify a universe of stocks with above-average yield with market capitalization less than $500 million.

Relative Valuation

- Within this universe select relatively undervalued stocks by reviewing the following criteria:

  10-year relative valuation
  - Yield
  - Price to Book
  - Price to Earnings
  - Price to Cash Flow

Fundamental Catalyst

- Fundamental analysis to identify improving prospects.

Decision

- Establish relative price targets for stocks which meet all three criteria.

- Buy stocks with expected upside two times the downside.

The Sell Decision

Three Equally Balanced Factors

Yield

- Yield on the stock falls below the acceptable limit

Relative Valuation

- Relative price target has been achieved:
  - Expected upside now half the downside
- There are other stocks in our buy process which have better risk/reward prospects

Fundamental Catalyst

- The company is not performing as expected
  - Review fundamentals and valuation target
- The sector begins to look less favorable
  - Review fundamentals and valuation target

Decision

- If one of the three criteria is violated, the stock is sold

Micro-Cap Value Income

Three Equally Balanced Factors

Met-Pro Corp.

Yield	2.2%
Relative Valuation	P/BV 1.0 – 1.5x
Fundamental Catalyst	•The company is a beneficiary of the Environmental Protection Agencies recent announcement that it plans to regulate carbon emissions. •The Pollution Control segment is starting to improve and has higher margins than the other segments. •Quoting activity remains strong, which has led to a large increase in the backlog

Shenandoah Telecommunications Co.

Yield	1.9%
Relative Valuation	P/CF 0.6-0.9x
Fundamental Catalyst	•Sprint has been buying many of their wireless affiliates. •Gaining market share in the wireless and long distance segments •Net cash on the balance sheet to use for buybacks and dividend increases. •Cable margins to rise dramatically.

Cherokee Inc.

Yield	7.7%
Relative Valuation	P/E 0.6 – 0.95x
Fundamental Catalyst	•Licenses private label clothing to Wal-Mart, Target and other similar stores. •Asset-light business model produces above-average ROIC, FCF and dividends. •New license agreement with Wal-Mart provides a new growth platform. •Turned down a buyout offer at 2x the current stock price.

DePrince, Race & Zollo, Inc.

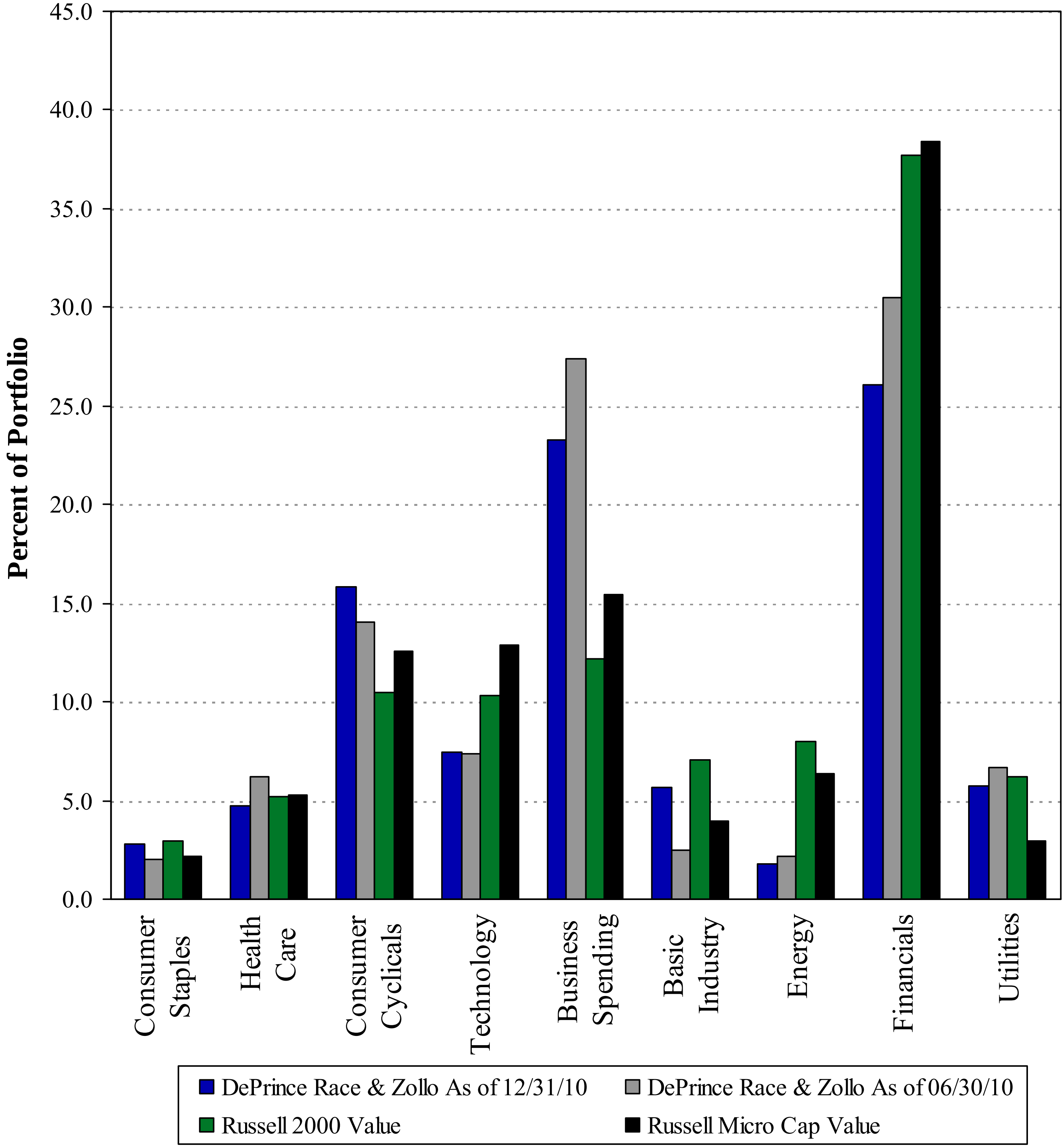
Micro-Cap Value/Income
Representative List of Holdings
December 31, 2010

	%Portfolio	**Yield**
Houston Wire & Cable Co.	2.3	2.5
Pulse Electronics Corp.	2.2	1.9
Cherokee Inc.	2.1	8.1
Met Pro Corp.	2.1	2.2
Berkshire Hills Banc	2.0	2.9
Oxford Industries Inc.	1.9	1.4
Farmer Brothers Co.	1.9	2.6
Shenandoah Telecomm	1.9	1.8
Insteel Industries	1.8	1.0
US Ecology, Inc.	1.8	4.1

See attached disclosure

DePrince, Race & Zollo, Inc.

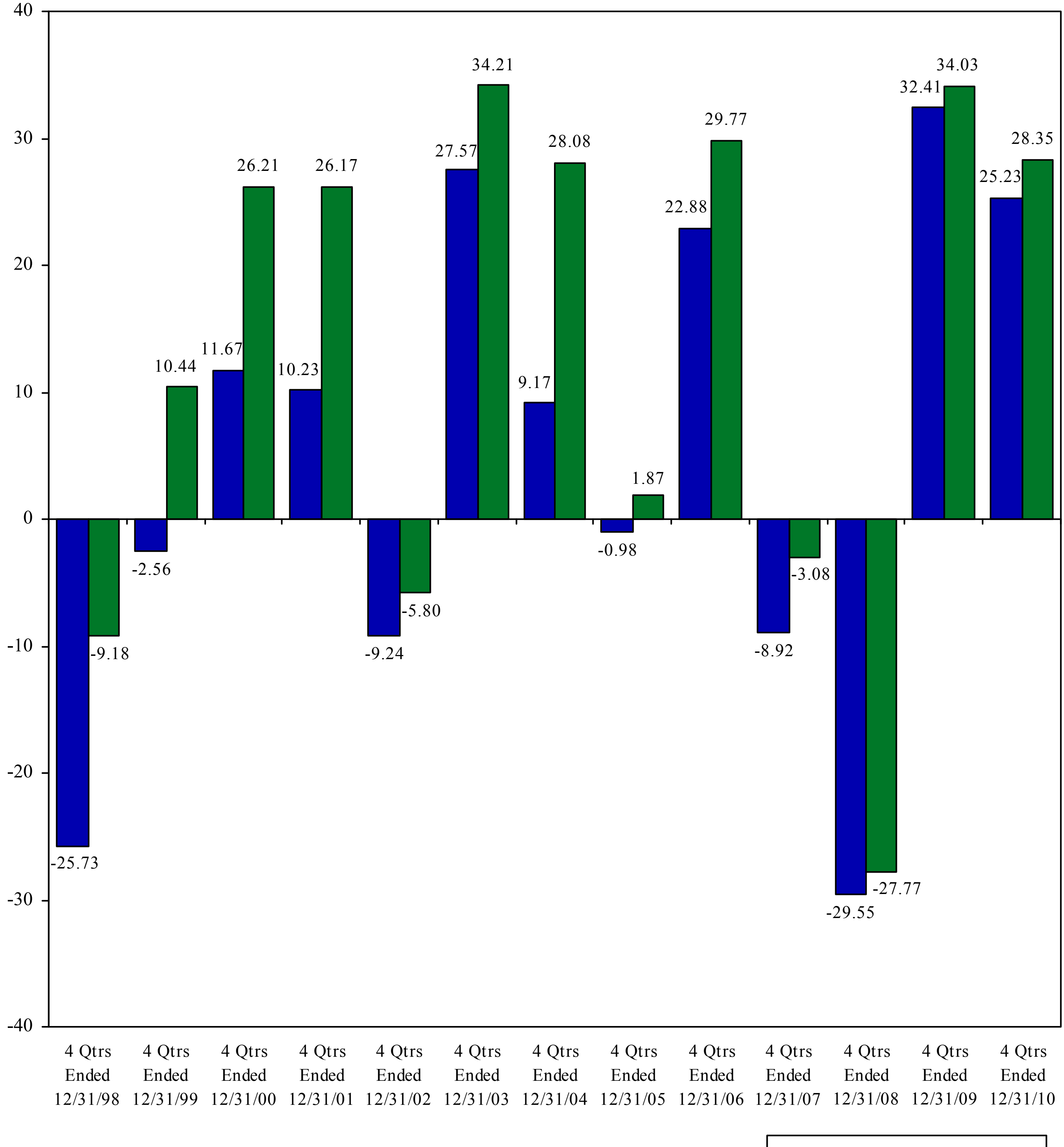
Micro-Cap Value/Income
Industry Concentration
December 31, 2010



See attached disclosure

DePrince, Race & Zollo, Inc.

Micro-Cap Value/Income
Value Added Through Activity



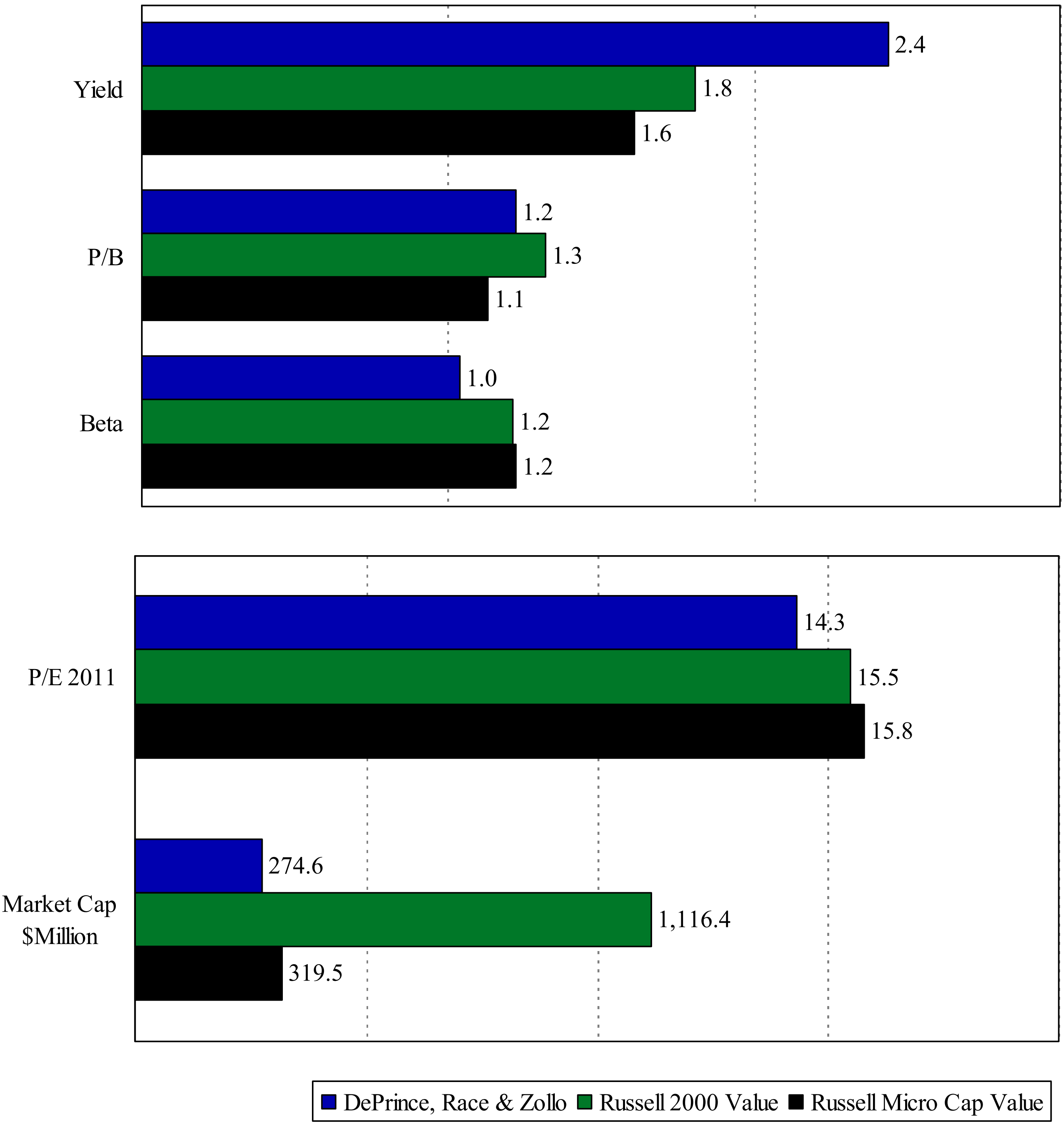
Calculated quarterly and annualized.

See attached disclosure

Equity Characteristics

DePrince, Race & Zollo, Inc.

Micro-Cap Value/Income
Equity Characteristics
December 31, 2010



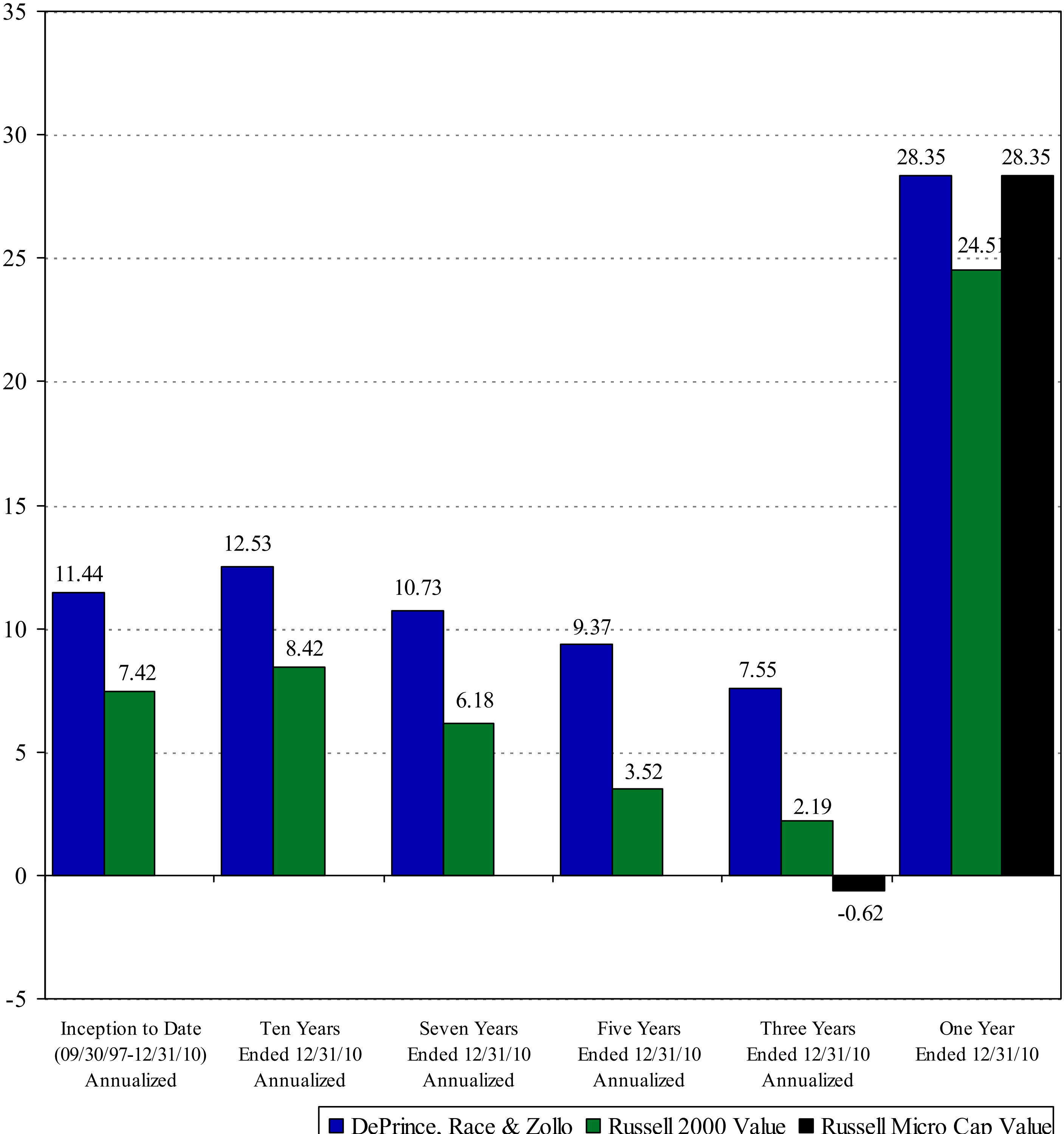
Investment Performance

Performance Objectives

- To consistently outperform the Russell Micro-Cap Value.

DePrince, Race & Zollo, Inc.

Micro-Cap Value/Income
Investment Performance
December 31, 2010

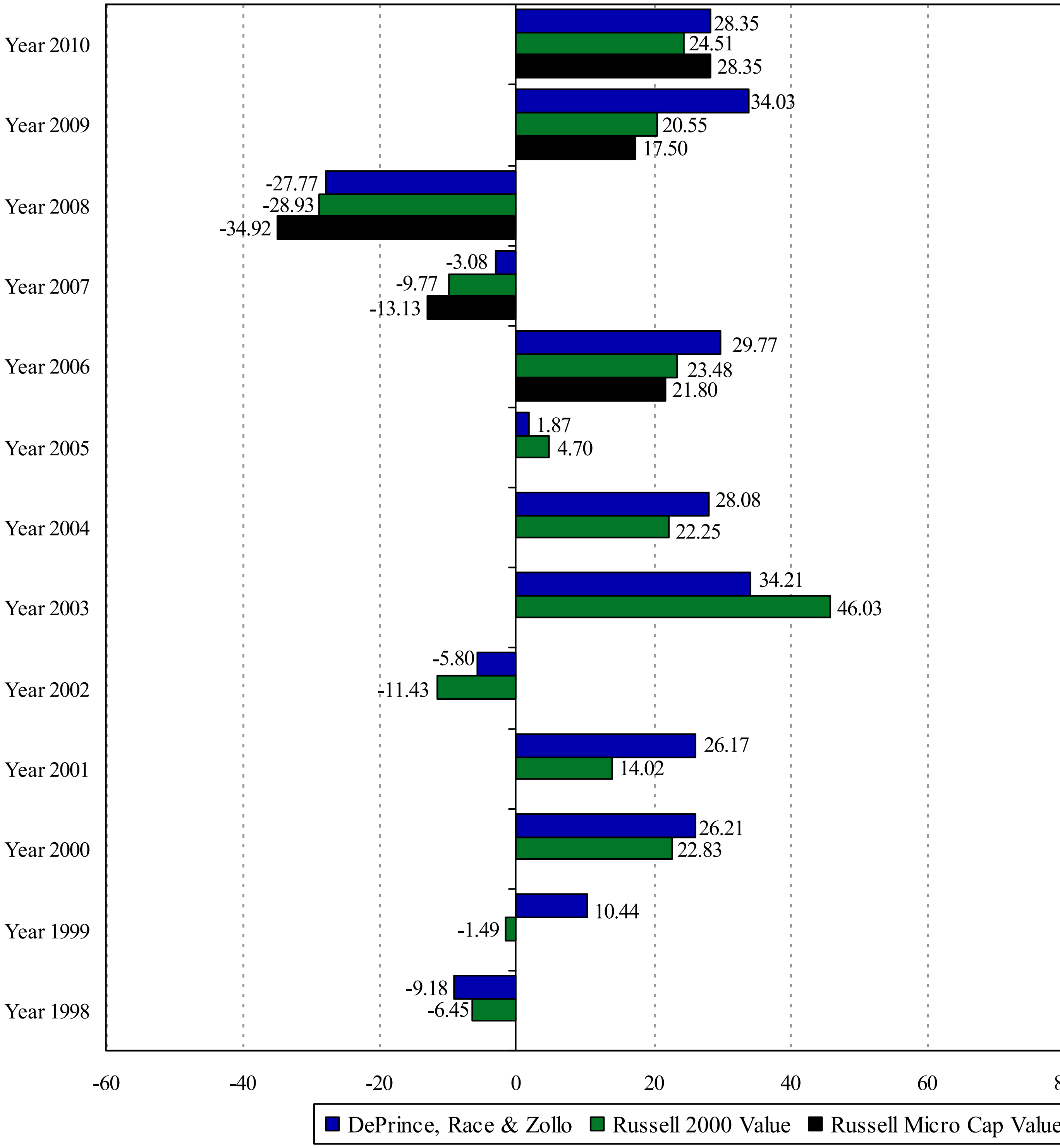


*The Russell Micro Cap Value Index went live in June 2006

See attached disclosure

DePrince, Race & Zollo, Inc.

Micro-Cap Value/Income
Investment Performance
Calendar Year



*The Russell Micro Cap Value
Index went live in June 2006

See attached disclosure

Biographies

PARTNERS

Gregory M. DePrince –Founder, Chairman and Director

Mr. DePrince is a Founder of the firm and sits on the firm's Board of Directors and Management Committee, providing strategic direction for the firm. Prior to forming DePrince, Race & Zollo, Inc., Mr. DePrince was a Director and Partner at SunBank Capital Management. Prior to that, he was Director of Special Equity Investments at ASB Capital Management in Washington, D.C., where he was Portfolio Manager for the Equity Income Fund and Special Equity Fund. Mr. DePrince holds the Chartered Financial Analyst designation. He received his Bachelor of Fine Arts from Wittenberg University and Masters of Business Administration from George Washington University.

John D. Race – Founder, Co-Chief Executive Officer and Director

Mr. Race is a Founder of the firm and sits on the firm's Board of Directors and Management Committee. Mr. Race manages the daily operations of the firm and serves as the Co-Portfolio Manager and Portfolio Manager of the firm's Small Cap Value and Alternative Strategies disciplines, respectively, overseeing their portfolio management, research and trading functions. Prior to forming DePrince, Race & Zollo, Inc., Mr. Race was a Director, Partner and President of SunBank Capital Management. Prior to that, Mr. Race was employed by the Office of the Comptroller of the Currency. Mr. Race received his Bachelor of Science in Business and Masters of Business Administration from Rollins College in Winter Park, Florida.

Victor A. Zollo, Jr. – Founder, Co-Chief Executive Officer and Director

Mr. Zollo is a Founder of the firm and sits on the firm's Board of Directors and Management Committee. Mr. Zollo manages the daily operations of the firm and oversees marketing and client service for all investment disciplines. Prior to forming DePrince, Race & Zollo, Inc., Mr. Zollo was a Director and Partner of SunBank Capital Management responsible for marketing, sales and client service. Mr. Zollo is a past Board Member of the Association of Investment Management Sales Executives. He received his Bachelor of Arts in Economics from Rollins College in Winter Park, Florida. Mr. Zollo is a Trustee of Rollins College.

Kelly W. Carbone – Partner

Ms. Carbone joined DePrince, Race & Zollo, Inc. in 1995. She is a Partner of the firm and sits on the firm's Management Committee. Ms. Carbone serves as the Director of Marketing and Client Service for all investment disciplines. Prior to joining DePrince, Race & Zollo, Inc., Ms. Carbone was employed at SunBank Capital Management and was responsible for portfolio management and client service. Ms. Carbone is a past Board Member of the Association of Investment Management Sales Executives. Ms. Carbone received her Bachelor of Science in Finance from the University of Florida and Masters of Business Administration from the University of Central Florida.

Jill S. Lynch – Partner and Director

Ms. Lynch joined DePrince, Race and Zollo, Inc. in 1995. She is a Partner of the firm and sits on the firm's Board of Directors and Management Committee. Ms. Lynch serves as the Co-Portfolio Manager of the Large-Cap Value discipline. Ms. Lynch oversees the portfolio management, research and trading functions as they relate to the firm's Large-Cap Value discipline. Prior to joining DePrince, Race & Zollo, Inc., Ms. Lynch was employed at SunBank Capital Management as a research analyst in the value area. Ms. Lynch received her Bachelor of Science in Finance from the University of Central Florida and Masters of Business Administration from Rollins College in Winter Park, Florida.

Gregory T. Ramsby – Partner

Mr. Ramsby joined DePrince, Race & Zollo, Inc. in 1996. He is a Partner of the firm and sits on the firm's Management Committee. Mr. Ramsby serves as the Co-Portfolio Manager of the Small-Cap and Micro-Cap Value disciplines. Mr. Ramsby oversees the portfolio management, research and trading functions of the firm's Small-Cap and Micro-Cap Value disciplines. Prior to joining DePrince, Race & Zollo, Inc., Mr. Ramsby was employed at First Union Capital Management as an equity analyst and Associate Portfolio Manager. Prior to that, he was an equity analyst at NationsBank Investment Management. Mr. Ramsby received his Bachelor of Science in Finance from Oglethorpe University and Masters of Business Administration from the University of Notre Dame.

Richard A. Wells – Partner

Mr. Wells joined DePrince, Race & Zollo, Inc. in 1998. Mr. Wells is a Partner of the firm and sits on the firm's Management Committee. Mr. Wells serves as the Director of National Sales. Mr. Wells' responsibilities include marketing, portfolio management, research and client service. Prior to joining DePrince, Race & Zollo, Inc., Mr. Wells was a First Vice President in investment banking for a major Wall Street firm. Mr. Wells received his Bachelor of Science in Business Administration with a concentration in finance from the Virginia Commonwealth University.

SMALL-CAP VALUE/MICRO-CAP VALUE

John D. Race – Founder, Co-Chief Executive Officer and Director

Mr. Race is a Founder of the firm and sits on the firm's Board of Directors and Management Committee. Mr. Race manages the daily operations of the firm and serves as the Co-Portfolio Manager and Portfolio Manager of the firm's Small-Cap Value and Alternative Strategies disciplines, respectively, overseeing their portfolio management, research and trading functions. Prior to forming DePrince, Race & Zollo, Inc., Mr. Race was a Director, Partner and President of SunBank Capital Management. Prior to that, Mr. Race was employed by the Office of the Comptroller of the Currency. Mr. Race received his Bachelor of Science in Business and Masters of Business Administration from Rollins College in Winter Park, Florida.

Gregory T. Ramsby – Partner and Co-Portfolio Manager

Mr. Ramsby joined DePrince, Race & Zollo, Inc. in 1996. He is a Partner of the firm and sits on the firm's Management Committee. Mr. Ramsby serves as the Co-Portfolio Manager of the Small-Cap and Micro-Cap Value disciplines. Mr. Ramsby oversees the portfolio management, research and trading functions of the firm's Small-Cap and Micro-Cap Value disciplines. Prior to joining DePrince, Race & Zollo, Inc., Mr. Ramsby was employed at First Union Capital Management as an equity analyst and Associate Portfolio Manager. Prior to that, he was an equity analyst at NationsBank Investment Management. Mr. Ramsby received his Bachelor of Science in Finance from Oglethorpe University and Masters of Business Administration from the University of Notre Dame.

Darren C. Weems – Co-Portfolio Manager Micro-Cap Value

Mr. Weems joined DePrince, Race & Zollo, Inc. in April 2007. Mr. Weems serves as the Co-Portfolio Manager for the firm's Micro-Cap Value discipline and as a Senior Research Analyst for the firm's Small-Cap Value discipline. Prior to joining DePrince, Race & Zollo, Inc., Mr. Weems was employed at SunTrust Banks as an equity research analyst. Mr. Weems is a Charted Financial Analyst and a Certified Public Accountant. He received his Bachelor of Science in Accountancy and his Masters of Science in Accountancy from the University of Southern Mississippi.

Randy A. Renfrow – Director of Research

Mr. Renfrow joined DePrince, Race & Zollo, Inc. in 2008. Mr. Renfrow serves as the Director of Research for the firm's Small-Cap Value discipline and as a Senior Research Analyst for the firm's Micro-Cap Value discipline. Prior to joining DePrince, Race & Zollo, Inc., Mr. Renfrow was employed by Veredus Asset Management where he served as an equity analyst. Prior to that, he was employed by INVESCO, where he also served as an equity analyst. Mr. Renfrow holds the Chartered Financial Analyst designation. He received his Bachelor of Science in Environmental Engineering from Murray State University and Masters of Science in Financial Management from Boston University.

Jeffrey P. Karansky – Senior Research Analyst

Mr. Karansky joined DePrince, Race & Zollo, Inc. in January 2004. Mr. Karansky is a Senior Research Analyst for the Small-Cap and Micro-Cap Value disciplines. Mr. Karansky was an intern at DePrince, Race & Zollo, Inc. for two years prior to joining the firm full time. Mr. Karansky received his Bachelor of Arts in Sociology and Masters of Business Administration from Rollins College in Winter Park, Florida.

Brendan M. Long – Research Analyst

Mr. Long joined DePrince, Race & Zollo, Inc. in November 2007. Mr. Long is a Research Analyst for the firm's Small-Cap and Micro-Cap Value disciplines. Prior to joining DePrince, Race & Zollo, Inc., Mr. Long was employed at Standish Mellon Asset Management as a Senior Marketing Analyst. Prior to that, he was an analyst in the Treasury Management Department at SunTrust Banks. Mr. Long received his Bachelor of Arts in Anthropology and Masters of Business Administration from Rollins College in Winter Park, Florida.

CLIENT SERVICES/MARKETING

Victor A. Zollo, Jr. – Founder, Co-Chief Executive Officer and Director

Mr. Zollo is a Founder of the firm and sits on the firm's Board of Directors and Management Committee. Mr. Zollo manages the daily operations of the firm and oversees marketing and client service for all investment disciplines. Prior to forming DePrince, Race & Zollo, Inc., Mr. Zollo was a Director and Partner of SunBank Capital Management responsible for marketing, sales and client service. Mr. Zollo is a past Board Member of the Association of Investment Management Sales Executives. He received his Bachelor of Arts in Economics from Rollins College in Winter Park, Florida. Mr. Zollo is a Trustee of Rollins College.

Kelly W. Carbone – Partner and Director of Marketing and Client Service

Ms. Carbone joined DePrince, Race & Zollo, Inc. in 1995. She is a Partner of the firm and sits on the firm's Management Committee. Ms. Carbone serves as the Director of Marketing and Client Service for all investment disciplines. Prior to joining DePrince, Race & Zollo, Inc., Ms. Carbone was employed at SunBank Capital Management and was responsible for portfolio management and client service. Ms. Carbone is a past Board Member of the Association of Investment Management Sales Executives. Ms. Carbone received her Bachelor of Science in Finance from the University of Florida and Masters of Business Administration from the University of Central Florida.

Richard A. Wells – Partner and Director of National Sales

Mr. Wells joined DePrince, Race & Zollo, Inc. in 1998. Mr. Wells is a Partner of the firm and sits on the firm's Management Committee. Mr. Wells serves as the Director of National Sales. Mr. Wells' responsibilities include marketing, portfolio management, research and client service. Prior to joining DePrince, Race & Zollo, Inc., Mr. Wells was a First Vice President in investment banking for a major Wall Street firm. Mr. Wells received his Bachelor of Science in Business Administration with a concentration in finance from the Virginia Commonwealth University.

Katie A. Byrne – Portfolio Manager

Ms. Byrne joined DePrince, Race & Zollo, Inc. in 2003. Ms. Byrne's responsibilities include portfolio management, research and client service. Prior to joining DePrince, Race & Zollo, Inc., Ms. Byrne was a Vice President in corporate banking for Wachovia Bank. Ms. Byrne received her Bachelor of Business Administration in Finance from Stetson University.

Matthew G. Williams – Portfolio Manager

Mr. Williams joined DePrince, Race & Zollo, Inc. in 2003. Mr. Williams' responsibilities include portfolio management, research and client service. Mr. Williams was an intern at DePrince, Race & Zollo, Inc. prior to joining the firm full time. Mr. Williams received his Bachelor of Arts in International Relations from Rollins College in Winter Park, Florida.

J. Kurt Wood – Portfolio Manager

Mr. Wood joined DePrince, Race & Zollo, Inc. in 2004. Mr. Wood's responsibilities include portfolio management, research and client service. Prior to joining DePrince, Race & Zollo, Inc., Mr. Wood was a Partner for an institutional consulting and marketing firm. Mr. Wood began his career at SunBank Capital Management and was responsible for institutional marketing and client service. Mr. Wood is a Board Member and President of the Association of Investment Management Sales Executives. Mr. Wood received his Bachelor of Science in Business Administration from Clemson University.

COMPLIANCE/OPERATIONS/ADMINISTRATION

Angela A. Johnston, CPA – Chief Financial Officer and Chief Compliance Officer

Ms. Johnston joined DePrince, Race & Zollo, Inc. in 2009. Ms. Johnston serves as the Chief Financial Officer and Chief Compliance Officer for the firm and oversees the compliance, financial and administrative affairs of the firm. Prior to joining DePrince, Race & Zollo, Inc., Ms. Johnston was the Chief Financial Officer for a medical device company where she played a key role in their successful Initial Public Offering on the London Stock Exchange. She spent the early part of her career with Arthur Andersen LLP before becoming Financial Controller at Capital Cargo International Holdings Inc., an international cargo airline, where she was responsible for all company-wide accounting functions including financial and compliance reporting, implementing and monitoring processes and internal controls and the oversight of audits. She received her Bachelor of Science in Accountancy from the University of Florida and a Masters of Science in Accountancy from the University of Central Florida.

Kristen M. Hughes – Compliance Associate

Ms. Hughes joined DePrince, Race & Zollo, Inc. in 2005. Ms. Hughes works with our Chief Compliance Officer and assists in all matters related to compliance for the firm. Prior to joining DePrince, Race & Zollo, Inc., Ms. Hughes worked in the Retirement Services Department at SunTrust Bank. Ms. Hughes received her Bachelor of Science in Business Administration from the University of Central Florida.

Shimeh Vaziri– Director of Operations

Ms. Vaziri joined DePrince, Race & Zollo, Inc. in 1995. Ms. Vaziri serves as the Director of Operations for the firm and oversees the back office and operational functions of the firm, as well as serving in the role as Alternate Compliance Review Officer. Prior to joining DePrince, Race & Zollo, Inc., Ms. Vaziri was employed by SunBank Capital Management where she served as the Supervisor of Operations. She received her Bachelor of Arts, Major in French from the University of Central Florida.

Fee Schedule

DePrince, Race & Zollo, Inc.

Fee Schedule

Micro-Cap Value Income

125 basis points on all amounts

DePrince, Race & Zollo, Inc.

MICRO CAP VALUE COMPOSITE

September 30, 1997 through December 31, 2009

Year	Gross Return(%)	Net Return(%)	Index Return(%)	Number of Portfolios	Composite Dispersion(%)	Total Composite Assets ($millions)	Percentage of Firm Assets
2009	34.19	32.67	20.58	7	N/A	140	2.87%
2008	(27.77)	(28.51)	(28.93)	7	N/A	87	2.79%
2007	(3.07)	(4.04)	(9.77)	8	N/A	133	2.58%
2006	29.77	28.51	23.48	≤5	N/A	117	2.18%
2005	1.87	0.86	4.70	6	N/A	93	1.89%
2004	28.08	26.83	22.25	≤5	N/A	68	1.50%
2003	34.21	32.90	46.03	≤5	N/A	76	2.25%
2002	(5.80)	(6.74)	(11.43)	≤5	N/A	97	4.69%
2001	26.17	24.93	14.02	≤5	N/A	72	3.99%
2000	26.21	24.98	22.83	≤5	N/A	16	0.89%
1999	10.44	9.34	(1.49)	≤5	N/A	16	0.92%
1998	(9.18)	(10.09)	(6.45)	≤5	N/A	13	0.59%
09/30/97-12/31/97	1.94	1.69	1.68	≤5	N/A	3	0.13%

DePrince, Race & Zollo, Inc. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

1. DePrince, Race & Zollo Inc. (DRZ) is an independent investment management firm founded in 1995 that manages equity portfolios primarily for U.S. institutional clients.
2. DePrince, Race & Zollo, Inc.'s compliance with the GIPS standards has been verified for the period March 31, 1995 through December 31, 2009 by The Spaulding Group. A copy of the verification report is available upon request.
3. Accounts that experience cash flows of 10% or more will be temporary removed from the composite for one month. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request.
4. DePrince, Race & Zollo, Inc.'s Micro Cap Composite invests in U.S. stocks, ADRs, and foreign domiciled stocks traded in US dollars on the major US exchanges that have a have a minimum dividend yield of 1% and a market capitalization below $400 million.
5. Past performance is not indicative of future results. The actual return and value of an account will fluctuate and at any point could be worth more or less than the amount invested. Individual account performance will vary according to individual client investment objectives.
6. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The volatility of the Russell 2000 Value Index may be materially different from that of the performance composite. In addition, the composite's holdings may differ significantly from the securities that comprise the Russell 2000 Value Index. If used in this document, the S&P 500 is an index of common stock prices and is generally considered representative of the US Stock Markets. These indices have not been selected to represent appropriate benchmarks to compare to the strategies performances, but rather are utilized to allow for comparison of the strategies performances to that of well-known and widely recognized index.
7. Performance results for the full historical period are total return, time weighted rates of return expressed in US dollars. Computations include the reinvestment of all dividends and capital gains. For investments in ADRs and foreign domiciled companies, dividends are included net of any withholding taxes.
8. The composite was created in October 1997. DRZ maintains a complete list and description of firm composites, which is available upon request. All composites require a minimum asset level of $1,000,000 (one million dollars) for inclusion.
9. Gross performance results presented do not reflect the deduction of management fees. Net performance returns are calculated by deducting the highest investment advisory fee. A client's gross return will be reduced by the advisory fee and any other expenses it may incur in the management of its investment advisory account.
10. DePrince, Race & Zollo, Inc.'s standard fee schedule for Micro Cap Value is 1.25% on all amounts.
11. Composite dispersion is calculated using the standard deviation of all portfolios that were included in the composite for the entire year.
12. All information contained in this document is provided for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned. The securities highlighted in this document, if any, represent recent holdings. Each quarter, DePrince, Race & Zollo Inc. uses the same objective, non-performance based criteria to select these securities. A list of all DePrince Race & Zollo Inc.'s recommendations for the preceding 12 months is available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities discussed in this report.
13. If clients are listed in this document, it is not known they approve or disapprove of DePrince Race & Zollo Inc. or the advisory services it provides. If included, the representative clients listed in this document are a cross section of current accounts that maintain similar investment objectives as those expressed by DePrince Race & Zollo Inc.'s prospective clients. This list may include accounts that are not invested in the investment strategy described in this document.

LORD ABBETT

Micro Cap Growth Equity Management

Alaska Retirement Management Board

Anthony W. Hipple, CFA
Portfolio Manager

Kristin v. Harper
Director of Public of Fund Marketing

February 10, 2011

Table of Contents

About Lord Abbett

Independent

- Privately held since 1929
- 58 partners with an average of 13 years at Lord Abbett

Singular Focus

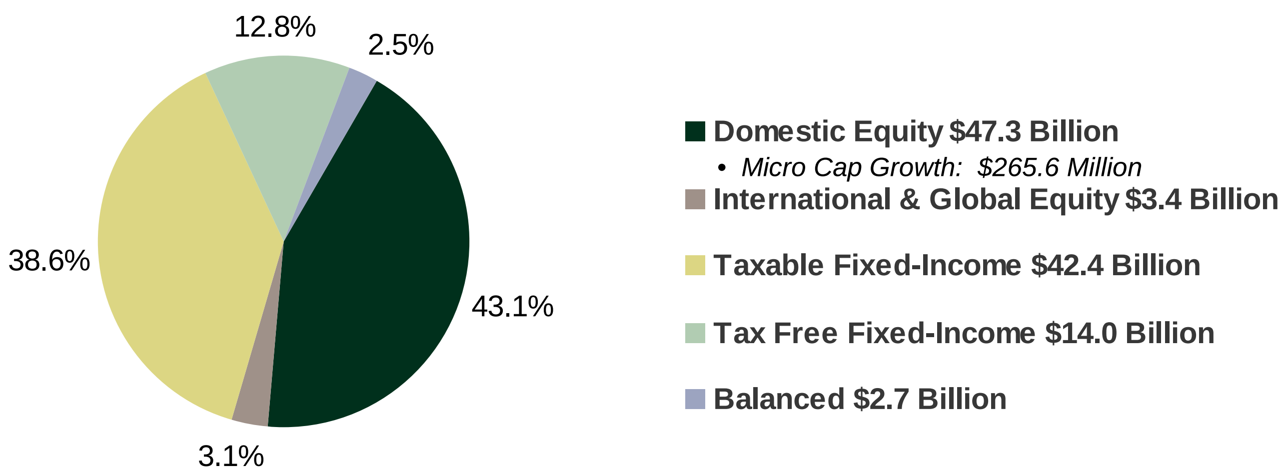
- Solely dedicated to investment management
- Interests aligned with our clients

Prudent Approach Built on Experience and Insight

- Over 100 investment professionals with an average of 17 years of investment experience
- Research driven – fundamental & quantitative

Assets & Investment Capabilities

$109.8 Billion Assets Under Management* • As of 12/31/2010



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	AMT Free	
Small Cap Value		Corporates	High Yield	
Micro Cap Value		Bank Loans		
Large Cap Core		Multi-Sector		
Small Cap Core		High Yield		
Large Cap Growth		Convertibles		
Mid Cap Growth		Currencies		
Small Cap Growth		LDI		
Micro Cap Growth				

*Includes $3.3 billion for which Lord Abbett provides investment models to managed account sponsors.

Representative Client List

Public Funds

Alaska Retirement Management Board
City of Lakeland Employees' Pension Plan
City of Oakland Police and Fire Retirement Board
City of Newport News
City of Philadelphia
City of Royal Oak
City of Sarasota General Employees' Pension Plan
Contra Costa County Employees' Retirement Association
Educational Retirement Board of New Mexico
El Paso Firemen & Policemen's Pension Fund
Employees Retirement System of Texas
Fort Lauderdale General Employees Retirement
Illinois Deferred Compensation Plan
Indiana State Teacher's Retirement Fund
Louisiana Sheriffs' Pension & Relief Fund
Milwaukee County Transit System
Missouri Local Government Employees' Retirement System
NYC Police Department Pension Fund
NYC Fire Department Pension Fund
NYC Teachers' Variable Annuity Fund
Oklahoma School Land Trust
Pompano Beach Police & Firefighters' Retirement System
Santa Barbara County Employees' Retirement System
School Employees Retirement System of Ohio
St. Petersburg Police Officers' Pension Fund
State Teachers Retirement System of Ohio
Teachers' Retirement System of Oklahoma
Utah Retirement Systems
Virginia College Savings Plan

International Organizations

City of Laval Pension Fund
Industriens Pensionsforsikring A/S
MD Funds Management, Inc.
Mizuho Asset Management Co., Ltd.
Mn Services
National Pensions Reserve Fund
Oil Insurance Limited
Organization of American States Retirement and Pension Fund
Pratt & Whitney Canada Corporation
Seguros Triple-S, Inc.
Superannuation Funds Management Corporation
Tembec Industries, Inc.

Insurance Companies

Allstate Life Insurance Company
AXA Equitable Life Insurance Company
CUNA Mutual Group
Doctors Company Insurance Group
Fidelity Security Life Insurance Company
Genworth Life and Annuity Insurance Company
Hartford Life Insurance Company
Horace Mann Life Insurance Company
Jefferson National Life Insurance Company
John Hancock Life Insurance Company (U.S.A.)
Liberty Life Insurance Company
MetLife Investors
Midland National Life Insurance Company
Minnesota Life Insurance Company
Nationwide Life Insurance Company
Nuclear Electric Insurance Limited
Pacific Life Insurance Company
Penn Mutual Life Insurance Company
Phoenix Life and Annuity Company
Protective Life Insurance Company
Prudential Financial
Radian Group, Inc.
SET SEG – School Insurance Specialists
Sun Capital Advisers LLC
Sun Life Financial
SunAmerica Retirement Markets
Vermont Mutual Group

Hospitals & Health Care

Billings Clinic
Jefferson Regional Medical Center
Somerset Medical Center
St. Peter's Hospital
Sturdy Memorial Hospital

Religious Organizations

Hospital Sisters of St. Francis
Michigan Catholic Conference
Sisters of St. Francis Health Services

The list includes all of Lord, Abbett & Co. LLC's institutional account and commingled product sub-advisory clients, as well as retirement plan and institutional investors in the Lord Abbett funds, that either have granted Lord Abbett permission to include their names on such a list or whose use of Lord Abbett's advisory services is a matter of public record. Inclusion of a client's name on the list should not be taken as an indication that the client approves or disapproves of Lord Abbett or the advisory services provided.

Representative Client List (Continued)

Corporations

Advanced Micro Devices
Applied Materials, Inc.
California State Automobile Association
Inter-Insurance Bureau
Caterpillar, Inc.
Chiquita Brands International
Cox Enterprises, Inc.
El Paso Corporation Pension Plan
Glen-Gery Corporation
GuideStone Funds
Hanford Multi-Employer Pension Trust
H.E. Butt Grocery Company
Hewlett-Packard Company
Hoffman-LaRoche Inc.
Honeywell International, Inc.
IHS Retirement Income Plan
International Flavors & Fragrances Inc.
Pension Plan
Key Bank
Lakewood Cemetery Association
Leggett & Platt
Medco Health Solutions, Inc.
MetLife
MidAmerican Energy Holdings Co.
National Fuel & Gas Co. Retirement Plan
National Grid
Northeast Utilities
OG&E Electric Services Retirement Plan
The Phoenix Companies, Inc. Employee
Pension Plan
Progress Energy, Inc.
Russell Investments
Sherwin-Williams Company
Tembec USA, LLC
Total Fina Finance USA, Inc.
Union Bank, N.A.
Union Pacific Corporation
WELS Investment Funds, Inc.

Taft-Hartley/Unions

Beer Industry – Local Union No. 703 Pension Fund
Cement & Concrete Workers District Council
Heavy General Laborers Locals #472 & #172
IBEW Local #150 Pension Trust
IBEW Local #481 Money Purchase Pension & Trust
Indiana Electrical Workers Pension Trust Fund, IBEW
Inter-Local Pension Fund, GCC/IBT
Iron Workers District Council Philadelphia & Vicinity
Iron Workers Local #40,361,417 Pension Fund
Iron Workers Local #580 Pension Fund
IUOE Local #30 Pension Fund
IUOE Local #94-94A-94B
Joint Industry Board
Laborers Health & Welfare Trust Fund for
Southern California
Laborers Local #734
Laborers Local Union #1298
Laborers' Pension Fund
Local 522 Pension Fund – Roofers Division
MILA – Managed Health Care Trust Fund
Minneapolis Retail Meat Cutters and
Food Handlers Pension Fund
National Elevator Industry Pension Plan
NECA Local Union #313 IBEW
New Jersey Carpenters Annuity Fund
Omaha Construction Industry
Pipefitters Local #274
Plumbers and Pipefitters Locals 502 & 633
Pension Trust Fund
Plumbers & Steamfitters Local #373
SEIU Local No. 1 Pension Fund
SEIU Local #74
Steamfitters' Industry Pension Fund
Teamsters – Eastern Shore Pension Fund
Teamsters Local #456
Teamsters Local #710
Teamsters Pension Trust Fund of
Philadelphia & Vicinity
Twin City Pipe Trades Pension Trust
UFCW Union Local #919 Food
Pension Fund
US Maritime Alliance, LTD

Endowments & Foundations

Charles Stewart Mott Foundation
Ewing Marion Kauffman Foundation
Kern Family Foundation
Liz Claiborne Foundation
Hedgerow Capital, LLC
Saint Paul Foundation
Van Andel Institute

Colleges & Universities

Fairfield University
Oberlin College
University of Arizona Foundation
University of Puget Sound

The list includes all of Lord, Abbett & Co. LLC's institutional account and commingled product sub-advisory clients, as well as retirement plan and institutional investors in the Lord Abbett funds, that either have granted Lord Abbett permission to include their names on such a list or whose use of Lord Abbett's advisory services is a matter of public record. Inclusion of a client's name on the list should not be taken as an indication that the client approves or disapproves of Lord Abbett or the advisory services provided.

Micro Cap Growth Investment Team

Robert I. Gerber, Ph.D.
Partner, Chief Investment Officer
24 yrs.

Robert P. Fetch
Partner & Director of Domestic Equity
Portfolio Management, *34 yrs.*

PORTFOLIO MANAGEMENT

F. Thomas O'Halloran III, J.D., CFA
Partner & Director
24 yrs.

Anthony W. Hipple, CFA
Portfolio Manager
15 yrs.

CLIENT PORTFOLIO MANAGEMENT

Cinda C. Hughes, CFA
Partner, Client Portfolio Manager
25 yrs.

Over 35 Additional Equity Investment Professionals

QUANTITATIVE RESEARCH & RISK MANAGEMENT TEAM

RESEARCH ANALYSTS

Heidi Bush, CFA
Financials, Consumer
24 yrs.

Matthew R. DeCicco, CFA
Health Care
12 yrs.

Arthur K. Weise, CFA
Industrials
17 yrs.

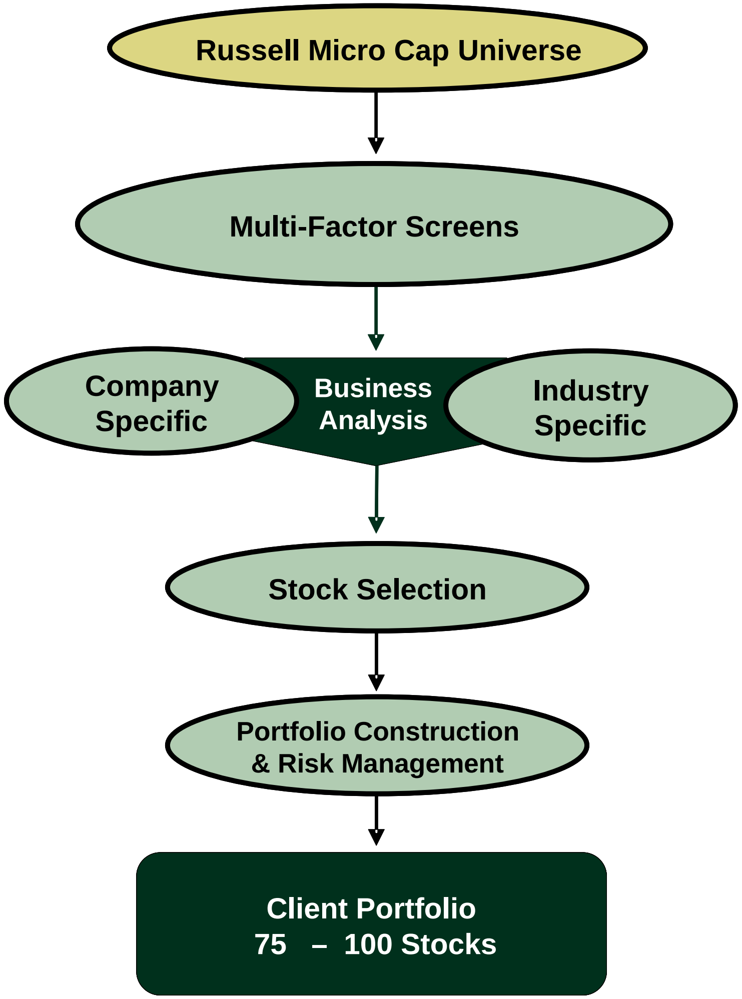
Please see biographies for information on the Investment Team.

Micro Cap Growth Investment Philosophy

Lord Abbett's Micro Cap Growth investment team believes:

- Investments in market-leading small growth companies generate attractive long-term performance
- A disciplined, repeatable process based upon intensive fundamental analysis and bottom-up stock selection are important factors in producing returns that consistently exceed the benchmark
- Active risk management at the security and portfolio level contributes to attractive returns per unit of risk

Micro Cap Growth Investment Process



Screen universe for:

- Russell Micro Cap® universe market cap range
- Double-digit revenue and earnings growth
- Conservative capital structure
- Preference for positive current earnings

Identify market-leading growth companies with:

- Sound business models
- Capable management
- Favorable industry conditions
- Competitive advantages

Develop company expectations and forecasts:

- Forecast revenue and earnings growth
- Predict market impact of future operating results

Construct and manage portfolio based on:

- Company quality and health of fundamentals
- Favored sectors and industries
- Prudent diversification and liquidity
- Reasonable valuation support

Micro Cap Growth Sell Discipline

Securities are continuously monitored and evaluated for sale when:

Fundamentals change

- Business model deviates
- Management's execution falters
- Industry conditions worsen
- Competitive advantage deteriorates

Stock becomes less attractive

- Revenue and/or earnings growth rates are lowered
- Expectations of growth become too high
- Valuation and/or stock outperformance reach extremes

Diversification

- Trim positions in names and/or sectors to maintain optimal exposures and diversification

Diversification does not guarantee a profit or protect against a loss in a declining market.

Micro Cap Growth Portfolio Parameters

Diversified

- Portfolio generally holds between 75 and 100 names
- Maximum exposure to any security is 5%
- Top 10 holdings typically account for less than 25% of portfolio assets

Actively Managed

- Industry weighting is limited to 25%
- Portfolio turnover is generally 100-150%

Fully Invested

- Cash will normally be less than 5% of portfolio value

Representative Portfolio Characteristics

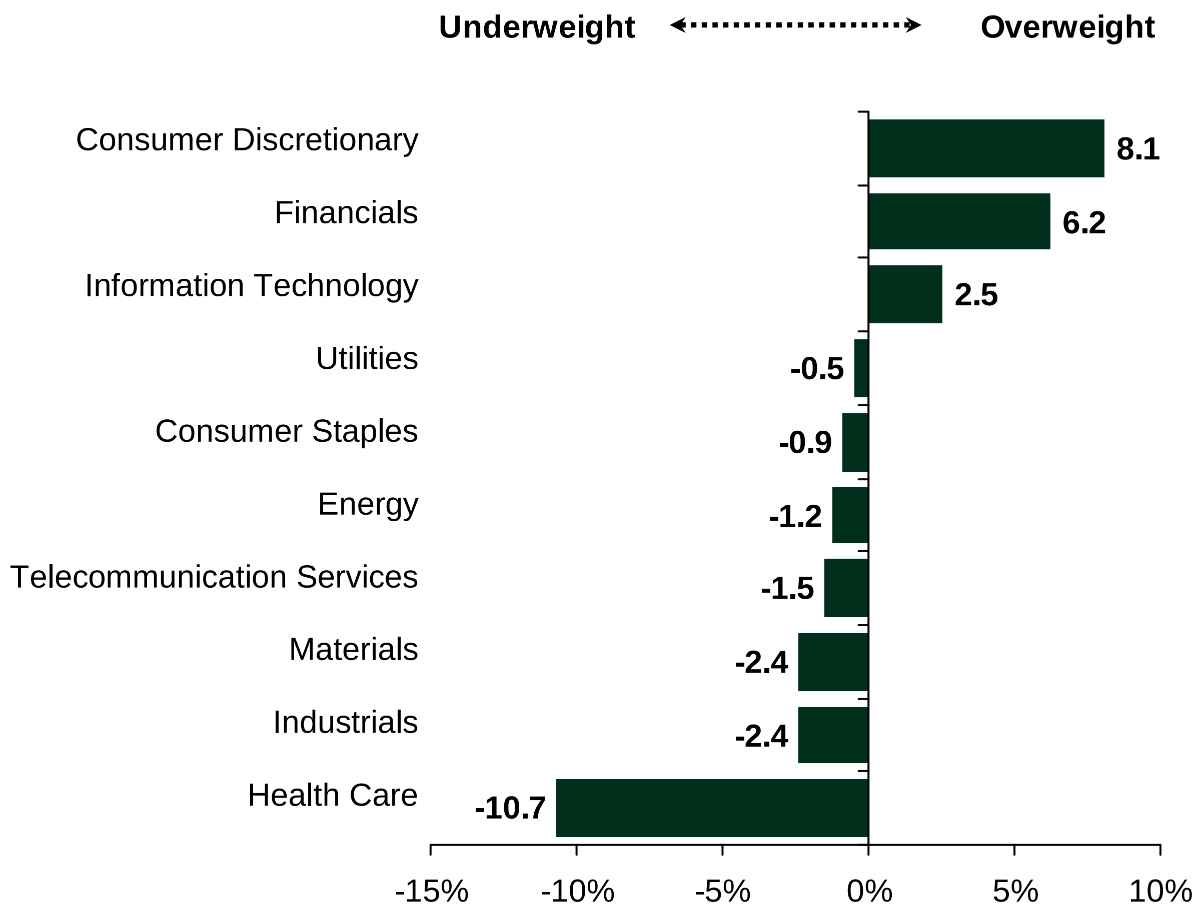
As of 12/31/2010

	Micro Cap Growth	**Russell Microcap® Growth Index**
Number of Holdings	**86**	988
Weighted Average Market Capitalization *($M)*	**$783**	$381
Median Market Capitalization *($M)*	**$745**	$171
Price/Earnings Ratio *(1 Year Forecast)*	**24.8x**	18.4x
Total Debt/Total Capital	**18.0%**	30.4%
Sales Growth *(Historical 5 Year)*	**9.6%**	5.4%
Long Term Growth *(IBES Median)*	**22.1%**	17.9%

Source: The Bank of New York Mellon Corp.

Sector Allocation

As of 12/31/2010



	Micro Cap Growth	Russell Microcap® Growth Index
Consumer Discretionary	21.1%	13.0%
Financials	10.0%	3.8%
Information Technology	30.7%	28.2%
Utilities	0.0%	0.5%
Consumer Staples	1.4%	2.3%
Energy	3.8%	5.0%
Telecommunication Services	0.0%	1.5%
Materials	2.2%	4.6%
Industrials	10.1%	12.5%
Health Care	17.9%	28.6%

Source: Wilshire. GICS Sectors.

Ten Largest Representative Portfolio Holdings

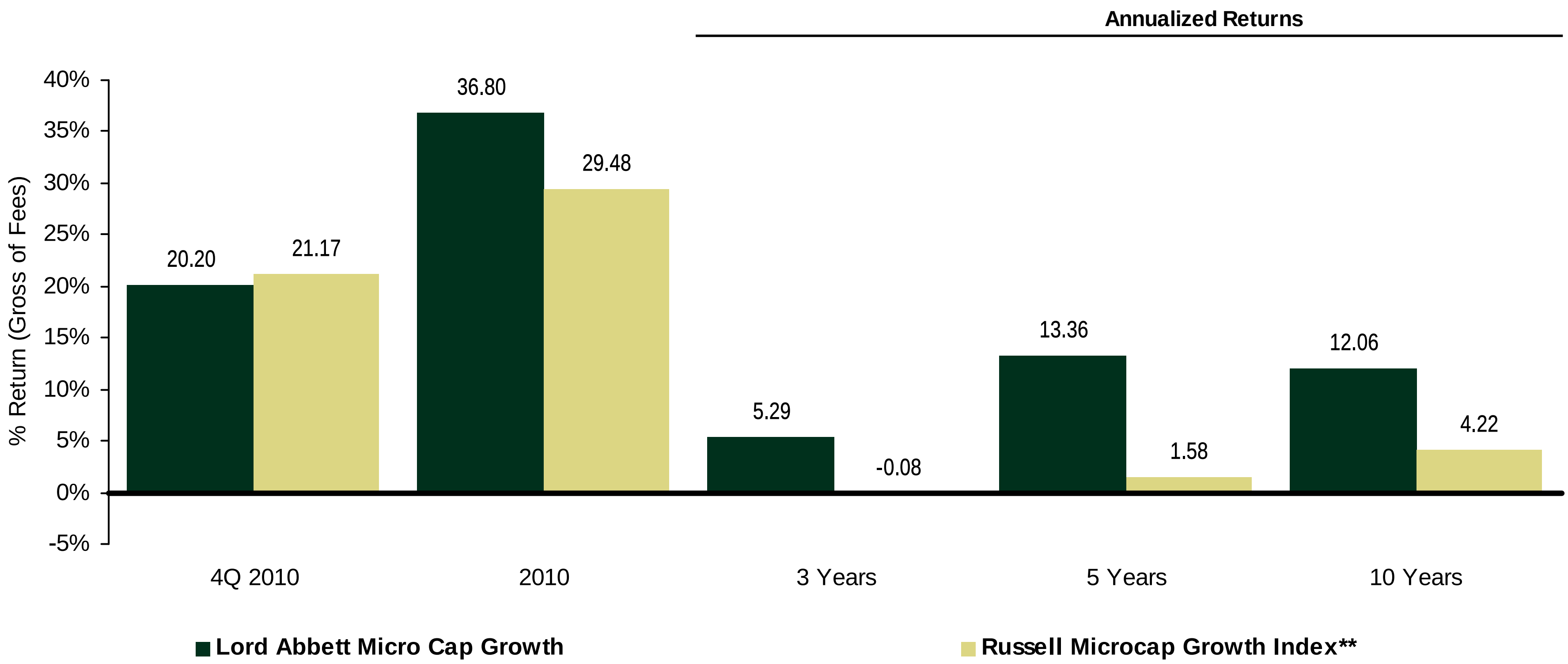
As of 9/30/2010

Company Name	Sector*	% of Total
NxStage Medical, Inc.	Health Care	2.7
ReneSola Ltd.	Information Technology	2.3
Sourcefire Inc	Information Technology	2.3
hiSoft Technology International Ltd.	Information Technology	2.3
7 Days Group Holdings Ltd.	Consumer Discretionary	2.2
Limelight Networks, Inc.	Information Technology	2.1
IPG Photonics Corp.	Information Technology	2.0
Neogen Corp.	Health Care	2.0
DexCom, Inc.	Health Care	1.9
Cyberonics, Inc.	Health Care	1.9
Total		**21.7%**

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

Rates of Return

Lord Abbett Micro Cap Growth Institutional Composite - Periods Ended 12/31/2010



Please see end notes for important additional information regarding composite performance, including net-of-fees returns.
*Preliminary. **Source: Russell.

Attribution Analysis

Lord Abbett Micro Cap Growth Representative Account – Calendar Year 2010

	Micro Cap Growth		Russell Microcap® Growth Index		Variance		
Sectors*	Avg. Weight%	Base Rtn%	Avg. Weight%	Base Rtn%	Stock Selection%	Group Weight%	Total%
Information Technology	**31.1**	**56.2**	27.3	44.3	**3.2**	0.6	**3.8**
Health Care	**21.3**	**35.3**	30.6	22.5	**2.2**	0.8	**3.0**
Consumer Staples	**1.3**	**48.1**	2.5	-6.5	0.6	0.4	**1.0**
Industrials	**9.3**	**21.7**	12.1	21.0	0.5	0.2	**0.7**
Consumer Discretionary	**18.6**	**25.1**	13.5	21.5	0.9	-0.7	**0.2**
Utilities	**0.0**	**-15.5**	0.6	4.3	-0.1	0.2	**0.1**
Telecommunication Services	**0.0**	**0.0**	1.4	38.9	0.0	-0.1	**-0.1**
Energy	**4.5**	**53.0**	3.8	51.8	0.3	-0.5	**-0.2**
Materials	**2.6**	**39.7**	3.5	43.5	**-0.4**	-0.3	**-0.7**
Financials	**7.4**	**7.8**	4.7	20.3	**-0.9**	-0.3	**-1.2**
Cash	**3.9**	**0.3**	0.0	0.0	0.0	-1.0	**-1.0**
Total	**100.0**	**34.8**	**100.0**	**29.4**	**6.3**	**-0.7**	**5.6**

Please see Appendix for an explanation of the performance attribution displayed above. *GICS Sectors.

Attribution Analysis

Lord Abbett Micro Cap Growth Representative Account – One year ended 12/31/2009

Sectors*	Micro Cap Growth Avg. Weight%	Micro Cap Growth Base Rtn%	Russell Microcap® Growth Index Avg. Weight%	Russell Microcap® Growth Index Base Rtn %	Variance Stock Selection%	Variance Group Weight%	Variance Total%
Technology	25.5	106.3	22.3	71.4	8.4	1.1	9.5
Energy	7.4	140.0	3.6	25.3	6.5	-0.7	5.8
Producer Durables	11.1	49.3	12.0	28.3	2.1	0.4	2.5
Consumer Discretionary	18.6	69.9	13.3	54.8	1.2	0.8	2.0
Utilities	0.0	16.3	2.5	39.3	0.2	0.0	0.2
Healthcare	23.4	18.4	32.7	25.6	-1.4	0.9	-0.5
Materials & Processing	2.7	5.9	4.5	24.9	-0.8	0.2	-0.6
Financial Services	4.7	-6.3	5.7	17.1	-1.1	0.2	-0.9
Consumer Staples	3.2	27.1	3.4	50.0	-1.1	0.0	-1.1
Cash	3.2	0.3	0.0	0.0	0.0	-0.4	-0.4
Total	100.0	55.5	100.0	39.1	14.0	2.5	16.5

Largest Contributors

- **Technology:** Stock Selection (Aruba Networks, Inc.; Riverbed Technology, Inc.; Switch & Data Facilities Co.)
- **Energy:** Stock Selection (EnerNoc, Inc.; Clean Energy Fuels Corp.; Carrizo Oil & Gas, Inc.)

Largest Detractors

- **Consumer Staples:** Stock Selection (Zhongpin, Inc.; China-Biotics, Inc.)
- **Financial Services:** Stock Selection (Pinnacle Financial Partners, Inc.; Bankrate, Inc.; Westwood Holdings Group, Inc.)

Please see "About Wilshire Attribution" for an explanation of the performance attribution displayed above. *Russell Global Sectors.

Distinguishing Characteristics

- **Our true growth strategy – focused on emerging growth companies – provides intelligent exposure to a dynamic asset class with attractive investment opportunities**

- **Our disciplined, repeatable process generally has produced outperformance versus both the benchmark and our peers**

- **Our focus on risk management at each stage of the investment process has contributed to high returns per unit of risk in past years**

Appendix

Annual Rates of Return

Lord Abbett Micro Cap Growth Institutional Composite

	Micro Cap Growth (Gross of Fees)	Russell Microcap® Growth Index*
2010	**36.80%**	29.48%
2009	**55.20%**	39.18%
2008	**-45.02%**	-44.65%
2007	**25.30%**	-2.68%
2006	**28.01%**	11.39%
2005	**4.71%**	2.05%
2004	**28.55%**	7.91%
2003	**52.18%**	69.83%
2002	**-30.66%**	-29.02%
2001	**17.37%**	5.31%
2000	**-22.90%**	N/A

Please see end notes for important additional information regarding composite performance, including net-of-fees returns.
*Source: Russell.

Representative Portfolio Holdings

As of 9/30/2010

Sector/Company	% of Total	% of Index
Consumer Discretionary	**17.6**	**13.4**
7 Days Group Holdings Ltd.	2.2	
BJ's Restaurants, Inc.	1.3	
Country Style Cooking	0.8	
Imax Corp.	1.1	
Irobot Corp.	0.9	
K12, Inc.	1.5	
Lumber Liquidators, Inc.	0.5	
Monro Muffler Brake, Inc.	1.2	
Overstock.com, Inc.	0.8	
Peet's Coffee & Tea, Inc.	0.9	
ShuffleMaster, Inc.	0.8	
Shutterfly, Inc.	1.4	
U.S. Auto Parts	0.9	
Vitamin Shoppe Inc.	1.2	
Zumiez, Inc.	1.1	
hhgregg, Inc.	0.9	
Consumer Staples	**1.4**	**2.6**
Boston Beer Co., Inc.	0.5	
Inter Parfums Inc.	0.9	
Energy	**3.4**	**4.1**
Clean Energy Fuels Corp.	0.5	
Kodiak Oil & Gas Corp.	1.4	
Westport Innovations, Inc.	1.5	
Financials	**8.8**	**3.7**
Altisource Portfolio Solutions	1.4	
Columbia Banking System, Inc.	0.8	
Encore Cap Group Inc	1.4	
Financial Engines, Inc.	1.3	
MarketAxess Hldgs	1.5	
Texas Capital Bancshares, Inc.	0.7	
Western Alliance Bancorp	1.5	

Sector/Company	% of Total	% of Index
Health Care	**19.1**	**29.1**
Bio-Reference Laboratories, Inc.	1.3	
Cyberonics, Inc.	1.9	
DexCom, Inc.	1.9	
Endologix, Inc.	1.3	
Eurand N.V.	1.5	
HeartWare International, Inc.	1.5	
Insulet Corp.	1.5	
MAKO Surgical Corp.	0.3	
Mwi Veterinary Supply	1.5	
Neogen Corp.	2.0	
NxStage Medical, Inc.	2.7	
Synovis Life Technologies, Inc.	0.9	
Vascular Solutions	1.0	
Industrials	**9.2**	**12.5**
Chart Industries, Inc.	1.4	
China Valves Technology, Inc.	0.7	
GeoEye, Inc.	1.7	
Harbin Electric, Inc.	1.2	
Higher One Hldgs Inc.	0.4	
KForce, Inc.	1.2	
MYR Group, Inc.	0.3	
RBC Bearings, Inc.	1.3	
TrueBlue, Inc.	1.1	
Information Technology	**34.7**	**28.6**
ANADIGICS, Inc.	1.7	
Ancestry.com, Inc.	1.5	
Compellent Technologies, Inc.	1.4	
Constant Contact, Inc.	1.4	
FARO Technologies, Inc.	0.9	
Hollysys Automation	0.8	
IPG Photonics Corp.	2.0	
Intralinks Hldgs Inc.	1.2	
Jinkosolar Hldg Co Ltd.	1.1	
KIT Digital, Inc.	1.0	

Sector/Company	% of Total	% of Index
Information Technology Cont'd	**34.7**	**28.6**
Limelight Networks, Inc.	2.1	
Liquidity Services Inc.	1.5	
LivePerson, Inc.	1.3	
LogMeIn, Inc.	1.8	
MaxLinear, Inc.	0.4	
Maxwell Technologies, Inc.	1.1	
Netezza Corp.	0.5	
Perficient, Inc.	0.8	
ReneSola Ltd.	2.3	
RightNow Technologies, Inc.	0.8	
Rubicon Technology, Inc.	0.7	
Sourcefire Inc.	2.3	
Synchronoss Technologies, Inc.	1.4	
Taleo Corp.	1.0	
VanceInfo Technologies, Inc.	1.5	
hiSoft Technology International Ltd.	2.3	
Materials	**2.7**	**3.8**
Brush Engineered Materials, Inc.	1.1	
Chemspec International Ltd.	0.1	
Gulf Resources, Inc.	0.2	
STR Holdings, Inc.	1.3	

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

Micro Cap Growth Management Fees

Assets Under Management		Annual Fee as a % of Assets
First	$25 million	1.25%
Over	$25 million	1.00%

Separate Account Minimum $10 million

Micro Cap Growth 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.

F. Thomas O'Halloran III, J.D., CFA, Partner & Director

Mr. O'Halloran is the lead portfolio manager of the small and micro cap growth equity strategy. Mr. O'Halloran joined Lord Abbett in 2001 as a research analyst for the small cap growth equity strategy and was named Partner in 2003. His prior experience includes Executive Director/Senior Research Analyst at Dillon, Read & Co. and as a trial attorney. Mr. O'Halloran received an AB from Bowdoin College, a JD from Boston College, and an MBA from Columbia University. He is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1987.

Anthony W. Hipple, CFA, Portfolio Manager

Mr. Hipple is a portfolio manager of the micro cap growth equity strategy and also contributes as a research analyst on the small cap growth equity strategy. Mr. Hipple joined Lord Abbett in 2002. His prior experience includes: Senior Analyst at Piper Jaffray Asset Management; Senior Analyst at Lutheran Brotherhood; and Senior Analyst at Piper Jaffray Asset Management. Mr. Hipple received a BBA from the University of Northern Iowa and an MBA from the University of Iowa. He is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1995.

Micro Cap Growth Investment Team

Cinda C. Hughes, CFA, Partner, Client Portfolio Manager

Ms. Hughes is the client portfolio manager supporting clients, prospects and business relationships for our convertible, small cap growth equity and mid cap growth equity strategies. Ms. Hughes joined Lord Abbett in 1998 and was named Partner in 2002. Her prior experience includes: Analyst/Director of Equity Research at Phoenix Investment Counsel; Associate Strategist at Paine Webber, Inc. & Kidder, Peabody & Co.; and Analyst at Fidelity Investments. Ms. Hughes received a BA from Rhodes College. She is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1986.

Heidi Bush, CFA, Research Analyst

Ms. Bush is a research analyst for the small and micro cap growth equity strategies. Ms. Bush joined Lord Abbett in 2005. Her prior experience includes: Vice President and Senior Analyst/Sector Portfolio Manager at the YMCA Retirement Fund; Equity Analyst at New York Life Insurance Company; Corporate Bond Research at Kidder Peabody & Company; Senior Analyst-Corporate Credit at Merrill Lynch Capital Markets; Senior Supervisory Analyst at Federal Home Loan Bank of New York; and Strategic Planning and Financial Analysis at AT&T Communications. Ms. Bush received a BA from The State University of New York-Albany and an MBA from Columbia University. She is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1987.

Matthew R. DeCicco, CFA, Research Analyst

Mr. DeCicco is a research analyst for the small and micro cap growth equity strategies. Mr. DeCicco joined Lord Abbett in 1999 as an internal wholesaler and then a portfolio specialist before he transitioned to an associate analyst in 2002. Mr. DeCicco received a BS from the University of Richmond. He is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1999.

Arthur K. Weise, CFA, Research Analyst

Mr. Weise is a research analyst for the small and micro cap growth equity strategies. Mr. Weise joined Lord Abbett in 2007. His prior experience includes: Managing Director, Portfolio Manager, and Analyst at Bank of New York Institutional Asset Management; Vice President, Director of Research, and Analyst at Trainer Wortham & Co.; and Associate Director at Dillon Read/UBS Warburg. Mr. Weise received a BA from Columbia University. He is the holder of a Chartered Financial Analyst designation and has been in the investment business since 1993.

About Wilshire Attribution

The Wilshire Atlas Variance Analysis tool provides a methodology for explaining the difference in performance between a portfolio and its benchmark, based on the decomposition of returns. The user specifies the portfolio, index, link frequency, sector and weighting. The weighting can be shown as beginning, average or end weights and is used for display purposes only.

Portfolio Weight	Portfolio Base Return	Benchmark Weight	Benchmark Base Return	Stock Selection	Group Weight	Total

Weight (Portfolio): This is the average weight of each group in the portfolio. Alternatively, the weight at the end of the reporting period, or on average across the reporting period, may be selected.

Base Return (Portfolio): This is the weighted average holding period return for the securities in each group. This weighted average is calculated for each link period using beginning weights and then the resulting values are linked together to calculate the displayed value.

Weight (Benchmark): This is the average weight of each group in the benchmark. Alternatively, the weight at the end of the reporting period, or on average across the reporting period, may be selected.

Base Return (Benchmark): This is the weighted average holding period return for the benchmark securities in each group. This weighted average is calculated for each link period using beginning weights, then the resulting values are linked together to calculate the displayed value.

Stock Selection Variance: This is the success of selection decisions within each group versus the benchmark. It is calculated for each link period using the following equation: Stock Selection Variance = $W_{P,G}$ * ($R_{P,G}$ - $R_{B,G}$), where $W_{P,G}$ = Weight of the group in the portfolio, $R_{P,G}$ = Return of the group in the portfolio, $R_{B,G}$ = Return of the group in the benchmark.

Group Weighting Variance: This is the result of weighting decisions in each group versus the benchmark. It is calculated for each link period using the following equation: Group Weighting Variance = ($W_{P,G}$ – $W_{B,G}$) * ($R_{B,G}$ – $R_{B,T}$), where $W_{P,G}$ = Weight of the group in the portfolio, $W_{B,G}$ = Weight of the group in the benchmark, $R_{B,G}$ = Return of the group in the benchmark, $R_{B,T}$ = Overall return of the benchmark.

Total Variance: This is the sum of group weighting and stock selection variances. This represents the amount of total variance that is explained by the selection and allocation decisions for each group.

Source: Wilshire

Glossary of Equity Portfolio Characteristics

Weighted Average Market Capitalization is the average market capitalization of all companies held in the portfolio.

Weighted Median Market Capitalization is the market capitalization of the median holding as determined by dollars invested (half of the portfolio's assets are invested in companies larger than the median, and half are in companies smaller than the median).

Median Market Capitalization is a measurement of the market capitalization of the holding that is in the arithmetic middle of the portfolio or index.

30-Day Standardized Yield is an estimate of a mutual fund's net investment income measured over a 30-day period. It is expressed as an annual percentage rate using a method of calculation adopted by the Securities and Exchange Commission (SEC).

The below characteristics are the weighted average of all the underlying companies within the portfolio.

Long Term Growth (IBES Median) is the consensus outlook for a portfolio's EPS growth. I/B/E/S provides medians of research analysts' estimates for companies' long-term (typically five years) growth rates.

EPS Growth (Historical 5 Year) is a measurement of earnings per share growth over the past five years.

Price/Book Ratio is a ratio that helps determine whether a stock is undervalued or overvalued. It is calculated by dividing a stock's price per share by its book value per share.

Price/Cash Flow Ratio is an indication of relative value, calculated by dividing a stock's share price by its cash flow per share.

Price/Earnings Ratio (trailing) is a ratio that reflects how much a stock costs relative to its earnings. It is calculated by dividing the current stock price by the trailing earnings per share.

Price/Earnings Ratio (forecast) is a ratio that reflects how much a stock costs relative to its earnings. It is calculated by dividing the current stock price by the estimated future earnings per share.

Price/Sales Ratio is a ratio for valuing a stock relative to its sales. It is calculated by dividing a stock's current price by its revenue per share for the trailing 12 months.

Return on Equity (5 Year Average) is a measurement of how much profit a company earned relative to the amount of a shareholder's equity that is found on a company's balance sheet. It is calculated by taking the arithmetic average of the five most recent fiscal year-end ROE ratios.

Sales Growth (Historical 5 Year) is a measurement of the increase in sales on average each year over the past five years.

Sales/Share Growth (Latest Fiscal Year vs. 2 Years Ago) is a measurement of the growth of holdings' revenues compared to the growth in shares over the past two years.

Total Debt/Total Capital is a measurement of the relationship between holdings' debt and total capital. A large Debt/Capital ratio indicates that a company is highly leveraged.

Dividend Yield is calculated by averaging the weighted dividend yields of the underlying companies within the portfolio. The dividend yield of the underlying companies is calculated by dividing the company's indicated annual dividend by the company's share price as of the period end.

Micro Cap Growth End Notes to Performance

The GIPS-compliant performance results shown represent the investment performance record for the Lord, Abbett & Co. LLC (Lord Abbett) Micro Cap Growth Equity — Institutional Composite, which includes all fully invested equity portfolios managed on behalf of tax-exempt investors investing primarily in Micro-Cap securities Lord Abbett deems to have long-term growth potential. 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 and accounts opened/funded after that day are included effective on the first day of the third following month. Registered investment companies sponsored by Lord Abbett are included in the Composite in the first full month of management. Closed accounts are 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 1999. A complete list of Lord Abbett composites and a description of the investment strategies is available on request. Additional information regarding policies for calculating and reporting returns and preparing compliant presentations is available upon request.

For Global Investment Performance Standards (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. 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 and 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	2000
Number of Portfolios	4	4	1	1	1	1	1	1	1	1
Total Assets ($M)	$194	$120	$66	$9	$7	$7	$5	$3	$3	$2
Percentage of Firm Assets	0.2%	0.2%	0.1%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Dispersion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Firm Assets ($M)	$88,895	$70,347	$110,201	$112,193	$101,946	$93,560	$72,237	$48,179	$41,643	$33,325
LA Micro Cap Growth Composite - Gross	55.20%	-45.02%	25.30%	28.01%	4.71%	28.55%	52.18%	-30.66%	17.37%	-22.90%
LA Micro Cap Growth Composite - Net	52.97%	-45.88%	23.46%	26.14%	3.15%	26.67%	50.35%	-31.55%	15.92%	-23.89%
Russell 2000® Growth Index	34.47%	-38.54%	7.05%	13.35%	4.15%	14.31%	48.54%	-30.26%	-9.23%	-22.43%
Russell Microcap® Growth Index	39.18%	-44.65%	-2.68%	11.39%	2.05%	7.91%	69.83%	-29.02%	5.31%	N/A

Micro Cap Growth 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 1.25% 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 1.25% of average net assets per year for the 10-year period were deducted, the annual total return would be 8.65% and the ending dollar value would be $23,136,233. The management fee schedule is as follows: 1.25% on the first $25 million, and 1.00% on all assets over $25 million. Certain securities held in portfolios contained in this composite may have valuations determined using both subjective observable and subjective unobservable inputs. The Firm's valuation hierarchy does not materially differ from the hierarchy in the GIPS Valuation Principles.**

Lord Abbett claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Lord Abbett has been independently verified for the periods 1993 through 2009. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The composite has been examined for the periods 1999 through 2009. The verification and performance examination reports are available upon request.

The Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap® Growth Index measures the performance of those Russell Microcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index and Russell Microcap® Growth Index, which include reinvested dividends, have been obtained 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.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Micro Cap	ACTION:	X
DATE:	February 11, 2011	INFORMATION:	

BACKGROUND:

At the 2010 Manager Review meeting, staff, along with Michael O'Leary of Callan Associates, Inc. (Callan), and members of the Investment Advisory Council discussed investing in micro cap securities. Micro cap stocks range in market capitalization from $25 - $500 million. A key advantage of a micro cap allocation is the potential for alpha from active management in less efficient markets.

At the September 2010 meeting, the Board directed staff to engage Callan Associates, Inc. (Callan) to conduct a search for two or more micro cap investment managers.

STATUS:

Callan concluded its search on November 19, 2010, selecting nine candidates for further review. Staff considered each organization's investment philosophy, style, performance, business risk, asset class capacity, and its ability to service large institutional clients. After further analysis and due diligence at two of the managers' offices, staff has selected the following managers for consideration by the Board.

- DePrince, Race & Zollo, Inc.; and
- Lord, Abbett & Company

DePrince, Race & Zollo, Inc. manages a value strategy and currently has $4.8 billion firm-wide assets under management. Over the last seven years, DePrince has outperformed the micro cap benchmark five of those years with an annualized return which tops the Russell Micro Value Index by 6.45%.

Lord, Abbett & Company manages a growth strategy and currently has $89.1 billion firm-wide assets under management. Lord Abbett has also demonstrated their ability to consistently outperform the micro cap benchmark having done so five of the last seven years. Over this period, Lord Abbett's annualized return has outperformed the Russell Micro Growth Index by 10.80%.

Staff believes that selecting two proven managers with differing styles will allow the overall equity portfolio to fully capitalize on the benefits of a micro cap allocation during various market conditions.

RECOMMENDATION:

That the Alaska Retirement Management Board 1) select Deprince, Race & Zollo, Inc. and Lord, Abbett & Company to invest up to $100 million each in a micro cap portfolio; and 2) direct staff to enter into investment contracts with those managers subject to successful contract and fee negotiations.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	PERS and TRS DCR Actuarial Valuation Assumptions Based on 6/30/09 Experience Analysis	ACTION:	X
		INFORMATION:	
DATE:	February 10, 2011		

BACKGROUND:

As required by AS 37.10.220(a)(9), the Alaska Retirement Management Board (Board) reviewed the experience analysis prepared by Buck Consultants. Gabriel Roeder Smith performed the required review and certification of the assumptions contained in the experience analysis. At its December 2-3, 2010 meeting, the Board passed numerous resolutions adopting and approving the experience analysis review and assumptions for the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the Judicial Retirement System (JRS), the National Guard Naval Militia System (NGNMRS), and the Defined Contribution Retirement Plan (DCR). Resolution 2010-29 "Relating to the experience analysis and recommendations for assumption changes for the Public Employees' and Teachers' Defined Contribution Retirement System" was passed by the Board after a lengthy discussion. Before adjourning the meeting, upon a motion for reconsideration, the Board voted unanimously to reconsider its action in approving Resolution 2010-29, and tabled the motion until the next scheduled meeting of the Board.

STATUS:

Staff has prepared a replacement for Resolution 2010-29 in Resolution 2011-01 "Relating to the experience analysis and recommendations for assumption changes for the Public Employees' and Teachers' Defined Contribution Retirement System." To provide clarification for the Board, this resolution adopts the recommendations for assumption changes contained in the PERS and TRS Defined Contribution Plan actuarial experience analysis prepared by Buck Consultants for use in the June 30, 2010 actuarial valuation report EXCEPT that Section IIA (Economic Assumptions –Investment Return or Interest Rate) and Section IIB (Economic Assumptions – Inflation) are modified as set out in the attached resolution. Those funds affected by this change in the investment return and inflation rate assumptions include:

- PERS DCR Occupational Death and Disability-Peace Officer/Firefighter
- TRS DCR Occupational Death and Disability-Others
- PERS DCR Retiree Medical Plan
- TRS DCR Occupational Death and Disability
- TRS DCR Retiree Medical Plan

RECOMMENDATION:

That the Alaska Retirement Management Board adopt Resolution 2011-01, approving and adopting recommendations for assumption changes based on the June 30, 2009 actuarial experience analysis prepared by Buck Consultants for the Public Employees' and Teachers' Defined Contribution Retirement Systems, including a Board requested modification of Section II A (Economic Assumptions – Investment Return or Interest Rate) and Section II B (Economic Assumptions – Inflation) as follows:

Section II A. 4.88% Real Rate of Return Expectation
Section II B. 3.12% Inflation Rate

The result of which will be a Rate of Return Expectation of 8.0%.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the experience analysis and recommendations for assumption changes for the Public Employees' and Teachers' Defined Contribution Retirement System

Resolution 2011-01

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

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for the funds of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), Judicial Retirement System, and Alaska National Guard and Naval Militia Retirement System; 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, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability;

WHEREAS, AS 37.10.220(a)(9) requires the Board to conduct an experience analyses of the retirement systems not less than once every four years, except for health cost assumptions which shall be reviewed annually, and that the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second actuary before presentation to the board;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the recommendations for assumption changes contained in the Public Employees' Retirement System and Teachers' Defined Contribution Retirement System actuarial experience analysis prepared by Buck Consultants, be adopted for use beginning with the June 30, 2010 PERS and TRS DCR actuarial valuation report, except that Section II A (Economic Assumptions – Investment Return or Interest Rate) and Section II B (Economic Assumptions – Inflation) are modified as follows: Section II A 4.88% Real Rate of Return Expectation and Section II B 3.12% Inflation Rate. The result of which will be a Rate of Return Expectation of 8.0%.

DATED at Juneau, Alaska this ____ day of February, 2011.

____
Chair

ATTEST:

____
Secretary

2011 Economic Environment and Capital Markets Review

Callan Associates Inc.
January 2011

Callan's Capital Market Projection Process

Economic outlook drives our projections.

- **Evaluate the current environment and economic outlook for the U.S. and other major industrial countries:**
  - Business cycles, relative growth, inflation.
- **Examine the relationships between the economy and asset class performance patterns.**
- **Examine recent and long-run trends in asset class performance.**
- **Apply market insight:**
  - Consultant experience - Plan Sponsor, Manager Search, Specialty
  - Industry consensus
  - Client Policy Review Committee
- **Test the projections for reasonable results.**

Themes Explored in Setting the 2011 Expectations

- **The recession is finally over. Prospects for growth?**
- **Is inflation a risk? Now or later?**
  - How large is the risk?
  - How far out? What to do about it?
- **Anything left in the tank for equity after two good years and modest economic growth expectations?**
- **Bond market surprised in 2010, with rates going down rather than up. Is this finally the end of the road for bonds? Do rising rates doom the return expectations for fixed income?**
- **Sharp contrast in long term, strategic vision (5-10 years) vs. short term (1-3 years) reality.**
- **Scenarios beyond the expected case:**
  - Threat of double dip.
  - Stagnation and deflation.
  - Stronger growth sooner and inflation takes hold.

The Capital Markets

What a Difference One Year Can Make

	2005	2006	2007	2008	2009	2010	Five Years 2006-10	Ten Years 2001-10	Fifteen Yrs 1996-2010
Broad U.S. Stock Market									
Russell 3000	6.12	15.72	5.14	-37.31	28.34	16.93	2.74	2.16	7.00
S&P Super Composite 1500	5.66	15.34	5.47	-36.72	27.25	16.38	2.65	2.07	7.15
Large Cap U.S. Stocks									
Russell 1000	6.27	15.46	5.77	-37.60	28.43	16.10	2.59	1.83	7.01
S&P 500	4.91	15.79	5.49	-37.00	26.47	15.06	2.29	1.41	6.76
Small Cap U.S. Stocks									
Russell 2000	4.55	18.37	-1.57	-33.79	27.17	26.85	4.47	6.33	7.64
S&P 600 Small Cap	7.68	15.11	-0.30	-31.07	25.57	26.31	4.64	7.66	9.60
Non-U.S. Stock Markets									
EAFE ($US)	13.54	26.34	11.17	-43.38	31.78	7.75	2.46	3.50	4.70
MSCI Emerging Markets	34.54	32.59	39.78	-53.18	79.02	19.20	13.11	16.23	8.99
Fixed Income Markets									
BC Aggregate	2.43	4.33	6.97	5.24	5.93	6.54	5.80	5.83	6.04
Citi Non-US Bonds	-9.21	6.95	11.45	10.11	4.38	5.22	7.59	7.43	5.46
Cash Market									
90-day T-bill	3.07	4.85	5.00	2.06	0.21	0.13	2.43	2.38	3.37
Inflation									
CPI-U*	3.42	2.54	4.08	0.09	2.72	1.14	2.06	2.31	2.38

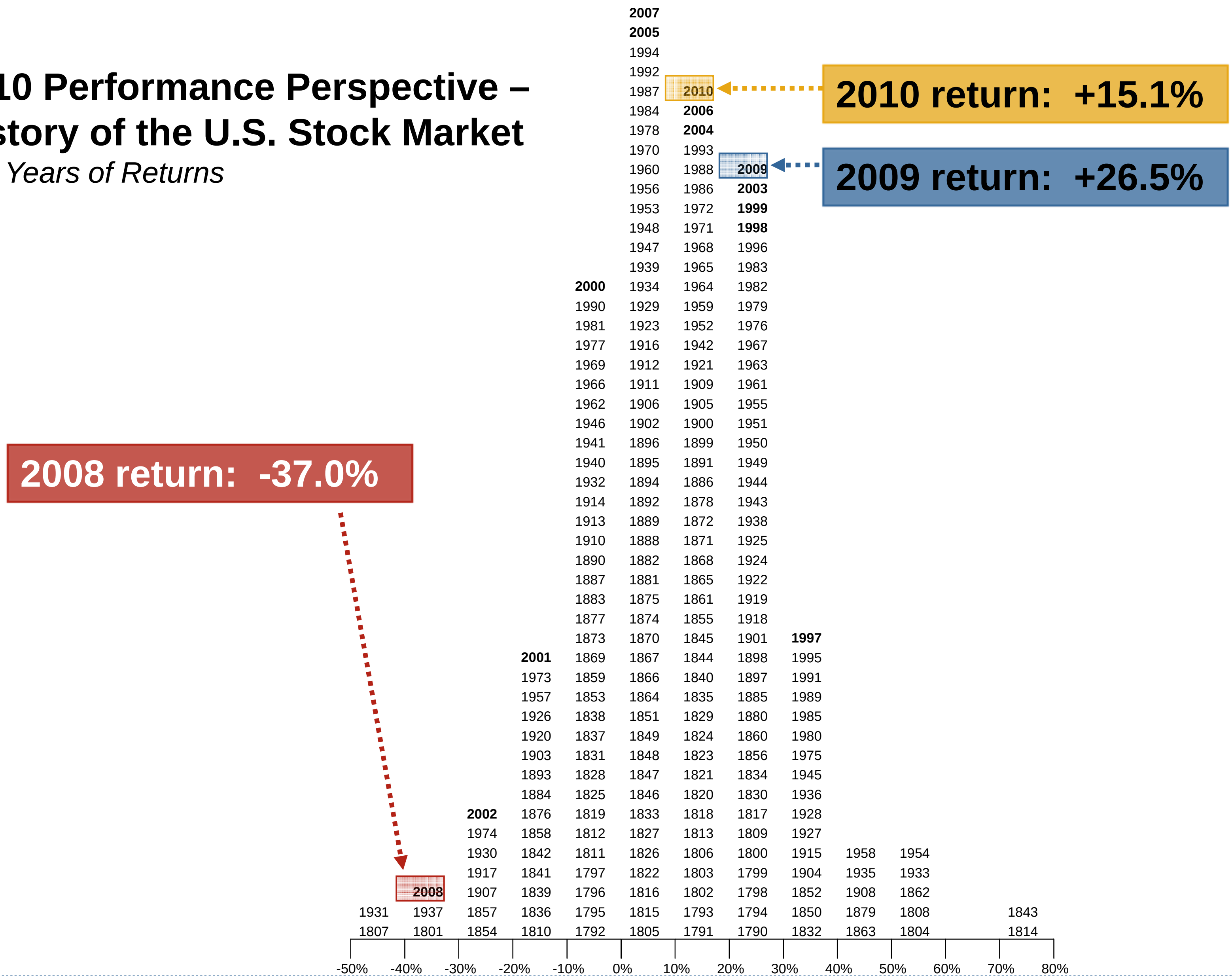
- **Results for 2010 show a continuing rebound in all equity segments.**
- **Five-year equity returns through 2010 turned positive. Ten-year results are weak as the tech bubble has rolled out of the calculations, and include two downturns. Fifteen-year results are still below long-run averages, but are now higher than those of fixed income.**

** CPI-U data are measured as year-over-year change through 11/30/2010.*

Stock Market Returns by Calendar Year

2010 Performance Perspective – History of the U.S. Stock Market

223 Years of Returns



The Current Economic Environment

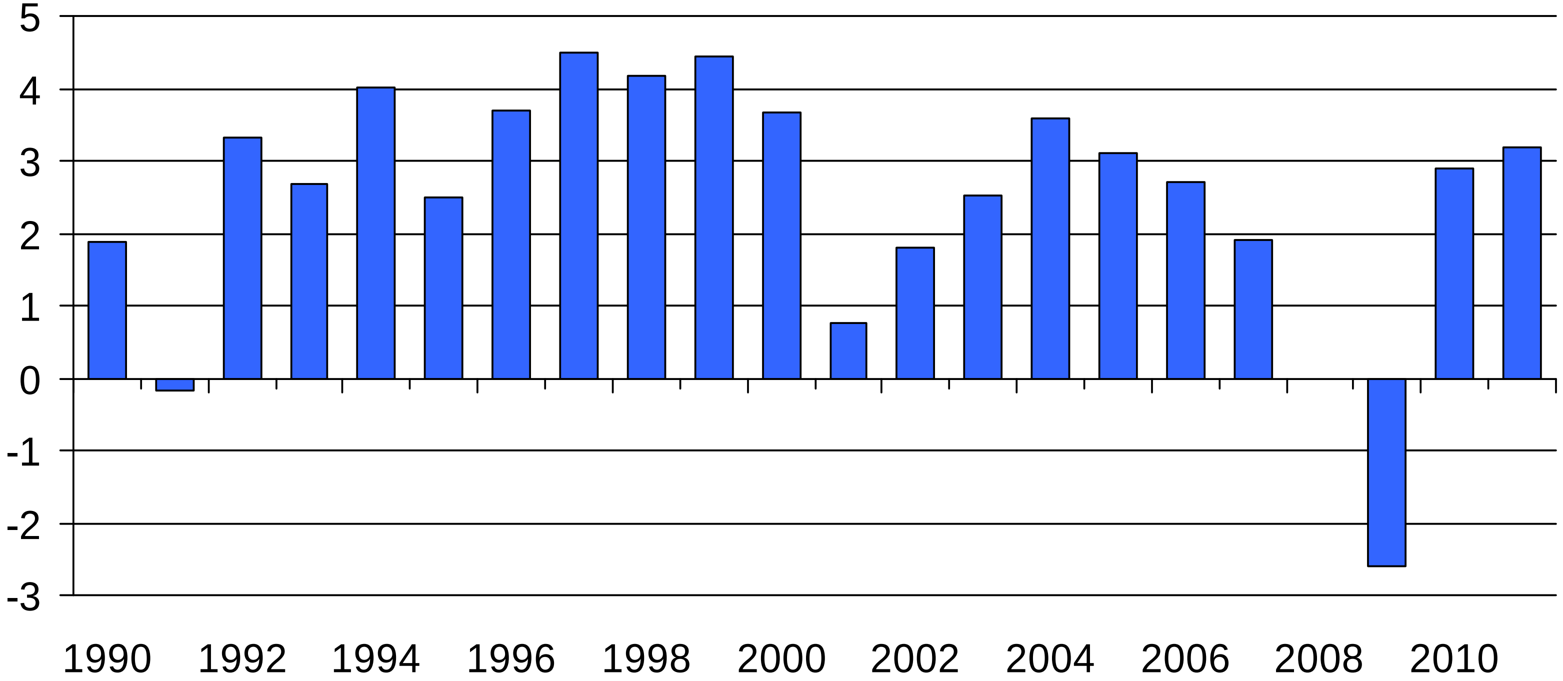
Modest Recovery Under Way, Markets Wary

- **Growth returned in the second half of 2009, but job market struggles to revive well into 2011.**
  - Unemployment remains above 9%.
  - Wealth has been hit, consumers de-levering, savings are rebuilding.
  - QE II the “last” round of monetary stimulus.
  - Tax compromise provides new fiscal stimulus in 2011-12.
- **Steep recoveries usually follow steep recessions.**
- **However, recoveries after financial crises are slow.**
  - Financial stress has been greatly reduced…
  - …but private credit is still contracting – banks reluctant to lend, households and businesses reluctant to borrow
- **Everyone expected growth to subside in 2010…**
  - Stimulus fades and the inventory cycle is complete.
  - Europe struggles with slow growth and sovereign debt crisis.
  - Emerging markets wait on our recovery.
- **But the capital markets freaked out as projections come true.**
  - Equity hammered through Q3 2010, retail investors fled risk, bond inflows remained substantial.
  - Interest rates headed even lower.
- **Q4 saw signs of economic stability, return of investor confidence.**
- **Tax compromise will likely push 2011 GDP growth to 3%, a year ahead of expectations.**
- **Federal government faces harsh budget realities. Defense, social security, Medicare/Medicaid and Interest dominate spending.**

Below-Par Recovery for the U.S. Economy

Real GDP

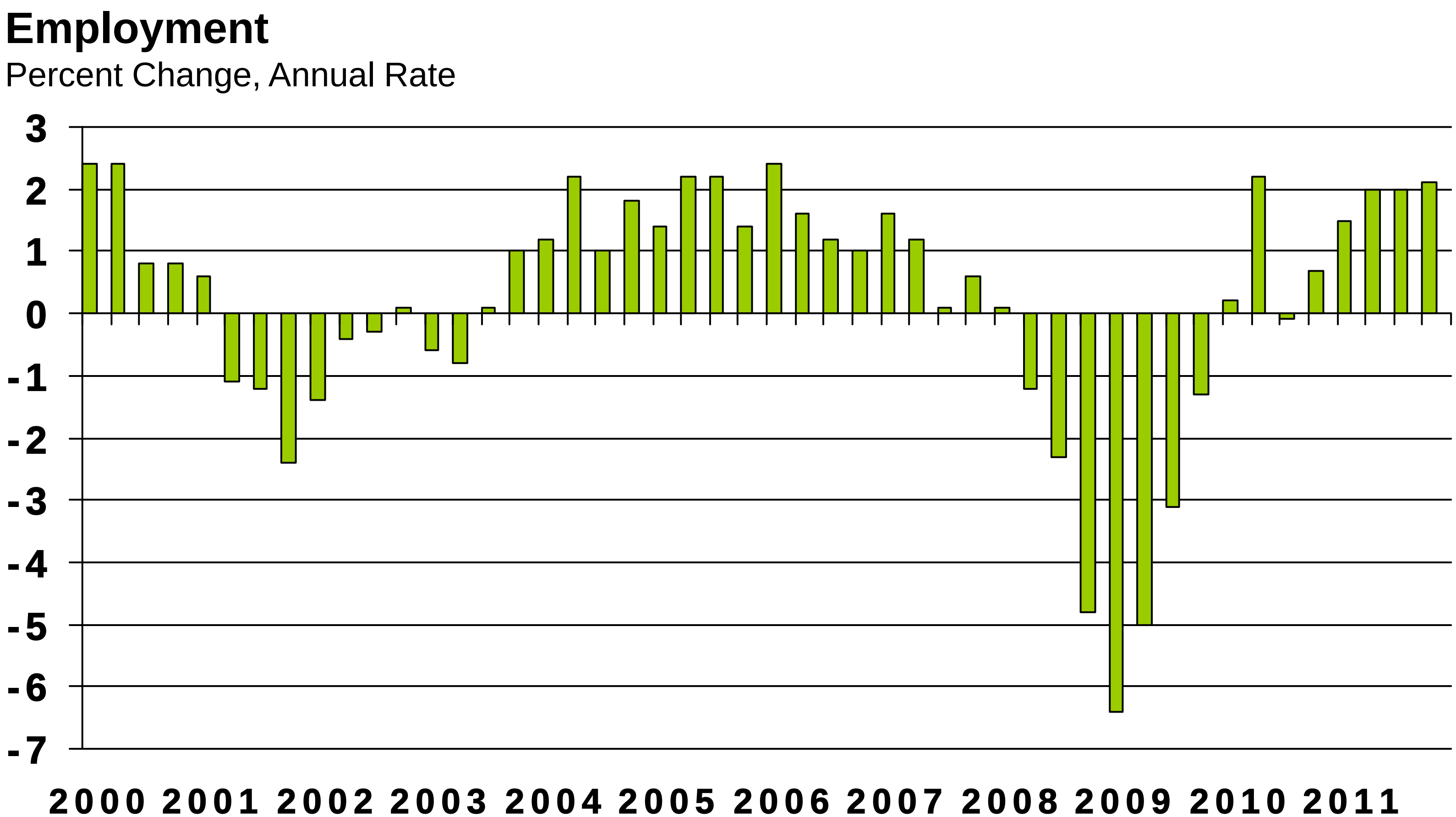
Annual Percent Change



*** 2011 estimate - Global Insight**

Source: Global Insight

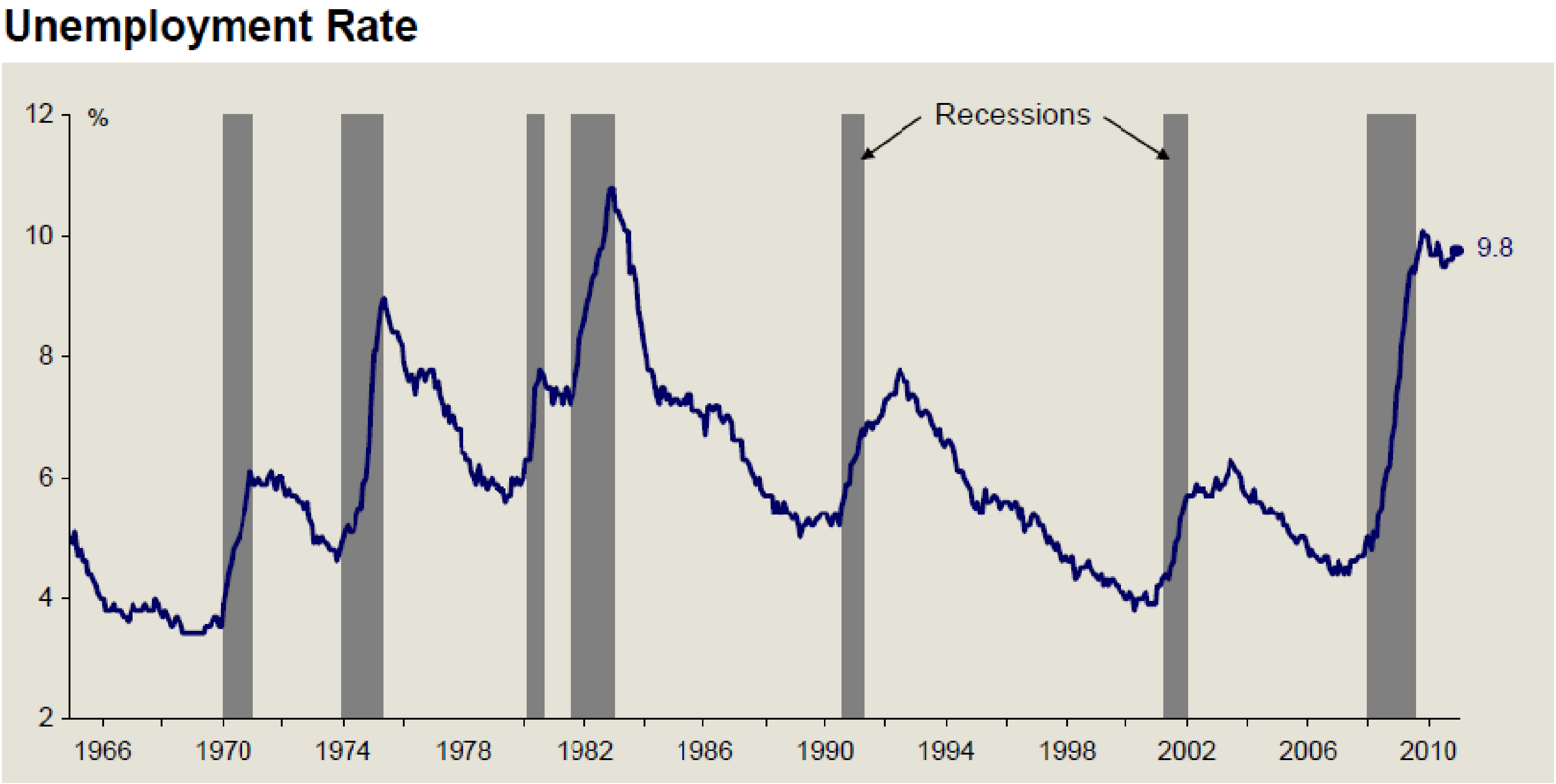
Job Market Struggled to Gain Traction in 2010



*** 2011 estimate - Global Insight**

Source: Global Insight

Unemployment rates & recessions



Source: Bureau of Labor Statistics, FactSet

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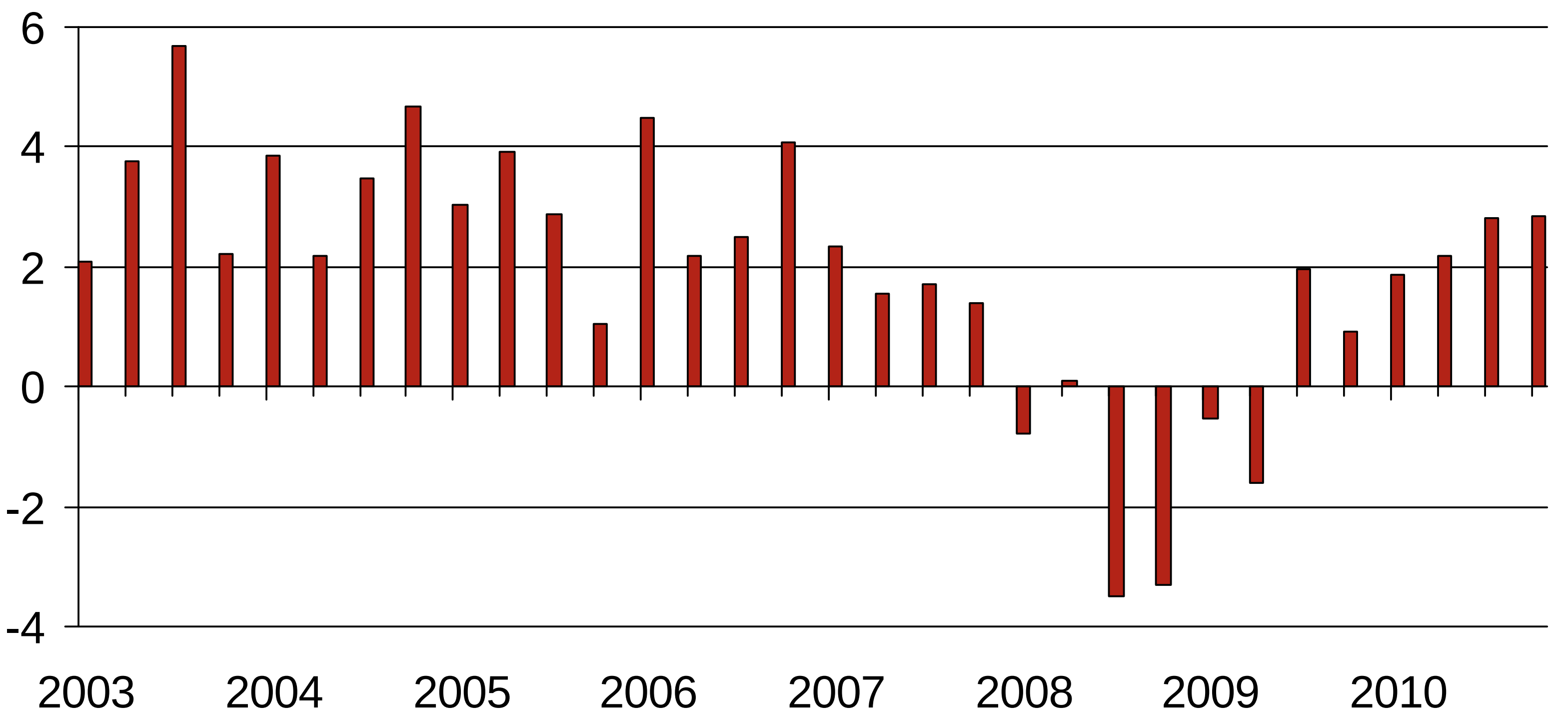
Reproduced from ING Global Perspectives Q42010

Consumer Spending Stabilizing, But Not Yet a Strong Driver of Recovery

Annualized Rate of Growth

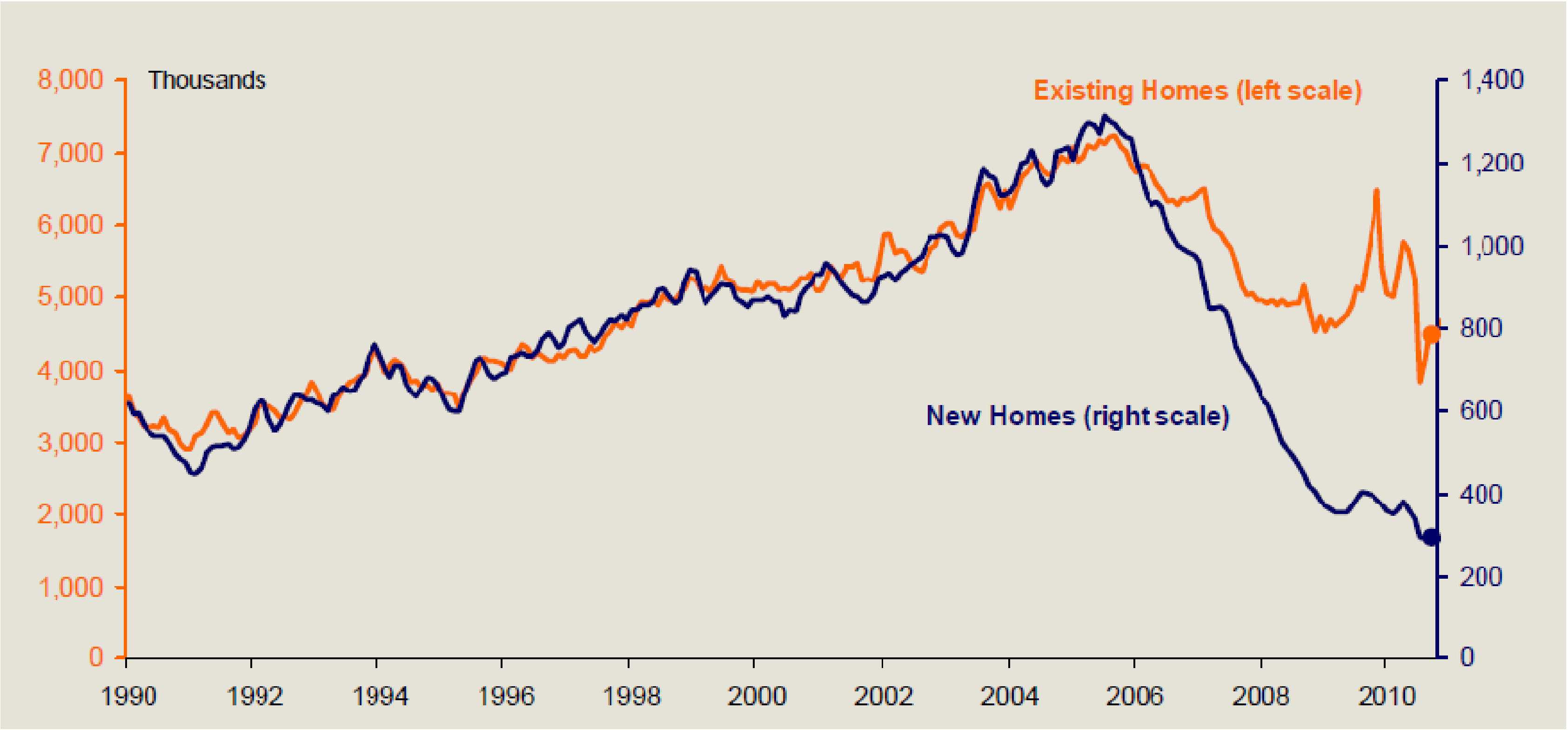
Real



Source: Global Insight

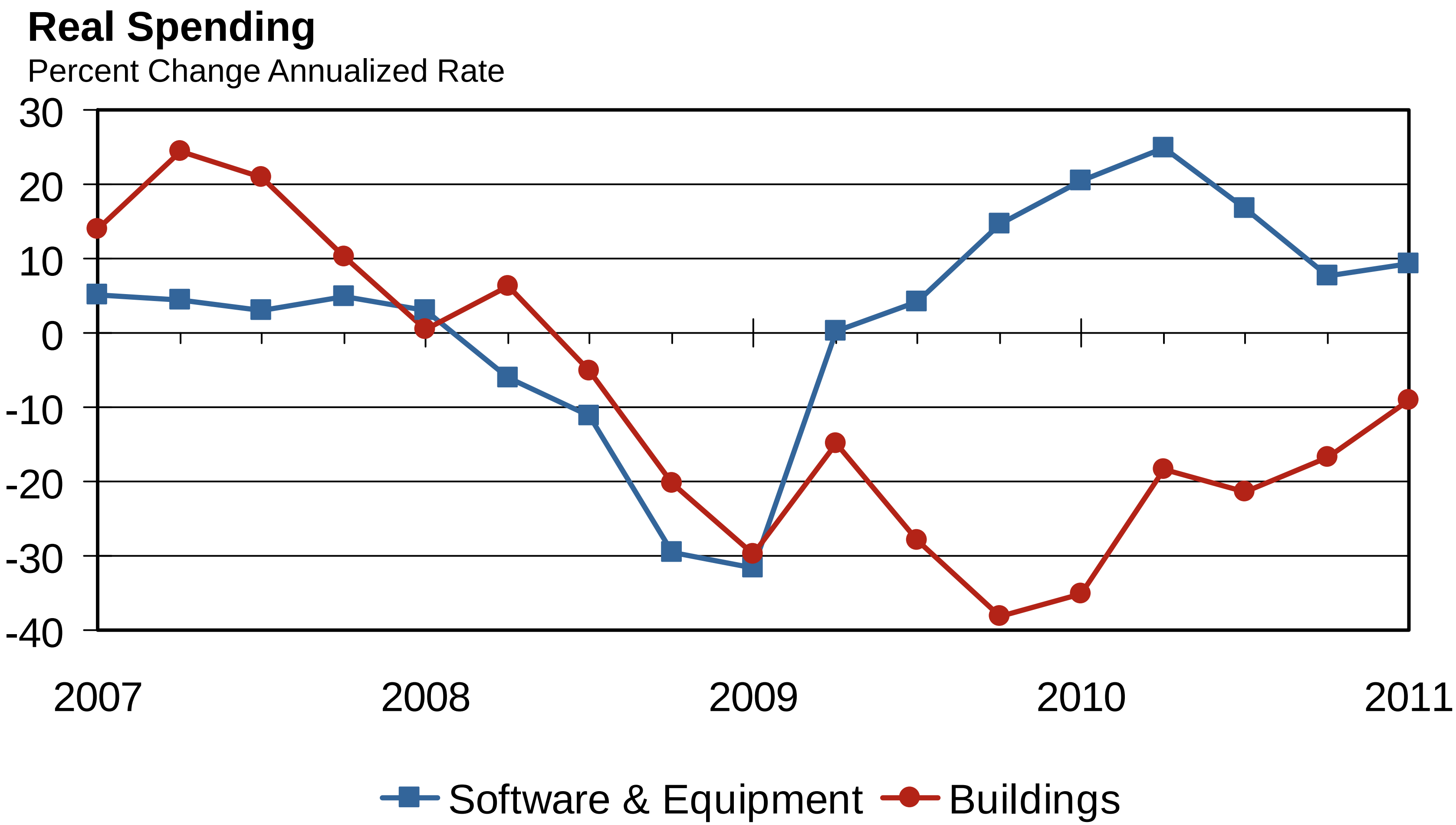
Housing still weak but some signs of stabilization Shadow inventory and equity issues still problematic

New and Existing Home Sales



- **Reproduced from ING Global Perspectives Q42010**

Capital Spending Concentrated in Technology and Replacement Rather Than Expansion; Construction Lags



Source: Global Insight

U.S. Economic Growth by Sector

Annual Percentage Change

	12/31/2006 Share of GDP	12/31/2009 Share of GDP	2002	2003	2004	2005	2006	2007	2008	2009	2010	Direction of Change
Real GDP	100.0%	100.0%	1.8	2.5	3.6	3.1	2.7	1.9	0.0	-2.6	2.9	Improving
Consumption	70.3%	70.7%	2.7	2.8	3.5	3.4	2.9	2.4	-0.3	-1.2	1.8	Still lagging GDP
Residential Investment	5.1%	2.8%	5.3	8.2	9.8	6.2	-7.3	-18.7	-24.0	-22.9	-3.2	Still Falling…
Bus. Fixed Investment	11.3%	9.9%	-7.9	0.9	6.0	6.7	7.9	6.7	0.3	-17.1	5.2	Finally moving forward
Federal Government	6.9%	7.9%	7.3	6.6	4.1	1.3	2.1	1.2	7.3	5.7	4.9	Stimulus!
State & Local Govt.	11.6%	11.8%	3.3	-0.1	-0.2	-0.2	0.9	1.4	0.3	-0.9	-1.2	Taxes, stimulus to fade
Exports	11.3%	11.5%	-2.0	1.6	9.5	6.7	9.0	9.3	6.0	-9.5	11.9	Rebound in Q3 09
Imports	16.6%	14.5%	3.4	4.4	11.0	6.1	6.1	2.7	-2.6	-13.8	12.3	Rising Faster Than Exports

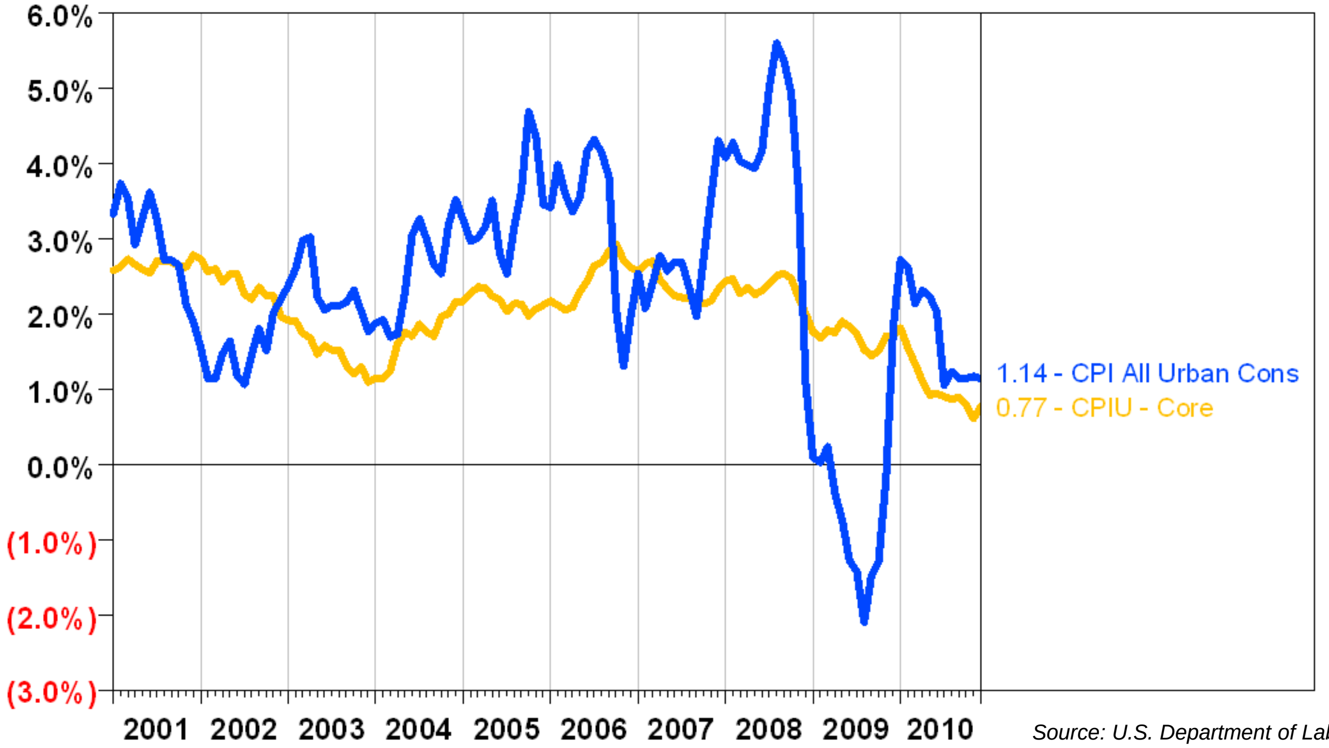
- **GDP hit bottom in Q2 2009. After inventory and stimulus boost, economy was expected to slow in second half of 2010 and through 2011, but…**
- **Q4 2010 stronger than expected. Tax compromise likely to boost growth in 2011 to 3% (up from 2.4% estimate).**
- **Note: Imports are a negative number in the calculation of GDP.**

Source: Global Insight

Is Rising Inflation an Emerging Threat?

Consumer Prices

Year-Over-Year Change



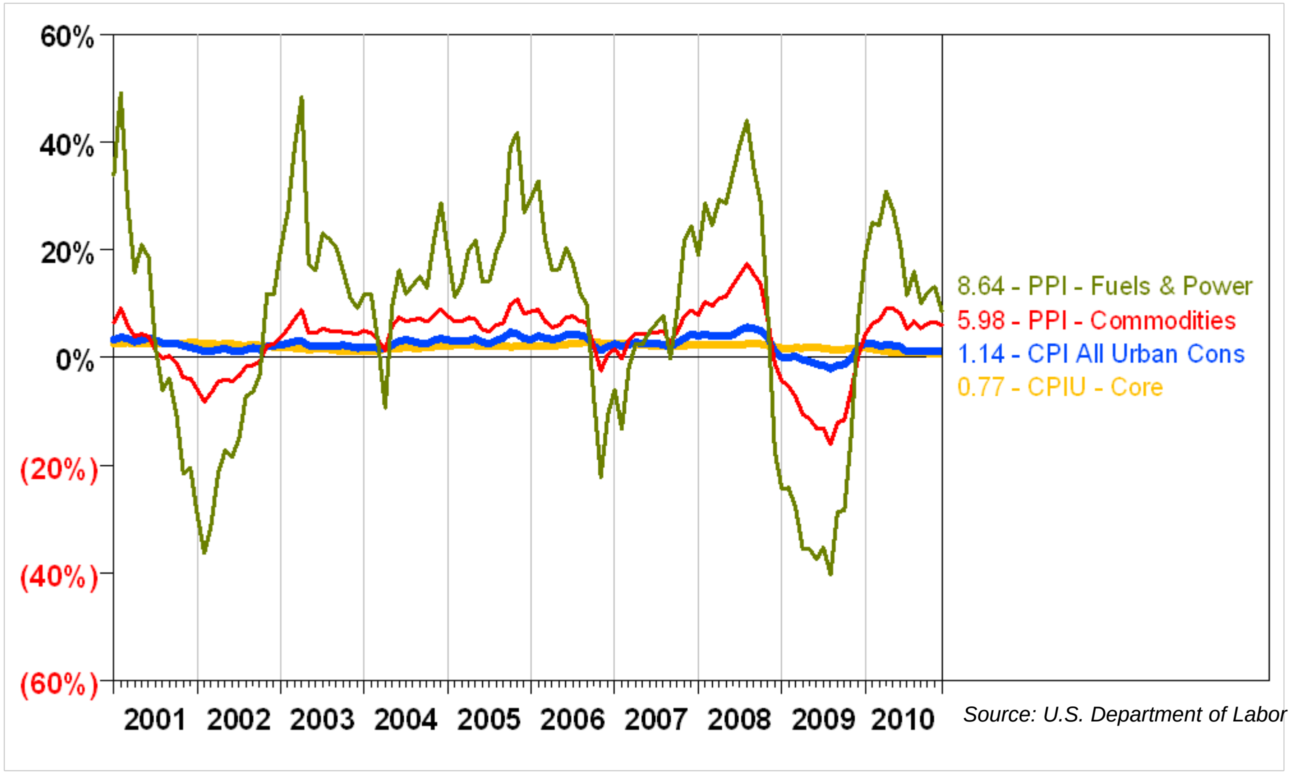
Source: U.S. Department of Labor

- **Headline inflation was negative in 2009, core inflation still quiescent.**
- **Still recovering from the worst recession in modern history, coupled with a global financial and real estate crisis.**

Is Rising Inflation an Emerging Threat?

Consumer Prices

Year-Over-Year Change



Source: U.S. Department of Labor

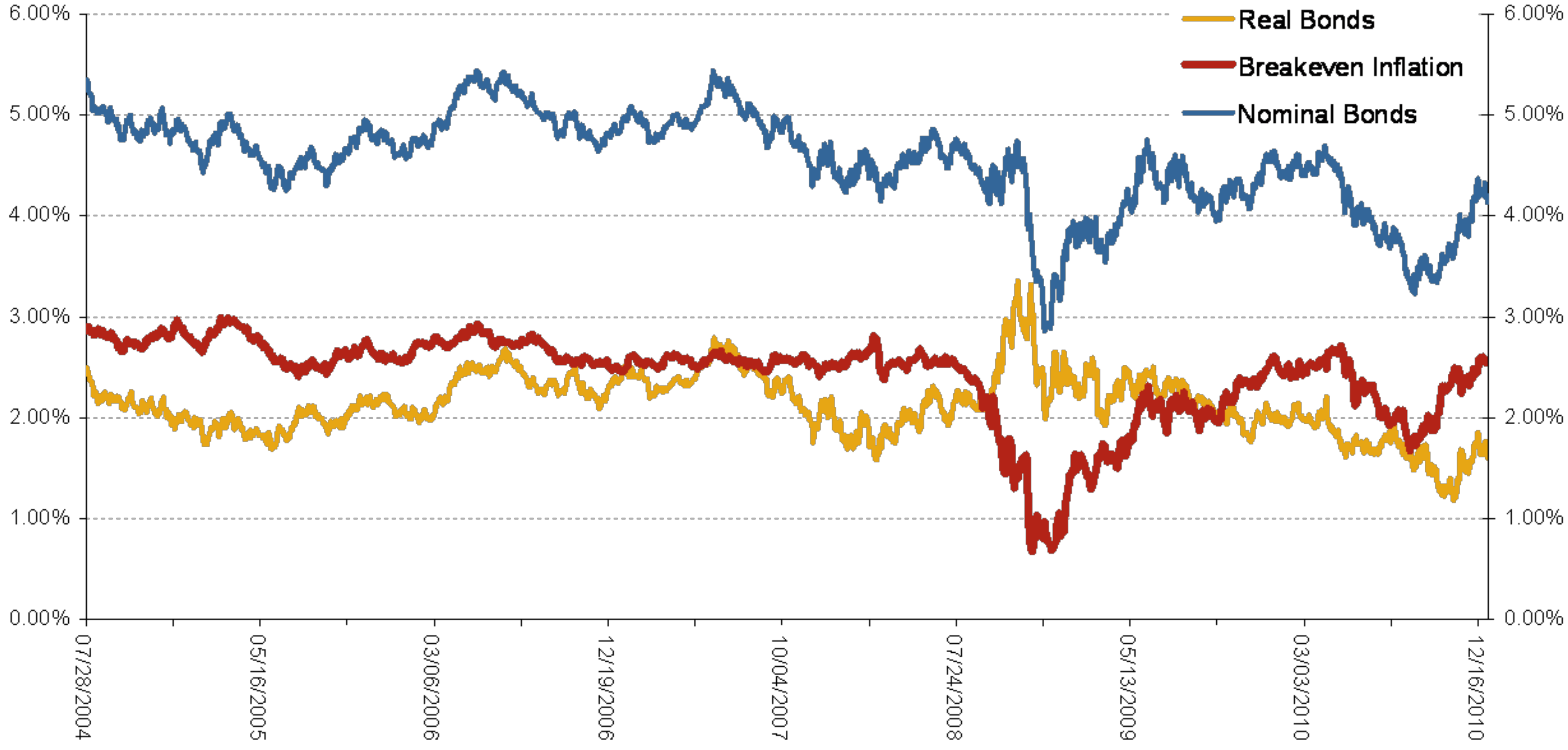
- **"Radical" short-term volatility in recent inflation expectations.**
- **Heads have been turned by producer prices, commodities and particularly energy, but overall CPI and core inflation much more benign.**

Ten-Year Real vs. Nominal Yields

The Breakeven Rate of Inflation

Returns for Periods Ended December 31, 2010

	Quarter Ending 12/31/10	Year Ending 12/31/10	2 Years Ending 12/31/10	3 Years Ending 12/31/10	5 Years Ending 12/31/10
BC:US TIPS Index	(0.65)	6.31	8.83	4.97	5.33
BC:Treasury Idx	(2.64)	5.87	1.04	5.11	5.47



Source: Barclays Capital

The Economy and the Capital Markets

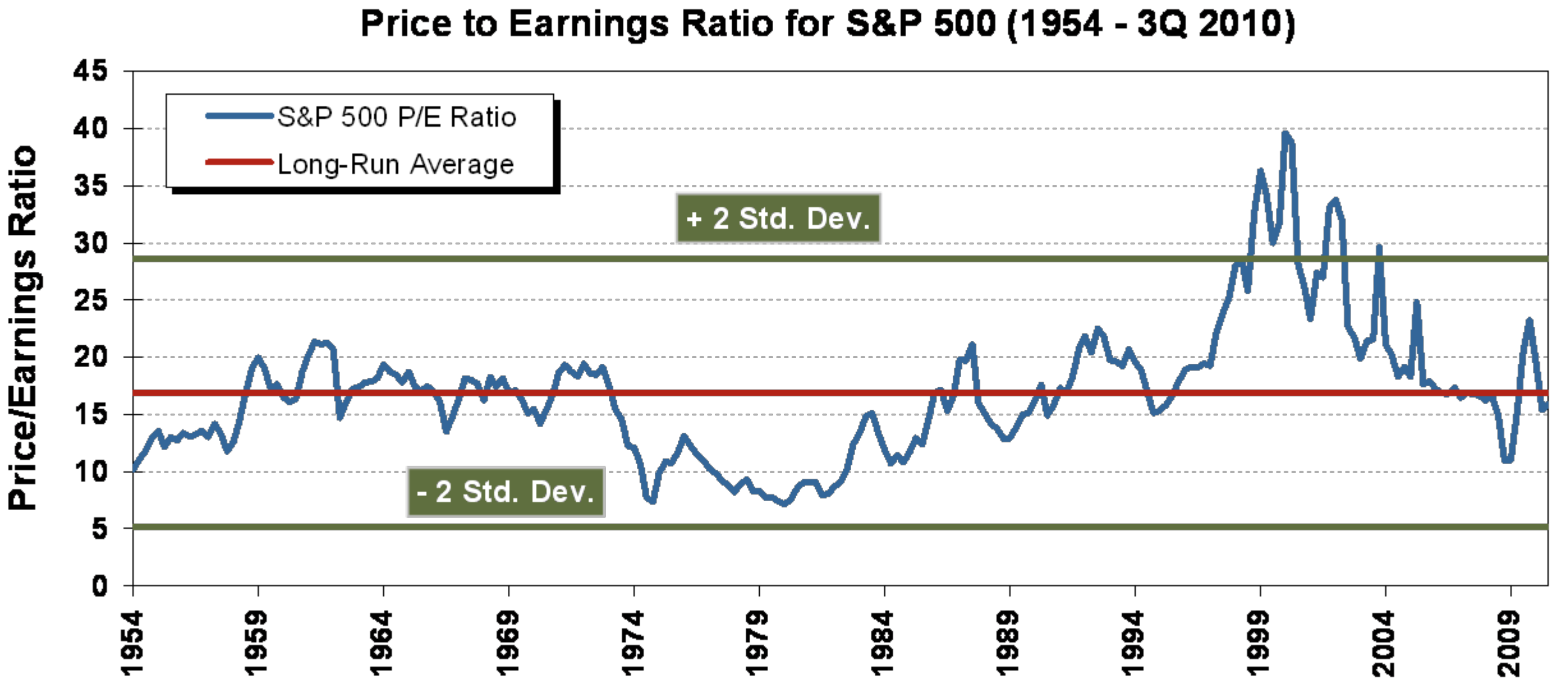
- **The economy was fully expected to meander through a weak recovery, as the combination of recession, financial crisis and deleveraging required time to work through the system.**
  - GDP growth was expected to slacken in 2011, but tax compromise may boost growth to the long-term trend (3%) .
  - Inflation is in the headlines, but deflation remains the real concern to the Fed. Inflationary pressures stemming from Fed and Treasury actions are less of a concern in the short to medium term.
  - Double-dip is possible, but not the expected outcome.
- **Callan's outlook:**
  - Inflation will likely drift higher, but not immediately. Painfully low interest rates may persist through 2011, but are expected to rise after that, as the Fed eventually removes accommodation.
  - Historic nominal return averages will be hard to achieve over the short, medium and even the longer run.
  - Stocks rallied in the fourth quarter of 2010 and turned in a good year. However, prospects for above-trend growth are weak; companies are strong enough to attain trend profit growth, but not a lot more.
  - The housing market has yet to truly hit bottom, despite mortgage rates at an all-time low. The "shadow inventory" of homes yet to foreclose hangs heavy over the market.
  - The chance that we could see another leg down on housing is the greatest risk to the economy, and to a deflationary spiral.
  - The dollar should face substantial downward pressure as a result of U.S. policy. The problem, of course, is what other currency can take the dollar's place?
  - The path to a rational set of long-term capital market outcomes is likely through an ugly shorter term period of rising interest rates, capital losses in fixed income, and volatile equity markets.

Starting asset valuations dominant return expectations

- **Equity valuations, both domestic & international, appear reasonable (not cheap but not expensive)**
  - Analyst expectations already envision decent 2011 eps growth
  - Corporate balance sheets provide good flexibility
  - Developing countries are expected to enjoy strong absolute growth which should offset soft demand in much of the developed world
- **Interest rates are a different story**
  - Even with low inflation real short-term interest rates remain negative
  - Inflationary pressures could build (e.g. commodity inflation, excess demand in emerging world)
  - Rates are so low across the curve that the “income cushion” to rising rates is minimal (see Q4 2010 bond returns for perspective)
  - Equity earnings yield versus Treasury or Corporate bond yields look attractive but spread could be narrowed quickly with a rise in rates.
  - Our conclusion is that rates will rise and limit P/E expansion opportunities
- **Major theme is nominal returns for both stocks and bonds will be positive but limited for the short-intermediate term.**

Equity Is More Reasonably Priced

Trailing P/E At Its Long Run Average



Trailing earnings as reported for the fiscal year; includes negative earnings from 1998 onward.
Source: Standard & Poor's and Callan Associates

Absolute valuation measures indicate that stocks are "reasonably" valued

Global Stock Fundamentals

Valuation	S&P 500	MSCI EAFE	MSCI Emerging Markets
P/E (last fiscal year reported earnings)	15.3	14.0	14.1
P/E (next fiscal year estimated earnings)	14.5	12.9	13.2
P/E (second fiscal year forward estimated earnings)	12.9	11.5	11.5
Price to Book Ratio	2.2	1.5	2.1
Price to Cash Flow Ratio	8.6	6.8	8.3
Price to Sales Ratio	1.3	0.9	1.5
Profitability			
Return on Equity (ROE)	18.8	14.2	17.8
Balance Sheet Strength			
Long Term Debt to Capital Ratio	34.0	33.8	24.8

Note: Valuation and Profitability figures are weighted harmonic averages, a statistical technique that reduces the effects of extreme outlying data on the average. Long Term Debt to Capital figures are weighted averages.
Source: FactSet

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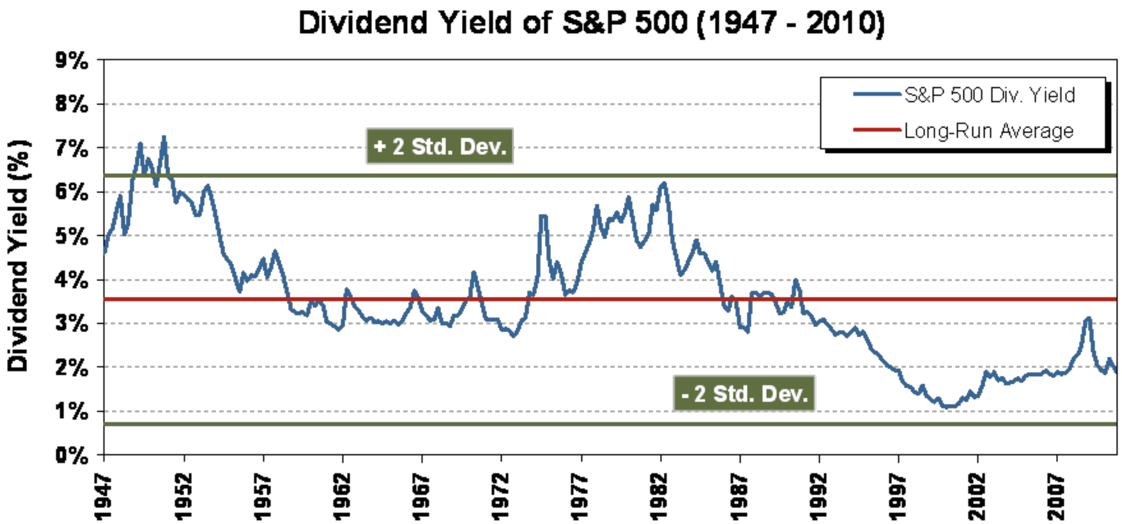
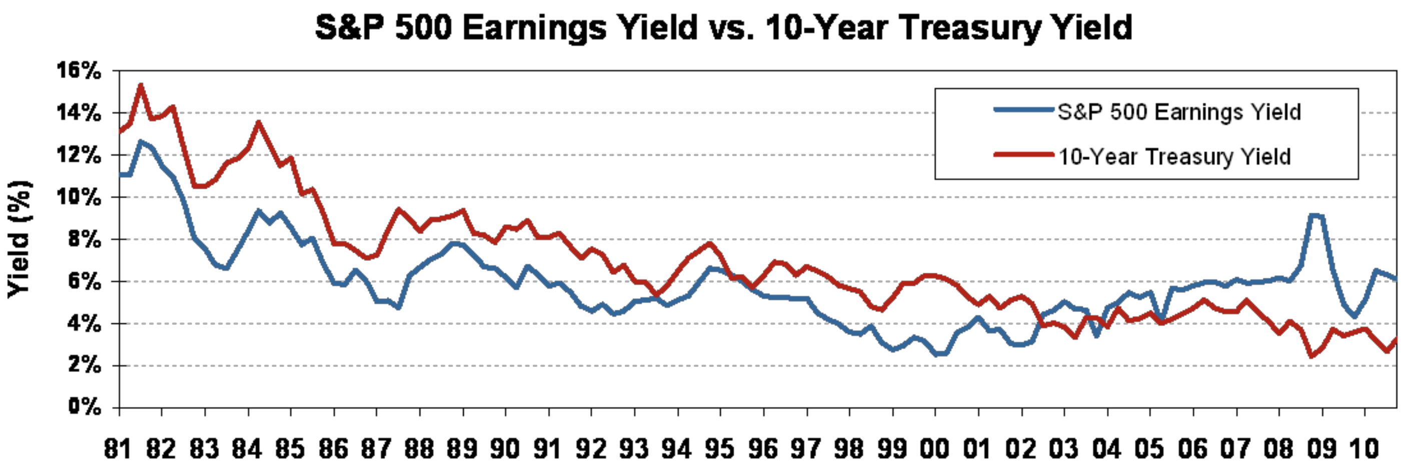
- **Reproduced from ING Global Perspectives Q42010**

Dividend yields are in line with recent experience but not high.

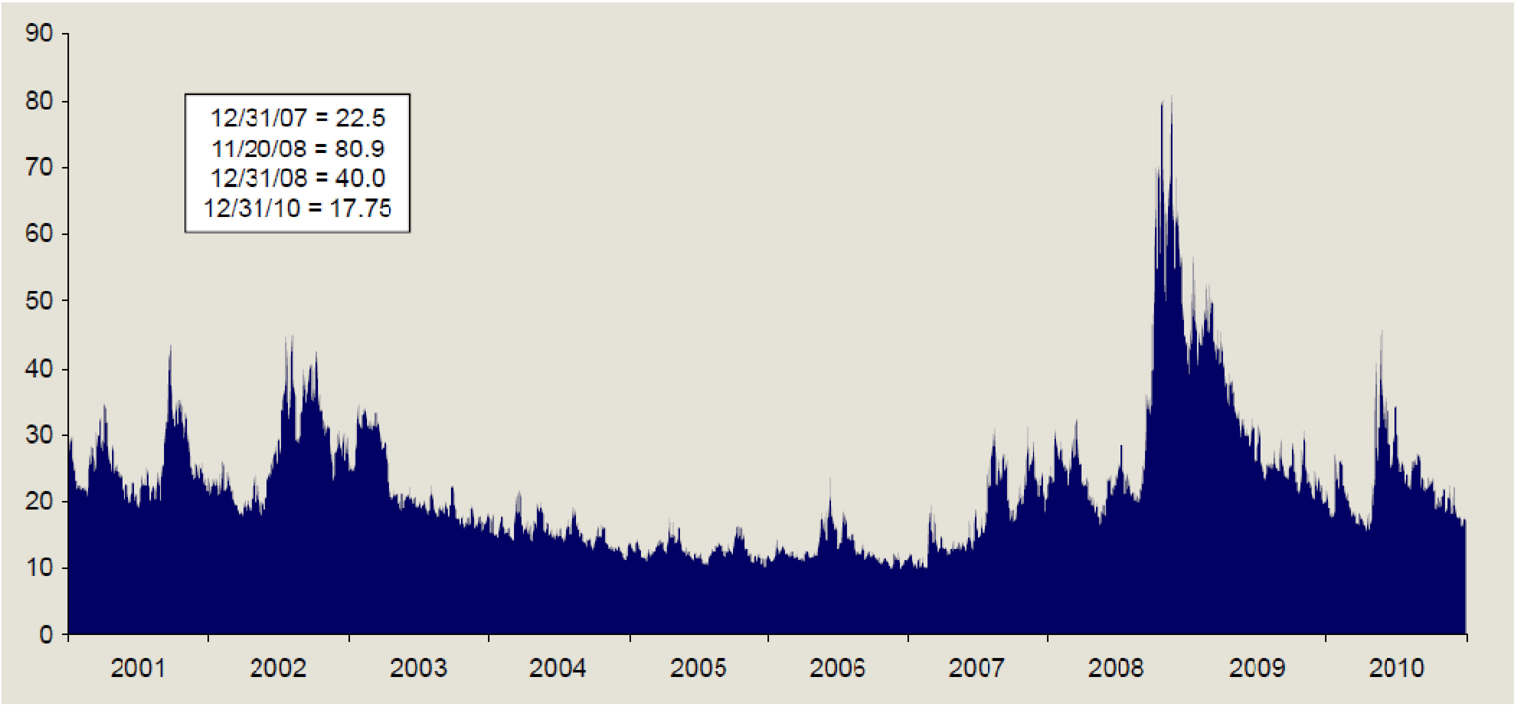


- But earnings yield is attractive relative to bonds



Volatility has been very high but appears to be returning to more normal historic levels

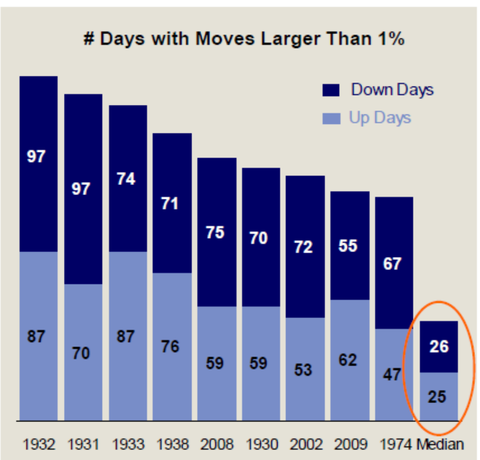
Equity Volatility (VIX)

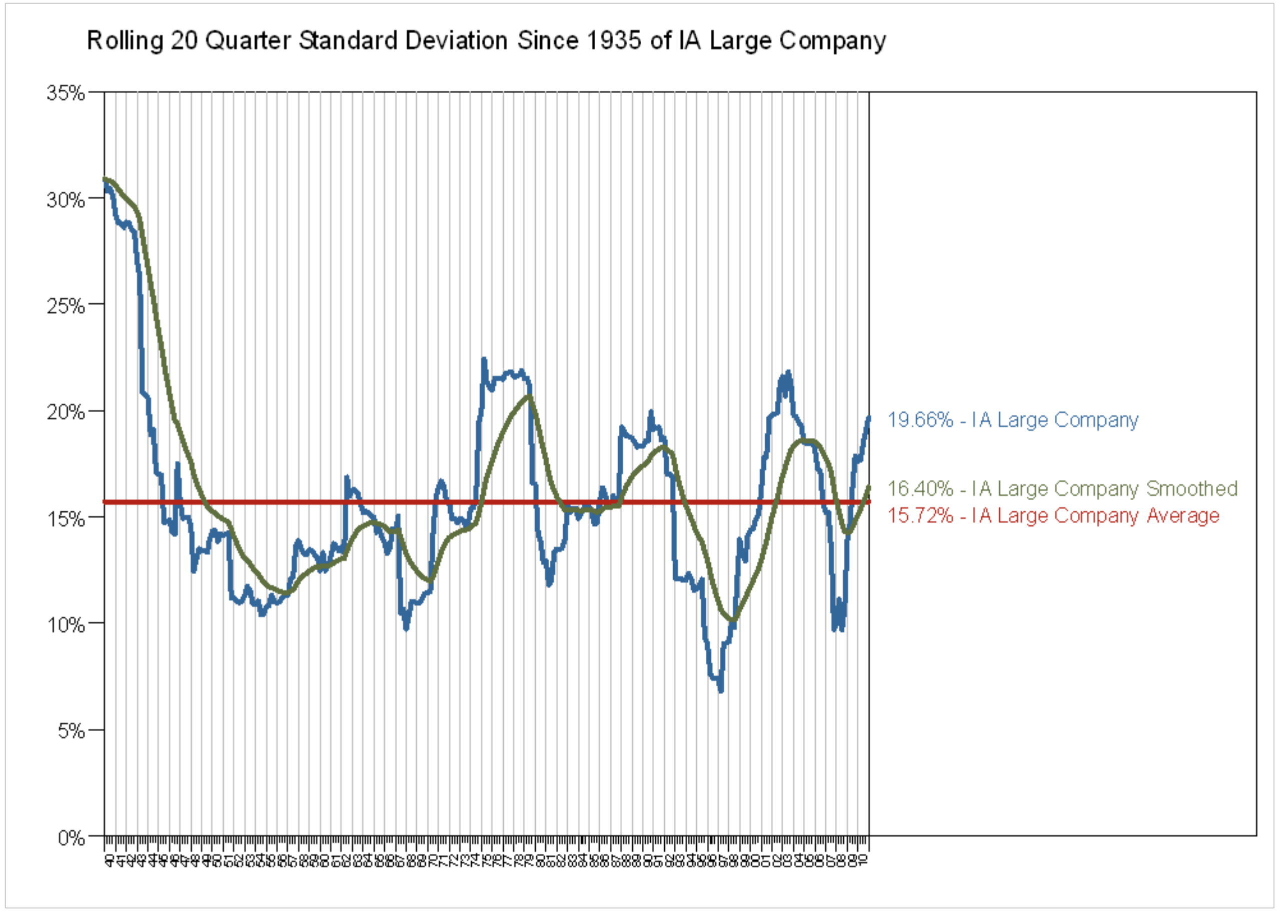


Source: Standard & Poor's, Chicago Board Option Exchange, FactSet

Trailing 5 year volatility has been very high but is heavily influenced by 2008 and 2009

Most Volatile Years Since 1929

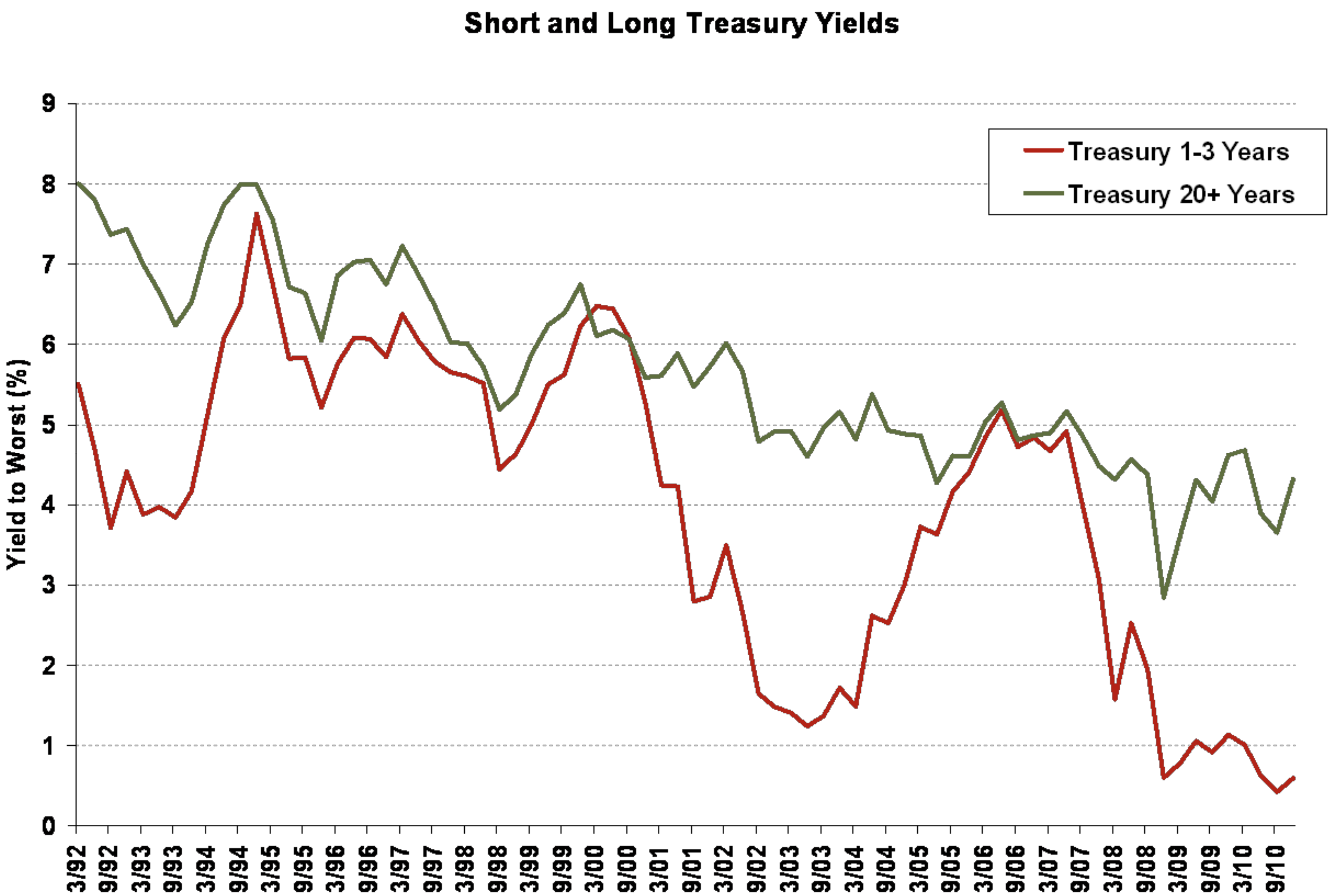




Building Fixed Income Expectations

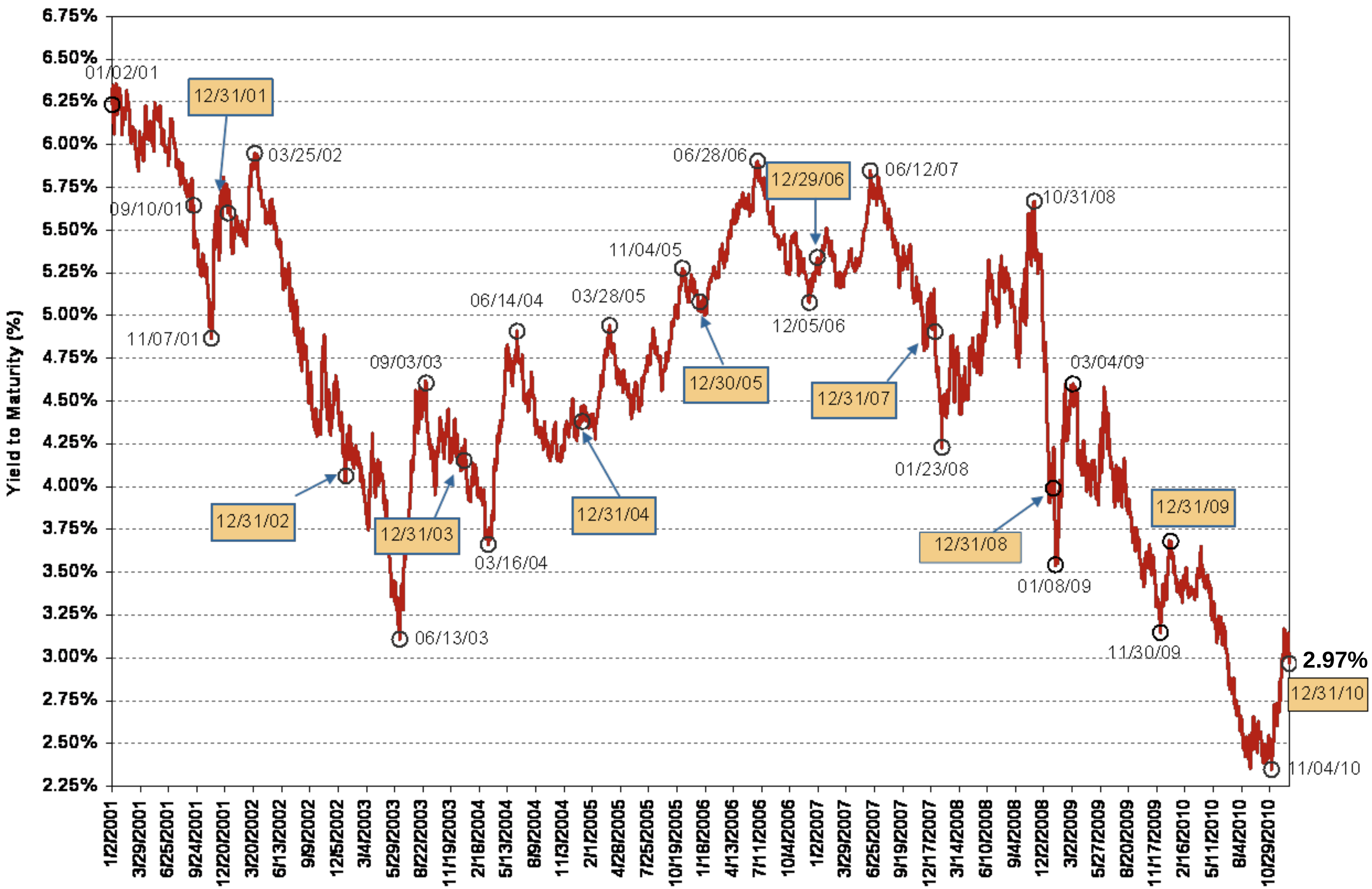
- **2010 results a surprise – interest rates fell, broad market generated 6.5% return (BC Aggregate).**
- **The path to future return matters:**
  - Inflation
  - Composition of the market
  - Expected spreads and risk premiums
  - Current yields – level, slope of the yield curve.
- **Hard to be enthusiastic about fixed income returns given current environment and likely economic path to growth.**

Yield curve is extraordinarily steep



Despite Q4 Increase Current Yield is Exceptionally Low

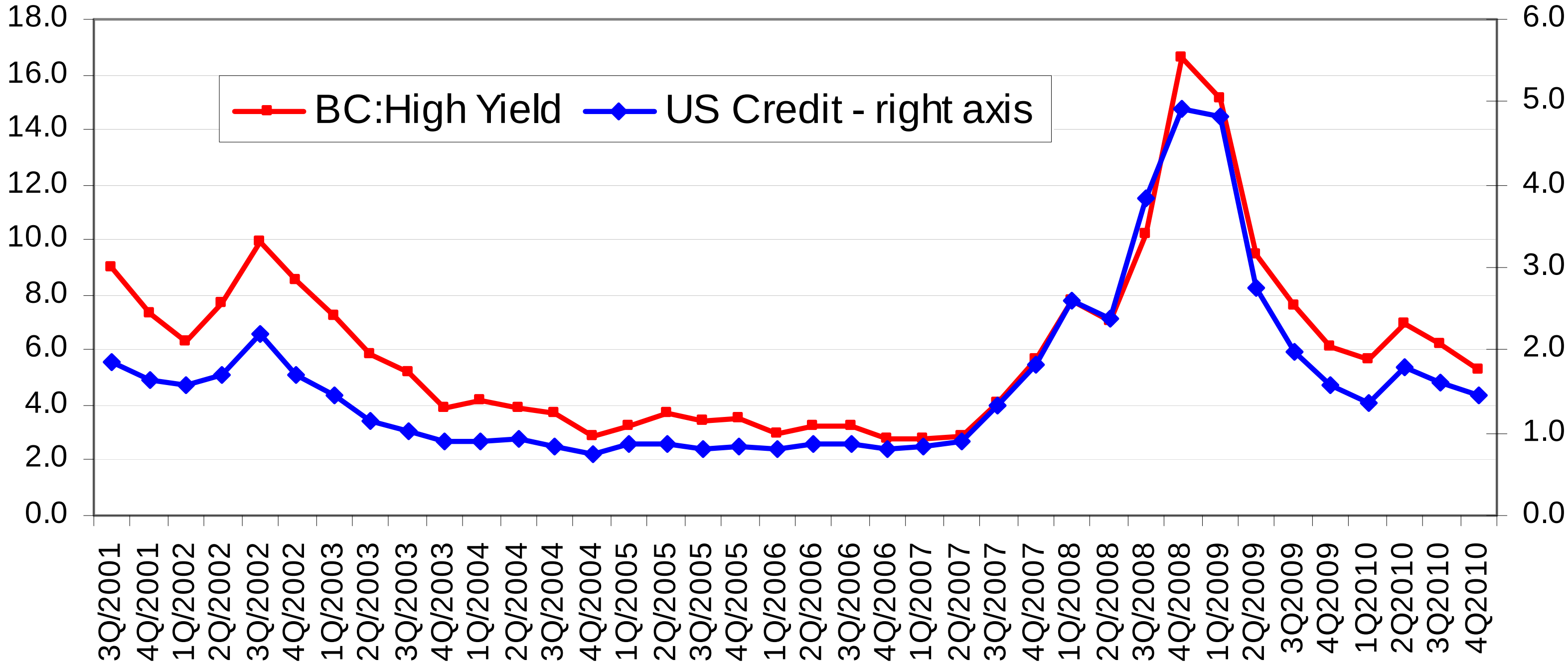
BC Aggregate Index - Daily Yield to Worst from 1/1/01 to 9/30/10



Source: Barclays Capital

Credit Spreads Widened From Record Lows to Record Highs in 2008 but have returned to more normal levels

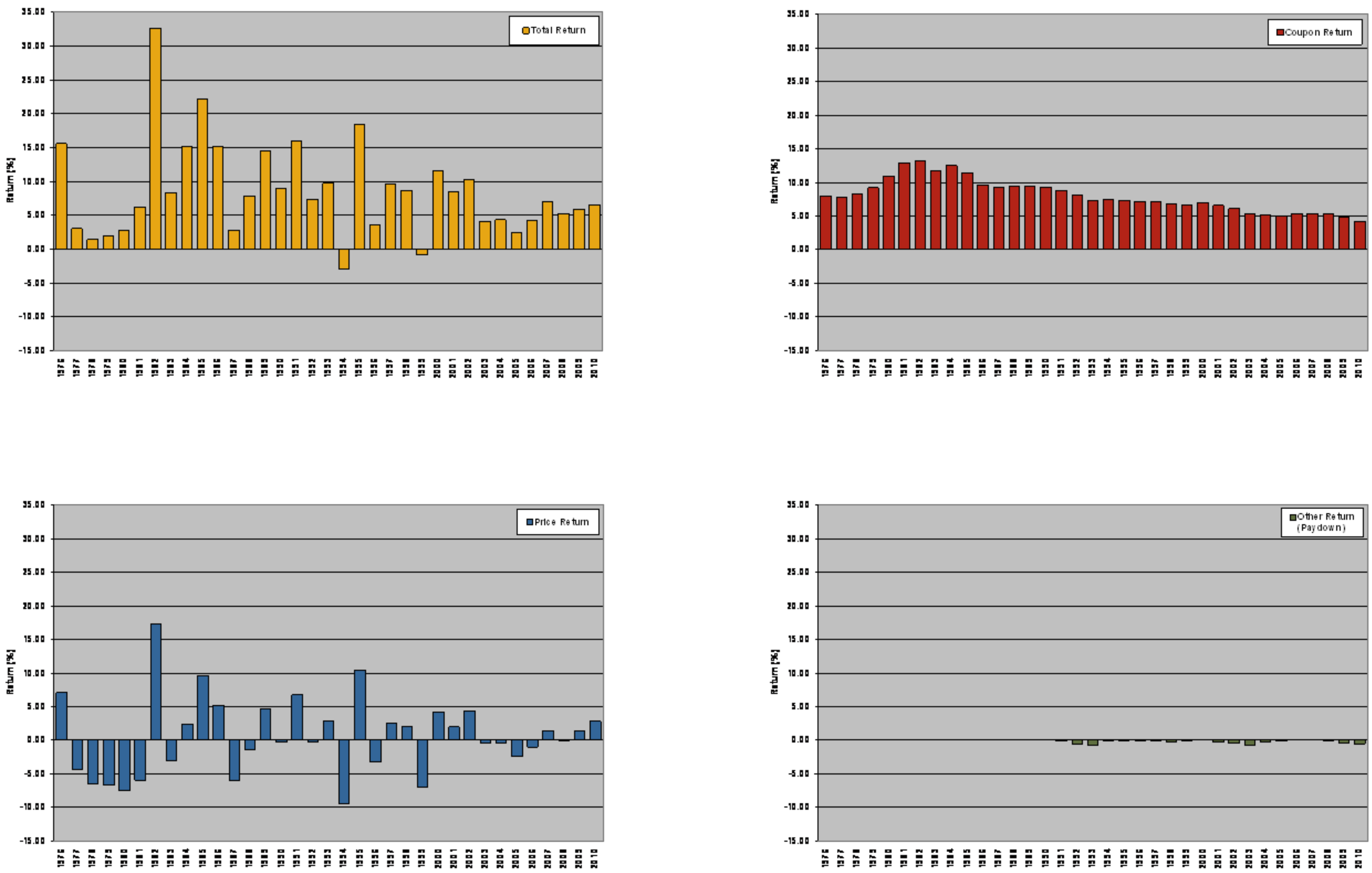
Effective Yield Over Treasurys



- **Option adjusted spreads based on Barclays Capital Indexes**
- **U.S. Credit = Investment Grade**
- **High Yield Index on left axis**

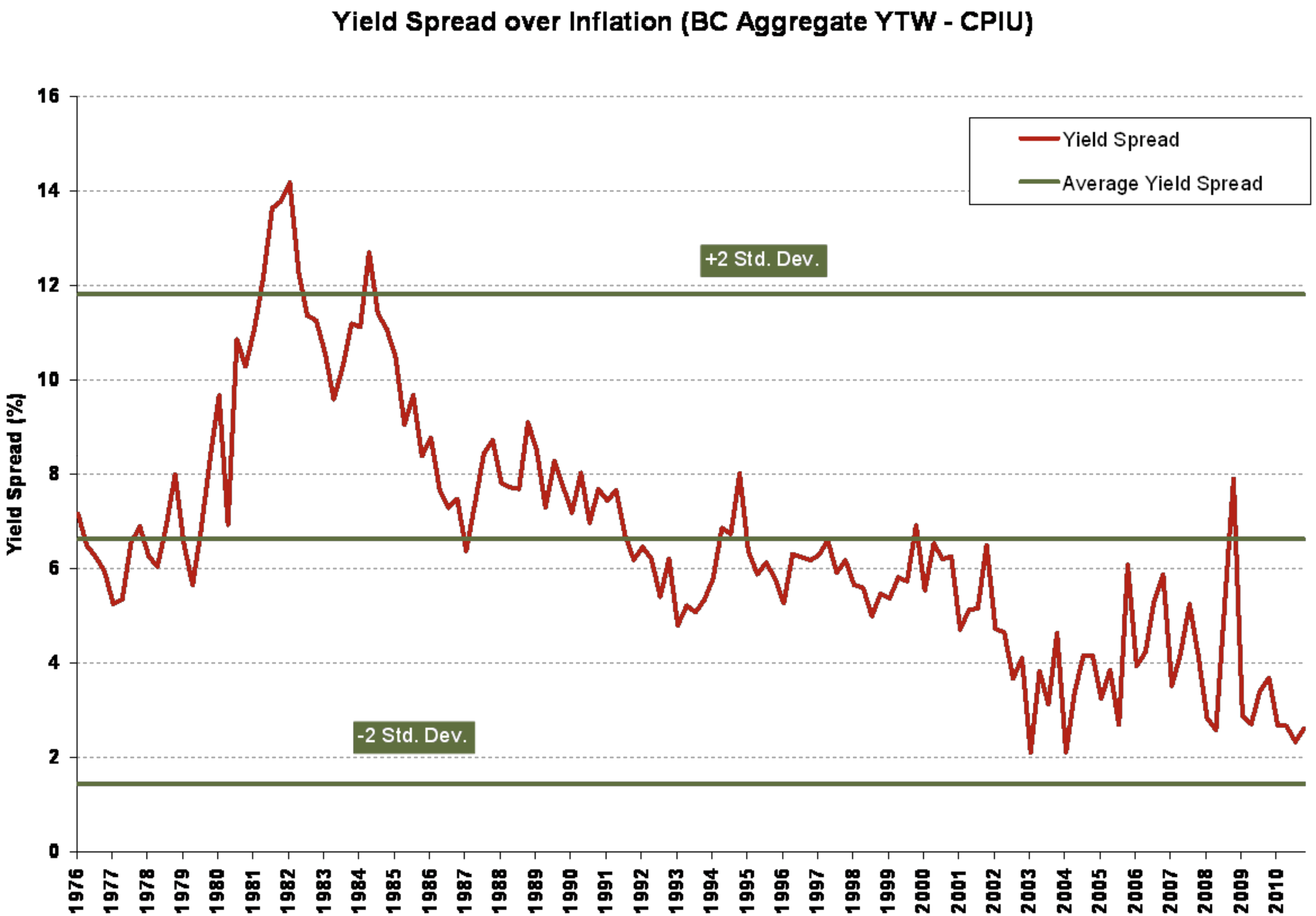
Decomposition of Aggregate Bond Returns
Note shrinking income component

BC Aggregate Index - Annual Return Breakdown

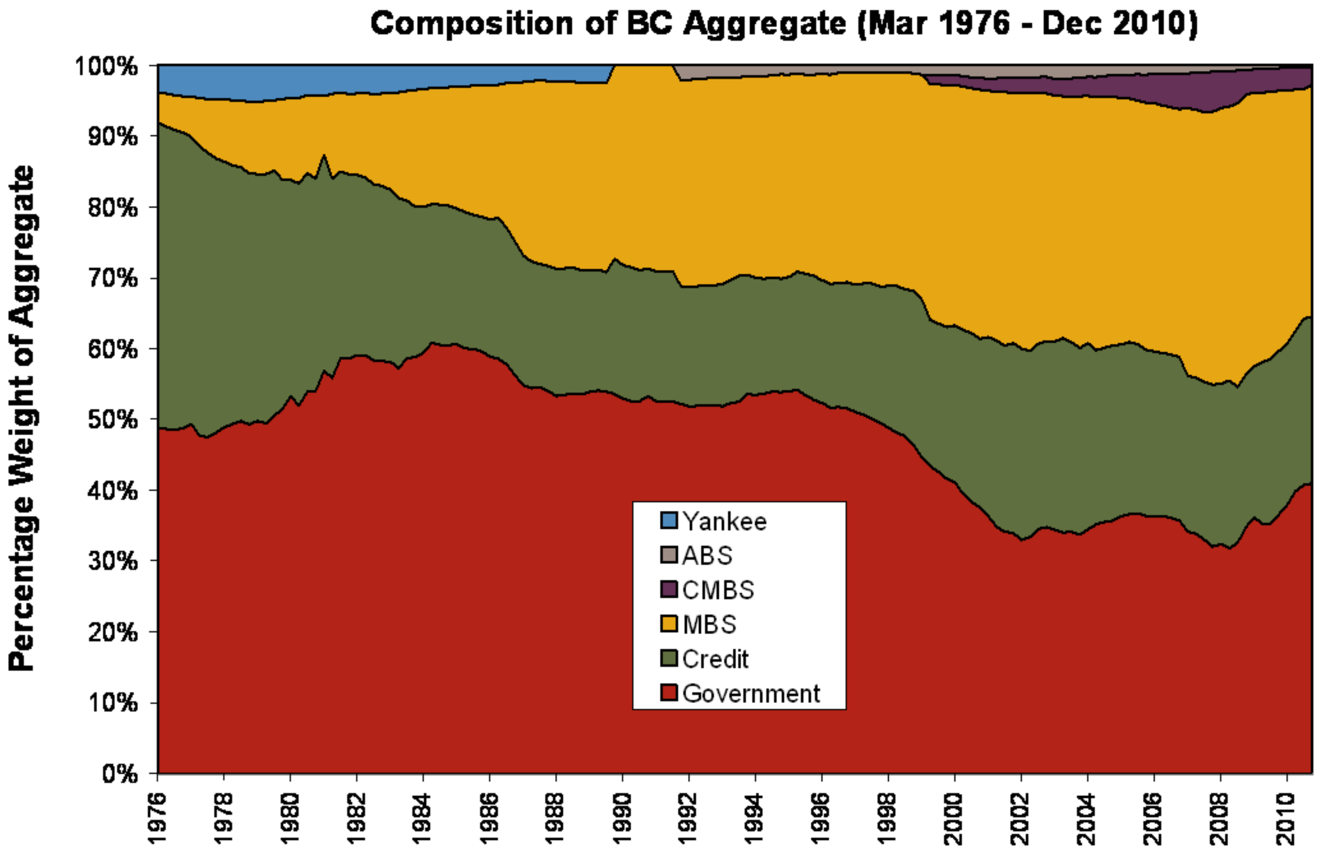


Source: Barclays Capital

Bond Market Yield over inflation is very low
Short maturities have a negative real yield



Composition of the bond market changing as government (and government related) have increased share



Capital Market Expectations

- **Expected bond return reduced to 3.75%. We expect interest rates to rise resulting in capital loss before higher yields kick in. We expect cash to reach 2.75% and 10-year Treasury to reach 5%.**
- **Project an upward sloping yield curve, with a slim risk premium for bonds over cash (1.0%).**
- **Building equity returns from long-term fundamentals gets us to around 8%: 3-3.5% real GDP growth, which means 5.5-6% nominal earnings growth, 2% dividend yield. Equities look reasonably priced, but no longer cheap relative to longer-term valuations unless earnings continue to grow at above normal rates. Broad U.S. equity expectations are reduced 50 bps, from 8.5% to 8.0%. Broad non-U.S. equity returns are decreased by a similar amount.**
- **Real estate return reduced to 6.25%; returns may not recover as quickly as liquid equity markets.**
- **Hedge fund expectations of T-bill plus 3-4% keep returns close to 6%.**

2011 Capital Market Expectations – Preliminary

Return and Risk

Risk and Return Assumptions
Preliminary

Asset Class	Projected Arithmetic Return	Projected Standard Deviation	5 Yr. Geometric Mean Return	10 Yr. Geometric Mean Return
Broad Domestic Equity	9.35%	18.12%	8.32%	8.15%
Large Cap	9.05%	17.25%	8.13%	7.97%
Small/Mid Cap	10.55%	23.00%	8.76%	8.48%
ACWI exUS	10.06%	20.87%	8.63%	8.40%
EAFE	9.50%	19.75%	8.22%	8.02%
Emerging Markets Equity	11.75%	27.50%	9.09%	8.68%
Private Equity	13.10%	30.00%	9.93%	9.44%
Domestic Fixed	3.80%	4.50%	3.77%	3.76%
High Yield	6.15%	11.55%	5.75%	5.68%
TIPS	3.60%	5.90%	3.51%	3.49%
Non US Fixed	3.75%	9.70%	3.42%	3.38%
Absolute Return	6.25%	10.00%	5.99%	5.94%
Real Estate	7.85%	16.35%	6.98%	6.84%
CommoditiesGS	6.50%	24.00%	4.30%	4.00%
Cash Equivalents	3.00%	0.90%	3.03%	3.03%

Source: Callan Associates Inc.

2011 Capital Market Expectations - Preliminary

Correlation Coefficient Matrix

Key to Constructing Efficient Portfolios

Asset Mix Correlations

	Broad Domestic Equity	Large Cap	Small/Mid Cap	ACWI exUS	EAFE	Emerging Markets Equity	Domestic Fixed	TIPS	Defensive	Non US Fixed	High Yield	CommoditiesGS	Real Estate	Absolute Return	Private Equity	Cash Equivalents
Broad Domestic Equity	1.00															
Large Cap	1.00	1.00														
Small/Mid Cap	0.95	0.92	1.00													
ACWI exUS	0.85	0.84	0.81	1.00												
EAFE	0.80	0.80	0.76	0.98	1.00											
Emerging Markets Equity	0.84	0.83	0.81	0.92	0.83	1.00										
Domestic Fixed	0.01	0.02	(0.02)	(0.01)	0.00	(0.03)	1.00									
TIPS	(0.10)	(0.10)	(0.12)	(0.10)	(0.09)	(0.12)	0.66	1.00								
Defensive	(0.11)	(0.10)	(0.13)	(0.10)	(0.08)	(0.12)	0.82	0.46	1.00							
Non US Fixed	(0.07)	(0.06)	(0.10)	0.01	0.05	(0.09)	0.43	0.30	0.42	1.00						
High Yield	0.61	0.61	0.58	0.55	0.53	0.53	0.16	0.06	0.05	0.00	1.00					
CommoditiesGS	0.22	0.22	0.21	0.22	0.21	0.21	(0.02)	0.14	(0.15)	(0.05)	0.12	1.00				
Real Estate	0.74	0.73	0.71	0.66	0.64	0.62	0.08	(0.02)	0.00	0.00	0.54	0.18	1.00			
Absolute Return	0.74	0.74	0.70	0.70	0.68	0.67	0.23	0.10	0.05	0.00	0.51	0.20	0.56	1.00		
Private Equity	0.95	0.94	0.91	0.91	0.87	0.89	(0.07)	(0.16)	(0.16)	(0.07)	0.60	0.19	0.73	0.71	1.00	
Cash Equivalents	(0.04)	(0.03)	(0.08)	(0.04)	(0.01)	(0.10)	0.10	0.07	0.35	0.00	(0.11)	0.07	(0.06)	0.15	(0.15)	1.00

Source: Callan Associates Inc.

Illustrative Efficient Mixes – Preliminary Projections

Asset Mix Alternatives

Portfolio Component	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
Broad Domestic Equity	100%	20%	22%	25%	27%	30%	32%
ACWI exUS	100%	15%	17%	19%	21%	23%	25%
Private Equity	100%	3%	4%	5%	6%	7%	8%
Domestic Fixed	100%	34%	29%	23%	18%	12%	7%
Non US Fixed	100%	4%	4%	4%	5%	5%	5%
High Yield	5%	5%	5%	5%	5%	5%	5%
Absolute Return	5%	5%	5%	5%	5%	5%	5%
TIPS	100%	8%	7%	6%	4%	3%	2%
Real Estate	100%	5%	6%	7%	8%	9%	10%
Cash Equivalents	100%	1%	1%	1%	1%	1%	1%
Totals		100%	100%	100%	100%	100%	100%
Projected Arithmetic Return		6.50%	6.90%	7.30%	7.70%	8.10%	8.50%
Projected Standard Deviation		8.83%	9.99%	11.17%	12.38%	13.61%	14.85%
5 Yr. Geometric Mean Return		6.34%	6.67%	6.99%	7.29%	7.59%	7.86%
10 Yr. Geometric Mean Return		6.30%	6.62%	6.93%	7.21%	7.49%	7.75%

Note that Commodities were excluded and HY & Absolute Return constrained

Appendix
Supplemental Data

Yields & Impact of 1% Rate Changes

MARKET INSIGHTS

Fixed Income Yields and Returns

Fixed Income

				Yield		Return		Impact on Price from 1% Change in Rates	
U.S. Treasuries	**# of issues**	**Mkt. Value**	**Avg. Maturity**	**12/31/2009**	**12/31/2010**	**2010**	**4Q 2010**	**+1%**	**-1%**
2-Year			2 years	1.14%	0.61%	2.35%	-0.13%	-1.98%	1.30%*
5-Year	# of issues: 134		5	2.69	2.01	7.02	-2.70	-4.71	4.72
10-Year	Total value: $3.989 tn		10	3.85	3.30	8.01	-5.57	-8.54	8.55
30-Year			30	4.63	4.34	8.72	-9.86	-16.60	16.64
Sector									
Broad Market	8,216	$15,134 bn	7.1 years	3.68%	2.97%	6.54%	-1.30%	-4.98%	4.98%
MBS	1,214	4,954	6.2	4.15	3.67	5.37	0.24	-4.17	4.15
Corporates	3,653	2,843	10.2	4.73	4.02	9.00	-1.61	-6.53	6.53
Municipals	46,336	1,213	13.3	3.62	3.80	2.38	-4.17	-8.48	8.48
Emerging Debt	379	536	11.5	6.59	5.76	12.84	-1.23	-6.48	6.48
High Yield	1,840	930	7.0	9.06	7.51	15.12	3.22	-4.32	4.32

Source: U.S. Treasury, Barclays Capital, FactSet, J.P. Morgan Asset Management.

Fixed income sectors shown above are provided by Barclay's Capital and are represented by- Broad Market: US Barclay's Capital Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; High Yield: Corporate High Yield Index. TIPS: Treasury Inflation Protection (TIPS). Treasury securities data for # of issues and market value based on U.S. Treasury benchmarks from Barclays Capital. Yield and return information based on Bellwethers for Treasury securities.

Change in bond price is calculated using both duration and convexity according to the following formula:
New Price = (Price + (Price * -Duration * Change in Interest Rates))+(0.5 * Price * Convexity * (Change in Interest Rates)^2)

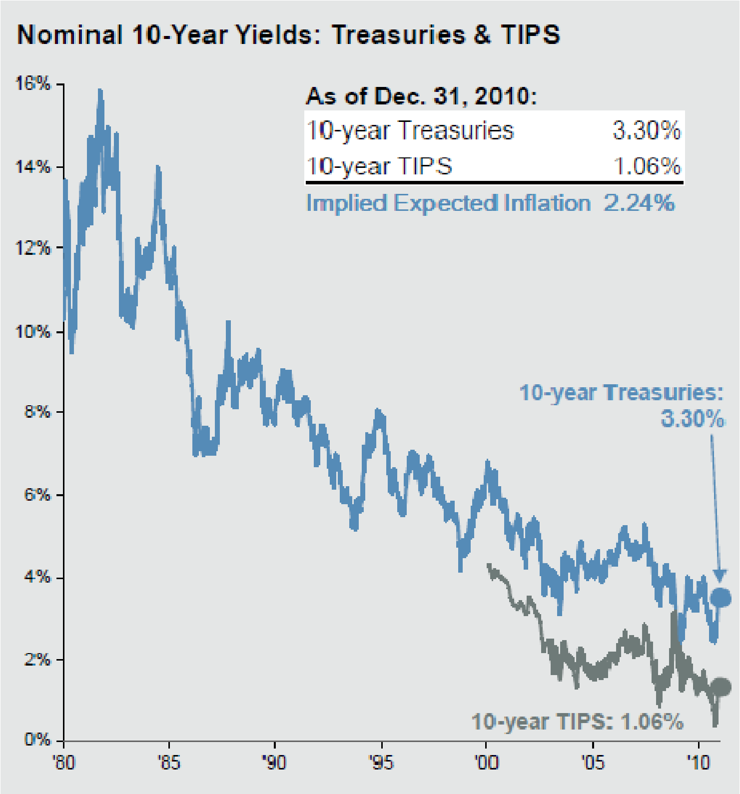
*Calculation assumes 2-Year Treasury interest rate falls 0.66% to 0.00% as interest rates can only fall to 0.00%.

Treasury Yields & Inflation

MARKET INSIGHTS

Treasury Yields and Inflation

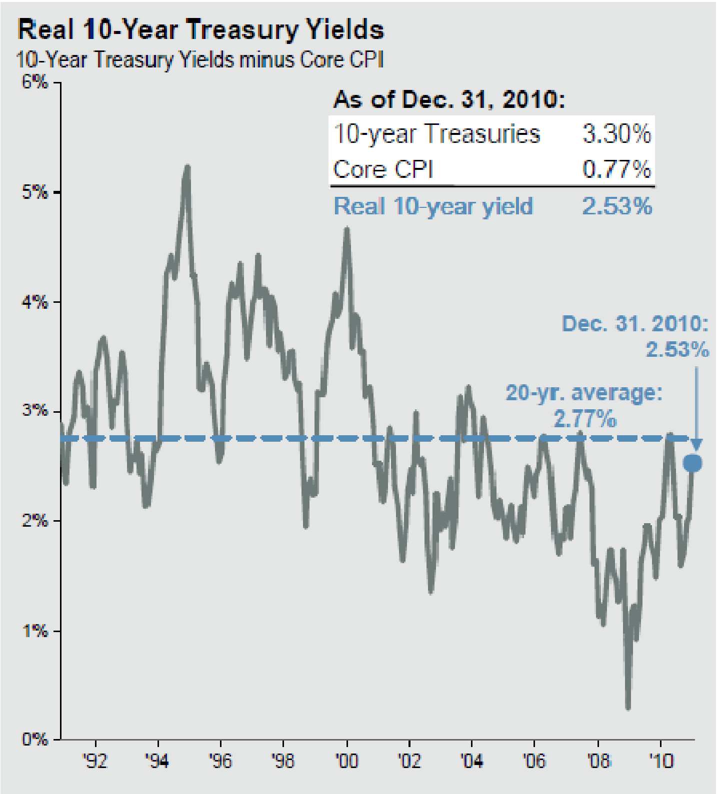
Fixed Income



Source: St. Louis Fed, Federal Reserve, J.P. Morgan Asset Management.

Treasury Inflation Protected Securities were first introduced in 1997.

Data are as of 12/31/10.



Source: FRB, BLS, J.P. Morgan Asset Management. Chart is the 10-year Treasury yield less Core CPI (inflation excluding food and energy, year-over-year).

Data are as of 12/31/10.

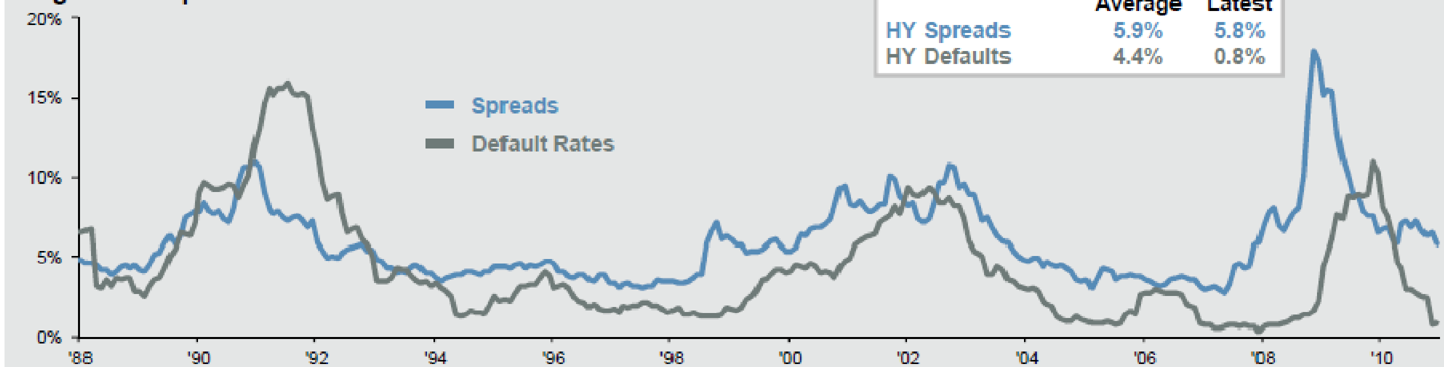
Spread Perspective

MARKET INSIGHTS

Domestic Credit Markets

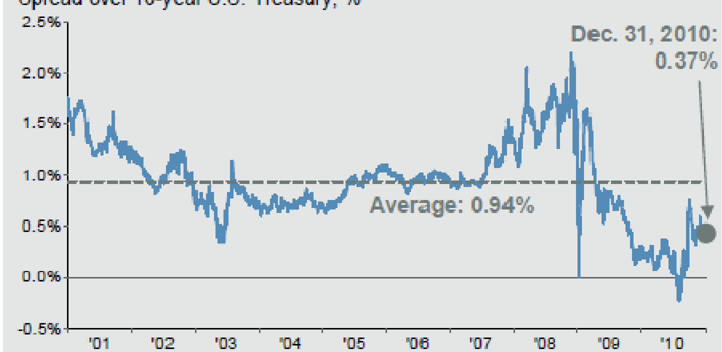
Fixed Income

High Yield Spreads and Defaults



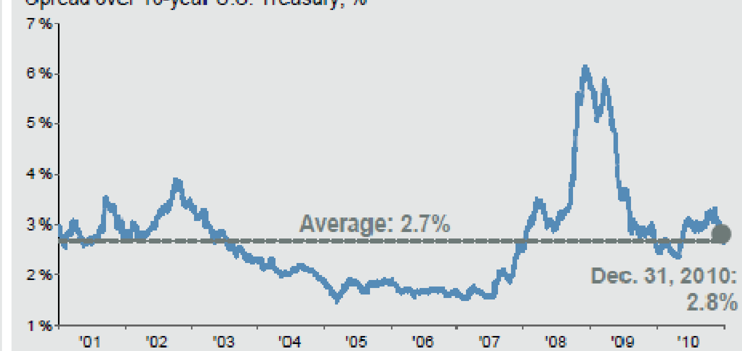
Mortgage-Backed Securities

Spread over 10-year U.S. Treasury, %



BAA Corporate Bonds

Spread over 10-year U.S. Treasury, %



Source: (Top chart) J.P Morgan High Yield & Leveraged Loan Strategy, J.P. Morgan Asset Management. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any chapter 11 filing, prepackaged filing, or missed interest payments.
(Bottom left) Barclays Capital, FactSet, J.P. Morgan Asset Management. (Bottom right) Moody's, FactSet, J.P. Morgan Asset Management.

Spreads indicated are benchmark rates over comparable Treasury yields.

Data are as of 12/31/10.

J.P.Morgan Asset Management

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Economic & Demographic Data

MARKET INSIGHTS

International Economic and Demographic Data

	Economics					Demographics				
	GDP USD (B$s)	GDP Per Capita	GDP Growth	Unempl. Rate	Inflation (CPI)	Population	Population Growth	Percent Age >65	Median Age	Migration per 1000
Developed										
U.S.	$14,745	$46,000	2.6%	9.6%	1.2%	310 mm	1.0%	12.8%	36.8 yrs	+4.3
Canada	1,277	38,100	1.0	8.3	1.8	34	0.8	15.2	40.7	+5.6
U.K.	2,123	34,200	3.1	7.6	3.1	62	0.6	16.2	39.8	+2.6
Germany	2,810	34,200	2.8	7.5	1.2	82	-0.1	20.3	44.3	+2.2
France	2,094	32,500	1.4	9.5	1.8	65	0.5	16.4	39.7	+1.5
Japan	4,149	32,600	4.5	5.1	-0.8	127	-0.2	22.2	44.6	-
Italy	1,737	29,900	0.7	7.8	1.7	58	-0.1	20.2	43.7	+2.1
Emerging										
Russia	2,116	15,100	-3.8	8.4	6.2	139	-0.5	13.7	38.5	0.3
Mexico	1,463	13,200	3.0	5.5	3.7	112	1.1	6.2	26.7	-3.4
Brazil	2,010	10,100	2.1	8.1	4.6	201	1.2	6.4	28.9	-0.1
China	8,818	6,700	8.1	4.3	3.5	1,330	0.5	8.1	35.2	-0.3
India	3,680	3,200	14.2	10.7	10.3	1,173	1.4	5.2	25.9	-0.1

Source: FactSet, CIA, J.P. Morgan Asset Management, J.P. Morgan Securities.

GDP Growth is shown as % change versus prior quarter annualized and all data are for 3Q10. Mexico unemployment is from CIA estimates (CIA also points out "underemployment of perhaps 25%" in Mexico) and is as of 2009. CPI Inflation is shown as % change versus a year ago and all data are for 3Q10. Unemployment rate for developed countries refers to November 2010 and comes from Eurostat and Statistics Canada. Demographic data provided by CIA World Factbook at CIA.gov.

Data are as of 12/31/10.

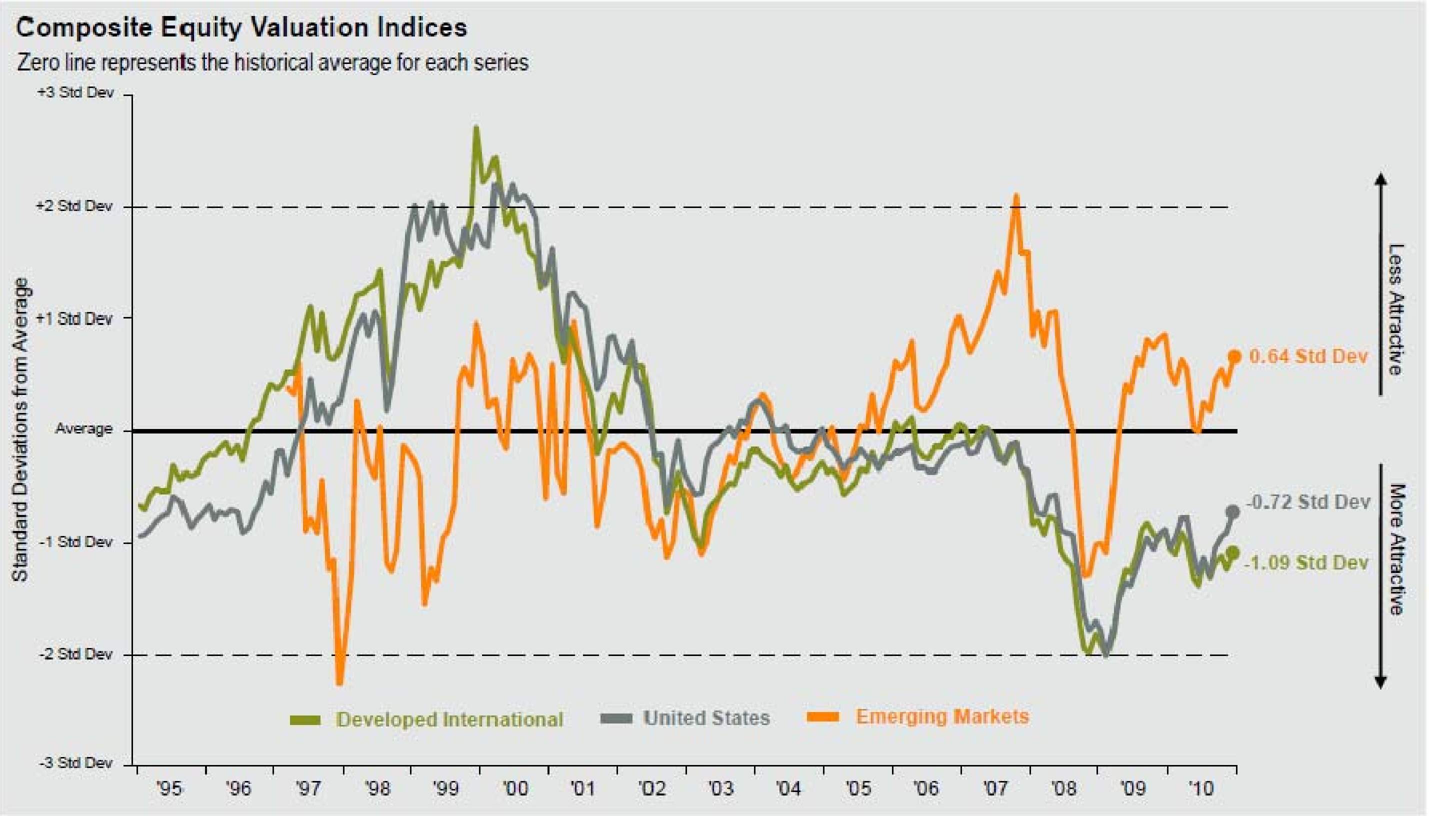
International

Valuation Comparison

MARKET INSIGHTS

Global Equity Market Valuations

International



Sources: MSCI, FactSet, J.P. Morgan Asset Management.

*Note: Each valuation index shows the number of standard deviations from the mean of a composite of four equally weighted metrics (forward price to earnings, price to book, price to cash flow and price to dividends) for MSCI US, MSCI EM and MSCI EAFE.

Data are as of 12/31/10.

J.P.Morgan Asset Management

Active versus Passive Discussion

February 2011

Gary M. Bader, Chief Investment Officer
Alaska Department of Revenue

Definitions

- **Passive Investing:** strategy in which an investor invests in accordance with a pre-determined strategy that doesn't entail any forecasting. The most popular method is to mimic the performance of an externally specified index.

- **Active Management:** strategy where the manager makes specific investments with the goal of outperforming an investment benchmark index over the long run.

Academic Support for Passive Investing

- **Louis Bachelier:** French mathematician, PhD thesis in 1900, “The Theory of Speculation”
- **Paul Samuelson:** the first American to win the Nobel Prize in Economics.
- **Eugene Fama:** University of Chicago, PhD thesis in 1965
- **Burton Malkiel:** Princeton economist, wrote “A Random Walk Down Wall Street” in 1973.
- **William Sharpe:** Professor of Finance, Emeritus at Stanford University’s Graduate School of Business and the winner of the 1990 Nobel Prize in Economics.

Efficient Market Hypothesis (EMH)

Developed by Eugene Fama and Paul Samuelson in the 1960s and further expanded in the 1970s

- **Weak-Form Efficiency:** future prices cannot be predicted by analyzing prices from the past. Price movement is random.

- **Semistrong-Form Efficiency:** share prices adjust very rapidly to publicly available new information in an unbiased fashion. No excess return can be earned by trading on publicly available information.

- **Strong-Form Efficiency:** share prices reflect all information, public and private, and no one can earn an excess return.

William F. Sharpe, Support for "Passive" Management

If "active" and "passive" management styles are defined in sensible ways, it must be the case that

(1) Before costs, the return on the AVERAGE [emphasis added] managed dollar will equal the return on the average passively managed dollar and;

(2) After costs, the return on the AVERAGE managed dollar will be less than the return on the average passively managed dollar.

These assertions will hold for any time period. Moreover, they depend only on the laws of addition, subtraction, multiplication, and division. Nothing else is required.

Exceptions to EMH

Research has presented numerous exceptions to EMH:

(1) The Size Effect where small capitalization companies outperform large. Banz (1981), Keim (1983), Roll (1983), and Rozeff and Kinney (1976)

(2) The Value Effect where low P/E stocks outperform high P/E stocks. Dreman and Berry (1995)

(3) Momentum effects where positive and negative performance persists. Jegadeesh (1990); Chan, Jegadeesh, and Lakonishok (1996); and Jegadeesh and Titman (2001)

(4) Calendar effects, Lakonishok and Smidt (1988)

(5) Reinker and Tower (2004) analyzed Vanguard’s actively managed funds and found that low-cost active funds had higher returns and lower risk than passive funds.

Other Comments by William F. Sharpe

- It is perfectly possible for some active managers to beat their passive brethren, even after costs.
- Not all managers in the set have to beat their passive counterparts, only those managing a majority of the investor's actively managed funds.
- The best way to measure a manager's performance is to compare his or her return with that of a comparable passive alternative which has been identified in advance of the period over which performance is measured.

Active and Passive Management in Large Institutional Portfolios

Prepared for ARMB

January 2011

Michael J. O'Leary CFA
Executive Vice President

Based on Research Performed by
Gregory C. Allen
President, Director of Research

Discussion Framework

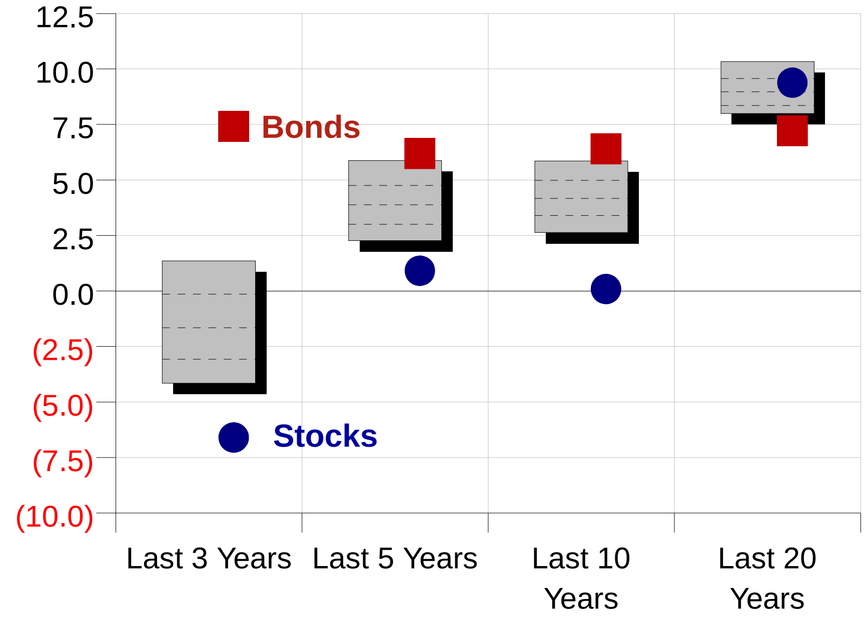
- **Asset allocation as the primary driver of performance.**
- **Implementation – the use of active or passive strategies or "style" based strategies – influences results at the margin, but it can make a difference.**
- **Certain asset classes offer a higher probability of success for active managers than others.**
- **Most large institutional investors employ a blend of active and passive strategies.**
- **The long-term potential impact of a well-managed active/passive implementation on funded status.**

Asset Allocation – The Primary Driver of Relative Performance

- The mix between stocks, bonds, and other asset classes determines over 85% of return variation over time.
- Plan sponsors maintain fairly similar asset allocations to each other.
- This results in implementation having a more significant impact on relative performance than theory would suggest.

Returns for Periods Ended September 30, 2010

Group: CAI Total Fund Sponsor DB

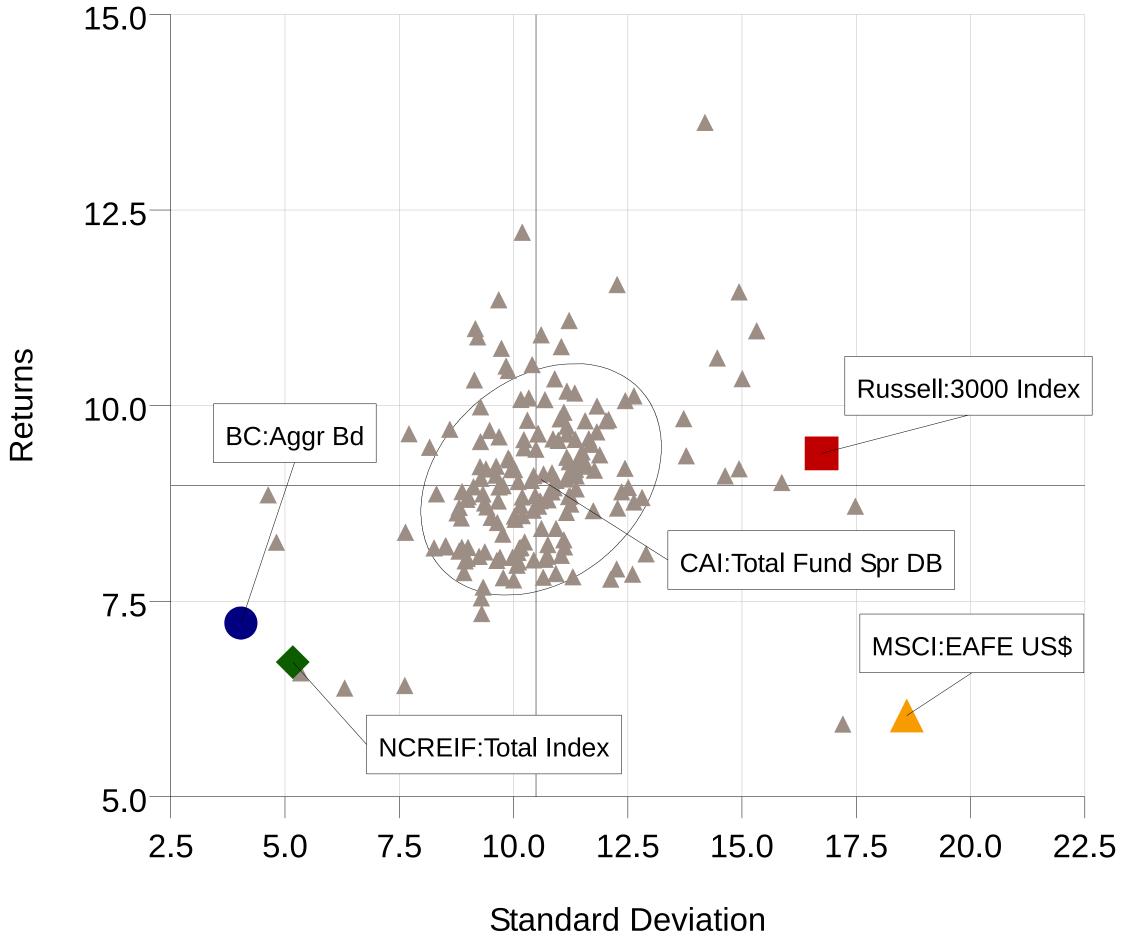


	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	1.35	5.89	5.87	10.34
25th Percentile	(0.14)	4.75	4.99	9.58
Median	(1.65)	3.89	4.18	8.98
75th Percentile	(3.07)	3.01	3.41	8.36
90th Percentile	(4.14)	2.28	2.64	8.00
Russell:3000 Index ●	(6.59)	0.92	0.09	9.39
BC:Aggr Bd ■	7.42	6.20	6.41	7.22

Asset Allocation – The Primary Driver of Relative Performance

- Risk and return of plan sponsor portfolios have clustered in a similar range.
- Only plans with significantly different asset allocations fall outside this range.
- The major capital market indices bracket the range for the diversified multi-asset class portfolios.
- A significant percentage of portfolios have out-performed U.S. equities over this period.

Major Capital Market Indices
Return versus Standard Deviation
for 20 Years Ended September 30, 2010



Implementation of Strategic Asset Allocation
The Hierarchy of Decisions

- **Choice of benchmark.**
- **Active versus passive.**
- **Amount of tracking error.**
- **Number of managers.**
- **Types of managers.**
- **Individual managers.**
- **Guidelines.**

Efficient Market Hypothesis (EMH)

- **Strong Form:** It is impossible to "beat the market" because stock market efficiency causes existing share prices, on average, to always incorporate and reflect all relevant information. According to the EMH, stocks, on average, always trade at their fair value on stock exchanges, making it impossible for investors to either purchase undervalued stocks or sell stocks for inflated prices.

- **Weak Form:** Past prices of a stock are reflected in today's stock price. Therefore, technical analysis cannot be used to predict and beat a market. Fundamental analysis, however, which uncovers information not reflected in the market price can predict price movements and therefore be used to beat a market.

"Real World" Arguments in Favor of Weak Form

- **Certain investors have trading advantages over others which allow them to react more quickly and consistently to information.**
- **The different utility functions between investors with long-term and short-term perspectives, create opportunities.**
- **Institutional investors make buy and sell decisions based on considerations other than price.**
- **Research coverage varies greatly depending on the size of the company, making it unlikely to be widely disseminated for smaller companies.**
- **Behavioral finance – people act irrationally, and they have different utility functions.**
- **Biases created by index construction techniques.**
- **Empirically it can be demonstrated that, particularly in illiquid asset classes, institutional investors have consistently beaten capitalization weighted benchmarks.**

Pros and Cons of Active Management

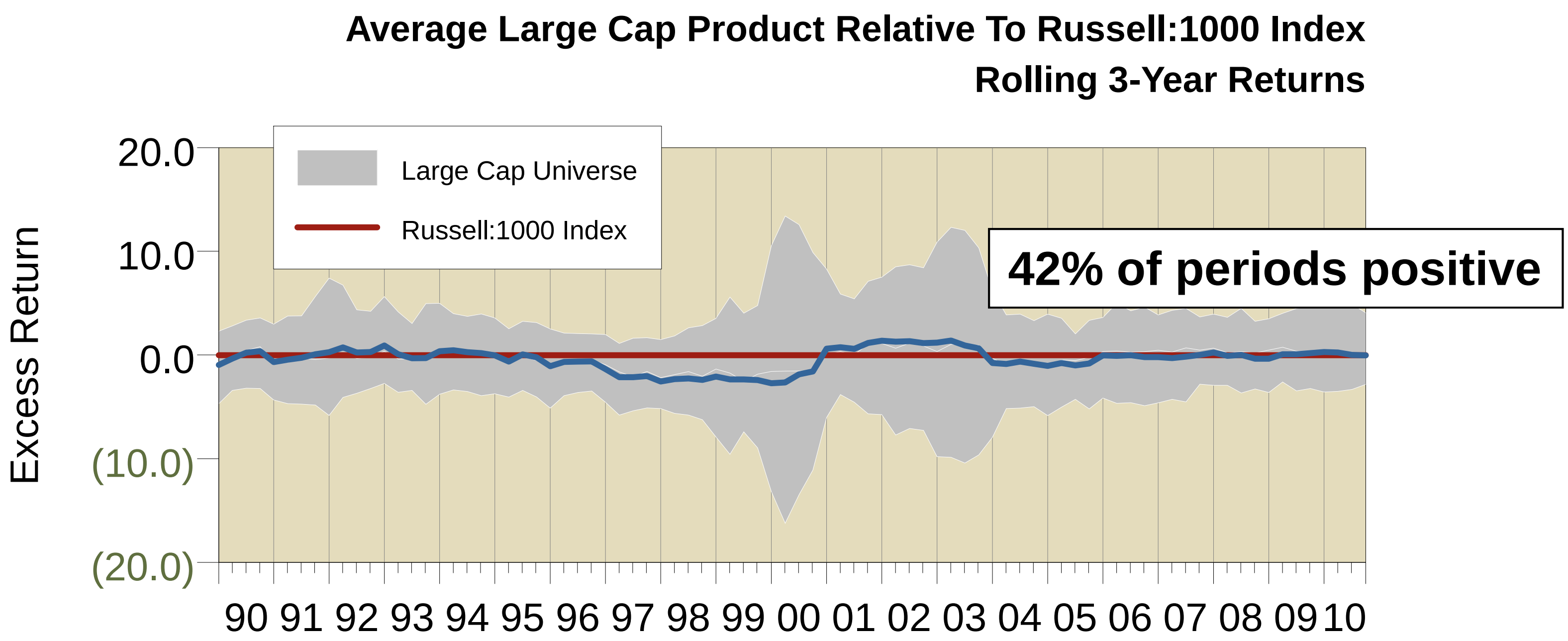
Pros:

- Creates the opportunity to generate higher returns than the broad markets.
- Can protect against market risk in down markets.
- Passive management could not exist without it.
- Overcomes inefficiencies in areas where indices are un-investable or poorly constructed.
- Provides insight to investment staff and oversight committees on market behavior.

Cons:

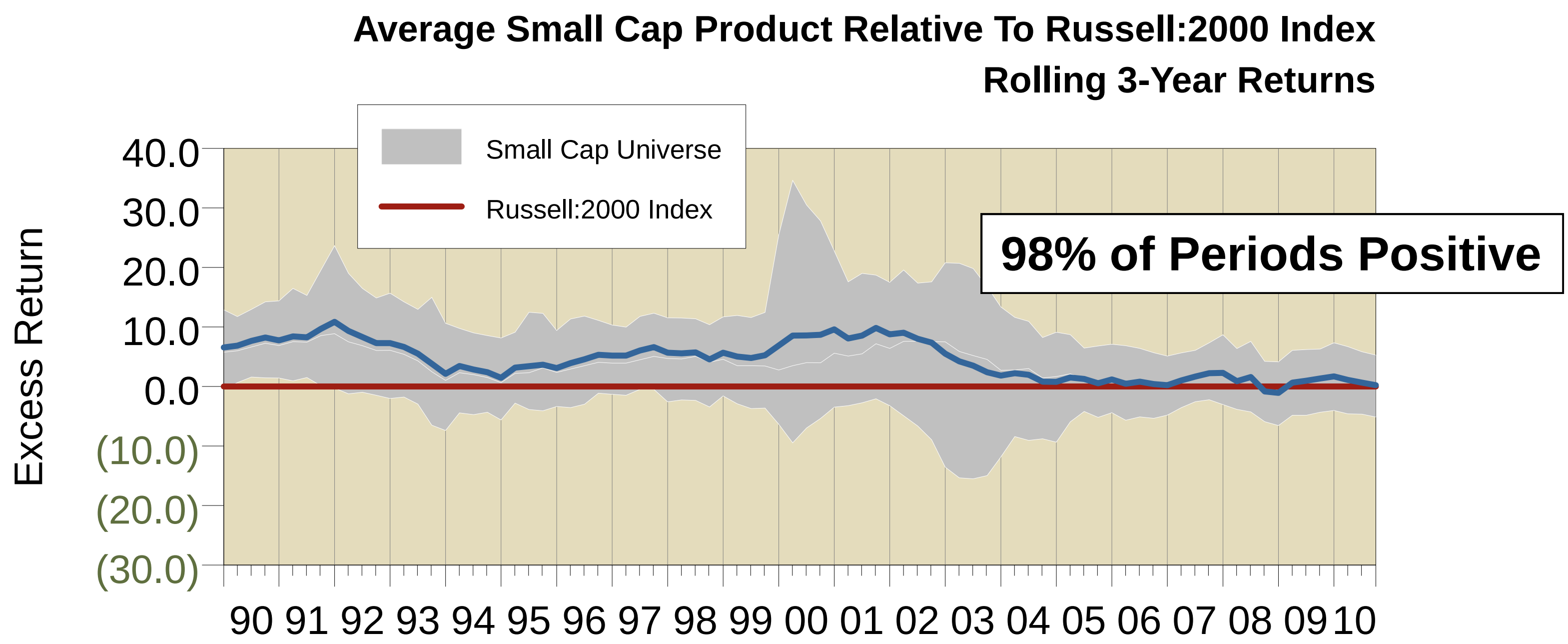
- Has the potential to generate a lower return than the broad markets.
- May not keep pace during strong market rallies.
- Higher fees must be overcome before benefit inures to plan.
- Requires additional staff time for oversight, monitoring, contracting, etc.
- Often requires longer term perspective to realize excess returns in the face of short-term under-performance.

Active versus Passive – Large Cap U.S. Equity



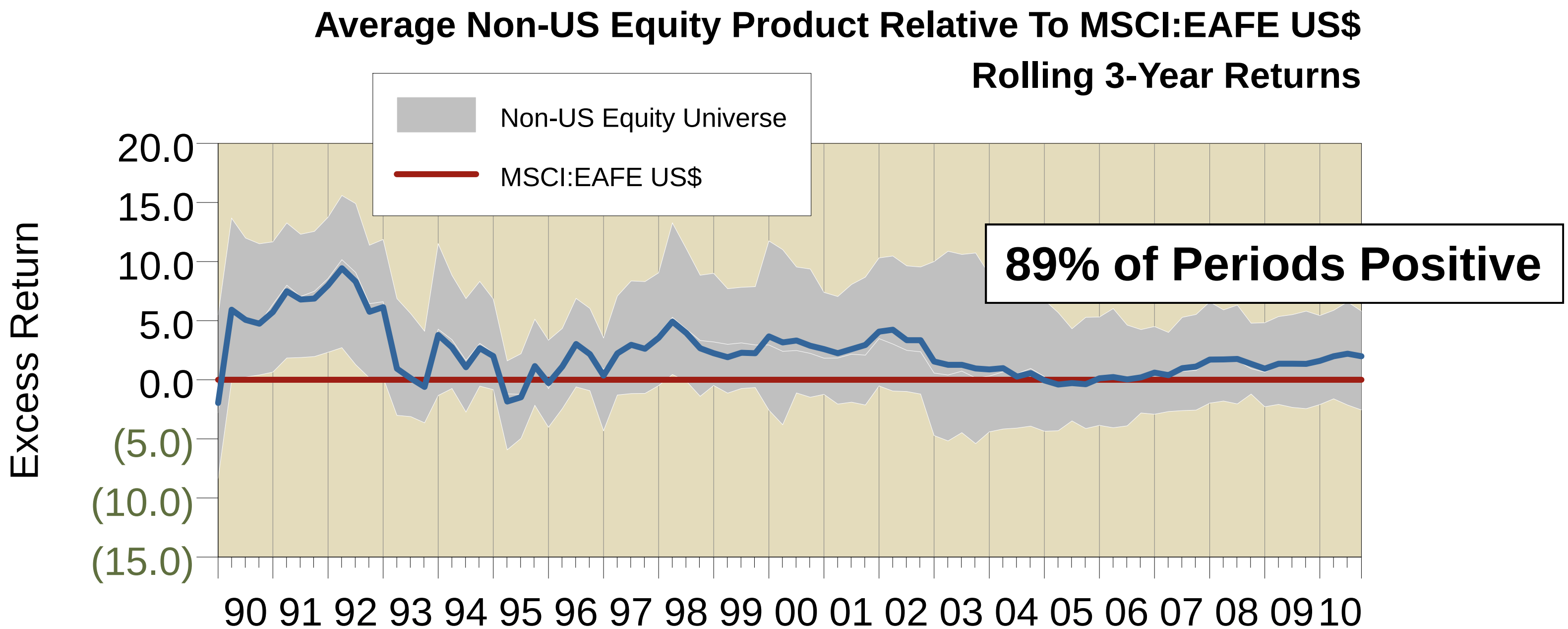
- **Rolling 3-year return versus Russell 1000 Index.**
- **Universe of active institutional large cap products.**
- **Assume multi-manager portfolio will approximate average (no manager selection bias).**
- **What percent of time does average out-perform benchmark?**

Active versus Passive – Small Cap U.S. Equity



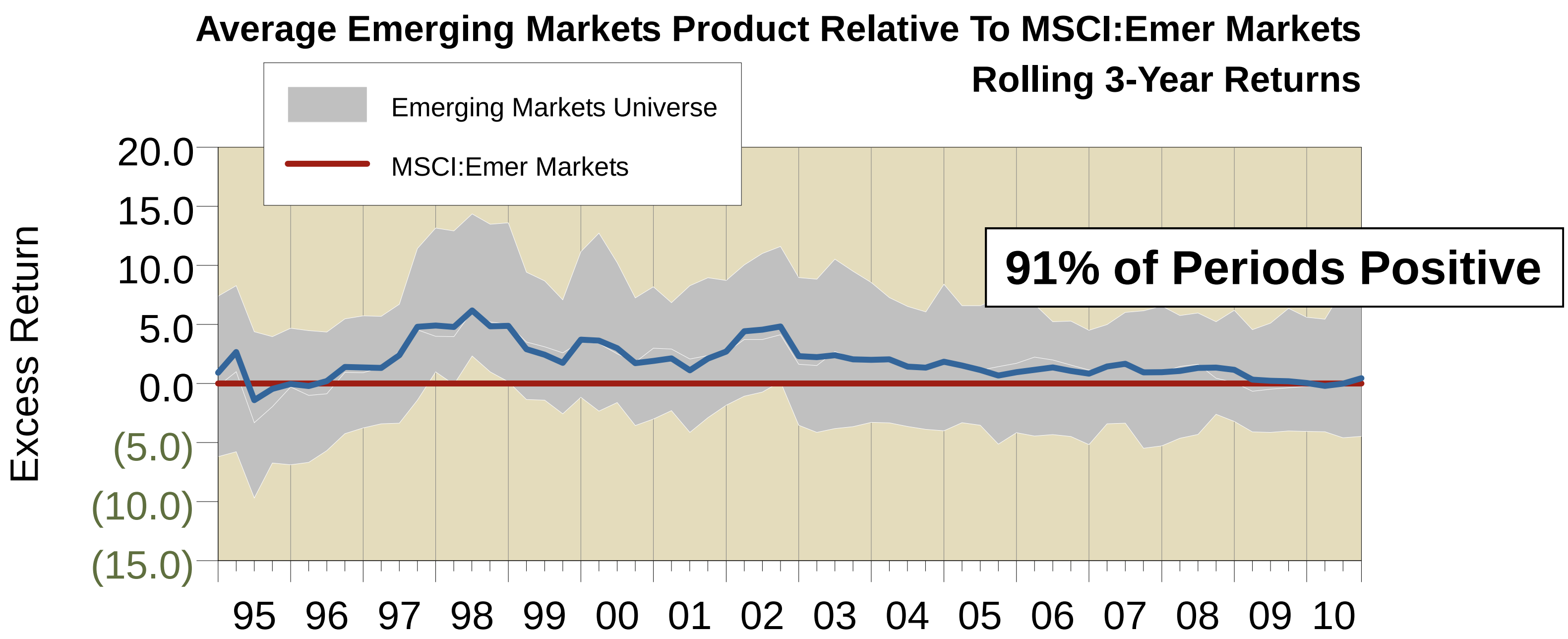
- Rolling 3-year return versus Russell 2000 Index.
- Universe of active institutional small cap products.
- Small cap stocks are less liquid, less efficiently priced.
- Greater opportunity to add value through research and disciplined process.

Active versus Passive – Developed Non-U.S. Equity



- **Rolling 3-year return versus MSCI EAFE Index.**
- **Universe of active institutional developed Non-U.S. equity products.**
- **Use of emerging markets, small cap, macro thematic bets have all contributed to persistent out-performance.**

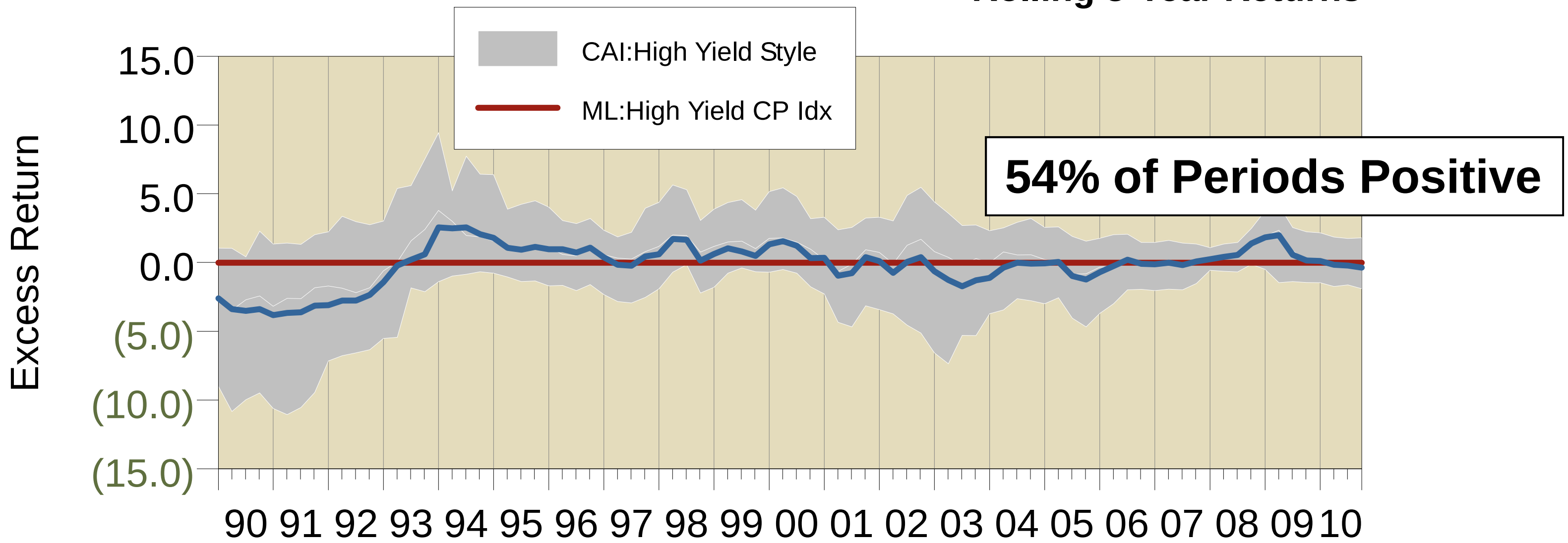
Active versus Passive – Emerging Markets



- **Rolling 3-year return versus MSCI Emerging Markets Index.**
- **Universe of active institutional emerging markets products.**
- **Outperformance has been more difficult in recent bull market driven by large liquid names.**
- **Outperformance somewhat counter-cyclical to developed markets managers.**

Active versus Passive – High Yield

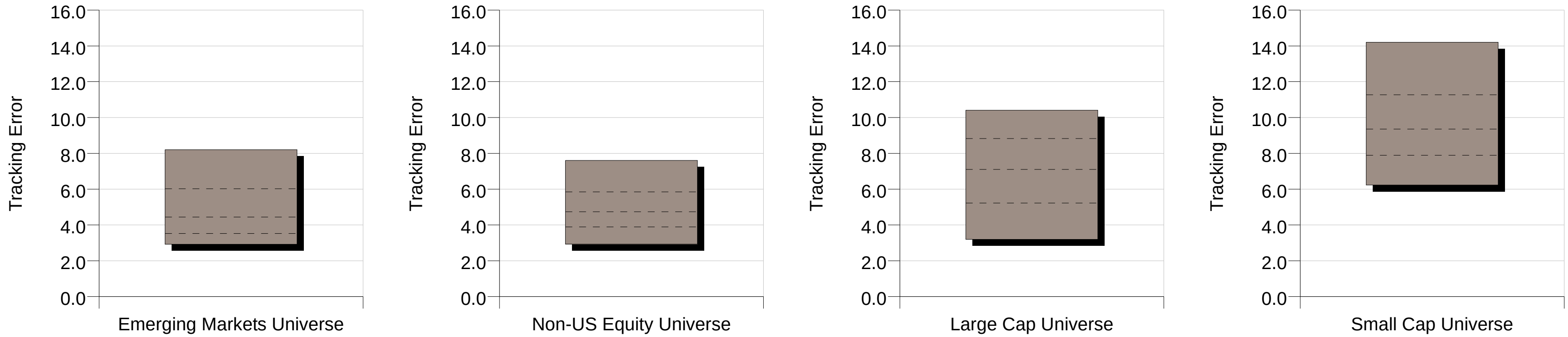
Average High Yield Product Relative To ML:High Yield CP Idx
Rolling 3-Year Returns



- **Rolling 3-year return versus Merrill Lynch Cash Pay High Yield Index.**
- **Universe of active institutional high yield products.**
- **Average product has outperformed only 54% of time.**
- **Active products severely underperformed in late 1990s during tech bubble.**

Range of Tracking Error by Equity Asset Class
Ten Years Ended September 30, 2010

Active Emerging Markets versus MSCI:Emer Markets | **Active Non-US Equity versus MSCI:EAFE US$** | **Active Large Cap versus Russell:1000 Index** | **Active Small Cap versus Russell:2000 Index**

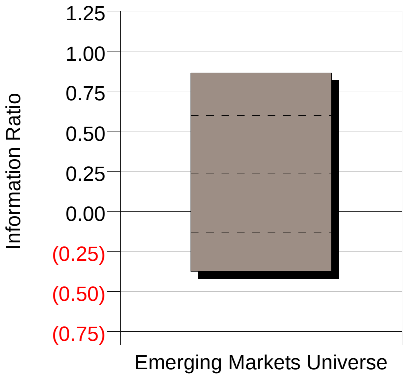


Median	**4.45**	**Median**	**4.75**	**Median**	**7.11**	**Median**	**9.35**

- **U.S. Small Cap products actually exhibit the highest tracking error, requiring longer-term perspective and potentially higher manager diversification.**
- **Performance of Non-U.S. products driven by currency movements and country exposures which are similar across the active products and the indices – typically fewer managers can be employed to achieve appropriate diversification.**

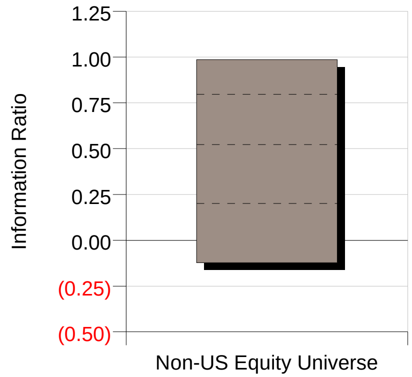
Range of Information Ratio Asset Class

Active Emerging Markets versus MSCI:Emer Markets



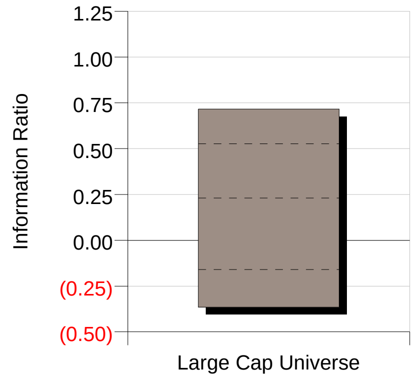
Median 0.24

Active Non-US Equity versus MSCI:EAFE US$



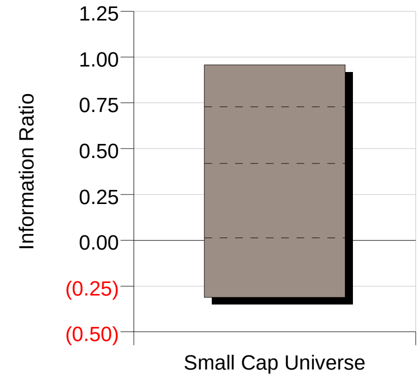
Median 0.52

Active Large Cap versus Russell:1000 Index



Median 0.23

Active Small Cap versus Russell:2000 Index

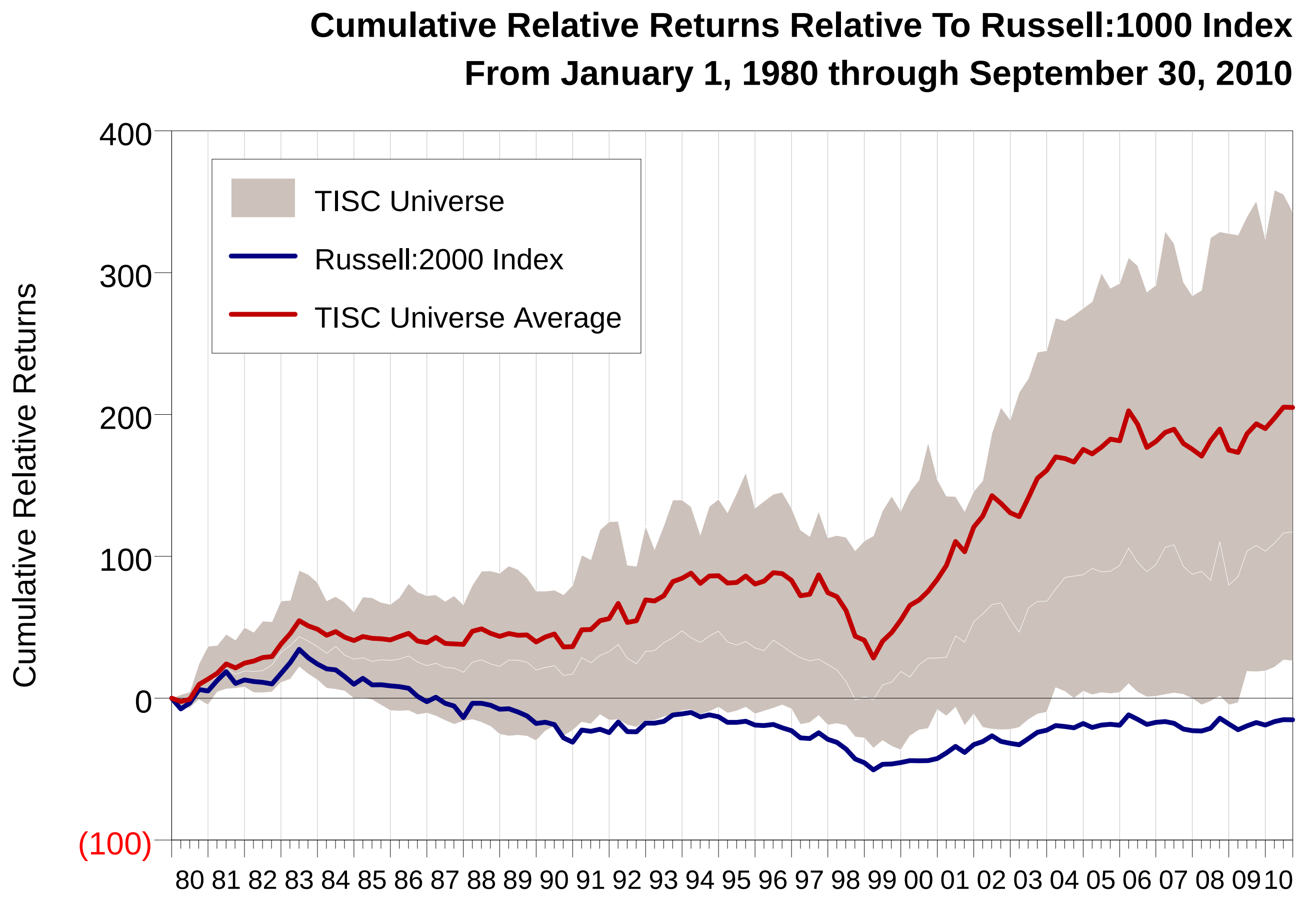


Median 0.42

- **Median Information Ratio has been positive over previous ten years for all equity asset classes.**
- **Non-U.S. Equity and Small Cap have provided the greatest potential for building a successful program.**
- **It is reasonable to expect approximately 1-2% in excess return in exchange for 3-5% in tracking error in an active small cap or Non-U.S. equity program.**

Small Cap Risk Premium Since 1980
The Long-Term Impact of Active Management

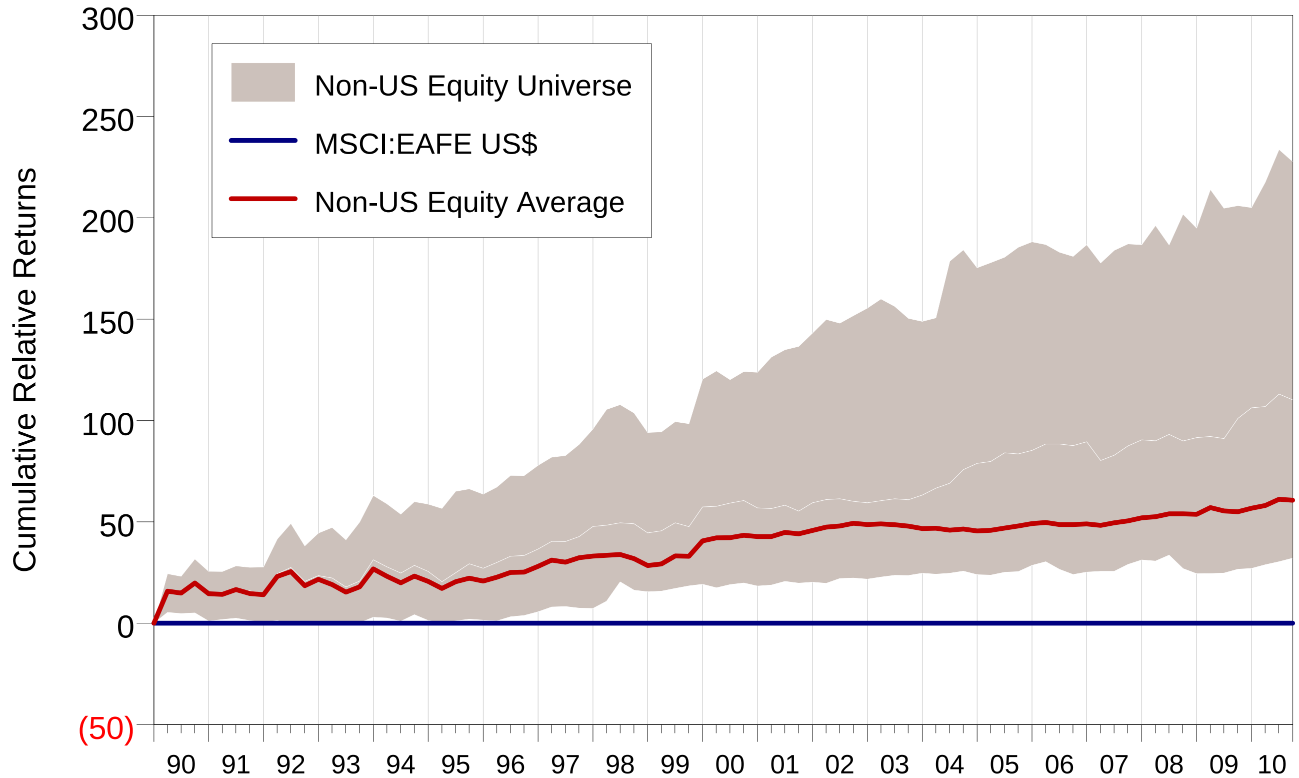
- Small cap risk premium has been negative over 30-year period (Russell 2000 has under-performed Russell 1000).
- Active premium in small cap has been sufficient to overwhelm negative risk premium.



Non-U.S. Equity Since 1990
The Long-Term Impact of Active Management

- Achieving the average return over this period resulted in approximately 50% in cumulative excess return.
- Median return is well above the average indicating superior performance for products in the universe with longer track records.

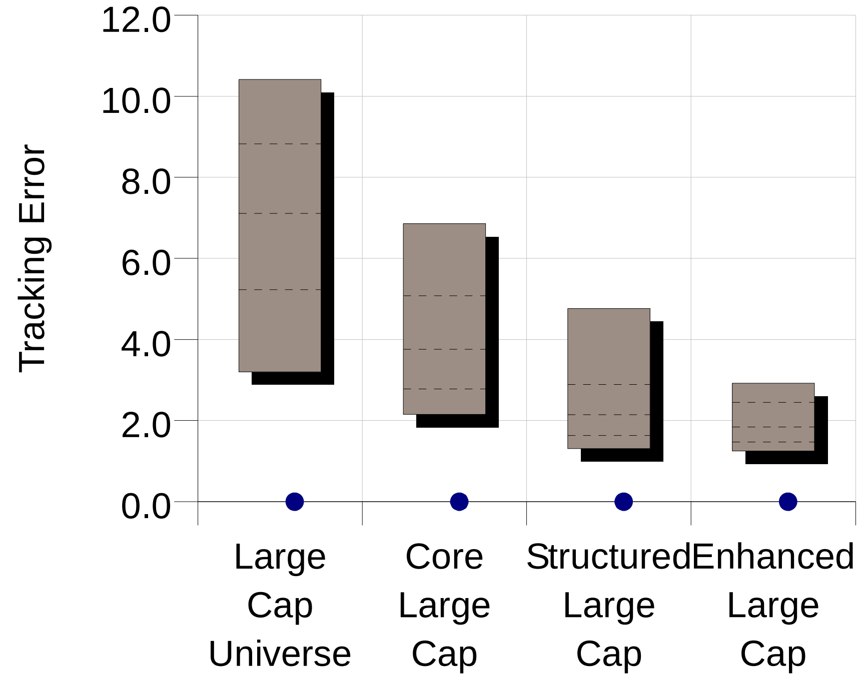
Cumulative Relative Returns Relative To MSCI:EAFE US$
From January 1, 1990 through September 30, 2010



Styles of Active Equity Management and Associated Tracking Error (Large Cap)

- **Traditional strategies, typically equal weighted, 50-100 securities, growth or value orientation, research-driven exhibit higher tracking error (4-10% TE).**
- **Core strategies, still active fundamental research driven, but risk-controlled to a broad benchmark (3-7% TE).**
- **Structured products typically strict top-down construction rules, sector and security limits, more securities, often quantitative (2-4% TE).**
- **Enhance index, usually quantitative, very strict risk-control relative to benchmark (1-3% TE).**

Tracking Error relative to Russell:1000 Index for 10 Years Ended September 30, 2010

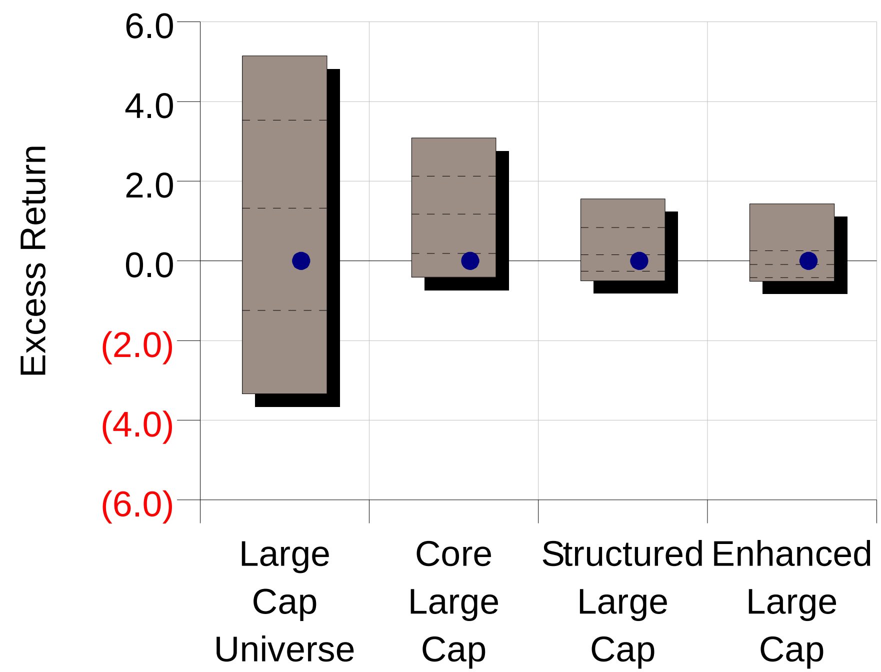


	Large Cap Universe	Core Large Cap	Structured Large Cap	Enhanced Large Cap
Median	7.11	3.76	2.15	1.85
Russell:1000 Index ●	0.00	0.00	0.00	0.00

Range of Excess Return Style

- **Enhanced (and other quantitative) strategies struggled through late 2007 (quant storm), and most of 2008 (deleveraging).**
- **Traditional strategies have held up well during this period with the median products generating positiv excess returns after fees.**
- **Downside protection during the 2000-2002 period is a primary driver of this result.**
- **The median structured product under-performed after fees over this period.**

Excess Return relative to Russell:1000 Index for 10 Years Ended September 30, 2010

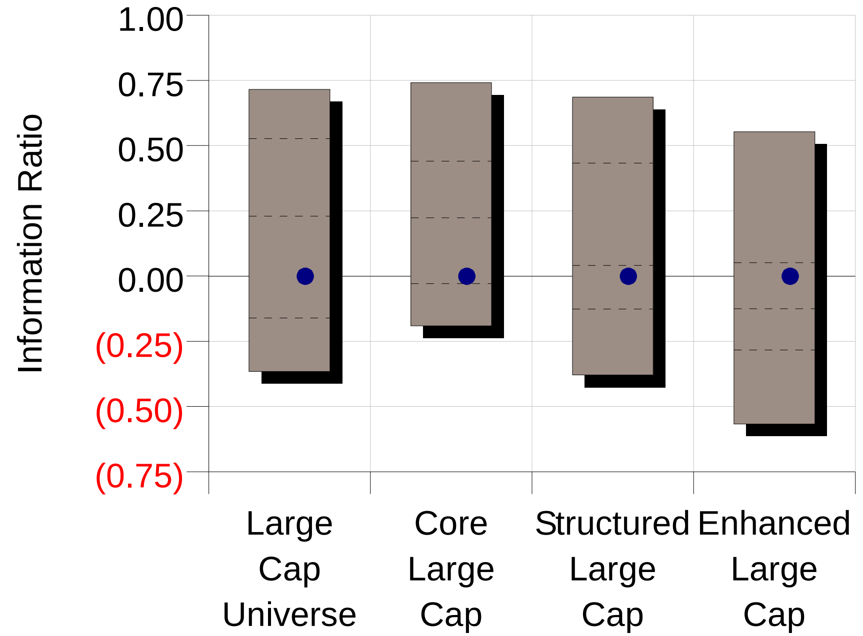


		Large Cap Universe	Core Large Cap	Structured Large Cap	Enhanced Large Cap
Median		1.32	1.18	0.16	(0.09)
Russell:1000 Index	●	0.00	0.00	0.00	0.00

Range of Information Ratio

- **Information ratios suggest that 1% of excess return for 4% of tracking error is reasonable to expect in large cap.**
- **This is roughly 1/2 to 1/3 of what you might expect from a well-structured active Small Cap or Non-U.S. equity portfolio.**
- **Manager selection combined with disciplined rebalancing and a long-term perspective can increase this ratio in a well-run program.**

Information Ratio relative to Russell:1000 Index for 10 Years Ended September 30, 2010



	Large Cap Universe	Core Large Cap	Structured Large Cap	Enhanced Large Cap
Median	0.23	0.22	0.04	(0.12)
Russell:1000 Index ●	0.00	0.00	0.00	0.00

Conclusions

- **There seems to be sufficient theoretical and empirical evidence to support the weak form over the strong form of the efficient markets hypothesis.**
- **This conclusion is time-period and asset class dependent requiring a long-term perspective.**
- **Active management out-performance has been cyclical, and success has been greater and more frequent in the less efficient parts of the market.**
- **A case can be made for a well-structured equity program employing a blend of active and passive strategies.**
- **It is not unreasonable to expect 1-2% in excess return (annualized) after fees over the long-term.**
- **This premium will not be realized in all years and will be highly dependent on the measurement period due to the cyclical nature of active management.**

Standard Industry Practices for Large Institutional Investors

- **Most large institutional investors employ a blend of active and passive strategies.**
- **While several plans in Callan's corporate and public (defined benefit) plan database that are 100% passively managed in the large cap sector, only one is 100% passively managed in total domestic equity.**
- **Most large institutional investors employ real estate and/or alternative investments.**
- **Many plans have gone passive with all, or a portion of their large cap U.S. equity and U.S. fixed income to reduce fees.**
- **They have typically maintained active exposure in Non-U.S. equities, emerging markets, and small cap.**

Building out a Blended Active/Passive Portfolio

- **Concentrate active management in highest probability areas for success**
  - Small/Mid U.S. Equity
  - Non-U.S. All Cap
  - Emerging Markets Equity
  - High Yield Debt
- **Continue to pursue passive management in more efficient areas to take advantage of lower fees and better index design**
  - Large Cap U.S. Equity
- **A well-executed blended structure is in line with industry best practices for large DB plans, improves diversification, and creates potential for higher risk-adjusted returns.**

Active and Passive Management in Large Institutional Portfolios

- END -

Survivorship Bias

- **There is an inherent survivorship bias which arises when analyzing data containing only current managers while excluding managers that have previously been terminated for poor performance or other reasons.**

Large Cap Active Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
LAZARD ASSET MANAGEMENT	3/31/1993	7.67	0.17
S&P 500		*7.50*	
RELATIONAL INVESTORS	6/30/2005	(0.89)	(2.18)
S&P 500		*1.29*	
RCM CAPITAL MANAGEMENT	6/30/1995	8.39	1.61
S&P 500 Growth		*6.78*	
MCKINLEY CAPITAL	12/31/1997	3.96	1.98
Russell 1000 Growth		*1.98*	
BARROW HANLEY MEWHINNEY STRAUSS	6/30/2007	(6.34)	2.42
Russell 1000 Value		*(8.76)*	
QUANTITATIVE MANAGEMENT ASSOCIATES	6/30/2007	(7.02)	1.75
Russell 1000 Value		*(8.76)*	

Small Cap Active Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
LORD ABBETT & CO	6/30/2005	1.85	(0.57)
Russell 2000		*2.42*	
JENNISON ASSOCIATES	6/30/2005	5.22	2.80
Russell 2000		*2.42*	
LUTHER KING CAPITAL MANAGEMENT	6/30/2005	3.47	1.05
Russell 2000		*2.42*	

International Active Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
LAZARD ASSET MANAGEMENT	6/30/1993	7.33	2.10
MSCI EAFE		*5.23*	
BRANDES INVESTMENT PARTNERS	9/30/1997	9.68	6.02
MSCI EAFE		*3.66*	
CAPITAL GUARDIAN	9/30/2001	7.44	0.68
MSCI EAFE		*6.76*	
MCKINLEY CAPITAL	6/30/2005	3.86	(0.68)
MSCI ACWI exUS Growth		*4.54*	

Emerging Markets Active Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
EATON VANCE MANAGEMENT	3/31/2008	(0.68)	(2.44)
MSCI Emerging Markets		*1.76*	
LAZARD ASSET MANAGEMENT	12/31/2007	0.18	2.76
MSCI Emerging Markets		*(2.58)*	
CAPITAL GUARDIAN	6/30/1994	10.13	2.47
MSCI Emerging Markets		*7.66*	

Convertible Bond Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
ADVENT CAPITAL	12/31/2009	8.48	(0.20)
ML All Convertibles		*8.68*	

Large Cap Passive Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
SSGA RUSSELL 1000 GROWTH	3/31/2007	(0.60)	0.15
Russell 1000 Growth		*(0.75)*	
SSGA RUSSELL 1000 VALUE	3/31/2007	(6.56)	0.33
Russell 1000 Value		*(6.89)*	
SSGA RUSSELL 200	3/31/2007	(4.10)	0.21
Russell Top 200		*(4.31)*	

Small Cap Passive Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
SSGA RUSSELL 2000 GROWTH	9/30/2007	(4.51)	(0.76)
Russell 2000 Growth		*(3.75)*	
SSGA RUSSELL 2000 VALUE	6/30/2007	(6.50)	(0.01)
Russell 2000 Value		*(6.49)*	

International Passive Managers

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
SSGA INTERNATIONAL ACWI exUS IMI	9/30/2009	8.65	0.17
MSCI ACWI exUS IMI		*8.48*	

Large Cap Combined

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
LAZARD ASSET MANAGEMENT	3/31/1993	7.67	0.17
S&P 500		*7.50*	
RELATIONAL INVESTORS	6/30/2005	(0.89)	(2.18)
S&P 500		*1.29*	
RCM CAPITAL MANAGEMENT	6/30/1995	8.39	1.61
S&P 500 Growth		*6.78*	
MCKINLEY CAPITAL	12/31/1997	3.96	1.98
Russell 1000 Growth		*1.98*	
BARROW HANLEY MEWHINNEY STRAUSS	6/30/2007	(6.34)	2.42
Russell 1000 Value		*(8.76)*	
QUANTITATIVE MANAGEMENT ASSOCIATES	6/30/2007	(7.02)	1.75
Russell 1000 Value		*(8.76)*	
SSGA RUSSELL 1000 GROWTH	3/31/2007	(0.60)	0.15
Russell 1000 Growth		*(0.75)*	
SSGA RUSSELL 1000 VALUE	3/31/2007	(6.56)	0.33
Russell 1000 Value		*(6.89)*	
SSGA RUSSELL 200	3/31/2007	(4.10)	0.21
Russell Top 200		*(4.31)*	

Small Cap Combined

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
LORD ABBETT & CO	6/30/2005	1.85	(0.57)
Russell 2000		*2.42*	
JENNISON ASSOCIATES	6/30/2005	5.22	2.80
Russell 2000		*2.42*	
LUTHER KING CAPITAL MANAGEMENT	6/30/2005	3.47	1.05
Russell 2000		*2.42*	
SSGA RUSSELL 2000 GROWTH	9/30/2007	(4.51)	(0.76)
Russell 2000 Growth		*(3.75)*	
SSGA RUSSELL 2000 VALUE	6/30/2007	(6.50)	(0.01)
Russell 2000 Value		*(6.49)*	

International Combined

Gross Performance as of 9/30/2010

FUND NAME	INCEPTION DATE	ANNUALIZED RETURN SINCE INCEPTION	OVER/(UNDER) INDEX
LAZARD ASSET MANAGEMENT	6/30/1993	7.33	2.10
MSCI EAFE		*5.23*	
BRANDES INVESTMENT PARTNERS	9/30/1997	9.68	6.02
MSCI EAFE		*3.66*	
CAPITAL GUARDIAN	9/30/2001	7.44	0.68
MSCI EAFE		*6.76*	
MCKINLEY CAPITAL	6/30/2005	3.86	(0.68)
MSCI ACWI exUS Growth		*4.54*	
SSGA INTERNATIONAL ACWI exUS IMI	9/30/2009	8.65	0.17
MSCI ACWI exUS IMI		*8.48*	

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	IFS Report Recommendation Task Area B.1.b, Recommendation #6 Int'l. Fixed Income: Exposure Limits	ACTION:	X
DATE:	February 11, 2011	INFORMATION:	

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area B.1.b Investment Performance Reporting to the Board

IFS Report Recommendation #6, page 48, states:

In the International Fixed Income Guidelines, add guidance on investing in non-U.S. sovereign debt securities in terms of maximum exposure and/or credit rating.

Staff concurs with this recommendation. The investment guidelines have been revised to include limitations on currency exposure and sovereign issuer exposure. Additionally, the benchmark has been included in the draft investment guidelines and, at the request of the investment manager, the draft guidelines limit corporate exposure to 20% of the portfolio and require them to be investment grade. Other minor edits have been made.

RECOMMENDATION

Approve Resolution 2011-02, adopting revised international fixed income guidelines.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to International Fixed Income Guidelines

Resolution 2011-02

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

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for the funds of the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System, and Alaska National Guard and Naval Militia Retirement System; 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 international fixed income securities; and

WHEREAS, the Board will establish and from time to time as necessary modify guidelines for fixed income securities;

NOW THEREFORE BE IT RESOLVED, that the Alaska Retirement Management Board adopts the International Fixed Income Guidelines, attached hereto and made a part hereof, regarding investment in international fixed income securities, and repeals and replaces Resolution 2006-23.

DATED at Juneau, Alaska this ______ day of February, 2011.

____
Chair

ATTEST:

____
Secretary

INVESTMENT GUIDELINES FOR INTERNATIONAL FIXED INCOME

A. **Purpose.** The portfolio will have a primary emphasis on diversification, subject to defined constraints, to minimize risk.

B. **Investment Structure.** Permissible international fixed income investments include:

1. obligations of the United States government and foreign governments, sovereign states (including local currency emerging markets) and supranational entities;
2. obligations of the agencies of the above;
3. certificates of deposit;
4. corporate debt obligations;
5. commercial paper and euro commercial paper;
6. bankers acceptances;
7. repurchase agreements; and
8. asset-backed obligations.

C. **External International Fixed Income Manager.** The manager must represent and warrant:

1. that it is an "investment advisor" as defined in the Investment Advisors act of 1940 as amended; and
2. that it has completed, obtained and performed all registrations, filings, approvals, authorizations, consents or examinations required by any government or governmental authority for acts contemplated by ~~this~~ these contracts; and
3. that it is a "Fiduciary", as that term is defined in Section 3(21)(a)(ii) of ERISA, with respect to the securities, and that it will discharge its duties with respect to the securities solely in the interest of the Alaska Retirement Management Board (ARMB) and the beneficiaries of the funds administered by the ARMB; and
4. that it has and will maintain all forms of insurance and other prerequisites required by the ARMB.

D. **Investment Management Service to be Performed.** International fixed income managers shall invest and reinvest the cash and securities allocated to them and deposited in their account, without distinction between principal and income, in a portfolio consisting of fixed income securities with an intended emphasis on international fixed income securities. These securities will be selected and retained by the managers solely on the basis of their independent judgment relating to economic conditions, financial conditions, market timing, or market analysis, and will not be subject to direction from the ARMB.

E. **Managers will be Authorized.** Managers are authorized to invest or reinvest or dispose of any cash or securities held in their account or invest the proceeds of any disposition, provided that:

1. The portfolio's duration may not exceed a band of +/- 25% around the duration of the ~~Index~~ Benchmark;

2. No more than ten percent of an outstanding non-government issue or non-government agency issue may be acquired;

3. No more than five percent of the portfolio's assets by market value may be invested in the corporate bonds of any one company or affiliated group;

4. Obligations are restricted to those denominated in the currencies as listed in section H ~~appendix E of the investment management contract~~;

5. Certificates of deposit must have been issued in a currency of an allowable country and must be readily saleable in a recognized secondary market for such instruments;

6. No more than 20 percent of the Portfolio, measured on the date of purchase, may be invested in corporate debt obligations. Corporate debt obligations must be rated investment grade or better by a recognized credit rating agency. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality. In the event that the rating becomes less than previously specified, the corresponding debt obligations will be liquidated at the discretion of the manager to obtain the best price for the downgraded security. If the securities are not liquidated within 90 days, the manager must have explained in writing to the CIO the decision to retain the securities;

7. Asset-backed obligations must be rated investment grade or better by a recognized credit rating agency. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality. In the event that the rating becomes less than previously specified, the corresponding debt obligations will be liquidated at the discretion of the manager to obtain the best price for the downgraded security. If the securities have not been liquidated within 90 days, the ~~contractor~~ manager must explain in writing to the CIO the decision to retain the securities;

8. Commercial paper and euro commercial paper must bear the rating of A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality. In the event that the rating becomes less than previously specified, the corresponding commercial paper will be liquidated at the discretion of the manager to obtain the best price for the downgraded security. If the securities are not liquidated within 90 days, the ~~contractor~~ manager must explain in writing to the CIO the decision to retain the securities;

9. Bankers' acceptances must have been drawn on and accepted by United States banks ~~which~~ that have capital and surplus of at least $200 million each;

10. Repurchase agreements must be secured by the debt obligations set forth in section B(1)-(2) of this guideline;

11. The manager is not allowed to hold a net short position in any currency and may not participate in hedging other than defensive hedging which is defined for purposes of this Section E as hedging of foreign currency exposure directly into the U.S. dollar;

12. Futures and forward contracts for the purchase or sale of currencies may be entered into only to facilitate securities transactions or for defensive hedging as described in (~~10~~ 11); and

13. Except in the context of transactions permitted under this Section E, the use of leverage is specifically prohibited.

F. Performance Standards. Managers are expected to have returns, over time, in excess of the appropriate benchmark, net of fees. The benchmark is a blend of 70% Citigroup World Government Bond Index Ex-US and 30% JP Morgan Government Bond Index – Emerging Markets Broad Diversified Index.

G. Brokerage and Commissions. In carrying out its functions, a manager will use its best efforts to obtain prompt execution of orders at the most favorable prices reasonably obtainable, and in doing so, will consider a number of factors, including, without limitation, the overall direct net economic result to the ARMB (recognizing that such commissions may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range, unless good cause exists), the financial strength and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, the availability of the broker to stand ready to execute possible difficult transactions in the future and other matters involved in the receipt of "brokerage and research services" as defined in and in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended, and regulations thereunder.

H. Allowable Currency and Sovereign Issuer Weightings

Country	**Minimum**	**Maximum**
Argentina	0	10
Australia	0	20
Brazil	0	10
Canada	0	25
Chile	0	10
China	0	10
Colombia	0	10
Czech Republic	0	10
Denmark	0	20
Egypt	0	10
Euro*	0	80
Hungary	0	10
India	0	10
Indonesia	0	10
Israel	0	10
Japan	0	60
Malaysia	0	10
Mexico	0	10
New Zealand	0	15
Norway	0	20
Peru	0	10
Poland	0	15
Russia	0	10
Singapore	0	15
South Africa	0	10
South Korea	0	10
Sweden	0	20
Switzerland	0	10
Thailand	0	10
Turkey	0	10
UK	0	30
United States	0	20
For each new Country entered into Benchmark	0	10

***Eurozone sovereign issuers in the aggregate**

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: IFS Report Recommendation
Task Area B.1.b, Recommendation #4
Fixed Income Investment Guidelines

ACTION: **X**

INFORMATION:

DATE: February 11, 2011

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area B.1.b Investment Performance Reporting to the Board

IFS Report Recommendation #4, page 48, states:

Consider adopting specific fixed income guidelines for each fixed income investment manager, rather than for each particular fixed income strategy. At a minimum, ensure that all guidelines reference the additional restrictions that are documented in the individual managers' contracts to help eliminate potential confusion.

Investment restrictions currently exist in both the investment guidelines and each individual manager's contract. Staff agrees with the recommendation that those restrictions germane to the particular fixed income strategy should reside in one location to the extent that the investment mandate does not require more customized instructions, in order to help eliminate duplication and potential confusion. However, staff believes locating all investment restrictions in the investment guidelines rather than embedding them within the investment manager contracts allows for more flexibility as future guidelines changes do not require a contract amendment. Additionally, to the extent that the Board opts to employ several managers in one fixed income strategy, making a change to the overall investment guidelines would require multiple contract amendments.

RECOMMENDATION

Authorize staff to draft amendments to fixed income manager investment contracts to remove investment restrictions germane to their respective fixed income strategies and embed a reference to the investment guidelines and to draft modified investment guidelines as necessary.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	IFS Report Recommendation Task Area A.1.b, Recommendation #1 TIPS and REIT Performance Reporting	ACTION:	X
		INFORMATION:	
DATE:	February 11, 2011		

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area A.1.b Investment Performance Reporting to the Board

IFS Report Recommendation #1, page 18, states:

> *ARMB should request that Callan include the TIPS portfolio and the REIT portfolio in the Investment Manager Returns exhibit and provide an investment summary page for the TIPS portfolio.*

Staff concurs with this recommendation and has requested that Callan implement the recommendation beginning with the reporting period ending March 31, 2011.

RECOMMENDATION

The ARMB ratify the CIO decision to implement IFS Recommendation #1 in Task Area A.1.b related to TIPS and REIT performance reporting.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	IFS Report Recommendation Task Area A.1.b, Recommendation #6 Report Inception Dates for IMAs	ACTION:	**X**
		INFORMATION:	
DATE:	February 11, 2011		

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area A.1.b Investment Performance Reporting to the Board

IFS Report Recommendation #6, page 23, states:

ARMB should ask Townsend to show the inception date for the IMAs.

This recommendation relates to Townsend disclosing the inception dates related to the real estate individually managed accounts (IMAs, a.k.a. Separate Accounts) in the real estate performance reports. Staff concurs with this recommendation and has requested that Townsend implement the recommendation for all real estate accounts and funds beginning with the reporting period ending March 31, 2011.

RECOMMENDATION

The ARMB ratify the CIO decision to implement IFS Recommendation #6 in Task Area A.1.b related to reporting inception dates for IMAs.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	IFS Report Recommendation Task Area A.1.b, Recommendation #7 Performance Reporting for IMAs	ACTION:	X
		INFORMATION:	
DATE:	February 11, 2011		

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area A.1.b Investment Performance Reporting to the Board

IFS Report Recommendation #7, page 23, states:

> *ARMB should ask Townsend to show annualized performance for a time period greater than five years (e.g., seven or 10 years) for the IMAs, where applicable.*

This recommendation relates to the reporting of long-term annualized performance in the real estate individually managed accounts (IMAs, a.k.a. Separate Accounts) in the Townsend real estate performance reports. Staff concurs with this recommendation and has requested that Townsend add 10-year annualized performance to the performance report beginning with the reporting period ending March 31, 2011.

RECOMMENDATION

The ARMB ratify the CIO decision to implement IFS Recommendation #7 in Task Area A.1.b related to performance reporting for IMAs.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	IFS Report Recommendation Task Area A.1.b, Recommendation #8 Real Estate IRRs	ACTION:	X
		INFORMATION:	
DATE:	February 11, 2011		

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area A.1.b Investment Performance Reporting to the Board

IFS Report Recommendation #8, page 23, states:

> *ARMB should ask Townsend to show performance for the IMAs as an internal rate of return (IRR) in addition to time-weighted returns.*

This recommendation relates to the performance reporting of the real estate individually managed accounts (IMAs, a.k.a. Separate Accounts) in the Townsend real estate performance reports. Staff concurs with this recommendation to add internal rates of return to the Townsend performance report. Staff has requested that Townsend add inception-to-date IRRs to all real estate investment mandates beginning with the reporting period ending March 31, 2011.

RECOMMENDATION

The ARMB ratify the CIO decision to implement IFS Recommendation #8 in Task Area A.1.b related to adding IRRs to the Townsend performance report.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	IFS Report Recommendation Task Area A.1.b, Recommendation #11 Real Estate Percentage Allocations	ACTION:	X
DATE:	February 11, 2011	INFORMATION:	

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area A.1.b Investment Performance Reporting to the Board

IFS Report Recommendation #11, page 24, states:

> *ARMB should consider asking Townsend to show the allocation to each fund (as well as the sub-portfolios and total portfolio) by percentage.*

Staff concurs with this recommendation and has requested that Townsend add percentage allocations to the quarterly real estate Townsend performance report beginning with the reporting period ending March 31, 2011.

RECOMMENDATION

The ARMB ratify the CIO decision to implement IFS Recommendation #11 in Task Area A.1.b related to adding real estate percentage allocations to the Townsend performance report.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Investment Advisory Council Member Contract Expiration	ACTION:	X
		INFORMATION:	
DATE:	February 11, 2011		

BACKGROUND:

AS 37.10.270 provides that the Alaska Retirement Management Board (Board) may appoint an investment advisory council (IAC) composed of at least three and not more than five members. Members shall possess experience and expertise in financial investments and management of investment portfolios for public, corporate, or union pension benefit funds, foundations or endowments. Currently, three IAC members are under contract to provide advisory services to the board and its staff. Under the Alaska State Pension Investment Board (ASPIB), the three advisory positions were designated by areas of expertise: an academic advisor, an advisor with experience as trustee/manager of a public fund or endowment, and an advisor with experience as a portfolio manager. IAC members currently attend Board meetings, an annual manager review meeting, and the annual education conference.

STATUS:

Dr. William Jennings holds the seat designated for the academic advisor. Dr. Jennings has been an IAC member for ASPIB and the Board since 2003. Dr. Jennings was initially appointed to finish the term of IAC advisor Dr. Shlomo Benartzi. Later, he was reappointed for a successive three year term. The term of Dr. Jennings expires June 30, 2011.

RECOMMENDATION:

That the Board direct staff to advertise and solicit applications from Dr. Jennings and other persons interested in serving as the academic advisor on the Investment Advisory Council.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Facilitating manager contribution and redemption activity using futures/ETFs	ACTION:	**X**
DATE:	February 11, 2011	INFORMATION:	

BACKGROUND:

The Alaska Retirement Management Board (ARMB) approved Resolution 2009-01 in February 2009. This resolution sets forth the rebalancing policy and delegates authority to the Chief Investment Officer to carry out the policy.

Several situations may give rise to the need to rebalance a fund's portfolio to within Board-approved bands, including: changes in asset class weightings due to relative performance of the various asset classes and managers within those asset classes; and Board-approved changes to a fund's asset allocation, whether as part of its ongoing oversight and review, due to the introduction of a new asset class, or changes to the projected return and volatility characteristics of the various asset classes.

STATUS:

In many circumstances the rebalancing transactions are comprised of cash contributions to and/or redemptions from investment managers. To the extent that these contribution and redemption transactions include ARMB equity managers, staff often utilizes passive equity accounts and/or a transition manager to facilitate this activity. Due to the settlement process for equity securities, the manager's portfolio or transition account is likely to be uninvested for some period of time as securities are liquidated to cash or cash received is invested in securities, subject to a settlement period (generally 1-3 days). In either case, these cash holdings are a drag on portfolio performance.

This frictional cash can be efficiently securitized during these transactions using standardized futures contracts and/or exchange traded funds (ETFs). Staff is recommending that the ARMB approve the use of futures contracts and ETFs to facilitate transitions and equity manager contributions and withdrawals in a more efficient manner.

RECOMMENDATION:

That the Alaska Retirement Management Board approve the use of standardized equity index futures and ETFs to facilitate manager cash flow.

ALASKA RETIREMENT MANAGEMENT BOARD
M E M O R A N D U M

To: ARMB Trustees
From: Judy Hall
Date: January 26, 2011
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
Victor Djajalie	Investment Officer	Equities	11/26/10
Bob Mitchell	Investment Officer	Equities	11/26/10 12/15/10 1/7/11
Nicholas Orr	Investment Officer	Equities	12/14/10 1/19/11
Sean Howard	Investment Officer	Equities	12/16/10
Mike Williams	Trustee	Equities	12/9/10

Alaska Retirement Management Board
2011 Meeting Calendar

February 9 February 10-11 Thursday-Friday Juneau	Audit Committee Meeting *Review Capital Market Assumptions *Manager Presentations
April 28-29 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 15	Committee Meetings: Audit
June 16-17 Thursday-Friday Anchorage	*Final Actuary Report/Adopt Valuation/Contribution Rates *Performance Measurement – 1st Quarter *Manager Presentations
September___	Committee Meetings: Budget, Real Assets, Salary Review
September 21	Committee Meetings: Audit
September 22-23 Thursday-Friday Fairbanks	*Audit Results/Assets – KPMG *Approve Budget *Performance Measurement – 2nd Quarter *Real Estate Annual Plan *Real Estate Evaluation – Townsend Group *Manager Presentations Education Conference
December 1-2 Thursday-Friday Anchorage	Audit Report Performance Measurement – 3rd Quarter Manager Review (Questionnaire) Private Equity Review Economic Round Table *Manager Presentations